

RUSSIA and the "RESET"

Opportunities and Challenges in Europe's Largest Market

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Not An Easy Place to Do Business

- Government Corruption
- Challenge to find qualified business partners
- More Corruption
- Complicated and non-transparent regulatory regime
- Even More Corruption
- Large state role in the economy

Negative Stereotypes - to Make a Point

- Challenging Market Not for Everyone
 - We often advise companies not to try this market
 - Part of our job is to provide accurate information and good advice
 - We do this to save you time and money
- Successful Market Entry Requires
 - Thorough market research
 - Senior management long-term commitment
 - Creativity and persistence
 - Carefully following US and Russian laws from the start

Successful Market Entry - Substantial Rewards

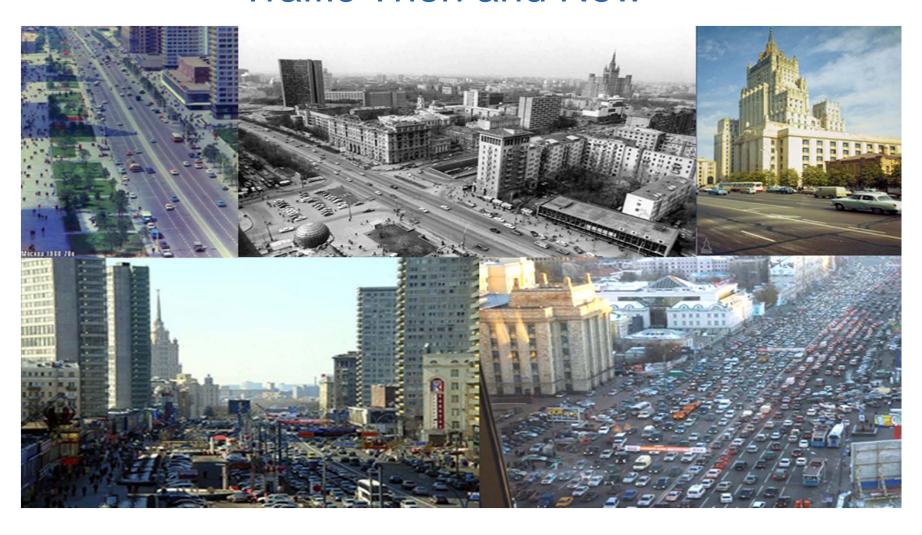
- A foothold in Europe's largest market
- Enjoy robust growth rates & profit margins
- Position Yourself for Expansion throughout the CIS Region in Eurasia
- 750 AmCham member companies prosper here

World's Largest Country



- Moscow 12 million people; St. Petersburg 4 million
- 9 other cities with a population over 1 million: Novosibirsk, Nizhny Novgorod, Yekaterinburg, Samara, Omsk, Kazan, Chelyabinsk, Rostov-Na-Don, and Ufa

Soviet Union ---- Modern Russia **Traffic Then and Now**



Shopping – Then and Now



Major Conspicuous Consumption



MODERN RUSSIA – THE BUSINESS REALITY

- Significant progress over past 20 years.
- Impressive economic growth from 1999 2010.
- Rebounding strongly from the global financial crisis.
- Substantial structural, administrative, & economic reforms continue - toward WTO accession
- Strategic market with huge natural resource endowment - Natural Gas, Oil, Minerals, Timber
 - Provides financing for government procurement
 - Provides financing for economic diversification

2010 Economic Brief

Real GDP growth: 4% 2010 (avg. +7% from '99-'08)

Nominal GDP: \$1.56 Trillion

Per capita GDP: \$15,000 (vs. \$5,300 in '05)

9% (vs. 21% in 2000) Inflation (CPI):

Unemployment: 7.6%

142 million (2010 census) Population:

- World's 12th largest economy
- Highest per capita income of "BRIC" countries.
- World's 3rd largest foreign exchange reserves.
- Dramatic reduction in sovereign debt.

Opportunity Drivers

Presidential Modernization and Innovation Program

5 Priorities

- Efficient Energy production, transportation and use
- Civilian Nuclear Technology electric power
- Information Technology
- Ground & Space Infrastructure telecom networks
- Medical Equipment

Opportunity Drivers, cont.

- State-run Rusnano Corporation Investing in technology commercialization (earned a profit in 2010)
 - 2008 through 2010 invested \$12 billion in 104 projects
 - From 2011 plans to invest \$2.2 billion in:
 - solar energy
 - energy efficiency
 - medicine
 - biotechnology
 - metalworking
 - opto and nanoelectronics

Opportunity Drivers, cont.

- Massive infrastructure needs
 - Road building upgrade and expansion
 - Railroad upgrade and expansion
- Russia Hosting APEC 2012 in Vladivostok
- Sochi Winter Olympics 2014
- Soccer World Cup 2018 10+ Russian Cities

Leading Sectors for U.S. Exports

- Apparel
- Auto Parts & Service Equipment / **Accessories**
- Aviation
- **Construction / Greenbuild**
- **Electric Power Generation & Transmission Equipment**
- **Medical Equipment**
- Refinery Equipment
- Safety & Security Equipment
- Travel & Tourism to U.S.

Taking Advantage of Opportunity

- Establishing U.S. advanced road paving technology
 - technology, know how, project management, equipment
- Proposed Trade Missions
 - Energy Efficiency
 - Automotive Supply Chain
- Completed trade mission
 - Aerospace suppliers October 2010 results

Commercial Service Russia Results

- 2010 Helped over 100 companies enter/expand in Russian market
- Ohio graphite material science company
- Arkansas manufacturer of cables for the mining sector
- California enterprise software company
- Colorado franchising company marketing video-based, live-facilitated management and sales training
- Texas maker of in home gender prediction kits
- South Carolina distributor of reconditioned U.S. medical imaging equipment
- Texas manufacturer of industrial plant, dock and terminal use tractors used in cargo and materials handling
- California based supplier of high performance automotive parts and tuning equipment
- Wisconsin manufacturer of special purpose heavy duty trucks

Managing Risks & Reaping Rewards

- Commercial Service Russia on the ground in Moscow, St. Petersburg and Vladivostok
- Russian staff of industry specialists writing original market research
- Practical advice on market entry and market planning
- Our main interest is your long-term success in the Russian market
- Let us help you manage the risks and reap the rewards

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