

## The Russian Market: Opportunities for the U.S. Chemicals Sector

### The Russian Market for Chemicals and Related Products Is Growing

Several key industries in Russia rely on high quality, foreign-made chemicals, including the auto sector, oil and gas, construction, water treatment, and agriculture. With several of these sectors exhibiting impressive growth in Russia, the country represents a bright spot on the horizon for U.S. chemical firms – Russia's chemical industry grew 4-7% during the past 5 years.<sup>1</sup>

### U.S. Chemical Firms Are Reaping the Benefits of the Russian Market

U.S. chemical companies are discovering that Russia's diversifying economy can be a source of international sales growth. For example, The Dow Chemical Company, active in Russia since 1974, sells a variety of plastics and specialty chemicals to a wide range of Russian industries.<sup>2</sup>

- Dow Chemical's business in Russia is growing 40% annually on average.<sup>3</sup>
- In 2005, Dow Chemical's sales in Russia valued US\$340 million.<sup>4</sup>

### Russia's WTO Accession Will Provide Additional Opportunities for U.S. Chemical Companies

Russia's imports of chemical products have been increasing steadily, reaching record-highs in recent years.<sup>5</sup> WTO commitments that Russia made in November 2006 should permit this positive trend to continue.

- In 2006, Russia imported from the U.S. more than US\$115 million worth of chemical products – a growth of 20% over 2005 levels.<sup>6</sup>
- Russia is also an importer of U.S. plastics, importing nearly US\$100 million worth of U.S.-made plastics and plastic articles in 2006.<sup>7</sup>
- Russia has agreed to join the WTO's Chemical Tariff Harmonization Agreement, and the country will therefore bind tariffs on imported chemical products along the processing chain at 5.5% and 6.5%.<sup>8</sup>

### Russia Is a Potential Base for Large-Scale Chemical Investment

U.S. firms are taking advantage of promising investment opportunities in the chemical sector to better serve Russia's growing market.

- DuPont recently gained 100% control over Russian enterprise ZAO Khimprom.<sup>9</sup> Additionally, DuPont formed a joint venture in 2006 aimed at supplying automotive coatings to the Russian market.<sup>10</sup>
- Dow Chemical has invested in the construction of a new Russian production plant for the company's trademarked Styrofoam insulation boards to serve Russia's growing construction market and improve energy efficiency in homes and office buildings.<sup>11</sup>
- In 2006, Dow Chemical announced the formation of a joint venture with the Russian company Izolan to provide customer-tailored polyurethane systems products to a growing customer base in Russia.<sup>12</sup>

<sup>1</sup> *Chemical Week*, (September 27, 2006).

<sup>2</sup> Dow Press Release, (November 2, 2006).

<sup>3</sup> "U.S. Business in Russia," Brochure published by the American Chamber of Commerce in Russia (2007).

<sup>4</sup> *Financial Times*, (September 20, 2006).

<sup>5</sup> *Russia & CIS Business and Financial Newswire*, (November 30, 2006).

<sup>6</sup> ITC Dataweb, Total U.S. Exports to Russia, (HTS-29 + HTS-38), 2005-2006 by FAS Value.

<sup>7</sup> ITC Dataweb, Total U.S. Exports to Russia, (HTS-39), 2006, by FAS Value.

<sup>8</sup> "Non-Agricultural Goods Market Access," USTR Fact Sheet, (November 19, 2006).

<sup>9</sup> *Interfax*, (October 18, 2005).

<sup>10</sup> DuPont Press Release, (January 30, 2006).

<sup>11</sup> Dow Press Release, (November 3, 2005).

<sup>12</sup> Dow Press Release, (August 8, 2006).