



## Russia: A Reliable Partner for Metal Users and Equipment Manufacturers in the U.S.

### Russia Is an Important Player on the International Metals Market

Russia is the world's 2<sup>nd</sup>-largest producer and exporter of aluminum, the 2<sup>nd</sup> biggest titanium producer, the largest nickel exporter, and the #4 producer of steel globally.<sup>1</sup> Russia's importance on the world metals market creates several opportunities for U.S. firms exporting mining and metalworking equipment, and companies investing in Russia's metal production. Additionally, U.S. firms are selling value-added metal products to Russia's growing consumer base.

- Several metals in Russia are exhibiting impressive production growth, including copper rolled stock (5.3%); nickel (5.9%); stainless steel (28.6%); tin (10.3%); titanium sponge (8.1%); and titanium rolled stock (22%).<sup>2</sup>
- On the demand side, Russia's consumption of rolled metal products rose at an average annual rate of 15% over 2000-2005, and U.S. firms are supplying the market.<sup>3</sup>
- The aluminum market in Russia has been growing steadily since 1997, and there remains solid potential for further growth due to increased auto production, rising demand for aluminum cans, and the restructuring of the Russian power sector.<sup>4</sup>

### Russia Is Taking Steps to Liberalize Trade in Metals

- Russia's Norilsk Nickel is the world's largest palladium miner, and the Russian government recently took an important step towards the liberalization of its precious metals market by eliminating export quotas on platinum and palladium.<sup>5</sup>
- As part of its WTO commitments, Russia will cut export duties on ferrous (steel) scrap to 1/3 of current levels, allowing freer trade in this important input to steel.<sup>6</sup>

### Opportunities Abound for U.S. Equipment Manufacturers

Russia holds some of the largest metal deposits in the world, but these deposits often lie in difficult conditions, necessitating Western equipment to bring them to market.

- In 2006, Russia imported U.S.-made boring and sinking machinery (and parts) valued at over US\$37 million, and these U.S. machinery imports grew 55% in the first half of 2007.<sup>7</sup>
- U.S. exports of machinery and parts for rock cutting and mineral extraction stood at over US\$53 million in 2006 – a growth of more than 40% by value over 2005.<sup>8</sup>
- Caterpillar machinery has stood up well in the harsh weather of Russia's Far East, and Caterpillar is well-regarded by Russian firms operating there.<sup>9</sup>

### Investment Opportunities Are Opening Up for U.S. Firms

Russia's growing demand for finished metals products, combined with the country's endowment in sought-after metals, create robust investment opportunities for U.S. firms.

- Alcoa has invested almost US\$400 million in Russia over the last two years,<sup>10</sup> and the company has recently announced plans to double its investment program in Russia.<sup>11</sup>
- Boeing Company has formed a joint venture with Russia's leading titanium producer.<sup>12</sup>
- In 2006, Russian steel major Severstal sold US\$1 billion worth of shares to global investors.<sup>13</sup>
- Russia's third-largest gold producer recently sold nearly a quarter of its stock in an offering valued at US\$600 million.<sup>14</sup>

<sup>1</sup> *Russia & CIS Business and Financial Newswire*, (July 4, 2007).

<sup>2</sup> Growth rates are YTD for Jan-Sept, 2006. See: *Prime-Tass*, (October 20, 2006); *Interfax*, (October 24, 2006).

<sup>3</sup> Alcoa presentation to the 2006 USRBC Annual Members and Directors Meeting (October 2006).

<sup>4</sup> *Aluminum Russia*, Monthly Newsletter Distributed by RUSAL, Issues 1, 4, 5 and 6 (2006).

<sup>5</sup> *Reuters*, (January 15, 2007).

<sup>6</sup> "Non-Agricultural Goods Market Access," USTR Fact Sheet (November 19, 2006).

<sup>7</sup> ITC Databeab, Total U.S. Exports to Russia (HTS-8430410000 + HTS-8430498050 + HTS-8431438090), 2006 and YTD 06/07 by FAS Value.

<sup>8</sup> ITC Databeab, Total U.S. Exports to Russia (HTS-8474 + HTS-8430310000 + HTS-8430390000 + HTS-8431499027), 2005-2006 by FAS Value.

<sup>9</sup> Andrei Vasenev, "Sakha Republic (Yakutia) Regional Profile," BISNIS, (August 2006).

<sup>10</sup> "U.S. Business in Russia," Brochure Published by the American Chamber of Commerce in Russia, (2007).

<sup>11</sup> *EIU ViewsWire*, (May 2, 2007).

<sup>12</sup> Boeing Company.

<sup>13</sup> *International Herald Tribune*, (November 9, 2006).

<sup>14</sup> *Moscow News*, (June 15, 2007)..