

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

Russian Industries Depend on Chemicals and Related Products from Foreign Companies

The Russian market for chemicals is valued at approximately **\$32 billion**. With domestic chemical producers fulfilling only half of the market demand¹, several key industries in Russia rely on high-quality, foreign-made chemicals, including the automotive, oil and gas, construction, and agriculture sectors.

U.S. Chemical Companies Have Experienced Long-Term Success in Russia

For decades, U.S. chemical producers have supplied Russian companies and consumers with a broad range of organic and inorganic chemical products.

- Active in Russia since 1974, **The Dow Chemical Company** saw its sales in the former Soviet Union reach \$600 million in 2009², with much of that activity taking place in Russia. The company is the market leader in Russia for cold-applied adhesives used in automobile windshield replacements.³
- Philadelphia's **Rohm and Haas Company**, a wholly-owned subsidiary of Dow, supplies Russian customers with ion-exchange resins, biocides and agrochemicals.⁴
- Also present in the Russian market since the 1970s, **DuPont** supplies the Russian market with a broad range of chemical products, ranging from automotive coatings to pesticides.⁵

Russia's WTO Accession Will Provide Further Opportunities for U.S. Chemical Producers

Russia increasingly imports chemicals from abroad. In January-July 2010, **Russian imports of chemicals grew 34%** over the same period in 2009 to total \$19 billion.⁶ WTO commitments made in Russia's 2006 Bilateral Agreement with the U.S. will improve U.S. chemical companies' access to this important market.

- U.S. exports of organic, inorganic and miscellaneous chemical products to Russia totaled nearly \$147 million in 1H 2010, marking a 46% rise over the same period in the previous year and putting these exports to Russia on track to surpass their full-year 2009 total of \$182 million. Previously, such U.S. exports to Russia had grown 39% in 2008 to exceed \$241 million.⁷
- Russia is now the **8th largest market in the world for U.S. exports of PVC and other polymers** used to make furniture, pipes and surface coatings. In 1H 2010, U.S. exports to Russia of PVC and related polymers totaled more than \$44 million, far exceeding the record high of \$27 million exported to Russia in 2009.⁸ PVC exports contributed to a total of \$100 million in U.S. plastic and plastic article exports to Russia in 1H 2010, representing growth of 87% over 1H 2009 levels.⁹
- Russia has agreed to join the WTO's Chemical Tariff Harmonization Agreement, and the country will bind tariffs on chemical products along the processing chain at 5.5% and 6.5% upon accession.¹⁰

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 the large Russian market.

- **Dow Chemical's** Russian joint venture, Dow Izolan, produces polyurethane systems for automotive, furniture, footwear, and construction companies.¹¹ Dow also serves Russia's construction market through a Styrofoam insulation board production facility near Moscow.¹²
- In 2008, Dow subsidiary **Rohm and Haas** opened a plant in Moscow to manufacture adhesives as well as additives for paints and coating materials.¹³
- **DuPont-Russian Coatings**, a joint venture between DuPont and Russia's Russkie-Kraski, opened a \$3 million headquarters in Yaroslavl in 2008. The facility is the largest automotive coatings development center in Russia.¹⁴ Additionally, since 2005 DuPont has held 100% control ZAO DuPont Khimprom¹⁵, a joint venture founded in 1998 to produce crop-protecting agents.¹⁶
- Ohio-based **Hexion Specialty Chemicals, Inc.** is a partner with Russia's OAO Shchekinoazot in a joint venture that manufactures resins for Russia's forestry and construction markets.¹⁷

¹ *Doing Business in Russia: 2010 Country Commercial Guide for U.S. Companies*, U.S. Commercial Service and U.S. Department of State, 2010.

² "Dow: Reliable Partner for the Russian Chemical Industry," The Dow Chemical Company Website, March 17, 2010, <http://easterneurope.dow.com/news/2010/20100317a.htm>, (accessed April 26, 2010).

³ "Dow Automotive Systems at Interauto in Moscow," The Dow Chemical Company Website, September 15, 2009, <http://automotive.dow.com/about/news/english/2009/20090915a.htm>, (accessed October 30, 2009).

⁴ "Rohm and Haas Launches Polymer Emulsions Plant near Moscow, Russia," Rohm and Haas Company News Release, November 21, 2008.

⁵ "DuPont Science and Technologies," DuPont Website, http://www2.dupont.com/DuPont_Home/en_RU/, (accessed April 26, 2010).

⁶ "О состоянии внешней торговли в январе-июле 2010 года," Federal State Statistics Service Website, http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d04/193.htm, (accessed September 20, 2010).

⁷ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia, (HTS-28, HTS-29 and HTS-38), 2004-2009 and 1H 2010 YTD, by FAS Value.

⁸ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia and to All Countries, (HTS-3904), 2004-2009 and 1H 2010 YTD, by FAS Value.

⁹ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia, (HTS-39), 2004-2009 and 1H 2010 YTD, by FAS Value.

¹⁰ "Results of Bilateral Negotiations on Russia's Accession to the World Trade Organization (WTO): Non-Agricultural Goods Market Access," Office of the U.S. Trade Representative, November 19, 2006.

¹¹ "Dow Chemical JV to Launch Polyurethane Plant Dec 11," Interfax, December 11, 2009.

¹² "Dow Builds Stake in Russian Construction Market with Investment in Moscow XPS Plant," Dow Chemical Company Press Release, November 3, 2005.

¹³ "Rohm and Haas Launches Polymer Emulsions Plant near Moscow, Russia," Rohm and Haas Company News Release, November 21, 2008.

¹⁴ "DuPont Venture Opens R&D Center in Russia; Fresh Paint," *Coatings World*, September 1, 2008.

¹⁵ "DuPont to Set Up Sales Network in Russia," Interfax, October 18, 2005.

¹⁶ "ZAO DuPont Khimprom," DuPont Website, http://www2.dupont.com/Our_Company/en_RU/DuPont_Khimprom_en.html, (accessed August 20, 2009).

¹⁷ "Hexion Specialty Chemicals and OAO Shchekinoazot Form Joint Venture to Produce Resins for Forest Products & Construction in Russia," Hexion Specialty Chemicals, Inc. Press Release, May 16, 2007.