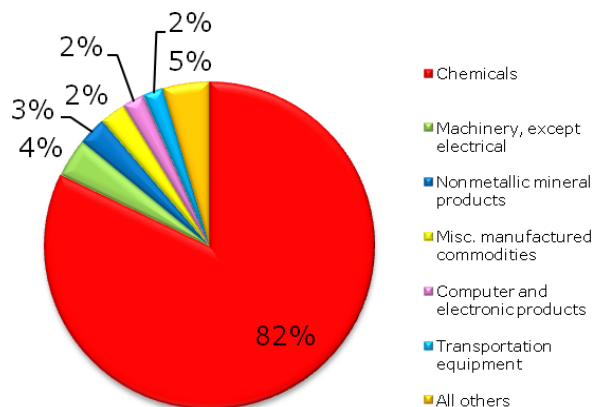


Tennessee and the Russian Market

Top Merchandise Exports to Russia

Percent of Total Exports to Russia in Q1 2011¹



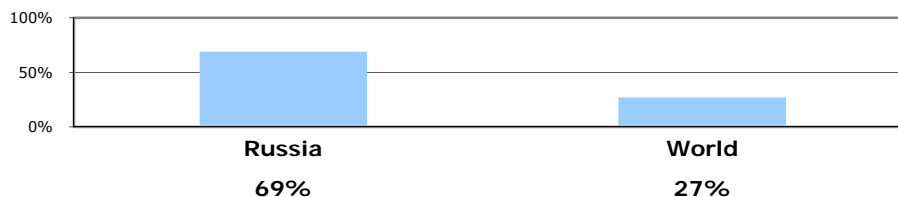
Many of Tennessee's top exports to Russia are on the rise

Exports to Russia in US\$ Thousands

Product	2007	2008	2009	2010	% Change 2009-2010	Q1 2010	Q1 2011
Total	117,618	120,204	80,369	135,595	69%	25,944	32,635
Chemicals	54,375	51,539	45,188	97,123	115%	17,310	26,799
Machinery, except electrical	8,810	18,601	2,483	5,249	111%	944	1,249
Nonmetallic mineral products	2,018	1,161	60	502	737%	0	925
Misc. manufactured commodities	2,905	5,207	3,972	5,804	46%	819	823
Computer and electronic products	1,116	11,180	10,781	8,899	-17%	285	693
Transportation equipment	37,157	15,366	873	5,946	581%	3,083	652
All others	11,236	17,150	17,012	12,072		3,502	1,494

Tennessee's exports to Russia are growing faster than the state's exports to the world

In 2010, Tennessee's exports to Russia grew 69% over the previous year's total, while its exports to the world grew only 27%



Russia's WTO accession will increase opportunities for Tennessee's exporters



Chemicals: The Russian market for chemicals is valued at \$32 billion, but domestic producers fulfill only half of the market demand², creating opportunities for U.S. chemical exporters to supply key industries in Russia, including the automotive, oil and gas, construction, and agriculture sectors. Russia has agreed to join the WTO's Chemical Tariff Harmonization Agreement and **will bind tariffs on chemical products along the processing chain at 5.5% and 6.5% upon accession to the WTO.**³



Machinery and manufactured commodities: Russian companies' demand for high-quality imported machinery generates significant export opportunities for U.S. manufacturers of equipment and parts. Russia imported nearly \$102 billion worth of machinery and equipment in 2010, and Russia's imports of machinery and equipment have grown at least 40% annually in dollar terms every year since 2004.⁴ Under the terms of its WTO accession package, **Russia will cut tariffs on manufactured goods to an average of 8%**⁵, providing U.S. machinery and parts exporters with improved market access.



Computer and electronic products: Russia's personal computer market and software market are projected to **more than double in size** between 2010 and 2015, with sales of PCs expected to rise from \$7 billion in 2010 to \$15 billion in 2015 and software sales projected to grow from \$3 billion in 2010 to more than \$6 billion by 2015.⁶ **As part of its WTO commitments, Russia will permit IT imports to enter the country duty-free.**⁷

Success Stories of Tennessee Companies Active in the Russian Market



FedEx Express facilitates shipping to several cities across Russia. The company will benefit from terms negotiated in the course of Russia's WTO accession talks allowing over-flights of Russian territory by FedEx planes, thereby shortening routes to destinations in Europe and Asia, reducing fuel consumption and increasing the speed and efficiency of package deliveries.⁸



International Paper sells paper, packaging and market pulp to Russian customers and has established its *Ballet* and *Svetocopy* paper brands as leading brands in the Russian office paper market.⁹ IP's sales in Russia are supported by the company's Russian subsidiary (ZAO International Paper) and its 50-50 joint venture with leading Russian pulp and paper company Ilim Group. The company envisions that, by 2012, every second sheet of paper and every third box in Russia will be made by International Paper / Ilim Group.¹⁰

Other Companies with a Presence in Tennessee that Export to and/or Do Business with Russia

Air Products and Chemicals, Inc.
Alcoa, Inc.
Archer Daniels Midland Company
The Black & Decker Corporation
Black & Veatch Corporation
The Boeing Company
Caterpillar, Inc.
Cummins, Inc.
Deere & Company
Deloitte

Don Baskin Truck Sales LLC
DuPont
Eastman Chemical Company
Ernst & Young
Evergreen Packaging
Fluor Corporation
General Electric Company
General Motors Company
Hail and Cotton, Inc.
Heatec, Inc.

KPMG International
Mars, Inc.
Medtronic, Inc.
Microsoft Corporation
Perma-Chink Systems, Inc.
PricewaterhouseCoopers
Procter & Gamble Co.
Qualcomm Inc.
TRW Automotive Inc.
United Coal Company LLC

¹ Source for State Export Data: Office of Trade and Industry Information, Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.

² *Doing Business in Russia: 2010 Country Commercial Guide for U.S. Companies*, U.S. Commercial Service and U.S. Department of State, 2010.

³ "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.

⁴ "Импорт по товарам и товарным группам в разрезе ТН ВЭД России," Federal State Statistics Service, <http://www.gks.ru/dbscripts/Cbsd/DBInet.cgi?pl=2123005>, (accessed April 26, 2011).

⁵ "Factsheet on U.S.-Russia WTO Bilateral Market Access Agreement," Office of the U.S. Trade Representative, November 10, 2006.

⁶ "Russia Consumer Electronics Report Q2 2010," Business Monitor International, <http://www.companiesandmarkets.com/Summary-Market-Report/russia-consumer-electronics-report-q2-2010-278893.asp>, March 17, 2010; "Russia Information Technology Report Q1 2011," <http://www.pr-inside.com/russia-information-technology-report-q1-2011-265.htm>, January 31, 2011.

⁷ "Non-Agricultural Goods Market Access," Office of the U.S. Trade Representative, November 19, 2006.

⁸ "Russian Senator Calls for 'Common Sense' Approach in U.S.-Russia Relations," U.S.-Russia Business Council Press Release, April 22, 2008.

⁹ "International Paper in Russia," International Paper Website, <http://www.internationalpaper.com/RUSSIA/EN/Company/IPRussia.html>, (accessed December 14, 2010).

¹⁰ International Paper Company.