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**U.S. CHAMBER OF COMMERCE**

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# Statement of the U.S. Chamber of Commerce

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**ON:** Russia's Accession to the World Trade Organization and  
Granting Russia Permanent Normal Trade Relations

**TO:** U.S. House of Representatives Committee on Ways and Means

**BY:** U.S. Chamber of Commerce

**DATE:** June 20, 2012

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The Chamber's mission is to advance human progress through an economic,  
political and social system based on individual freedom,  
incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business—manufacturing, retailing, services, construction, wholesaling, and finance—is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 115 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

The U.S. Chamber of Commerce is pleased to submit this testimony for the record on Russia's accession to the World Trade Organization (WTO) and the case for congressional approval of Permanent Normal Trade Relations (PNTR) with Russia. The U.S. Chamber is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

No priority facing our nation is more important than putting Americans back to work. More than 8% of the U.S. workforce is unemployed — a figure that soars to 15% when those who have stopped looking for jobs and the millions of part-time workers who want to work full time are included. As a nation, the biggest policy challenge we face is to create the 20 million jobs needed in this decade to replace the jobs lost in the current recession and to meet the needs of America's growing workforce.

World trade will play a vital role in reaching this job-creation goal. When President Barack Obama delivered his State of the Union address in January 2010, the U.S. Chamber and the rest of the business community welcomed his call for a national goal to double U.S. exports within five years.

The rationale is clear: Outside our borders are markets that represent 80% of the world's purchasing power, 92% of its economic growth, and 95% of its consumers. The resulting opportunities are immense.

Already, more than 38 million Americans jobs depend on trade. One in three manufacturing jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas.

Nor is trade important only to big companies. Often overlooked in the U.S. trade debate is the fact that more than 97% of the quarter million U.S. companies that export are small and medium-sized enterprises (SMEs), and they account for nearly a third of U.S. merchandise exports according to the U.S. Department of Commerce. In fact, the number of SMEs that export has more than doubled over the past 15 years.

The bottom line is simple: If America fails to look abroad, our workers and businesses will miss out on huge opportunities. Our standard of living and our standing in the world will suffer. With so many Americans out of work, opening markets abroad to the products of American workers, farmers, and companies is a higher priority than ever before.

It is within this context that we should consider the Chamber's top trade priority before the Congress this year: Approval of PNTR with Russia and Russia's graduation from the Jackson-Vanik amendment.

On December 16, 2011, trade ministers at the 8th WTO Ministerial Conference celebrated the conclusion of 18 years of negotiations for Russia to accede to the WTO and invited Russia to become the organization's 154<sup>th</sup> member. In those negotiations, Russia committed to enact a host of reforms to meet its extensive commitments to the WTO, and Moscow is expected to complete this work and formally join the WTO in July 2012.

That Russia will join the WTO is no longer in doubt. In fact, at this juncture, the United States can neither help nor hinder Russia in doing so. However, the U.S. Congress must act to ensure that the United States benefits from the reforms Russia undertakes as it joins the WTO.

Specifically, Congress must pass a short and simple bill that grants Russia PNTR and repeals the Jackson-Vanik amendment with respect to Russia. Failure to do so will put U.S. workers, farmers, and businesses at a unique disadvantage in the growing Russian marketplace and drive new sales, exports, and job-creation opportunities to our European and Asian competitors.

Joining the WTO requires Russia to implement a host of economic reforms. The multilateral trade agreement governing Russia's accession requires Moscow to open its market to U.S. goods, services, and investment; ensure greater respect for the rule of law; and protect intellectual property. A summary of the commitments made by Russia as a condition of its accession to the WTO appears in Exhibit 1 (next page).

One little understood aspect of this process is that Congress does not vote on Russia's accession to the WTO and has no authority to block it. Rather, Congress must approve PNTR and repeal the Jackson-Vanik amendment with respect to Russia if American companies, workers, and farmers are to benefit from Russia's new openness as it joins the WTO.

Under WTO rules, every WTO member must grant all other members unconditional Permanent Normal Trade Relations (also known as "most-favored nation" status). This obligation originated in the WTO's predecessor, the 1947 General Agreement on Tariffs and Trade (GATT), and it mandates that any advantage granted to one WTO member by another member must be accorded unconditionally to all other members.

The United States will be in clear violation of this rule if it fails to repeal Jackson-Vanik with regard to Russia. Russia would thus be fully within its rights to withhold the benefits of its accession-related reforms from U.S. companies.

The Jackson-Vanik amendment to the Trade Act of 1974 was devised to press the Soviet Union to allow the emigration of Soviet Jews, prisoners of conscience, and victims of religious persecution. With respect to Russia, Jackson-Vanik has fully accomplished its objective. With the collapse of the Soviet Union two decades ago, Russia established freedom of emigration for all citizens. Since 1992, U.S. presidents of both parties have issued annual certifications of Russia's full compliance with the Jackson-Vanik amendment.

Because no other WTO member has a law similar to Jackson-Vanik, all of Russia's trading partners except the United States will immediately benefit when Russia joins the WTO in July. If Jackson-Vanik remains applicable to Russia, the United States will be in violation of WTO rules.

Failure to approve PNTR and repeal Jackson-Vanik with regard to Russia would allow Moscow the right to discriminate against U.S. companies and the workers they employ and deny them the full benefits of Russia's market-opening reforms. Meanwhile, European and Asian companies will be able to build on their already significant head start in tapping the growing Russian market.

**Exhibit 1:**  
**What Does PNTR Mean for the United States and Russia?**  
*For the United States, all the benefits*  
*For Russia, all the concessions*

**Which To-Do List Would You Rather Have?**

United States of America TO DO:	Russian Federation TO DO:
<ul style="list-style-type: none"> <li>▪ Approve legislation providing PNTR and graduating Russia from the Jackson-Vanik certification process.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cut tariffs on manufactured products from 10% to 7%, with steeper cuts on priority goods:               <ul style="list-style-type: none"> <li>○ <i>Eliminate duties on IT products.</i></li> <li>○ <i>Cut duties on wide body aircraft from as high as 20% to 7.5%.</i></li> <li>○ <i>Slash average tariff on chemicals to 5.3% from as high as 20%.</i></li> <li>○ <i>Cut tariffs on combine harvesters from 15% to 5%.</i></li> </ul> </li> <li>▪ Reduce duties on farm products to 10.8% from 13%, with notable gains for key products:               <ul style="list-style-type: none"> <li>○ <i>Expand market access for beef, poultry, and other products at reduced tariffs.</i></li> <li>○ <i>Require use of international standards and enforceable disciplines against trade restrictions that are not science based.</i></li> <li>○ <i>Cap farm subsidies at \$9 billion in 2012 and cut them in half by 2018.</i></li> </ul> </li> <li>▪ Open services markets to U.S. firms:               <ul style="list-style-type: none"> <li>○ <i>Allow 100% U.S. ownership of companies in banking, securities, nonlife insurance, telecommunications, audiovisual, wholesale, distribution, retail, and franchises.</i></li> </ul> </li> <li>▪ Meet intellectual property commitments of the WTO TRIPS Agreement:               <ul style="list-style-type: none"> <li>○ <i>Enhance enforcement on the Internet and new copyright and patent protections.</i></li> </ul> </li> <li>▪ Cut the maximum customs clearance fee by two-thirds.</li> <li>▪ Allow trade disputes to be taken to the WTO dispute settlement system.</li> </ul>

Russia is the world's ninth largest economy and the last major economy to join the WTO. Even ahead of Russia joining the WTO, it has already emerged as a market of great promise: Of the top 15 U.S. trading partners, Russia was the market where U.S. companies enjoyed the fastest export growth last year — a robust 38%.

Furthermore, the President's Export Council estimates that U.S. exports of goods and services to Russia — which, according to estimates, topped \$11 billion in 2011 — could double or triple once Russia joins the WTO. Many U.S. companies are already active in Russia; to illustrate, the American Chamber of Commerce in Russia has more than 700 members. For many of these companies, Russia has proven to be a lucrative market for high quality goods and services.

Business opportunities in Russia are significant and are expected to grow substantially after Russia finalizes its accession to the WTO. For instance, the total cost of needed infrastructure spending over the next five years is conservatively estimated at \$500 billion, according to the American Chamber of Commerce in Russia. Private-sector participation in this building boom could offer significant opportunities for U.S. companies.

The World Bank forecasts WTO accession could increase Russian GDP by 3.3% in the medium term and by 11% over a longer period as greater openness and competition in the marketplace compel the Russian economy to become more efficient. Russia's economy has been dominated by natural resource extraction and state-owned and state-influenced enterprises; joining the global rules-based trading system will foster diversification and openness and directly benefit consumers.

One often-posed question is: What happens if Russia fails to meet its commitments? In the area of intellectual property protection, for example, Russia continues to present significant challenges to U.S. innovators and creative artists. The Chamber will continue to urge the U.S. government to remain vigilant in ensuring that Russia implements its intellectual property commitments in full and makes greater progress with respect to combating online piracy.

However, addressing these challenges will be easier once Russia joins the WTO. Other countries will for the first time be able to use the WTO dispute settlement process to hold the Russian authorities accountable should they fail to fulfill their commitments as a new member of the organization. The WTO dispute settlement process affords graduated responses to the arbitrary imposition of trade barriers, including the possibility of WTO-sanctioned retaliation. At present, no such recourse exists, and U.S. authorities have few options to respond to Moscow's arbitrary trade actions. However, the United States cannot avail itself of WTO dispute settlement unless it grants Russia PNTR.

Russia's accession to the WTO has been a bipartisan American foreign policy goal for many years. In 1993, Russia applied to join GATT, the precursor to the WTO. After years of talks, the Bush Administration took a big step forward in 2006 when it signed a bilateral agreement with Russia to address particular trade concerns. (Any WTO member may insist that an acceding nation negotiate such an agreement as a condition for accession.) The Obama Administration concluded the multilateral negotiations for Russia's accession in December 2011.

The longstanding bipartisan goal of bringing Russia into the global rules-based trading system is finally within reach. The only question now is whether U.S. companies, workers, and farmers will be able to secure the benefits of Russia's accession to the WTO. The answer rests with the Congress, which must approve PNTR and repeal Jackson-Vanik with respect to Russia. The U.S. Chamber of Commerce looks forward to working with the members of the Committee on this important task.