

DEPUTY SECRETARY OF STATE WILLIAM J. BURNS
STATEMENT BEFORE THE SENATE COMMITTEE ON FINANCE
JUNE 21, 2012

Chairman Baucus, Ranking Member Hatch, Distinguished Members of the Committee: thank you for inviting me to appear before you today.

This hearing comes at an opportune moment. This summer, Russia will become a member of the World Trade Organization. Before this happens, Congress has a choice: it can extend Permanent Normal Trade Relations (PNTR) to Russia, giving American exporters and workers a level the playing field in one of the fastest growing markets in the world; or it can keep Jackson-Vanik in place, preventing American companies from reaping the benefits of an unprecedented opportunity to boost trade in a large and growing market.

Terminating the Jackson-Vanik Amendment's application is not a favor to Russia. It is a step to help create American jobs. And, as Russia's aspiring democrats have made clear, it is a smart, strategic investment in the kind of country Russia's emerging middle class is striving for -- a Russia that promotes a strong rule of law. This step is in the Russian people's own self-interest and to the practical benefit of American companies and workers.

I. The Economic Stakes

At a time when the economic needs of the American people are great, U.S. foreign policy must help American workers and businesses connect to markets abroad to drive our economic recovery at home.

The upside of opening Russian markets to American exporters is clear. From 2009 to 2011, U.S. exports to Russia rose 57 percent, and total U.S.-Russia trade rose over 80 percent. However, U.S. trade with Russia still totals less than one percent of our global trade. Russia may be the world's seventh-largest economy, but it is our 20th largest trading partner.

Lifting Jackson-Vanik and extending PNTR does not require the United States to change any of its tariffs, services, market access, or other World Trade Organization (WTO) commitments. It simply makes permanent the treatment we have already extended to imports from Russia every year since 1992 and ensures that the WTO Agreement will apply between us. If the WTO Agreement does not apply between us American companies will be at a disadvantage. While America's competitors will enjoy more liberal treatment for exports of goods and services and

stronger commitments on protection of intellectual property rights, American companies will not. Russia will not have an obligation to apply science-based food safety standards to U.S. exports of meat and poultry or WTO rules on antidumping, leaving American companies vulnerable. Worse still, when our economic competitors from Brazil, Europe and China have grievances in Russia, their governments will be able to turn to a binding WTO dispute mechanism. The United States will not.

II. The Strategic Backdrop

Beyond the benefits to immediate U.S. economic interests, extending PNTR to Russia is a strategic investment in our long-term relationship. Our strategic interests around the world demand that we cooperate with Russia in a number of areas. Russia is a permanent member of the Security Council and a member of the P5+1. Together Russia and the United States hold 90 percent of the world's nuclear weapons. Russia is the single largest source of the world's hydrocarbons. Russia sits astride Europe, Asia, and the broader Middle East, three regions whose geostrategic importance will continue to shape American interests for years to come.

By working together with Russia over the last three and a half years, we have shown that we can achieve tangible results that matter to our own self-interest and national security. We are implementing the New START Treaty. Together, we are disposing of enough weapons-grade plutonium for 17,000 nuclear warheads. Russia joined with other members of the United Nations (UN) Security Council in supporting Security Council Resolution 1929 and voluntarily cancelled the sale of a sophisticated air defense system to Iran, a contract worth over a billion dollars. This week, Moscow hosted international talks to press Iran to comply with its international obligations regarding its nuclear program. Russia also provides critical logistical support to international forces in Afghanistan: many of the supplies that transit the Northern Distribution Network go through Russia and a majority of our troops traveling to Afghanistan transit through Russian airspace -- over 370,000 military personnel in all.

The United States and Russia have achieved gains that extend beyond security and global politics to touch the daily lives of Americans and Russians. Last July, Secretary Clinton and Foreign Minister Lavrov signed an agreement to build trust and transparency on the sensitive issue of inter-country adoption. They also approved a reciprocal visa agreement to make it easier for business people and

tourists to travel between our countries. And through the U.S.-Russia Bilateral Presidential Commission and its 20 working groups, we have built new partnerships and engaged our citizens, businesses and non-governmental organizations in areas such as health care and energy efficiency.

Even as we seek progress on areas of mutual interest, there are also areas of real difference between our countries on issues ranging from missile defense and Georgia to Syria and human rights. We continue to believe that cooperation with Russia on missile defense can enhance the security of the United States, our allies in Europe, and Russia. In pursuing cooperation on missile defense, the United States will not agree to constrain or limit our missile defenses. U.S. support for Georgia's sovereignty and territorial integrity within its internationally recognized borders will not change. On Syria, our message to our Russian colleagues has been clear and consistent. Assad's campaign of terror against his own people is unconscionable. It is past time for action to meet our obligations as UN Security Council members to protect peace and security and allow the Syrian people to pull their country back from the brink and embark on a political transition.

We have serious concerns about democracy and human rights in Russia -- including the unsolved murders of journalists like Paul Klebnikov and the tragic death of Sergey Magnitskiy. In these instances and many others, we have not hesitated to voice our concerns publicly and directly with Russia's leadership. We have also taken action. Thanks to existing authorities and the President's Proclamation on Human Rights last August, we have taken steps to deny visas to those who have committed serious human rights abuses, including those involved in the Magnitskiy case. Through U.S. assistance programs, we are also supporting the Russian people in their efforts to promote transparency, accountable government, and the fair application of the rule of law.

Today, a deeper economic partnership represents one of our greatest opportunities to work to build trust and pursue common interests with Russia. The removal of Jackson-Vanik would give ballast to our overall relationship with Russia and strengthen the case of those who argue that greater cooperation with America is good for the Russian people.

Jackson-Vanik has served a noble and historic purpose. It put American law firmly behind the liberation of hundreds of thousands of Soviet Jews trapped on the wrong side of the Iron Curtain and achieved its goal. Years ago, the National Conference on Soviet Jewry began advocating for an end to Jackson-Vanik. The American Jewish Committee, echoing statements of other Jewish groups, joined

Russian democrats in reaffirming its “support for Russia's graduation from the Jackson-Vanik amendment, a Cold War relic which remains one of the thorns in the side of ties between the U.S. and Russia.”

Keeping Jackson-Vanik in place for Russia also provides political ammunition for those in Russia who argue that the United States is stuck in a Cold War mentality. It puts our companies at a competitive disadvantage and diminishes our ability to hold Russia to its commitments to transparency and increased market access.

III. Russia's Changing Landscape

Two decades ago, many were overly optimistic about how quickly change would come to Russia. The reality is that real political and economic transition in Russia is likely to take decades to complete. However, change is already happening, and the pace is increasing. After a decade of growth, an emerging generation of Russians aspires not just to see their country as a wealthy great power -- but a modern nation in which they have the opportunity to compete and innovate in the global marketplace; a nation in which they have a say in how they are governed and how their taxes are spent.

Young Russians' connections to the world are growing and irreversible: half of Russians over age eighteen are on the Internet today. Three million Russians are blogging. Russians made over thirty-six million trips abroad last year. More Russians received visas to travel to the United States than ever before -- twice as many as came just seven years ago. Russians have become accustomed to and expect basic personal freedoms: the freedom to travel, to shift jobs and residence, to own and convey property, and to express themselves in cyberspace.

The fact that, beginning last December, tens of thousands of Russians have taken to the streets repeatedly to carry out peaceful demonstrations is a vivid reminder that Russians want a political voice and want to help shape their own future. They are a reminder that an empowered middle class, with a demand for accountability and transparency, can also drive political and economic change.

Our goal is to be supportive of efforts made by Russians themselves to modernize their economic and political systems. Russian civil society activists argue that increased trade with the United States would help strengthen this new middle class. They argue that greater transparency and accountability in rules will help attract the investment needed to move Russia's economy away from its dependence on

hydrocarbons and generate new sources of economic growth. They argue that a level playing field, including better legal protections and transparent, predictable rules applied uniformly across Russia's territory, will help provide a hedge against corruption and monopolistic control. Refusing to lift Jackson-Vanik and extend PNTR gives America no leverage over Russia in the areas where we differ. This is why leaders of Russia's political opposition have called on the U.S. to terminate Jackson-Vanik, notwithstanding their concerns about human rights and the Magnitskiy case -- concerns which we share. Similarly, Georgia recognized the benefits of increased trade and, notwithstanding its disagreements with Russia, joined a consensus agreement to support Russia's WTO accession.

Over time, extending PNTR can help Russians achieve their goal of building a modern, successful and prosperous nation. Upon accession to the WTO, Russia will join the United States and others in taking on obligations to increase transparency and predictability in laws and regulations. WTO membership and PNTR alone will not cut the Russian economy free from what Russia's own leadership recognizes are the crippling effects of corruption and weak rule of law. Other complementary measures such as beginning negotiations on a new Bilateral Investment Treaty and Russia's progress toward OECD accession are also important to continue to support Russia's modernization and openness to free trade. While challenges will remain for a long time to come, this long-term strategy of greater economic engagement, grounded in a rules-based system, can help to open up Russia's economy and society and to reinforce rule of law.

Ultimately, the Russian people themselves will have to choose their country's direction. In the meantime, we will support Russians' own efforts to create the kind of country they strive for: an open society that protects fundamental freedoms, property rights, transparency, competition and free trade; and a modern Russia that partners with the United States to promote global security and prosperity.

Navigating relations with Russia in the months and years ahead will not be easy. It will involve a complicated mix of managing cooperation and differences. However, as Russia prepares to join the World Trade Organization, the economic needs of the American people and the Russian people's vision for their own future both point us in the same direction: toward an end to the application of the decades-old Jackson-Vanik Amendment and the beginning of a new chapter in our economic and trade relationship with Russia.