

## Testimony before the United States Senate Committee on Finance

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Ronald J. Pollett  
President & CEO, GE Russia & CIS

### **Introduction**

Chairman Baucus, Ranking Member Grassley, and distinguished members of the Committee, thank you for the opportunity to testify today on a subject that I feel is of critical importance: the opportunity to grow the US economy and US jobs by establishing permanent normal trade relations with Russia.

Just a moment of background about me: a US citizen, I was born and grew up in New York City and attended Colgate University, where I majored in Russian Studies. I joined GE in July 1991 and was posted to the region shortly thereafter. For the past 12 years, I have been living and working in Russia to build our business. For the past 6 years, I've also served as Chairman of the Board of AmCham Russia, the largest and most influential foreign business association in the country; its 700+ active members account for \$30 billion in revenues and support tens of thousands of jobs in the US and Russia.

So, I have been in a unique position to witness firsthand the dramatic changes Russia has undergone in a short period of time, and I truly believe that Russia is now poised to become an even more active and significant player in the global economy. But I've also been in a position to observe how, on the whole, US businesses are underrepresented in the Russian market and underperform relative to their European and Asian counterparts, which have stronger historical ties and a bigger presence. I believe PNTR can change this.

### **Fundamental strengths of the Russian economy**

Russia presents extremely good opportunities for US companies, provided -- and this is an important proviso -- we are able to have a level playing field. Such a level playing field is essential for US companies to take advantage of these opportunities.

A few facts:

- Russia is a big, briskly growing economy: its GDP has more than doubled in the past decade and is expected to grow an average of 4% in the next 3 years.
- US trade with Russia is growing. In 2011, US exports were \$8.3 billion, up 39% from 2010 and more than double the growth rate for overall US exports worldwide. But the US also has a relatively small presence in the Russian market -- accounting for just 4% of Russian imports. By contrast, East Asia and the European Union accounted for 29% and 43%, respectively, of Russian imports.

- While Russia's economy continues to be driven by its natural resource strength, particularly oil and gas, metals, and minerals, the Government is very much looking to diversify its economy. It has an ambitious modernization plan that includes upgrading infrastructure, modernizing healthcare, growing its high technology sector, and diversifying revenue streams. It is also looking to continue to invest in raising the standard of living of its own people, who have a great amount of respect for American business acumen.

GE provides a case in point of how Russia can be a great market for a company willing to engage. When I arrived in Russia in 1998, GE had \$110 million in sales. Last year, we had more than \$1.6 billion in sales, and our industrial businesses alone saw almost \$1.2 billion in US-origin orders from Russia -- up from \$410 million in 2010. Today, GE is the largest foreign industrial company operating in Russia, and these orders will support more than 3,000 jobs for GE and its suppliers in the US. Even more encouraging, we believe that our sales in Russia could triple by 2020 with PNTR. In short, Russia has enormous growth opportunities for American companies, including GE -- with the prospect for more jobs for American workers.

### **Why PNTR for Russia is good for the American economy**

For US companies to take full advantage of Russia's growing market, Congress must repeal the Jackson-Vanik amendment, a political anachronism, and establish permanent trade relations with Russia -- key to US economic success in the region.

Bringing lower tariffs, reduced non-tariff barriers, and enhanced transparency, Russia's accession to the WTO is a good thing for the US economy. Again, let me offer a few examples of what it will mean for my own company:

- Russia is looking to double its per capita spending on healthcare. With more than 22,000 employees in the United States, GE Healthcare will now see tariffs on the medical diagnostic equipment we produce fall from the current average of 15% to an average of 4.3%.
- Russia is the fourth-largest electric utility market in the world. GE Energy will see average tariffs fall from 12% to 5% on gas turbines and from 10% to 5% on turbine parts. The Greenville, SC plant where we make gas turbines employs more than 3,000 workers and supports another 1,300 supplier jobs.
- GE is the largest supplier of foreign aircraft engines to Russia and the largest aircraft lessor. GE Aviation and our GECAS leasing business stand to benefit as Russia reduces its tariffs on aerospace products from 20% to 8.3% -- and 5% on engines themselves. These GE products are made in Ohio, Vermont, Kentucky, North Carolina, and elsewhere in the US -- not to mention the hundreds of our suppliers in 34 states.
- Russia has the world's second-largest railway system; some 10,000 locomotives will need upgrades in coming years -- to the tune of \$10 billion. This represents an enormous opportunity for GE's Transportation business, which is based in Erie, PA and employs some 8,300 workers in the US.

And it is not simply lower tariffs. Russia can still be a difficult place to do business. While the environment for investment and trade has gotten better, challenges do remain. Russia's WTO

commitments to eliminate non-tariff barriers, implement a high standard of IPR protection, and improve transparency may be as or more critical for US companies -- like ours -- that often need to do business in partnership with local companies. Russia's accession to the WTO also covers trade in services, such as financial services, that are not covered under any other agreement the US has with Russia. While Russia joining the WTO does not solve all the issues, it is a big step in the right direction. Moreover, the more American companies are able to take advantage of opportunities to do business in Russia, the more Russia's business climate will evolve to meet international standards.

Let me be clear. Russia will join the WTO, but the US will not get any of the advantages if it does not grant PNTR to Russia. American companies and their workers will be at a competitive disadvantage relative to our global competitors, who will enjoy the benefits of Russia's commitments.

As you know, there is already in force a bilateral agreement between the US and Russia that provides for the mutual extension of "most favored nation" benefits. But without PNTR, the US would have no recourse to WTO dispute settlement should disputes arise and could also face a more challenging trade environment.

Equally important, I believe, is the signal that would be sent to Russia if the US -- alone in the world -- were not to take advantage of the benefits of PNTR. At a time when export growth is key to US competitiveness, we would be rejecting an important opportunity while our competitors in Europe, Japan, and elsewhere rush to do more business with Russia. And for what gain? Russia already enjoys broad access to the US market because our tariff levels are very low and our market is very open. American businesses and American workers -- not Russians -- would be at a disadvantage. PNTR is not a gift to Russia. It is about US jobs and US competitiveness.

### **Conclusion**

I realize that the benefits of global markets can seem remote for many Americans. The issue may be particularly complicated when dealing with a foreign trading partner that, like Russia, presents difficulties for the US in many other spheres. But one thing is clear: Russia will join the WTO whether or not the US grants PNTR. The vote to accord PNTR to Russia is about one thing and one thing only. It is about the ability of American companies to compete, on a level playing field according to the same set of rules, with foreign companies eager to do business in a fast-growing economy that presents great opportunities. I urge this Committee and Congress to let the American economy and American workers reap the benefits of these opportunities.