

**Testimony before the Subcommittee on Europe  
and the  
Subcommittee on Terrorism, Nonproliferation and Trade  
of the  
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Committee on Foreign Affairs  
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Chairman Delahunt, Chairman Sherman, Ranking Member Royce, and Ranking Member Gallegly,

Thank you for the honor of allowing me to testify here today on a subject that is of vital importance to the organization that I have the privilege to lead — the U.S.-Russia Business Council. The USRBC represents approximately 250 companies, 80 percent of which are American, with the remainder being Russian and from third countries. Our membership encompasses a broad swath of industries, with companies ranging in size from those in the Fortune 100 to small consultancies and non-profit organizations. They are leaders in the aerospace, automotive, consumer goods, high-tech, and financial services sectors, among others.

Our members employ a substantial number of U.S. citizens who produce manufactured goods, develop and market advanced technologies, create entertainment products, and provide financial and other services to one of the fastest-growing emerging market economies. During most of the past decade, our U.S. member companies found Russia to be one of their most lucrative global markets, with many companies seeing annual growth in sales and revenues of over 20 percent.

Indeed, the growth in U.S.-Russia trade has been nothing short of remarkable over most of the past decade: from \$9 billion in 2001, to \$36 billion in 2008. Before the global recession hit in the latter half of 2008, our bilateral trade was on track to exceed \$40 billion that year. While still modest in terms of overall U.S. trade, this volume represents a four-fold increase over 2001-2008. U.S. exports to Russia, which comprise about a third of the total, are for the most part high value-added goods that have provided skilled jobs for American workers, and have earned American brands a solid reputation for quality in Russia.

We believe that the potential for increasing U.S. exports to Russia is much greater than the level already achieved. With the global economic and trade recovery now underway, and with the return of economic growth in Russia, we anticipate a gradual resumption of growth in bilateral trade. Unlike their counterparts in most developed markets, Russian consumers are coming out of the recession relatively debt-free and therefore more likely to resume purchasing the imported goods, including many iconic American-brand products, which they equate with a better quality of life. Our member companies are ready to take advantage of that opportunity.

I mention the foregoing as background, since I believe it is useful to establish why U.S. business has a stake in the question that has been posed by this panel: Is it time to repeal the Jackson-Vanik Amendment for Russia?

On the basis of the Trade Act of 1974 with regard to restrictions on emigration from the Soviet Union, it would appear that the main reason for that legislation was a situation that no longer pertains in the case of Russia. In fact, every U.S. president since 1994 has found Russia to be in compliance with the emigration provisions of the amendment and has waived its application to Russia.

The late Congressman Tom Lantos, who for years was one of the leading proponents of the amendment, said shortly before he died that it was time to lift Jackson-Vanik as it applies to Russia on the grounds that there were no longer any restrictions on emigration. After his last visit to that country in 2007 Lantos said, "It's time to put behind us this relic of the Cold War," adding that he would "...spare no effort to bring this about" with "...every expectation that I [Lantos] will be successful."

With respect to the other condition of the Jackson-Vanik Amendment, namely the absence of a market economy, I would only note that the United States has officially recognized the Russian Federation as a market economy since 2002.

It is hard to argue today in favor of maintaining Jackson-Vanik on the grounds of either condition — emigration restrictions or the lack of a market economy. On the other hand, it is becoming increasingly obvious that the continued application of this amendment is undermining American efforts to encourage Russia to move toward a society and an economic system based on the rule of law.

Three consecutive United States administrations have urged Russia to adopt and uphold internationally accepted standards of jurisprudence and advocated Russia's membership in rules-based international financial and trade organizations. Yet, in the case of Jackson-Vanik we appear to twist the interpretation and implementation of our own law. The State Department has attested in numerous annual human rights reports that Russia does not restrict emigration on the basis of religious or ethnic identity.

The United States also supports Russia's accession to the WTO. Failure on our part to reflect in our trade legislation the fundamental changes that have occurred since the enactment of Jackson-Vanik would appear to contradict the findings and policy positions of our own government.

There are some who argue that we should not "give" something to Russia in return for nothing. Seen from Russia's perspective, this amounts to shifting the goalposts. It raises doubts about U.S. adherence to the letter and intent of the law, and sets a precedent of spurious reciprocity that Russia could exploit to its advantage in other circumstances. Keeping Jackson-Vanik on the books as bargaining leverage — which demonstratively it no longer affords — engenders cynicism and resentment, and complicates efforts to establish a normal relationship with Russia.

The USRBC acts as the Secretariat for the Coalition for U.S.-Russia Trade, an organization representing more than 60 companies and trade associations who stand ready to advocate congressional graduation of Russia from the provisions of the Jackson-Vanik Amendment and adoption of Permanent Normal Trade Relations (PNTR) with Russia once that country enters the WTO. Within the Coalition are companies that have concerns about a number of trade issues with respect to Russia. Specifically, there are questions about Russia's implementation and enforcement of intellectual property rights, about lapses in following science-based regulatory standards for imported poultry and pork products, and about the selective imposition of import tariffs against U.S. manufacturers. These and other critically important issues for business are being addressed in Geneva through negotiations on Russia's WTO accession. That is the appropriate venue, and the WTO is the appropriate instrument for ensuring Russian conformity with international trade rules.

When Russia eventually enters the WTO on the basis of a commercially-meaningful agreement, the United States will be prevented from enjoying the benefits of greater market access to Russia if we have not in the interim lifted Jackson-Vanik. That is a pre-requisite to granting PNTR, without which we will be in violation of WTO rules and therefore at a disadvantage to other nations who will compete against us to sell goods and services to the vibrant Russian market which I described above. The result would be fewer America jobs as export opportunities are lost.

In our recommendations to the Obama Administration in January 2009, the U.S.-Russia Business Council urged the Administration to rescind the Jackson-Vanik Amendment without prior condition as a gesture of goodwill to Russia and as a way to create momentum for the reset of the relationship. My experience convinces me that the Jackson-Vanik Amendment has had no dissuasive or positive effect on Russia's trade or domestic economic policies. Rather, it has served as a convenient pretext for failing to take the steps necessary to bring Russia into the rules-based trading community.

I believe, therefore, that it is indeed a relic of a bygone era and that it is time for the United States to remove its applicability to Russia.