

## **Secretary of Commerce Carlos M. Gutierrez Opinion Editorial, Vedomosti Moscow**

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This year marks the 200th anniversary of diplomatic relations between the United States and Russia. Though there have been times of great challenge during that history, we are now poised to enter a new era of commercial engagement which will strengthen our ties, grow our economies and prosper our citizens.

My visit to Russia this week reflects the tremendous value the U.S. places on our business ties with this nation, and our desire to find new ways to bring greater economic opportunity to people of our countries. While political issues between our nations tend to garner the most headlines, economic interests should not be ignored. U.S.-Russia commercial ties are stronger and more dynamic than ever before, providing stability to our overall relationship.

### **Strong Economic Relations**

In the past two decades, Russia has begun to reap the benefits of engagement in the global economy and take a place as one of the world's great economic powers. Today, Russia 's nearly \$1 trillion economy is in its 9th straight year of growth--the Economic Development Ministry reported 8.4 percent growth in the first two months of this year. Inflation below 10 percent, an 11 percent increase in real disposable income within the past year, early debt repayments and budget surpluses are all further signs that Russia 's economy is on the rise. This is extraordinary for a country that 10 years ago suffered from weak banks, wage arrears, falling energy production, and rising foreign debt, and was on the verge of a severe financial crisis.

As the economy continues to grow, so does U.S. business engagement. Current bilateral trade and future prospects for U.S. businesses in Russia are expanding significantly. U.S. multinationals in Russia regard the country as a strategic market, on par with Brazil and India , and in some cases China. In 2006, U.S. exports to Russia grew 20 percent to \$4.7 billion. This growth is occurring in a wide range of merchandise and service categories, suggesting that Russia 's energy-driven wealth is having a positive impact on its purchasing power in the business and consumer sectors.

Moreover, the growth in our trade and investment is a two-way street, with rising benefits not only for Russia's industrial and household consumers, but also for its producers. Last year, Russian exports to the United States were more than \$19 billion, 30 percent more than in 2005. Russia is, for the first time, beginning to take on a notable direct investment profile in the United States, with investments in mining, steel-manufacturing, and retail-petroleum, helping support American jobs and supply American consumers. These dynamics illustrate the mutual importance of our commercial relations, but we know there is more to be done. Russia represents an important market for the U.S. and we should be bringing more of our goods and services to Russian consumers and businesses, thereby contributing to economic growth and diversification of the economy.

### **Challenges for Continued Growth**

The next step for expanded global engagement is World Trade Organization accession. Russia is the world's largest economy not yet in the WTO. The United

States has been working side-by-side with Russia to achieve WTO membership; last November, Russian Trade Minister German Gref and U.S. Trade Representative Susan Schwab signed a bilateral market access agreement. Now Russia, working multilaterally with the United States and other WTO members, has the opportunity to take the necessary steps to bring this process to a close, and enable its economy and people to fully participate in the world market.

Expansion of Russian commercial engagement with America and globally requires transparent markets that embrace foreign and domestic competition. As the Organization for Economic Cooperation and Development noted in its 2006 economic survey of Russia, "Greater openness is essential to monitoring, accountability and anti-corruption efforts." The U.S. and other advanced economies have greatly benefited from openness, transparency, competition and adherence to the rule of law. Democratic institutions fostering economic freedom offer our citizens the best mix of economic and social benefits. A vibrant media and independent courts ensure that government agencies responsible for upholding the rules of commerce carry out their duties properly and evenhandedly. As Russia becomes more prominent on the global stage, creating and maintaining a level playing field that encourages competition will attract more foreign as well as domestic investment and ensure that Russian companies can also successfully thrive at home and abroad.

It is crucial for the U.S. and for Russia to maintain open business climates for capital, goods and services moving back and forth between our two nations.

While we are mindful of countries' interests in protecting so-called "strategic" aspects of their economies, policies which seek to cordon off broad segments are policies that carry risks of their own to a nation's economic strength, on which its security depends. Protectionism often has the unintended consequence of limiting access to capital, technology and know-how, and sheltering companies and entire industries from competition that serves to spark innovation and drive efficiency.

The United States and Russia could have a stronger partnership when it comes to areas such as energy and high technology. There have been tremendous technological advancements from which Russian companies could greatly benefit. Yet, we have not met the potential that exists in these fields. Transparency and predictability in regulations and laws governing investment would send positive signals to potential partners in both our countries. Capital follows secure, predictable markets, and investors watch with concern where uncertainty exists. Building in predictability, transparency and reliability for foreign investment in the energy sector, and in other sectors important for Russia 's economic diversification, will bring further opportunities for growth.

Russians and Americans, like the rest of the world's people, stand to benefit from stronger enforcement of intellectual property. Around the globe we have seen that stolen intellectual property is not only an economic hazard, stifling innovation in technology, and discouraging works of culture in music and the arts, but also a health and safety hazard. The World Health Organization estimates that 10 percent of global medicine is counterfeit. Tough IP enforcement will protect Russian businesses, like the resurgent film industry, and it will also protect Russian people.

With the maturity of our bilateral relations, we can afford to be frank and honest with one another, and it is important that we continue to engage in productive dialogue on all issues that impact our relationship. We have come too far in building a new foundation based on cooperation on mutual interests to turn back the clock. There is

much work to be done, but the foundation has been laid for the future of U.S.-Russia relations to include economic growth, prosperity and opportunity for both our peoples.