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TO EXPLORE PERMANENT NORMAL TRADE RELATIONS FOR RUSSIA

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

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TO EXPLORE PERMANENT NORMAL TRADE RELATIONS FOR RUSSIA

THURSDAY, APRIL 11, 2002

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:05 a.m., in room 1100 Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

Subcommittee on Trade

FOR IMMEDIATE RELEASE
March 21, 2002
No. TR–8

Contact: (202) 225–1721

Crane Announces Hearing on Trade to Explore Permanent Normal Trade Relations for Russia

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing to explore whether to graduate Russia from the Jackson-Vanik provisions, and extend Permanent Normal Trade Relations (PNTR), and to assess U.S.-Russian trade relations. **The hearing will take place on Thursday, April 11, 2002, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.**

Oral testimony at this hearing will be from both invited and public witnesses. Invited witnesses will include representatives from the U.S. Department of State and the Office of the United States Trade Representative. Also, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

BACKGROUND:

Russia's trade status remains subject to Title IV of the Trade Act of 1974, including the Jackson-Vanik freedom of emigration provisions. Russia was first extended normal trade relations in 1992 under a waiver from the Jackson-Vanik emigration requirements. Since 1994, the President has found Russia to be in full compliance with the emigration criteria; however, the country's trade status remains conditioned upon annual compliance determinations by the President. The compliance determinations are vulnerable to a resolution of disapproval by Congress. There has not been an annual vote in Congress on Russia's trade status because no Member of Congress has introduced a disapproval resolution. On December 20, 2001, Ways and Means Committee Chairman Bill Thomas, Subcommittee Chairman Phil Crane, and Rules Committee Chairman David Dreier introduced H.R. 3553 to terminate the application of Jackson-Vanik to Russia and thus grant PNTR to Russia.

In announcing the hearing, Chairman Crane stated: "The Administration has placed a priority on forging a new relationship with Russia. As part of that effort, President Bush has personally indicated his interest in seeing Congress end trade restrictions on Russia. At this hearing, the Subcommittee will examine the impact that such action would have on U.S. interests."

FOCUS OF THE HEARING:

The hearing will explore the prospects and implications of granting PNTR to Russia at this time, the status of U.S.-Russian trade relations, the status of Russia's World Trade Organization accession, and Russia's record in complying with the statutory requirements of the Jackson-Vanik provisions.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Traci Altman or Bill Covey at (202) 225–1721 no later than the close of business, Thursday, March 28, 2002 The telephone request should be followed by a formal written request faxed to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515, at (202) 225–2610. The staff of the Subcommittee on Trade will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee on Trade staff at (202) 225–6649.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE–MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.**

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Committee are required to submit 200 copies, along with an *IBM compatible 3. 5-inch diskette in WordPerfect or MS Word format,* of their prepared statement for review by Members prior to the hearing. **Testimony should arrive at the Subcommittee on Trade office, room 1104 Longworth House Office Building, no later than 12:00 p. m. on Monday, April 8, 2002**, in an open and searchable package. The U.S. Capitol Police will refuse unopened and unsearchable deliveries to all House Office Buildings. **Failure to do so may result in the witness being denied the opportunity to testify in person.**

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Please Note: Due to the change in House mail policy, any person or organization wishing to submit a written statement for the printed record of the hearing should send it electronically to hearingclerks. waysandmeans@mail. house. gov, along with a fax copy to (202) 225–2610 by the close of business, Wednesday, April 24, 2002. Those filing written statements who wish to have their statements distributed to the press and interested public at the hearing should deliver their 200 copies to the Subcommittee on Trade in room 1104 Longworth House Office Building, in an open and searchable package 48 hours before the hearing. The U.S. Capitol Police will refuse unopened and unsearchable deliveries to all House Office Buildings.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record, or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. **Due to the change in House mail policy, all statements and any accompanying exhibits for printing must be submitted electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225–2610, in WordPerfect or MS Word format and MUST NOT exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.**

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or para-

phrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://waysandmeans. house. gov/*

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call (202) 225–1721 or (202) 226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman CRANE. Good morning. This is a hearing of the Ways and Means Trade Subcommittee to consider granting permanent normal trade relations, or PNTR, to Russia and to assess U.S.-Russian trade relations. We are at a unique crossroad in the overall U.S.-Russian relationship, and I find this topic quite timely. As a Cold warrior, I supported President Reagan's policies toward the Soviet Union. Reagan led both of our countries down a path that altered the course of history, and freedom and democracy triumphed.

As a result of those policies, today we face a very different Russia from the nation that existed when the Jackson-Vanik provisions were passed in 1974. Since the fall of the Soviet Union over a decade ago, Russia has taken tremendous steps toward increased political and economic freedom. Today Russia has a maturing democracy. Russian citizens have successfully participated in three democratic elections for President and the Duma, and another Duma election will be held next year.

Russia has also undertaken significant economic reforms. The process has had some problems along the way, but President Putin and his administration have made economic reform a priority. And I look forward to seeing private property rights and the rule of law firmly take roots in Russian society.

I also expect our U.S. trade negotiators to bring back the best possible World Trade Organization (WTO) accession package with Russia that addresses Congress' concerns, particularly with respect to the U.S. agriculture and fertilizer industries. I intend to follow this issue closely and consult with the Administration on the terms of Russia's accession.

In the meantime, I am extremely disappointed that Russia hasn't lifted its ban on U.S. poultry exports and has extended the ban at least an additional couple of days. I believe it will be very difficult for some Members to support PNTR for Russia unless this dispute is resolved in a way that is based on sound science. I note that in the written statement that Russian Ambassador Ushakov provided for the record of this hearing, he stated that we need to create—and, incidentally, the Ambassador, I understand, is here. Mr. Ambassador, would you stand for a second and just be recognized?

[Applause.]

[The statement follows:]

[By permission of the Chairman.]

Statement of His Excellency Yuri V. Ushakov, Ambassador, Russian Federation to the United States of America

Mr. Chairman and Members of the Subcommittee:

With regard to the hearing on legislation making normal trade relations with Russia permanent, I would like to submit the following statement reflecting our position on this subject.

We welcome the U.S. Administration decision to seek the full and final exemption of the Russian Federation from the Jackson-Vanik amendment to the Trade Act 1974. It will effectively remove one of the last vestiges of the Cold war in Russia-US relationship. It is our firm belief that the 28-year old amendment has outlived its purpose in view of changes of historic proportions that have taken place in Russia and in our bilateral ties. Moreover, at this critical juncture, when Russia and the United States stand together as allies in the fight against international terrorism, it would be more than natural to send just the right signal by removing Jackson-Vanik restrictions from the context of our bilateral relations. Our two countries are embarked on building a new quality of engagement and cooperation for the benefit of the world community. Symbols that link us to the past should no longer overshadow joint efforts to strengthen long-term stable relationship across the board—in the areas of strategic stability and international security, trade and economic interaction, people-to-people communications—based on the universal democratic and human values.

By all objective criteria modern Russia is no longer the country that was targeted by the Title IV of the Trade Act, including the Jackson-Vanik freedom of emigration provisions. As Presidents George Bush and Vladimir Putin stressed in their joint statement at the Washington/Crawford summit last November, our countries are determined to promote better economic, trade and investment relations. The achievement of these goals requires the removal of legislative and administrative barriers, as well as creation of a transparent and predictable investment climate.

Significant strides were made in building a free and democratic society based on the rule of law, pushing forward with far-reaching reform to radically transform Russia into a viable market-oriented globally integrated economy. As of today, only 12 percent of the enterprises are currently owned by the State, while the rest are privately owned. An open investment regime has been established based on the non-discriminatory treatment of foreign investors. They are enjoying the right to full ownership of Russian firms and investment guarantees, as well as a favorable tax regime under production-sharing agreements.

Russia and the United States have expressed their commitment to advance common values by protecting and promoting human rights, tolerance, free speech and independent media, religious freedoms and the rule of law. The Russian Constitution and current laws guarantee personal freedoms, while outlawing intolerance and hate crimes, motivated by ethnicity or religion. Our emigration legislation is based on the principles of international law and is fully compliant with the international standards. There are no legal restrictions for anyone who is willing to leave the country or travel abroad.

Historically, the Jackson-Vanik amendment originated from the concerns of the American Jewish community about human rights, restrictions and persecutions affecting Jews and other minorities in the former Soviet Union. Since then, the situation has changed dramatically. Nowadays the Jewish community in Russia experiences a renaissance, with cultural and community centers, new synagogues established and old ones being reopened. President Vladimir Putin is personally engaged in these efforts, and the policy of the Russian government is to guarantee that all

nationalities, religious and ethnic groups are not discriminated and live peacefully in their common home of Russia. Anti-Semitism is prosecuted to the full extent of the law.

Regretfully, despite all positive changes in economic and humanitarian spheres, the overwhelming support in the Russian-American business community for the extension of non-discriminatory treatment, Russia still does not enjoy the NTR status on a permanent basis. Such a situation adds an element of instability to our trade relations. The permanent presence of the risk that temporary waiver of Jackson-Vanik amendment for Russia will not be granted and higher tariffs will return does not encourage the establishment of long-term trade and investment projects in our two countries. The capabilities imbedded in the bilateral economic relationship have not been fully implemented.

One of the main priorities of our ongoing economic policy continues to be integration of the Russian Federation into the world economy and major international organizations dedicated to the promotion of free trade and competition. Currently we are actively involved in the negotiations on Russia's accession to the World Trade Organization. The Russian State Duma has recently passed a huge portion of laws and regulations reflecting WTO requirements and providing for the enforcement mechanisms of WTO rules. At the last meeting of the Working Party on the accession of the Russian Federation to the WTO held in January, 2002, the legislative progress has been characterized by its Chairman as "very impressive and concrete".

In accordance with our strategy for WTO accession, the Russian government will continue focusing on making its legislation compliant with WTO norms and rules and intends to draft approximately fifty more new laws and amendments to existing ones in order to attain such compliance. We are taking necessary measures to ensure access of foreign goods, services and investments to Russian markets and are eager to participate as a WTO Member in the new round of multilateral trade negotiations.

On the other hand, we do believe that negotiating process on Russia's accession to the WTO should not be a one-way road. We consider Russian Membership in this organization as a mutually beneficial factor for all parties involved and would like to see real steps from our major trade partners to promote economic cooperation with Russia.

In conclusion, I would like to emphasize that after more than a decade of dramatic transformation in Russia and our bilateral relations it is imperative to get rid of the Cold war legacy. Normalization of trade is an important element inbuilding a new framework of trust and partnership between our countries. That is why we believe the proposed legislation that would end the application of the Jackson-Vanik amendment to the Russian Federation merits support of the US Congress.

Chairman CRANE. Thank you.

He stated that we need to create a transparent and predictable climate between our two countries. I agree, and this includes a commitment not to erect trade barriers in the name of sanitary concerns that are, in fact, based on politics. If there are legitimate concerns with some U.S. chicken processing facilities, then we should deal with this in a focused way. Instead, Russia has provided no good reason to continue a complete ban on all U.S. poultry. Russia's poultry ban has caused serious damage to our trade relationship, and I ask you, Mr. Ambassador, to send this message back home.

The Jackson-Vanik is fundamentally about freedom of emigration, and it is widely recognized that Russia has done a tremendous job with regard to the free emigration of Jews. For 8 years, Russia has been in full compliance with the freedom of emigration provisions in the law. I have a brother-in-law who is a Holocaust survivor, so this is something that is directly relevant to my family. The President says he wants PNTR for Russia to help further a new relationship with Russia. He wants it for geopolitical reasons.

Well, I want it for economic reasons. This is good for Russia and for the United States.

With PNTR, U.S. investors and entrepreneurs will have more confidence in doing business in Russia. This confidence will foster more trade and investment between our two countries. It is no surprise to me that the U.S.-Russia Business Council, whose Members are the pioneers doing business in Russia, is strongly advocating PNTR for Russia. In a speech at the U.S. Department of State last week, President Bush said, and I wholeheartedly agree, that free trade creates the habits of freedom, generates expectations of democracy, and promotes universal values of human dignity and human rights.

With this in mind, I believe it is appropriate and timely for the Congress to consider extending PNTR to Russia to remove one of the final vestiges of the Cold War. I look forward to hearing the testimony of our witnesses today, and I yield now to the Ranking Minority Member of the Subcommittee, Mr. Levin, for any remarks he would like to make.

Mr. Levin.

[The opening statement of Chairman Crane follows:]

Opening Statement of the Hon. Philip M. Crane, a Representative in Congress from the State of Illinois, and Chairman, Subcommittee on Trade

Good Morning. This is a hearing of the Ways and Means Trade Subcommittee to consider granting Permanent Normal Trade Relations, or PNTR, to Russia and to assess U.S.-Russia trade relations.

We are at a unique crossroads in the overall U.S.-Russian relationship, and I find this topic quite timely. As a Cold Warrior, I supported President Reagan's policies toward the Soviet Union. Reagan led both of our countries down a path that altered the course of history, and freedom and democracy triumphed. As a result of those policies, today we face a very different Russia from the nation that existed when the Jackson-Vanik provisions were passed in 1974. Since the fall of the Soviet Union over a decade ago, Russia has taken tremendous steps toward increased political and economic freedom. Today Russia has a maturing democracy. Russian citizens have successfully participated in three democratic elections for President and the Duma, and another Duma election will be held next year.

Russia has also undertaken significant economic reforms. The process has had some problems along the way but President Putin and his administration have made economic reform a priority, and I look forward to seeing private property rights and rule of law firmly take root in Russian governance.

I also expect our U.S. trade negotiators to bring back the best possible WTO accession package with Russia that addresses Congress' concerns, particularly with respect to the U.S. agriculture and fertilizer industries. I intend to follow this issue closely and consult with the Administration on the terms of Russia's accession.

In the meantime, I am extremely disappointed that Russia has not lifted its ban on U.S. poultry exports and has extended the ban at least an additional two days. I believe it will be very difficult for some Members to support PNTR for Russia unless this dispute is resolved in a way that is based on sound science. I note that in the written statement that Russian Ambassador Ushakov provided for the record of this hearing, he stated that we need to create a "transparent and predictable" climate between our two countries. I agree, and this includes a commitment not to erect trade barriers in the name of sanitary concerns that are in fact based on politics. If there are legitimate concerns with some U.S. chicken processing facilities, then we should deal with this in a focused way. Instead, Russia has provided no good reason to continue a complete ban on all U.S. poultry. Russia's poultry ban has caused serious damage to our trade relationship, and I ask the Ambassador to send this message back to Moscow.

Jackson-Vanik is fundamentally about freedom of emigration, and it is widely recognized that Russia has done a tremendous job with regard to the free emigration of Jews. For eight years, Russia has been in full compliance with the freedom of emigration provisions in the law. My brother-in-law is the son of holocaust survivors, so this is something that is directly relevant to my family.

The President says he wants PNTR for Russia to help further a new relationship with Russia. He wants it for geopolitical reasons. Well, I want it for economic reasons. This is good for Russia and for the United States. With PNTR, U.S. investors and entrepreneurs will have more confidence in doing business in Russia. This confidence will foster more trade and investment between our two countries. It's no surprise to me that the U.S.-Russia Business Council-whose members are the pioneers doing business in Russia-is strongly advocating PNTR for Russia.

In a speech at the State Department last week, President Bush said-and I wholeheartedly agree-that free trade creates the habits of freedom, generates expectations of democracy, and promotes universal values of human dignity and human rights. With this in mind, I believe it is appropriate and timely for the Congress to consider extending PNTR to Russia to remove one of the final vestiges of the Cold War.

I look forward to hearing the testimony of our witnesses today, and I yield to the Ranking Minority Member of the Subcommittee, Mr. Levin, for any remarks he would like to make.

Today we will hear from a number of distinguished witnesses. In the interest of time, I ask that you keep your oral testimony to five minutes. We will include longer, written statements in the record. And now I welcome my colleagues Mr. Lantos and Mr. Cox to hear their testimony.

Mr. LEVIN. Thank you, Mr. Chairman. And welcome Mr. Lantos and to all those who are going to testify, the distinguished Secretary, Mr. Larson, the Ambassador, and everybody else.

Today, as Mr. Crane has mentioned, the Subcommittee considers whether to, we use the term, "graduate" Russia from the Jackson-Vanik amendment and whether to grant permanent normal trade relations. The question arises as to what factors we should base those decisions on.

Additionally, since both the Jackson-Vanik amendment and the conditional grants of normal trade relations (NTR) involve issues of leverage, we must determine whether and how to replace that leverage.

There are indeed legitimate foreign policy reasons prompting the Administration's request, especially given that Russia has been an important ally in the war against terrorism, and other developments within Russia. That said, human rights, religious freedoms, and economic commercial concerns do remain.

At the outset—and I think this needs to be kept in mind—it is important to realize that Jackson-Vanik graduation and granting PNTR are really two different actions, each with different policy implications. Although we often speak of the Jackson-Vanik amendment in Title IV of the Trade Act 1974 as if they are one and the same, in fact, that is not correct. It is important as we embark on what may be the first of many Jackson-Vanik moves for former Soviet countries to understand this point, because it helps to identify all the issues that are at stake.

So when we talk about granting PNTR and moving the country out of Jackson-Vanik, we should consider both the Jackson-Vanik issues and the trade policy issues.

As to Jackson-Vanik issues, we must consider what we might call the traditional Jackson-Vanik issues. That amendment was a historic piece of legislation, and Mr. Lantos is going to speak, as he always does, eloquently on that subject. It set forth important criteria related to freedom of emigration necessary for certain countries to obtain normal trade relations.

Even from its inception, however, the Jackson-Vanik amendment was not only concerned with freedom of emigration, but also reflected the American commitment to human rights and freedom of religion. This fact is evident not only in the Preamble but also in the conduct of U.S. relations with the former Soviet countries for over three decades.

It is appropriate, then, as we consider whether a country should be graduated from the Jackson-Vanik amendment, that we place a strong emphasis on freedom of emigration, religious freedom, and human rights issues—issues that motivated so many of us to go to the Soviet Union over the years of the past. These were the issues at the core of the creation of the Jackson-Vanik amendment and should be at its core as we consider countries moving from out of it.

So as I said, toward that end I very much look forward to hearing from my colleague and dear friend Tom Lantos on these issues as well as from other groups here today, including the NCSJ: Advocates on behalf of Jews in Russia, Ukraine, the Baltic States & Eurasia (NCSJ). I want to hear—and I think we all do—about Russia's progress to date on these issues, areas where Russia needs to do more, and Russia's commitment to continue that progress in the future.

Separate from the Jackson-Vanik issues per se are what might be called the trade policy issues, and just a few moments on those. These are the issues that inevitably arise when deciding whether to bring about a change in the status of a trading relationship. For the most part, Congress has not agreed to accept a major change in trade status with another country without a mutual benefit and action on both sides. In the context of other countries covered by the Jackson-Vanik amendment, in recent years Congress has generally not granted PNTR until after the country has completed its accession to the WTO or at least completed its WTO accession negotiations with our country.

The reason is obvious: The ultimate vote on PNTR legislation gives Congress an important lever to ensure that the trade negotiations with that country reflect fully our priorities, Congress' and the administration's.

As in the recent case of China, we want to be sure of the outcome of these negotiations. Ensuring a strong role for Congress is appropriate given that Congress has a constitutional mandate to regulate trade, and we have to take that seriously. So we should not approach the granting of PNTR lightly. We should not grant it without strong assurances, and preferably something more than just assurances, that Congress will continue to have a strong influence in shaping trade relations.

For a start, if a country has not yet acceded to the WTO, the findings and statements of policy in any PNTR bill should reflect congressional priorities on trade issues, from meaningful market access, to intellectual property protection, to labor market standards, to satisfactory resolutions of disputes. So I will be very interested in hearing from the witnesses what mechanisms and tools they believe will ensure continuing leverage for the United States and for Congress should we grant PNTR for the Russian Federation.

Additionally, given that the countries falling under Title IV of the Trade Act 1974 are in many cases non-market economies or do not yet have well-established market systems, we need to seriously consider what types of structures we will need to ensure stable trade relations with those countries.

When we enacted the Trade Act 1974—and this is often not recognized—we created a special safeguard for trade with non-market economies. We did so out of the realization that a high level of government interference in an economy or a lack of market structures creates the real possibility of large and unpredictable import surges. We recently reaffirmed that basic logic when we established a special safeguard in the China PNTR legislation. We need to give serious consideration to keeping a special safeguard in place for many of these former Soviet countries until they make substantially more progress toward creating truly market economies.

Thank you again, Mr. Chairman.

[The opening statements of Mr. Levin and Mr. Cardin follow:]

Opening Statement of the Hon. Sander M. Levin, a Representative in Congress from the State of Michigan

Thank you, Chairman Crane. Today the Committee considers whether to "graduate" Russia from the Jackson-Vanik amendment and whether to grant permanent normal trade relations (PNTR) to Russia. The question arises as to what factors we should base those decisions on. Additionally, since both the Jackson-Vanik amendment and conditional grants of NTR involve issues of leverage, we must determine whether and how to replace that leverage.

There are legitimate foreign policy reasons prompting the Administration's request that Russia be graduated from Title IV, given that Russia has been an important ally in the war against terrorism. That said, human rights/religious freedoms, and economic/commercial concerns remain.

At the outset, it is important to realize that Jackson-Vanik "graduation" and "granting PNTR" are two different actions, each with different policy implications. Although we often speak of the Jackson-Vanik Amendment and Title IV of the Trade Act of 1974 as if they are one and the same. In fact, that is not correct. I think it is important as we embark on what may be the first of many Jackson-Vanik "graduations" for former Soviet countries to understand this point, because it helps to identify all the issues that are at stake. So, when we talk about granting PNTR and "graduating" a country from Jackson-Vanik, we should consider both the Jackson-Vanik issues and the "trade policy" issues that were the underpinning of the other Title IV provisions.

Issues to Consider

Jackson-Vanik issues

First, we must consider what we might call the "traditional Jackson-Vanik issues." The Jackson-Vanik amendment was an historic piece of legislation. It set forth important criteria related to freedom of emigration necessary for certain countries to obtain normal trade relations with the United States. Even from its inception, however, the Jackson-Vanik amendment was not only concerned with freedom of emigration, but also reflected the American commitment to human rights and freedom of religion. This fact is evident not only in the preamble of the Jackson-Vanik amendment, but also in the conduct of U.S. relations with the former Soviet countries for nearly thirty years.

It is appropriate, then, that as we consider whether a country should be graduated from the Jackson-Vanik amendment, that we place a strong emphasis on freedom of emigration, religious freedom, and human rights issues. These were the issues at the core of the creation of the Jackson-Vanik amendment, and should be at the core of "graduation" from it.

Towards that end, I very much look forward to hearing from my dear colleague and friend Tom Lantos on these issues, as well from the other groups here today, including the NCSJ. I want to hear about Russia's progress to date on these issues, areas where Russia needs to do more, and Russia's commitment to continue that progress in the future on these vital issues.

PNTR issues

Separate from the Jackson-Vanik issues, are what might be called the trade policy issues. These are the issues that inevitably arise when deciding whether to bring about a change in the status of a trading relationship. For the most part, Congress has not agreed to accept a major change in trade status with another country without something in return.

In the context of other countries covered by the Jackson-Vanik amendment, in recent years Congress has generally not granted PNTR until after the country had completed its accession to the WTO or at least completed its WTO accession negotiations with the United States. The reason is obvious—the ultimate vote on the PNTR legislation gives Congress an important lever to ensure that the trade negotiations with that country fully reflect U.S. priorities—Congress' and the Administration's. As in the recent case of China, we could be sure that Congress was satisfied with the outcome only when those negotiations were completed.

Ensuring a strong role for Congress is appropriate given that Congress has a constitutional mandate to regulate trade with foreign nations. We must take that mandate seriously. In fact, we built a direct congressional role into our trade relations with countries subject to Title IV of the Trade Act of 1974—in section 405(b) Congress mandated that a number of provisions be included in bilateral trade agreements with such countries, and section 405(c) requires congressional approval for any such agreement.

So, we should not approach the granting of PNTR lightly. We should not grant PNTR without very strong assurances, and preferably something more than just assurances, that Congress will continue to have a strong influence in shaping trade relations with a country. For a start, if a country has not yet acceded to the WTO, the findings and statements of policy in any PNTR bill should reflect congressional priorities on trade issues—from meaningful market access, to intellectual property protection, to labor market standards, to satisfactory resolution of disputes such as the Russian poultry ban. So, I will be very interested in hearing from the witnesses what mechanisms and tools they believe will ensure continuing leverage for the United States and for Congress should we grant PNTR for the Russian Federation.

Additionally, given that the countries falling under Title IV of the Trade Act of 1974 are in many cases non-market economies or do not have well-established market systems, we need to seriously consider what types of structures we will need to ensure stable trade relationships with those countries. When we enacted the Trade Act of 1974, we created a special safeguard for trade with non-market economy countries. We did so out of the realization that a high level of government interference in an economy, and/or a lack of market structures, creates the real possibility of large and unpredictable import surges. We recently re-affirmed that basic logic when we established a special safeguard in the China PNTR legislation. We need to give serious consideration to keeping the special safeguard in place for many of these former Soviet countries until they make substantially more progress toward creating market economies.

Thank you again, Mr. Chairman.

Opening Statement of the Hon. Benjamin L. Cardin, a Representative in Congress from the State of Maryland

Mr. Chairman, thank you for holding this hearing today on the Administration's proposal to graduate Russia from the provisions of Jackson-Vanik and to extend Permanent Normal Trade Relations (PNTR) to Russia. I hope the subcommittee will take this opportunity to carefully examine the human rights and religious freedom record of Russia.

I am privileged to serve as a Commissioner on the Commission on Security and Cooperation in Europe, commonly known as the Helsinki Commission. The Commission is an independent U.S. Government agency created in 1976 to monitor and encourage compliance with the Helsinki Final Act and other Organization for Security and Cooperation in Europe (OSCE) commitments. The Helsinki Commission consists of both Representatives and Senators, as well as liaisons from the Departments of State, Defense, and Commerce.

When the Helsinki Final Act (HFA) was signed in Helsinki, Finland in 1975, it enshrined among its ten Principles Guiding Relations between participating States (the decalogue), a commitment to "respect human rights and fundamental freedoms, including the freedom of thought, conscience religion or belief, for all without distinction as to race, sex, language or religion" (Principle VII). The former Soviet

Union was a signatory to the Helsinki Final Act, and Russia acceded to the Soviet Union's obligations as an OSCE member under the Act upon the collapse of the U.S. S. R.

In June 2001 the Helsinki Commission held a hearing on ongoing human rights concerns and religious freedom issues in Russia. Mr. Chairman, at the outset let me state that Russia has made significant progress over the last decade in terms of emigration of Soviet Jews, religious freedom, and human rights. I have also reviewed the reports issued by the United States Commission on International Religious Freedom, as well as the United States Department of State reports on both human rights and religious freedom in Russia. Mr. Chairman, I have grave concerns about the human rights and religious freedom record in Russia.

Bearings these extensive hearings and reports in mind, I turn to the legislation introduced by the distinguished Chairman and subcommittee Chairman of the Committee, H.R. 3553. The bill states in part that Russia:

> (6) has committed itself, including through exchanges of letters, to ensuring freedom of religion and preventing intolerance;
>
> (7) has committed itself, including through exchanges of letters, to continuing its efforts to return religious property to religious organizations in accordance with existing Russian laws.

Mr. Chairman, in my view these letters are inadequate guarantees that purport to safeguard human rights and religious freedom in the future. I strongly encourage the Administration—at an absolute minimum—to engage in a specific dialogue with Russia on human rights and religious freedom. The Administration should also support an amendment to the pending legislation to include specific findings and sense of Congress provisions that would firmly and unequivocally commit the United States and Russia to continue to engage in dialogue on these critical issues.

Let me raise a few examples of concerns that I have regarding Russia's graduation, and I hope that the members of the panels will address today.

In 1997 Russia passed a comprehensive Religion Law which required, in part, the registration of religious organizations in Russia. The U.S. State Department has reported, along with religious groups and other nongovernmental organizations, that over 2,000 religious groups face liquidation for failure to re-register under the 1997 law. Dozens of groups have already been liquidated including several that apparently are actively functioning. The U.S. State Department has reported that the Religion Law "seriously disadvantages religious groups that are new to the country," and also "provide[s] regional officials with pretexts to restrict the activities of religious minorities."

The U.S. Commission on International Religious Freedom has expressed its concern about discriminatory laws, policies, and practices at the local and provincial level. In the Commission's view local officials have harassed and interfered with the activities of religious communities, preventing them from constructing, renovating, or renting suitable places for worship; distributing religious publications; and conducting religious education. Protestant, Catholic, and Muslim indigenous believers and foreign missionaries have been harassed by security officials, denied re-entry visas, and even expelled, for propagating their faith. One-third of Russia's constituent regions have enacted legal regulations on religious activities that are more restrictive than the 1997 Religion Law and that the Russian federal government believes may violate the Constitution.

The U.S. State Department reported in 2001 that "[a]lthough the Government respected the human rights of its citizens in some areas, serious problems remain in many areas." The report stated that:

> Its record was poor regarding the independence and freedom of the media. Its record was poor in Chechnya, where the federal security forces demonstrated little respect for basic human rights and there were credible reports of serious violations, including numerous reports of extrajudicial killings by both the Government and Chechen fighters. Hazing in the armed forces resulted in a number of deaths. There were reports of government involvement in politically motivated disappearances in Chechnya. There were credible reports that law enforcement personnel regularly tortured, beat, and otherwise abuse detainees and suspects. Arbitrary arrest and detention and police corruption remained problems. The Government prosecuted some perpetrators of abuses, but many officials were not held accountable for their actions. . . . The Government made some progress during the year with implementation of constitutional provisions for due process and fair and timely trial; however, the judiciary continued to lack resources, suffered from corruption, and remained subject to some influence from other branches of the Government.

I would again ask our panel witnesses to address these issues specifically: the Religion Law and its implementation, press freedom, Chechnya, abuse of detainees

and suspects, police corruption, and due process and rule of law provisions in Russia. On the issue of Chechnya, for example, the OSCE Parliamentary Assembly has regularly adopted resolutions that I have authored which have condemned the ongoing human rights violations in that region by the Russian Government.

Mr. Chairman, I have other concerns about the graduation of Russia as it relates to the treatment of Jews in Russia. As we will hear from Jewish organizations today, there has been a marked increase in the severity and frequency of anti-Semitic incidents. We have witnessed arson attacks, synagogue and cemetery desecrations, and direct assaults into Jewish institutions. There is very spotty investigation and prosecution—at both the local and federal levels—of these hate crimes against Jews in Russia.

We have also seen that the Russia Government may insert and involve itself in Jewish intra-communal affairs, such as efforts to dictate the leadership of particular Jewish organizations. In certain cases Jewish worshippers and organizations have been subject to illegal search and seizure and unreasonable and confiscatory taxes. I would again ask our panel witnesses today to address these concerns.

Let me also briefly comment on the graduation of other former Soviet republics. I do sincerely hope that the Administration will seek future approvals from Congress on a country by country basis, so that Congress can exercise its constitutional authority over trade and carefully examine the human rights and religious freedom records of the former Soviet Republics.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you.

Today we will hear from a number of distinguished witnesses, and in the interest of time, I would ask that you keep your oral testimony to 5 minutes, and we will include longer written statements in the record.

Now I welcome my colleague, Mr. Lantos. Mr. Lantos, will you proceed?

STATEMENT OF HON. TOM LANTOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. LANTOS. Thank you very much, Mr. Chairman, distinguished Members of the Subcommittee. I am honored to have this opportunity, Mr. Chairman, to testify today on graduating the Russian Federation from the provisions of the Jackson-Vanik amendment and granting it permanent normal trade relations.

I request respectfully that my written statement be included in total in the record.

Chairman CRANE. Without objection, so ordered.

Mr. LANTOS. Mr. Chairman, let me put my testimony in perspective. When President Bush returned from his summit meeting in Shanghai, I was asked by the White House, as the only survivor of the Holocaust ever elected to Congress, and as the Democratic founding Chairman of the Congressional Human Rights Caucus, to lead the effort to repeal Jackson-Vanik. I agreed to do that because I felt the President needed all the support we could give him on a bipartisan basis in the post-September 11 environment. And I very much hope that as we move along in perfecting this legislation, we will be able to achieve the President's goal prior to his meeting with Mr. Putin in Moscow in late May.

Mr. Chairman, the tragic events of September 11 have presented the United States with a strategic opportunity to reassess our relations with Russia. We all know the history and the legacy of Jackson-Vanik. It succeeded in prying open the iron gates of the Soviet Union. Thousands of persecuted Soviet citizens were permitted to

emigrate during the seventies and eighties under the pressure of this legislation. But, Mr. Chairman, Jackson-Vanik has taken on a much greater significance than simply encouraging free emigration.

This legislation was the first case in which Congress imposed economic sanctions in order to achieve a human rights objective, and Jackson-Vanik has come to symbolize our Nation's commitment to ensuring that human rights in the broadest sense are a fundamental principle of our foreign policy.

Since the end of the Cold war, the Russian government has opened its borders, legal restrictions on emigration have been lifted, and Russian citizens now migrate and travel freely. Important progress has also been made in many other aspects of human rights. Although some human rights issues remain, the progress on human rights in Russia relative to the Soviet era has been enormous.

As a result of these developments, the President since 1994 has found Russia to be in compliance with the provisions of Jackson-Vanik, and waivers have been issued, as provided by law, so that these sanctions have not been applied to Russia for almost a decade.

Now the world has been transformed again. President Putin joined the United States in the struggle against international terrorism, despite strong domestic opposition, and I want to pay tribute to the President for his courage. I believe that the permanent removal of Jackson-Vanik and its Cold war stigma, a symbolic gesture by the United States, would permit President Putin to reassure the Russian public, which is wary of his new pro-Western approach.

At the same time, Mr. Chairman, we must reaffirm to the Russian government and to the governments of all other countries to whom these restrictions still apply that observance of human rights is an essential element in their relationship with the United States of America. For this reason, it is essential that legislation to graduate Russia from Jackson-Vanik reaffirm our commitment to human rights.

Mr. Chairman, in November 2001, Secretary Powell and Russian Foreign Minister Ivanov exchanged letters to address some of the concerns of Members of Congress, religious organizations, and human rights groups regarding human rights issues in Russia. In the exchange Foreign Minister Ivanov gave assurances that the Russian Federation will continue to permit unfettered emigration, safeguard religious liberties, and enforce Russian laws against religious intolerance. Although this exchange of letters is an important step forward, many of my colleagues, and I must see stronger and more precise language on restitution of communal property, which includes religious, cultural, and educational property, nationalized by the Soviet Union in the twenties and thirties. The Russian Federation must agree to rescind legislation and procedures for registering religious organizations or at least give assurances that it will not be used to obstruct the activities of internationally recognized religious organizations, including the Roman Catholic Church, Baptists, Mormons, and others.

Mr. Chairman, I believe that the Russian Federation has passed good laws against hate crimes, but enforcement of these laws has

been extremely uneven. I was very pleased to hear President Putin speak out against instances of anti-Semitism and hate crimes, but, clearly, more needs to be done.

Regional and local officials in Russia must strengthen enforcement of existing laws and publicly condemn egregious abuses of human rights and anti-Semitic incidents. Similarly, local authorities have obstructed or prevented the return to religious and ethnic minorities of communal property, including houses of worship. The government in Moscow should indicate a willingness to help deal with these problems with local government officials.

It is essential, Mr. Chairman, that the United States express its intention to pursue human rights issues as part of our ongoing foreign policy approach to Russia. As part of an effort to make this point, an informal U.S.-Russian forum to discuss these issues on a regular basis must be established. This forum may include, in addition to United States and Russian government officials, representatives of private organizations in both countries with an interest in human rights and religious issues. This is an important way to involve American religious and human rights organizations such as the National Council for Soviet Jews or the U.S. Commission for International Religious Freedom in dealing with the end of Jackson-Vanik for Russia.

Russia has experienced greater centralization of authority and strengthening of the state at the expense of civil society. This trend has extended to all facets of Russian society, including the rights of independent trade unions and labor. In fact, recent Russian legislation seriously diminished workers' rights. I urge the administration and the Congress to continue to raise these concerns. Conducting a consistent U.S. policy toward Russia includes all aspects of human rights, religious freedoms, and they would honor the legacy of Jackson-Vanik.

I also urge our Administration, Mr. Chairman, to work with Members on this Subcommittee that have been in the vanguard in dealing with trade issues, including Mr. Rangel and Mr. Levin, to ensure that appropriate attention is paid to the economic aspects of graduation.

Sunsetting Jackson-Vanik sanctions for Russia could be a rare win-win-win proposition. Russia would benefit from the lifting of a Cold war stigma. There is nothing Mr. Putin wants more earnestly than to leave behind this stigma of the Soviet era. The United States would benefit from closer relations with Russia as a crucial partner in our global war against terrorism. And religious and ethnic minority groups historically targeted for persecution in Russia would benefit from the reaffirming of a commitment to human rights, religious freedom, and labor rights.

The Jackson-Vanik, Mr. Chairman, represented one of America's signal victories in the Cold war, and it marked the historic milestone in the field of human rights. With the end of the Cold war and with the prospect of a new strategic partnership between Russia and the West in our fight against terrorism, it is only appropriate for Jackson-Vanik restrictions on Russia to end as well.

Mr. Chairman, I hope that we can work together to modify the text of H.R. 3553 or introduce new legislation that will include appropriate language regarding U.S. policy with respect to the mat-

ters I raise today, including an appropriate reporting requirement so that Congress can be kept abreast of developments regarding these matters.

Unless we can develop legislation with language reflecting these human rights concerns, I cannot in good conscience support the graduation of the Russian Federation from Jackson-Vanik. I have raised my concern with Dr. Rice, the President's National Security Adviser, and with Deputy Secretary of State Armitage. I believe that they understand and fully share my concerns, and I do believe we can find satisfactory legislative language. But I repeat, Mr. Chairman, that unless we can reach such an agreement, I will not support this legislation and will have to oppose it actively.

Mr. Chairman, I believe this is the only approach to honor the legacy of our late colleague Senator Henry Jackson and our former colleague Congressman Charles Vanik and to ensure continuing progress in Russia on these most crucial matters.

Thank you, Mr. Chairman, for the opportunity to present my views before your Subcommittee, and I am pleased to answer any questions you or your colleagues may have.

[The prepared statement of Mr. Lantos follows:]

Statement of the Hon. Tom Lantos, a Representative in Congress from the State of California

Mr. Chairman, I am deeply honored for the opportunity to testify today on graduating the Russia Federation from the provisions of the Jackson-Vanik Amendment and granting it Permanent Normal Trade Relations (PNTR).

Since the Administration first approached me last fall about supporting this effort in Congress, I have consulted with my colleagues in the Congress and with leaders of a number of religious and human rights organizations about what is needed to move legislation that would permanently exempt Russia from the provision of the Jackson-Vanik Amendment. When the Chairman of the Ways and Means Committee, Mr. Thomas, together with Mr. Dreier and you, Mr. Chairman, introduced H.R. 3553, a bill to extend PNTR to the Russian Federation, I instructed my staff to work with your staff to ensure that we could draft mutually acceptable legislation which could be approved by the Congress in time for the President's summit in Moscow with President Putin in May.

This testimony outlines what I think has been accomplished so far, and what our next steps should be in order to successfully win congressional approval for this landmark legislation. I hope that we can work together to modify the text of H.R. 3553 or introduce new legislation that would include statements of U.S. policy with respect to the matters I will be raising today and that would add appropriate reporting requirements so that Congress can be kept abreast of developments regarding these matters. I believe this is the best approach to honor the legacy of Senator Henry Jackson and Congressman Charles Vanik and to help ensure continuing progress in Russia on these crucial questions.

The tragic events of September 11th have presented the United States with a strategic opportunity to reassess our relations with many of our former adversaries, including Russia. President Putin wisely sided with the United States in our struggle against international terrorism, despite strong domestic opposition. The Congress should explore ways to bolster President Putin's position by revisiting the need to continue to apply the Jackson-Vanik Amendment to Russia.

This landmark 1974 law was one of the first attempts to link human rights and trade. Title IV of the Trade Act of 1974 was initially conceived to establish a framework for U.S. trade relations with communist countries. However, a key amendment was included that fundamentally altered the thrust of Title IV from a purely trade focus, to include consideration of human rights and respect for religious freedoms. Designed to assist Soviet Jews and other minorities escape Communist persecution, Jackson-Vanik prohibited normal trade relations with the Soviet Union and other non-market economies unless they permitted free emigration.

Jackson-Vanik succeeded in prying open the Soviet Union's iron gates. Thousands of persecuted Soviet citizens were permitted to emigrate during the 1970's and 1980's under the pressure of this legislation. The amendment, however, has taken

on a much greater significance than simply encouraging free emigration. This was the first case in which the Congress imposed economic sanctions in order to achieve a human rights objective, and Jackson-Vanik has come to symbolize our nation's commitment to ensuring that human rights in its broadest understanding is a fundamental principle of our foreign policy.

Since the end of the Cold War, however, Jackson-Vanik has lost its relevance in Russia. The Russian Government has opened its borders, legal restrictions on emigration have been lifted, and Russian citizens now migrate and travel freely. In that regard, Jackson-Vanik has been a resounding and an unqualified success. Important progress has also been made in many aspects of respect for human rights. Although many serious human rights issues remain, the progress on human rights relative to the Soviet era has been substantial.

As a result of these developments, the President since 1994 has found Russia to be in compliance with the provisions of Jackson-Vanik and have issued waivers, as provided by law, so that these sanctions are not applied to Russia.

Last year President Putin has indicated his desire to see Jackson-Vanik lifted and its Cold War stigma removed. Such a symbolic gesture would permit President Putin to reassure a Russian public wary of his new pro-Western approach. In a recent poll, only 48% of Russians expressed sympathy with the United States and 50% said that the terrorist attacks "served Americans right." To help Putin overcome this anti-American sentiment, the Congress should graduate Russia from Jackson-Vanik.

At the same time, however, since Russia is the state for which Jackson-Vanik was originally enacted, it is important that as we graduate Russia from Jackson-Vanik, we reaffirm our commitment to the human rights provisions that are the foundation of this legislation. We should reaffirm to the Russian government—and to the governments of all other countries to whom these restrictions still apply—that observance of human rights is an essential element in the relationship with the United States. For this reason, it is essential that legislation to graduate Russia from Jackson-Vanik reaffirm our commitment to human rights.

In November of 2001, Secretary Powell and Foreign Minister Ivanov executed an exchange of letters to address some of the concerns of Members of Congress, Jewish organizations, religious organizations, and human rights groups regarding human rights issues in Russia. In the exchange Foreign Minister Ivanov gave assurances that the Russian Federation will continue to permit unfettered emigration, safeguard religious liberties and enforce Russian laws against religious intolerance. Although this exchange of letters is an important step forward, I and my colleagues would have liked to see stronger and more precise language on restitution of communal property, which includes religious, cultural, and educational property nationalized by the Soviet Union in the 1920's and 1930's. We also would have liked to have the Russian Federation agree to rescind the legislation and procedures for registering religious organizations or at least give assurances that it will not be used to prevent the activities of internationally recognized religious organizations.

Mr. Chairman, I believe that the Russian Federation has passed good laws against hate crimes, but it has enforced these laws unevenly. I was very pleased to hear President Putin speak out against instances of anti-Semitism and hate crimes, but, clearly, more needs to be done. Regional and local officials in Russia must strengthen enforcement of existing laws and publicly condemn egregious abuses and anti-Semitic incidents. Similarly, religious and ethnic minorities have faced obstacles in reclaiming houses of worship from local authorities. The government in Moscow should indicate a willingness to help deal with these problems with local government officials. The U.S. government can also play a role in this effort. One of the most successful programs funded by the Freedom Support Act is the Climate of Trust program designed to enable Russian law enforcement to combat ethnic and religious intolerance and xenophobia in Russia by providing a sustained and supported relationship between U.S. and Russian communities, law enforcement professionals, city administrators, prosecutors, human rights activists, educators and local media representatives.

It would also be helpful to have the United States express its intention to pursue human rights issues as part of our ongoing foreign policy approach to Russia. . As part of an effort to make this point, an informal U.S.-Russian forum to discuss these issues on a regular basis could be established. This forum may include, in addition to U.S. and Russian government officials, representatives of private organizations in both countries with an interest in human rights and Jewish community issues. This is an important way to involve American religious and human rights organizations, such as the National Council for Soviet Jews (NCSJ) or U.S. Commission for International Religious Freedom in dealing with the end of Jackson-Vanik for Russia.

As you may know, in the past two years Russia has experienced what some would describe as greater centralization of authority and strengthening of the state at the expense of the civil society. This trend has extended to all facets of the Russian society, including the rights of independent trade unions and labor. Recent legislation enacted by the Duma, at the urging of President Putin, seriously diminishes workers' rights. I understand that this new law places restrictions on the ability of independent unions to form and operate, management involvement in union activities, restrictions on the ability of unions to address nonpay issues, and complicated and onerous procedural requirements for strikes. The U.S. embassy in Moscow has raised concerns about the new law, as well as pre-existing legal and de facto restrictions on the operation of independent unions, with the Putin Administration. I urge the Bush Administration, and the Congress to continue to raise these concerns, including as part of reviews of Russia's GSP eligibility. Conducting a consistent U.S. policy towards Russia, that includes all aspects of human rights and religious freedoms, would honor the legacy of Jackson-Vanik.

I am mindful of the President's proposed visit to Moscow in May, and I am prepared to do everything in my power to assure that satisfactory legislation is completed in time to meet the needs for that summit. I have focused my remarks on the human rights and religious freedoms issues raised by graduation of Russia from the Jackson-Vanik amendment. As I said at the outset, Title IV, which contains the Jackson-Vanik amendment, was of course established to govern our trade relations with non-market economy countries. I urge the Administration to work with Members on this Committee that have been in the vanguard in dealing with trade issues, including Mr. Rangel and Mr. Levin, to ensure that appropriate attention is paid to the economic aspects of graduation.

I anticipate that agreement can be reached on these issues, and when it is, I believe it would be appropriate to celebrate the graduation of Russia from Jackson-Vanik provisions at a festive event in Moscow in connection with the summit. I would hope that the official delegation would include my dear friend and former colleague Congressman Charles Vanik and the widow of Senator Henry Jackson, who should be recognized for their outstanding contribution to human rights and religious freedom. Such an event would help demonstrate that the Jackson-Vanik legislation, one of the most important pieces of human rights legislation of the last century, has achieved its purpose.

Sunsetting Jackson-Vanik sanctions for Russia would be a rare win-win-win proposition. Russia would benefit from the lifting of a Cold War stigma. The United States would benefit from closer relations with Russia, a crucial partner in our war on terrorism. And religious and ethnic minority groups historically targeted for persecution in Russia would benefit from reaffirmation of human rights, including labor rights, safeguards.

Jackson-Vanik represented one of America's signal victories in the Cold War and marked an historic milestone for the human rights movement. With the end of the Cold War, and with the prospect of a new strategic partnership between Russia and the West in our fight against terrorism, it is only appropriate for Jackson-Vanik restrictions on Russia to end as well.

Thank you, Mr. Chairman, for the opportunity to present my views in front of your subcommittee today. I would be pleased to answer any questions from the Members.

Chairman CRANE. Thank you, Mr. Lantos.

Now we welcome to the Subcommittee our distinguished colleague from California, another colleague from California, Mr. Cox, and any written statements will be made a part of the permanent record.

STATEMENT OF HON. CHRISTOPHER COX, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. COX. Thank you, Mr. Chairman. I thank the Chairman and the other Members of the Subcommittee for convening this hearing today.

We are here this morning because, a decade after Russia's victory over the Soviet Union in the Cold war, Russia remains subject

to Title IV of the Trade Act 1974, including the Jackson-Vanik freedom of emigration provisions. These provisions were focused very specifically on Communist systems, prototypically the Soviet Union itself. And their purpose was to deny normal trade relations and other economic incentives to countries that denied their citizens the right to emigrate. That purpose is today totally opposite from our policy toward Russia.

Russia's continuing coverage under Jackson-Vanik requires an annual Presidential determination and a report to Congress that Russia is not violating freedom of emigration criteria. Since the collapse of the Soviet empire, these have become routine because, of course, today Russia's citizens enjoy complete freedom of emigration.

In 1992, following the collapse of the Soviet Union, Russia was first for 2 years extended waivers under this law, and subsequently the President has found Russia repeatedly in full compliance with the Jackson-Vanik emigration criteria. In recent months, the Bush administration has repeatedly expressed its desire, therefore, to repeal this Soviet-era restriction on our relations with Russia.

Today, Russia's long record of Jackson-Vanik compliance, the perfect string of Jackson-Vanik compliance findings and reports since 1994, indicates to me, and I think to the Members of this Subcommittee that it is high time that the application of Jackson-Vanik to Russia be terminated.

As you know, Mr. Chairman, I chaired the Speaker's Advisory Group on Russia, which was tasked with focusing on Russia's development since the collapse of the Soviet empire, essentially the period of the Yeltsin administration. The Speaker formally tasked the leadership of six Committees of the House to assess the results of U.S. policy toward Russia during the Yeltsin years.

Along with our colleagues, Representative Ben Gilman, then Chairman of the International Relations Committee, Porter Goss, then and now Chairman of the Intelligence Committee, Banking Chairman Jim Leach, the late Floyd Spence, Chairman of the Armed Services Committee, and Appropriations Committee Chairman Bill Young, as well as six other Subcommittee chairmen, we spent 6 months examining the past decade of U.S.-Russian relations. And in September of 2000, we released our findings and our recommendations.

The Advisory Group recommended that the U.S. government repeal Cold war-era laws that impede relations with Russia. We recommended that the Committees of jurisdiction, specifically including the Ways and Means Committee, carefully examine all aspects of the current statutory framework governing U.S. relations with Russia, with the intention of removing Cold war-era restrictions on full and normal U.S.-Russian relations. It was evident to us then in September of 2000, as it is now, that a great deal of work has already been accomplished, particularly with the 1993 Friendship Act, which sought to remove many of the legal impediments to normal relations between the United States and Russia. But we found that Congress had not completed the job. We had not completed the process of amending the remaining statutory leftovers of the Cold war.

The Advisory Group also recommended the promotion of Russia's integration into the world economy. Even today, in 2002, many Russian policies directly or indirectly discourage foreign investment and international trade. The United States should encourage Russia to adopt and enforce laws and policies that will allow her to enjoy the benefits of participation in the international marketplace. The United States should work with Russia for the adoption and enforcement of laws and policies that would enable Russia to accede to the World Trade Organization under appropriate commercial terms.

The legislation that you are considering today, which will repeal Jackson-Vanik for Russia, is a direct response to these recommendations of the Speaker's Advisory Group on Russia.

As you know, the Bush administration has strongly encouraged your action today. Since taking office, President Bush has made the improvement of bilateral economic relations with Russia an important tenet of his Administration's foreign policy. During last November's meeting with Russian Vladimir Putin, Bush stated that the United States is committed to "creating the conditions that will enhance our trade and investment relations and help Russia reach its economic potential." He added that "we will work together to build confidence in the climate for trade and investment between our two countries, including working together in an effort to accelerate Russia's WTO accession negotiations."

To accomplish these goals, the President has asked for the immediate repeal of Jackson-Vanik for Russia. In November 2001, the White House released a fact sheet announcing that the administration had begun consultations with Congress and other interested groups on the possibility of graduating Russia from the Jackson-Vanik requirements. The result was the introduction by the Chairman of this full Committee of the legislation that we are considering today.

In a House leadership meeting with President Bush yesterday, he repeated to me and to the others present his hope that Congress would now remove this Cold War vestige and allow U.S.-Russian relations to move forward on a new path, as well as reduce the barriers for Russia's inclusion in international organizations.

I couldn't agree more with my colleague Mr. Lantos that during the past 28 years, the Jackson-Vanik has proven to be a valuable and successful tool in ensuring that human rights, specifically freedom of emigration but certainly not limited to freedom of emigration, have been respected. The law was an extraordinary success in this case in ensuring freedom of emigration in the former Soviet Union. Since 1975, 573,000 refugees, many of them Jews, evangelical Christians, and Catholics, from areas of the former Soviet Union have been resettled in the United States alone. The Russian Jewish community in the United States today numbers between 750,000 and 1 million, and some estimates run twice as high. An estimated 1 million more Jews emigrated to Israel during that time. In today's Russia, the complete freedom of emigration is unquestioned. For fiscal year 2001, 3,875 refugees from Russia were resettled.

This legislation is important both for its impact on the future development of U.S.-Russian relations and on the development of de-

mocracy in Russia. If sanctions are appropriate when the right to emigrate freely is curtailed, then it is equally true that there should be recognition for the consistent respect of that right.

As we have seen throughout Latin America, Eastern Europe, and Asia, a growing respect for human rights has empowered citizens to demand their governments be accountable to the rule of law. Repeal of Jackson-Vanik for Russia is a important step to signaling U.S. support for Russia's democratic and free market institutions.

Thank you, Mr. Chairman, for the opportunity to express my views on this important issue. I understand that Ambassador Ushakov is also present today, and I join you in welcoming him.

[The prepared statement of Mr. Cox follows:]

Statement of the Hon. Christopher Cox, a Representative in Congress from the State of California

Introduction

Thank you, Mr. Chairman. I am honored to testify before the Committee on improving relations between the United States and Russia.

As the members of the Committee are aware, Russia remains subject to Title IV of the Trade Act of 1974, including the Jackson-Vanik freedom of emigration provisions. These provisions focused specifically on Communist systems, prototypically the Soviet Union, and their purpose was to deny normal trade relations and other economic incentives to countries that denied its citizens the right of emigration.

Russia's continuing coverage under Jackson Vanik requires an annual presidential determination and report to Congress that Russia is not violating freedom of emigration criteria. Since the collapse of the Soviet Union, these have become routine, because Russia today enjoys freedom of emigration.

In 1992, following the collapse of the Soviet Union, Russia was first extended normal trade relations under a waiver from the Jackson-Vanik emigration requirements. A waiver was again extended to Russia in 1993. Since 1994, the President has repeatedly found Russia in full compliance with the Jackson-Vanik emigration criteria. In recent months, the Bush Administration has repeatedly expressed its desire to repeal this Soviet-era restriction on our relations with Russia.

Today, Russia's long record of compliance with the emigration provisions and perfect string of Jackson-Vanik waivers since the collapse of the Soviet Union indicates that it is time to terminate the application of Jackson-Vanik.

The Speaker's Advisory Group on Russia

As you know, I had the honor of chairing the Speaker's Advisory Group on Russia. In March 2000, as Russia prepared for the presidential election that would formally establish the successor to the Yeltsin Administration, the Speaker of the House tasked the leadership of six committees of the House of Representatives to assess the results of U.S. policy toward Russia during the Yeltsin years.

Along with my colleagues, International Relations Committee Chairman Ben Gilman, Intelligence Committee Chairman Porter Goss, Banking Committee Chairman Jim Leach, the late Armed Services Committee Chairman Floyd Spence, Appropriations Committee Chairman Bill Young, Conference Vice Chair Tillie Fowler, Joint Economic Committee Vice Chairman Jim Saxton, Monetary Policy Subcommittee Chairman Spencer Bachus, Foreign Operations Subcommittee Chairman Sonny Callahan, Military Research and Development Subcommittee Chairman Curt Weldon, and House Russian Leadership Program Co-Chairman Roger Wicker, we spent six months examining the past decade of U.S.-Russian relations. In September 2000, we released our findings and recommendations.

The Advisory Group recommended that the U.S. government repeal Cold War-era laws that impede relations with Russia. We recommended that the committees of jurisdiction in the U.S. Congress carefully examine all aspects of the current statutory framework governing U.S. relations with Russia, with the intention of removing outdated Cold War-era restrictions on full and normal U.S.-Russian relations. Although work in this area has been accomplished by the 1993 Friendship Act, which sought to remove many of the legal impediments to normal relations with Russia, we found that Congress had not completed the process of amending the remaining statutory leftovers of the Cold War.

The Advisory Group also recommended the promotion of Russia's integration into the world economy. Today, many Russian policies directly or indirectly discourage foreign investment and international trade. The United States should encourage Russia to adopt and enforce laws and policies that will allow her to enjoy the benefits of participation in the international marketplace. The United States should work with Russia for the adoption and enforcement of laws and policies that would enable Russia to accede to the World Trade Organization under appropriate commercial terms.

The legislation before you today, which will repeal Jackson-Vanik for Russia, is a direct response to those recommendations of the Speaker's Advisory Group on Russia.

Bush Administration Support

Since taking office, President Bush has made the improvement of bilateral economic relations with Russia an important tenet of his administration's foreign policy. During last November's meeting with Russian President Vladimir Putin, President Bush stated that the U.S. is committed to "creating the conditions that will enhance our trade and investment relations and help Russia reach its economic potential." He added that "we will work together to build confidence in the climate for trade and investment between our two countries," including "working together in an effort to accelerate Russia's WTO accession negotiations."

To accomplish the President's goals, he has asked for the immediate repeal of Jackson-Vanik for Russia. In November 2001, the White House released a fact sheet announcing that the Administration had begun consultations with Congress and other interested groups on the possibility of graduating Russia from Jackson-Vanik. The result was your introduction, Mr. Chairman, of the legislation we are considering today.

In a House Leadership meeting with the President yesterday, he repeated to me and to the others present his hope that Congress would now remove this Cold War era law, and allow U.S.-Russia relations to move forward on a new path as well as reduce the barriers for Russia's inclusion in international organizations.

Success of Jackson-Vanik

During the past 28 years, Jackson-Vanik has proven to be a valuable and successful tool in ensuring that human rights, specifically freedom of emigration, has been respected. The law was an extraordinary success in securing freedom of emigration in the former Soviet Union. Since 1975, 573,000 refugees—many of them Jews, evangelical Christians and Catholics—from areas of the former Soviet Union have been resettled in the United States alone. The Russian Jewish community in the United States today numbers between 750,000 and one million, and some estimates are twice as high. An estimated one million more Jews emigrated to Israel during that time. In today's Russia, the complete freedom of emigration is unquestioned. For fiscal year 2001, 3,875 refugees from Russia were resettled.

Conclusion

This legislation is important both for its impact on the future development of U.S.-Russian relations and on the development of democracy in Russia. If sanctions are appropriate when the right to emigrate freely is curtailed, then it is equally true that there should be recognition for the consistent respect of that right.

As we have seen throughout Latin America, Eastern Europe, and Asia, a growing respect for human rights has empowered citizens to demand their governments be accountable to the rule of law. Repeal of Jackson-Vanik for Russia is an important step to signaling U.S. support for Russia's democratic and free market institutions.

Thank you, Mr. Chairman, for the opportunity to express my views on this important issue.

Chairman CRANE. Thank you, Mr. Cox.

Mr. Levin.

Mr. LEVIN. Thank you both for excellent testimony. Let me just make a brief comment. I think the challenge is, in a sense, how to put the two of your testimonies together.

Mr. LANTOS. Could you speak into the mike?

Mr. LEVIN. I think the challenge is how to put your two testimonies together that are similar but not identical. And in that regard, I very much agree with the need to continue to improve our relationship with Russia and to recognize the changes that have occurred there. I very much agree with that.

I only suggest that we remember what the original purpose of the 1974 Act was, and that was to begin to ease trade relations between then the East and the West. And Jackson-Vanik was an amendment to that. So the 1974 Act was an effort to begin to develop economic relationships between these economies in these countries with very different structures. And, therefore, included within the 1974 Act as originally written were provisions like: How do you handle trade relations with a non-market economy (NME)? How do you handle issues like surges? And there was a specific provision on that.

And so while Russia has moved away from the command economy market, and in some respects substantially, there remains the issue of how we are going to handle those trade relations with still two quite different structures; and also, as Mr. Lantos has pointed out so well, how we are going to keep very mindful the need for Russia to improve, to continue to improve its human rights approaches.

So I think those are challenges that are not identical, and we need to find a way to address both sets of concerns. And I am hopeful we can do that. I don't think we will do it by ignoring either of them, but essentially by finding ways to meaningfully address them.

So I don't think there is a difference of opinion about the need to respond to the changes that are going on in Russia and to encourage them and build stronger relationships. The question is the structures within which that occurs. And in doing so, I think we have to remember the original purposes of the 1974 Act as well as the thrust of Jackson-Vanik, which has had true success.

Thank you.

Chairman CRANE. Thank you.

Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman. Thank you to our two friends and colleagues for their testimony, and I think for the most part you are going to find that Members on this Subcommittee agree with the central focus of the two comments that Russia has certainly made some progress and certainly all of us would love to see it graduate from the Jackson-Vanik restrictions.

I would like to ask a question—oh, before I say that, Mr. Lantos, you mentioned in your testimony, written, at least, that perhaps Mr. Vanik and the widow of Congressman Jackson should perhaps be invited to attend any ceremonies that might take place when President Bush visits Russia and President Putin. And I would also suggest that—perhaps you were a little too modest, and I would suggest that perhaps Congressman Lantos also be invited by President Bush to attend because, if there has been a champion since 1974 on some of these issues, especially for Soviet Jewry in Russia and the greater Soviet empire at the time, it was certainly Tom Lantos. So I would hope that you would not neglect to add the name Tom Lantos, if you should write any letter urging the Presi-

dent to invite some important Americans to visit the country with him.

I would like to touch on one particular point. Recently, the Russian Duma passed some labor reform laws, and from what I can tell, it appears that those changes may have actually weakened the rights of individual workers and perhaps made it more difficult for collectively workers to enforce their rights and have a position, an equal bargaining or as close to an equal bargaining position vis-&-vis the employers. And I am wondering if either of you would like to comment on whether or not the administration should receive legislation from this Congress that would graduate Russia which includes some specific language that details what we would like to see Russia do with regard to human rights and, within that, labor rights.

Mr. LANTOS. Let me first commend you, Congressman Becerra, for raising this issue. I think the changes in what used to be the Soviet Union and is Russia today are nothing short of cataclysmic. And I certainly didn't expect in my lifetime to see the implosion of the Soviet Union and to see the initially embryonic but increasingly more and more robust development of democratic institutions in Russia, with perhaps the single exception of the media.

I fully agree with you. I think it is remarkable what the Russians have done, but I think it is also important for us to realize that, given the czarist tradition of centuries and the Soviet tradition of 70 years, a democratic society is a long ways from functioning in the Soviet Union. Therefore, whatever we can do to specifically strengthen labor rights in addition to human rights and religious freedom in this legislation and to make it part and parcel of the monitoring process that I suggested to Dr. Condolezza Rice, the establishment of an informal forum on human rights should also include the observance of labor rights. I fully agree with your comments.

Mr. BECERRA. Thank you.

Mr. COX. If I might just add, I think the main point has been expressed by several here—Representative Levin, yourself, Mr. Lantos, perhaps others before I arrived. It is a very simple thing. Russia today is no longer a Communist country. It is not a police state. It is not the "prison of nations," to use Lenin's words, that it once was. That is not, however, to say that it doesn't have all sorts of transitional issues as it seeks to accomplish what has never been accomplished before, transition from such a Communist police state, an empire, into a nation and indeed a neighborhood of nations that are free and democratic.

The free press remains in question in Russia. Transparency in regulation hasn't yet been achieved. Private property rights remain in question. Labor rights remain in question and so on. And all of these things deserve the attention of Russia's leaders and our own.

The framework within which those attentions are paid, however, should be a framework that is similar in every major respect to that applied to our other friends and allies around the world, many of whom have human rights issues. And it is this unique distinction that Russia still labors under, which was manufactured not for it but for the Soviet Union that we seek to repeal here today.

Mr. BECERRA. I thank you for your comments. Mr. Chairman, I thank you for the time. I just want to make sure I add this last caveat.

When we talk about labor rights and what we would like to see done, certainly I think all of us recognize the progress that Russia has made and the Russian Federation has made, and I don't think any of us are wishing to impose upon Russia or anyone else our standards or what we believe. But certainly there are some core labor standards that exist internationally that we can all agree upon that we can all try to meet, and I think we speak in terms of what is internationally recognized as the rights of workers and certainly work with Russia in regards to that, and hopefully we do see something in the legislation itself, the language of the legislation to address those concerns.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you.

Mr. Cardin.

Mr. CARDIN. Let me thank both of our colleagues for their excellent testimony.

Mr. Lantos, I particularly want to thank you for bringing out the history of Jackson-Vanik, that it is more than just the emigration of Jews, that it is one of the finest hours in the history of our Nation as we led the world in saying that if you want to do normal business with the United States, there are certain minimum human rights standards that you must adhere to. And the United States has sometimes been alone in this battle. There are a thousand reasons you can come up with why you shouldn't use trade or economic issues when you are dealing with human rights issues. It seems like that for the rest of the world human rights has always been at the bottom on the list of those issues that are important. And you have stood for the importance of human rights in dealing with the United States, and I really applaud you throughout your entire career for making that the highest priority.

We use other mechanisms. We used in South Africa direct sanctions, and it worked. And the rest of the world said it wouldn't, and it did. And they finally joined us.

So I guess one issue that I want to ask you about is, as we start to graduate nations from Jackson-Vanik and grant permanent normal trade relations, I would hope that we would have an affirmative policy in this country to say that there will be other ways in which we will use U.S. economic presence to make sure that basic human rights standards are adhered to by nations that want to trade or do business with the United States. And I just really wanted you to comment on that. I hope that we don't mean by the graduation from Jackson-Vanik that that is the end of the U.S. interest on human rights records if you want to do normal business with the United States.

Mr. LANTOS. Well, first, let me thank you for your comments, Congressman Cardin.

I fully agree with you. I think the proposal that I made to Dr. Rice is a modest, reasonable, and readily acceptable proposal. I do not believe that there is any objection on Russia's part to accepting this proposal. As a matter of fact, the democratic forces in Russia

welcome informal monitoring and the establishment of binational commissions that deal with these issues.

It is clearly in the best interests of the Russian people for us to continue to observe how human rights are respected in Russia. My feeling is that with very little good will on all sides, the criteria and the conditions that we outlined to the National Security Adviser can be incorporated in this legislation.

I very much hope that President Bush and President Putin will have a festive meeting in Moscow when Jackson-Vanik is recognized as a great achievement which has succeeded in accomplishing its goals. But I think it would be a very serious oversight on our part if we would merely sweep under the rug the need for continuing monitoring and continuing discussion with our Russian friends on these issues.

Mr. CARDIN. Well, I certainly agree with your position, and I look forward to working with you and hopefully we can resolve this issue in an amicable way.

Thank you, Mr. Chairman.

Mr. LANTOS. Thank you very much.

Chairman CRANE. I want to express appreciation to both of our distinguished colleagues from California for making their presentations today. And with that, you are relieved of further duties. We thank you.

I would now like to invite our second panel: the Honorable Peter Allgeier, Deputy U.S. Trade Representative (USTR); and the Honorable Alan P. Larson, Under Secretary for Economic, Business, and Agricultural Affairs, U.S. Department of State.

Gentlemen, if you will take your seats and proceed in the order I introduced you, and try and keep your oral testimony to 5 minutes or less. Those little lights give you a green light, yellow light, and red light. All written statements, though, will be made a part of the permanent record.

And with that, Ambassador Allgeier, you may proceed.

STATEMENT OF HON. PETER ALLGEIER, DEPUTY UNITED STATES TRADE REPRESENTATIVE

Mr. ALLGEIER. Thank you very much, Mr. Chairman, and thank you, Congressman Levin and the other Members of the Subcommittee, for inviting me to testify today on this important subject of termination the application of Jackson-Vanik to Russia. I will summarize my testimony and ask that the full testimony be submitted for the record.

The United States certainly has begun a new era in its relations with Russia. Whether in the realms of security or foreign policy or economics, President Bush has emphasized the need to move beyond Cold war strictures and stereotypes. As he said in November during his meeting with President Putin, "we're working together. . . . to establish a new spirit of cooperation and trust" and working together "to make the world more peaceful."

As a concrete manifestation of this new relationship and moving beyond the outdated stereotypes, the President has urged the Congress to end Jackson-Vanik's application to Russia. In the first instance, the amendment has served its purpose. Russia has been in full compliance with Jackson-Vanik's emigration provisions since

1994. Second, continued application of Jackson-Vanik will impede our efforts to work together because it will be an indication to Russia that they continue to be suspect and viewed almost as a Cold War adversary.

I will focus, Mr. Chairman, on the economic front. There the Russians have made great strides in reforming their economy. A key part of Russia's broader economic reform program is achieving the standards that are necessary for membership in the World Trade Organization, and I would like to emphasize it is not just Membership; it is achieving the standards, the requirements, and adhering to the obligations that are necessary for Membership.

President Putin has made WTO Membership and integration into the global trading system a top priority. We, of course, support Russia's efforts to promote economic reforms, to establish the rule of law in commerce, and to adopt and enforce the WTO commitments for a more open economy.

Let me add quickly that as we intensify our efforts to work with Russia on WTO accession, this does not mean that we will welcome Russia's entry into the WTO on just any terms. We are negotiating intensively and aggressively with Russia to increase market access for U.S. exports—manufactured goods, agricultural products, and services—and we will work with the other Members of the WTO and, of course, with Congress to ensure that the Russian government implements the many rules of the WTO.

Recently, the WTO produced the initial text of a draft Working Party report on Russia's accession. This is an important step forward in Russia's WTO accession process, and it provides the framework for recording Russia's progress in adopting the WTO provisions and making the changes in its domestic laws and regulations that are required to adhere to those provisions, and for identifying the areas in which additional work is needed, and for resolving those issues. So this is the framework in which the countries proceed with the accession process in the WTO.

This report was circulated April 2nd. We are reviewing it carefully, and all the Members of the Working Party will convene in late April to have an initial reading, a first reading of this, and to provide an assessment, an initial assessment of what more Russia needs to do with its laws and its other measures to come into compliance with the WTO.

We have been consulting regularly with Congress throughout Russia's WTO accession. This is a formula that has proven successful in the past in other accession negotiations. We look forward to continuing to consult closely with the Congress and, in particular, with this Subcommittee as we go through the accession negotiations and the process of drafting Russia's WTO protocol and its other commitments.

Obviously there has been growing attention by the Congress and by domestic interests, economic interests in the United States with the accession process, particularly, I would say, by the agricultural community, but not exclusively. As we have conducted our consultations with the Congress and with the domestic economic interests, we believe even more strongly that we have a common view of the objectives for our accession negotiations.

In agriculture, let me say that these objectives are shared not just by the Congress but also by many of our trading partners who are active in the accession process: Australia, Canada, Argentina, Brazil, and New Zealand, for example.

In agriculture, we are pursuing commitments on market access, on sanitary and phytosanitary (SPS) procedures, on limiting agricultural support, and also ultimately eliminating export subsidies.

Let me mention the area of food safety and SPS. It is extremely important that these measures not be used for protectionist purposes. We attach great importance to resolving these issues in the course of accession and issues that we encounter in the meantime. We have a real-life example of the importance we attach to this. Unfortunately, Russia has failed to date to eliminate the ban on poultry and poultry products. We believe very strongly that we are in compliance with the standards of food safety. We have worked very hard at extremely high levels, at the Cabinet level, and the President has emphasized the importance of resolving this immediately. Our team is in Russia even today working to resolve that as quickly as possible.

Additional negotiations in the WTO obviously involve access for manufactured goods. Among the areas that we are working on particularly are civil aircraft, fertilizer that you mentioned, Mr. Chairman, in your statement, construction equipment, and also in services, important services such as financial services, telecommunications, and distribution. I should also mention intellectual property is an important objective.

So we intend to obtain the highest level of commitments from Russia with respect to the adoption of WTO rules, guarantees of meaningful market access in goods and services, and enforcement of the rule of law in trade.

I want to mention that the rule within the WTO is consensus, and the Russians will need to obtain the consensus of all the Members, including the United States, in order to have a successful protocol of accession. That ensures that our concerns not only will be heard, but that we have sufficient leverage to resolve the full range of issues presented by Russia's trade regime.

We look forward to working, as I said, with the Congress as we move to complete this process, and we believe that ending the application of Jackson-Vanik will provide increased momentum to Russia's broad economic reform program and will encourage Russia to make the changes necessary to join the international trading community.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Allgeier follows:]

Statement of the Hon. Peter Allgeier, Deputy United States Trade Representative

Ambassador Robert Zoellick has said in previous testimony before this Committee, and as my colleague Under Secretary of State Alan Larson emphasized this morning, the United States has begun a new era in its relations with Russia. Whether in the realms of security, foreign policy, or economics, President Bush has emphasized the need to move beyond Cold War strictures and stereotypes. As the President said in November during his meeting with President Putin, "we're working together to break the old ties, to establish a new spirit of cooperation and trust so that we can work together to make the world more peaceful."

To close out the history books of the Cold War, the President has urged the Congress to finally end Jackson-Vanik's application to Russia. The Jackson-Vanik Amendment was drafted twenty-eight years ago to bring about free emigration. We believe that the Amendment has served this purpose in Russia—Russia has been in full compliance with Jackson-Vanik's emigration provisions since 1994. Continued application of Jackson-Vanik, however, is an indication to Russia that they continue to be suspect and viewed as a Cold War adversary.

On the economic front, the Russians have made great strides, as they work to significantly reform their economy. A key part of Russia's broader economic reform program is achieving membership in the World Trade Organization (WTO). President Putin has made WTO membership and integration into the global trading system a top priority, seeing this as part of Russia's economic reform program that is aimed at achieving sustainable growth, promoting high-tech industry, attracting international investment, and raising living standards for the Russian people. These efforts need to include action by the Russian Duma to establish an effective legal infrastructure for their economy as well as commitments that establish the parameters of liberalized market access in Russia for imported goods and services. USTR has been actively engaged in Russia's negotiations to join the WTO. We will continue to support Russia's efforts to promote economic reforms, establish the rule of law, and adopt WTO commitments for a more open economy.

Of course, intensifying our efforts to work with Russia on WTO accession does not mean that we will welcome Russia's entry into the WTO on any terms. We are negotiating with Russia to increase market access for U.S. exports—in goods, services and agriculture—and we will work with other WTO members and the Congress to ensure that the Russian Government implements the many rules of the WTO. Russia must follow through with its stated plans to make comprehensive changes to its legal and regulatory system in a number of areas—standards, customs practices, sanitary and phytosanitary measures, and protection of intellectual property. Some of these changes are already underway, but it is up to the Russian Government to pass new laws and ensure that the laws in place are fully enforced in a manner consistent with the international trading system.

Last fall, responding to Russia's efforts to adopt the rules of the WTO and liberalize its trade regime, WTO members decided to produce an initial text of a draft Working Party report on Russia's accession. This is an important step forward in Russia's WTO accession process and will provide a framework for recording Russia's progress in adopting WTO provisions and for identifying areas in which further work is needed. This draft report was circulated to WTO members on April 2, and we are in the process of reviewing it very carefully. Later this month, we and other members of the Working Party will meet at the WTO for a "first reading" of this draft and for an initial assessment of what more needs to be done to bring Russia's laws and other measures into compliance with the rules of the WTO. Over the upcoming months, we will be working with the Russian Government—in cooperation with the EU and our other WTO counterparts—to establish and record the areas in which Russia has implemented WTO rules and to identify and address the remaining outstanding issues in Russia's draft Working Party report. We have been consulting regularly with Congress throughout Russia's WTO accession, and we look forward to continuing to consult closely with the Congress and this Committee in particular throughout the accession negotiations and the process of drafting Russia's Working Party report.

Since we began work on Russia's accession, we have maintained open communication with you and with the full range of U.S. interests. I believe that we have a good track record in working with you in the development of our negotiating positions on all WTO accessions. Our experience with Russia is no exception.

Over the past few months there has been increased attention by the Congress and certain domestic economic interests, in particular the agricultural community, regarding Russia's WTO accession negotiations. We have met with the agricultural community on several occasions over the past few months to discuss the various agricultural issues involved in these negotiations. These meetings have left us with an even stronger conviction that we share a common view of the objectives for agriculture in these negotiations. It is worth noting that many of the issues of interest to our agricultural community are shared, not only by the broader U.S. trade community, but by a number of Russia's other trading partners as well, e.g., Australia, Canada, Argentina, Brazil and New Zealand.

As with other WTO accession negotiations, in Russia's case we are seeking commitments that will provide meaningful market access improvements for U.S. agricultural and food products and that will address the unjustified use of food safety or other non-tariff measures as barriers to trade. These efforts support Russia's broad internal program to reform its agricultural sector along market principles.

We have also been engaged in intensive negotiations with Russia on tariff and non-tariff market access for industrial goods and services. While we have made some progress in these negotiations, we continue to consult closely with our industry advisors and Congressional staff on a full range of issues, including in areas such as civil aircraft, fertilizer and construction equipment. In the services area, we are continuing to push hard for increased access in telecommunications, distribution and financial services.

Every Administration since the inception of the WTO has had a good track record of setting the highest standards for new entrants to the WTO. We intend to continue to seek the highest level of commitments from Russia with respect to the adoption of WTO rules in its trade regime, the provision of guarantees of meaningful market access in goods and services, the establishment of limits on agricultural supports, and the enforcement of the rule of law in trade. The requirement that we and other WTO members reach a consensus on the terms for Russia's WTO accession guarantees that our concerns will be heard.

We would like to work with you to continue to move our relationship with Russia into a new and more cooperative era. Ending application of Jackson-Vanik will provide increased momentum to Russia's broad economic reform program. It will send a positive message at a moment when Russia is poised to make changes necessary to join the international trading community.

Chairman CRANE. Thank you, Mr. Allgeier.

Mr. Larson.

STATEMENT OF HON. ALAN P. LARSON, UNDER SECRETARY FOR ECONOMIC, BUSINESS, AND AGRICULTURAL AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. LARSON. Mr. Chairman, Mr. Levin, and respected Members of the Subcommittee, it is a great honor to be here. The reason I am here today is because President Bush and Secretary Powell strongly support ending the application of Jackson-Vanik to Russia.

Our relations with Russia no longer can be seen as a legacy of the Soviet Union. President Bush and President Putin are building a new relationship based on cooperation and shared interests. Breaking with the patterns of the past, President Putin has taken steps that have enhanced our own security, moved Russia closer to a market economy, and reaffirmed Russia's commitment to respect human rights and basic freedoms.

We also need to break with the patterns of the past. We need to demonstrate that we are ready to work with Russia as an equal partner, and the time has come to end Jackson-Vanik's application to Russia.

The Jackson-Vanik's original goal focused on promoting free emigration from the Soviet Union, and Jackson-Vanik achieved that goal, in large part because of the moral authority of our position. Since 1973, more than half a million refugees, many of them Jews, evangelical Christians, and Catholics, have emigrated to the United States, and in that same period, more than 1 million Jews have emigrated to Israel.

In the strategic and foreign policy arena, we are on the threshold of a new relationship. For example, President Putin has offered broad, strong, and tangible support for the war on terrorism. President Putin has accepted our offer to reduce operationally deployed nuclear weapons to between 1,700 and 2,200. He has opened the way to a closer, North Atlantic Treaty Organization, NATO–Russia relationship. He has closed the intelligence facility at Lourdes,

Cuba, and the military base at Cam Ranh Bay, Vietnam. He has been working with us to try to quell tension in the Middle East and create lasting peace in the Balkans. Just yesterday, the Foreign Minister of Russia joined the Secretary-General of the United Nations and the leaders of the European Union (EU) in expressing support for Secretary Powell's mission in the Middle East.

President Putin has also been carrying out a series of economic reforms, and we are actively working with the Russian government to accelerate and deepen them in order to bring greater prosperity to the Russian people, open new opportunities for American traders and investors.

Russia is committed to fulfilling the accession requirements of the WTO, and we are committed to ensuring that Russia does not enter the WTO until it has met these admission requirements.

In watching Russia move away from the Soviet era, we have witnessed a revival of religious life, marked by the restoration of synagogues, churches, and religious schools. President Putin has stated that Russia is a multi-ethnic state in which the right of all must be protected, and he has declared that while anti-Semitism may still exist, there is no justification for it, nor can there be.

As Mr. Lantos indicated, over the last 13 years very, very significant progress has been made on human rights. Ending Jackson-Vanik's application to Russia will not end our ongoing dialog on human rights. As President Bush stated, "My Administration is fully committed to work with Russia to bring about progress in human rights, including safeguarding of religious liberty, enforcement of hate crime laws, and the restitution of religious community property." And I can report that progress is being made on the return of religious and communal property.

Among the areas where more work needs to be done is on Russia's new labor code. While it has some positive elements, we are pushing for further revisions that would increase the democracy, transparency, and accountability of labor relations in Russia.

Mr. Chairman, the Soviet era has ended. Russia has been in compliance with Jackson-Vanik since 1994. Ending Jackson-Vanik's application to Russia is the right thing to do, and now is the right time to do it.

Thank you.

[The prepared statement of Mr. Larson follows:]

Statement of the Hon. Alan P. Larson, Under Secretary for Economic, Business, and Agricultural Affairs, U.S. Department of State

Mr. Chairman, Congressman Levin, respected Committee members, I am delighted to be here today with my colleague Peter Allgeier from USTR. The President and Secretary Powell urge and deeply appreciate your support for terminating the application of Jackson-Vanik amendment of the 1974 Trade Act to Russia.

After the end ofthe Soviet Union, much of our relationship with Russia was colored by the Soviet legacy. Gradually that legacy has passed and today only a bits and pieces of it remain. This Administration recognizes that a new relationship is taking shape: a relationship that is expanding cooperation between our two countries, enhancing our national security, supporting further development of the market economy in Russia, and strengthening democracy and human rights protection.

As Secretary Powell has said, the Administration has made remarkable progress in developing a new relationship with Russia. Russia has taken significant steps before and since September 11 to strengthen ties with the West and assist the U.S. in many critical areas. We need to affirm that President Putin has made the right decisions in pursuing a partnership with us.

Russia has come very far forward since the fall of the Soviet Union. It is no longer the enemy, the President reminds us. As we put the relics of the Cold War behind us, the President strongly urges Congress to graduate Russia now from Jackson-Vanik.

This amendment was created to bring about free emigration in the Soviet Union and foster broader human rights reforms with Russia. That objective has been accomplished. Jackson-Vanik also began a process which elevated human rights to an integrated element of our foreign policy. Graduating Russia from Jackson-Vanik now is the right thing to do.

Terminating Jackson-Vanik's application to Russia will bolster a new political, strategic and economic bilateral relationship.

President Bush wants to send President Putin a signal is that the United States is a reliable partner. In Washington last fall, the President expressed to President Putin his commitment to work with the Congress in seeking Russia's graduation from Jackson-Vanik. We believe now is the appropriate time to take this step, and we ask for your full support.

Emigration

The principal goal of the Jackson-Vanik legislation in 1974 was to promote free emigration from the Soviet Union, particularly for Soviet Jews.

We do not forget the oppression of Soviet citizens-including religious minorities. In the spring of 1972, the Soviet government imposed an "education tax" on would-be emigrants. This tax was so steep that few could afford to depart the Soviet Union. It was against this background that Senator "Scoop" Jackson teamed up with Congressman Charles Vanikto attach their historic amendment to the 1974 Trade Act. Jackson-Vanik has been a tremendous success. Restrictions on emigration from Russia have ended. Today, the Russian Constitution grants the right to Russian citizens to emigrate. This right is readily exercised.

Since Jackson-Vanik came into effect in 1975, 573,000 refugees—many of these Jews, evangelical Christians and Catholics—have resettled from the Soviet Union to the United States. Since the passage in 1989 of the Lautenberg Act, almost 235,000 Jews from the Soviet Union and its successorstates have resettled in the United States. Today, the Russian Jewish community in the United States numbers between 750,000 and 1 million, though some estimates are twice as high. Since 1975, another one million Russian Jews have immigrated to Israel.

In perhaps one of the most telling reversals of political fortune, Natan Sharansky—once a "refusenik" imprisoned by Soviet authorities—has, as one of Israel's Cabinet Ministers, met with President Putin in Moscow. Sharansky himself now favors terminating the application of Jackson-Vanik to Russia.

The only emigration restrictions that remain today in Russia relate to those who have had access to state secrets. Russian legislation permits delays of up to five years, with the possibility of a five-year extension, on those with access to classified material. This law, however, has been applied only in a small number of cases. Moreover, Russian legislation provides for an appellate process; that process has found in favor of the emigre in the large majority of cases.

Let me turn to the broader context of U.S.-Russian relations.

Strategic and Foreign Policy

We are building a new bilateral relationship with Russia. President Putin has willingly reversed former Soviet (and early post-Soviet) positions. He has chosen a course designed to make Russia a leading and responsible part of the international community. The active nature of U.S.-Russian cooperation over the past few months would have been unthinkable at the time of the 1974 passageof the Jackson-Vanik Amendment.

Under President Putin, Russia has:

- Offered extensive support in the global campaign against terrorism: information-sharing, overflight clearance for U.S. aircraft, and search and rescue assistance. Contrary to what many Western analysts would have predicted, President Putin has posed no objections to the stationing of U.S. forces in Central Asia or a U.S. "Train and Equip" program for Georgia to fight terrorism.
- Accepted our offer of parallel reductions in operationally-deployed nuclear warheads to the lowest levels in decades: down to between 1,700 and 2,200.
- Accepted our decision to move beyond the ABM Treaty and demonstrated more openness to our arguments on missile defense.
- Opened the way to a closer NATO-Russia working relationship, and dropped past strident Russian objections to NATO enlargement.
- Coordinated with us and closely supported the U.S. position on the Middle East.

• Announced the closing of Russia's massive intelligence facility at Lourdes, Cuba and withdrawal from the Cam Ranh naval base in Vietnam.

• Cooperated with us in the Balkans as we continue efforts to promote a lasting settlement and stable, democratic development.

• Maintained dialogue with us on Iraq, opening the way for UN Security Council agreement on a Goods Review List to streamline and make more effective the sanctions regime.

• Sustained oil production despite pressure from OPEC to make cuts and boost prices, thus helping to sustain a moderate global price.

Economy

In the economic sphere, we also enjoy a dynamic, productive relationship with Russia. The relationship stands in stark contrast to what existed during the Soviet period. But key economic reformers are under fire from some in Russia who do not understand the wisdom of integrating into the global economy; these reformers look for our support.

We believe President Putin is committed to meaningful economic reform, and we are engaged actively to help Russia to accelerate and deepen its reforms. Those reforms will promote stability and prosperity for the Russian people—objectives very much in the U.S. national interest—as well as open new markets for U.S. business and create a more attractive climate for U.S. investors.

Let me illustrate some of the changes in the economic situation in the past decade.

President Putin has recognized that small and medium size enterprises (SMEs) are a key source of growth and employment, and has publicly committed to create conditions that allow SMEs to flourish, many spurred by American training or American partners.

Russia welcomes joint ventures and other investments by non-Russian firms. Although foreign direct investment (FDI) in Russia is proportionately low compared to many other countries, it is beginning to grow and American firms account for the leading share, 35 percent, of total cumulative FDI.

Americans have invested in Russia in a range of economic sectors throughout the regions of Russia. For example, Ford Motor Company is investing $150 million to produce the Focus car chassis in Leningrad oblast.

General Motors is investing $330 million dollar to build the Niva sport utility vehicle under the Chevrolet name.

Lockheed Martin, Boeing, and United Technologies are among those expanding cooperation and coproduction with Russia's aerospace industry.

The Caspian Pipeline Consortium, led by Chevron Texaco and Exxon Mobil, has built the one thousand mile-long Tengiz-Novorossiysk pipeline investing some $2.2 billion in Russia. Exxon Mobil has announced a $4.7 billion commitment to Phase-I development of the Sakhalin-I offshore project which could total $12 billion. The U.S.-Russia Business Dialogue initiated at the June 2001 Summit and the Banking Dialogue have brought together leading American and Russian private-sector managers to make recommendations on how to changes laws and regulations which hamper trade and investment, and ways to strengthen the rule of law. The recommendations developed by these business leaders will be presented to President Bush and President Putin for consideration and action.

WTO Accession

I defer to Ambassador Allgeier to discuss Russia's efforts and progress on WTO accession. It is clear that Russia still has a great deal of work to do and will not accede precipitously to the WTO. Nevertheless, I believe that we have the ability—given Russia's commitment to reform, our new partnership with Russia and the personal relationship established between Presidents Bush and Putin—to work through WTO accession issues and resolve other trade problems effectively with Russia, to the benefit of American farmers, workers, consumers, and investors.

Trade issues arise, as they do with all countries. With Russia, our much stronger political relationship now strengthens our ability to resolve them in a constructive, cooperative and businesslike fashion. This has been the case in addressing our concerns on steel and those of Russia on poultry.

Human Rights/Religious Minorities

Since the end of the Soviet Union, we have sought a relationship with Russia based on shared values. Among these is a fundamental respect for human rights. We still have significant concerns about human rights issues in Russia, but clearly, Russia has shed the worst features of the Soviet past.

Personal freedoms, such as freedom of religion, assembly and speech, have expanded greatly. And reforms continue. Recently enacted Russian legislation will—

when implemented—limit the power of prosecutors, mandate jury trials throughout the country and create a more adversarial judicial process, as well as strengthen the independence of the judiciary. We will remain watchful that these gains are not rolled back. We will work with Russia—its government and its people—so that the expansion of personal freedoms continues and the legal mechanisms meant to protect human rights are strengthened.

While further progress is necessary, much already has been achieved:

We have witnessed a revival of religious life and traditions throughout Russia. Even with current problems, Russia is freer than at any time in history.

There is a renaissance of synagogues and religious schools, whether Hasidic, traditional Orthodox or Reform. President Putin has reached out to the Jewish Community and spoken out against anti-Semitism, declaring that Russia is a multi-ethnic state where the rights of all must be protected. Across all faiths in Russia, there has been progress, which we are working to expand further, in the return of religious and communal property.

President Putin and others in his government have reaffirmed their commitment to uphold legal and regulatory provisions throughout Russia to safeguard religious freedoms. In his recent Rosh Hoshannah message to the Jewish Community, President Putin wrote "Unfortunately, we still encounter some manifestations of anti-Semitism. There is no justification for them, nor can there be."

And, as Foreign Minister Ivanov wrote in his November 13th letter last year to Secretary Powell, "The fundamental objectives of our policies are to ensure personal freedom, prevent intolerance based on race, religion and ethnicity." Foreign Minister Ivanov reaffirmed Russia's commitment to continuing its efforts to transfer religious property in accordance with existing Russian laws.

Conclusion

There is no doubt that Jackson-Vanik has been a successful tool to help Soviet citizens win the opportunity to escape from Soviet repression.

But that Soviet era, marked by repression and denial of basic freedoms, is over. Russia has been in compliance with the statutory Jackson-Vanik emigration provision for almost ten years. Graduating Russia now is the correct and logical step to take.

The communities that long sought these changes in Russia and had previously opposed action on Jackson-Vanik now agree that it is time to acknowledge Russia's efforts and end the application of this statute.

In 1974, Jackson-Vanik was aimed in part at pressing the Executive Branch to address emigration and other human rights issues. Successive U.S. Administrations have integrated human rights issues into every aspect of our foreign policy dialogue with Russia and with other nations. Ending Jackson-Vanik's application to Russia does not end our dialogue on human rights issues or weaken our determination to express our concerns about any problems. But doing so will mark the success in reinforcing that freedom of movement, including emigration, is a fundamental right.

President Bush has reaffirmed this Administration's commitment to broad human rights and religious freedom principles on numerous occasions. He has pledged that the Administration will continue to work with Russia to help freedom and tolerance become fully protected in law and to safeguard religious liberty.

We will continue to engage in an active dialogue with Russia on civil liberties and religious freedom issues and we will report regularly to the Congress on these issues. Our bilateral assistance effort in Russia includes programs that promote democracy and promoting civil liberties. Through the Department and our Embassy and consulates in Russia, we are in touch with human rights advocates across Russia and the United States to stay informed of the states of human rights in Russia.

It is strongly in our interest to buttress the effort of reformers in Russia and to give encouragement to President Putin as he continues in pursuit of difficult reforms, often against domestic opposition. We all want Russia to maintain its forward momentum.

Graduation from Jackson-Vanik offers us an opportunity to commend the deep changes taken by Russia and to demonstrate our ongoing support to President Putin and his reform team. We ask that you join the President in acknowledging this new bilateral relationship we enjoy and graduate Russia from Jackson-Vanik now.

Thank you for your attention.

Chairman CRANE. Thank you, Mr. Larson.

Ambassador Larson, I would like to ask you a question about the political motivations that are prompting the push for PNTR for Russia now. Will that not possibly give some pressure for a quick completion of Russia's WTO accession?

Mr. LARSON. Mr. Chairman, I don't think it does create that pressure. As Ambassador Allgeier indicated, there is a process in the WTO that is, first of all, based on consensus.

Second, we are committed to making sure that the WTO standards and the interests of our constituencies are upheld as the accession process proceeds.

Third, we do believe that the Russian government itself understands that accepting the disciplines of the WTO will further the reform efforts that they are trying to promote.

So I think on all three counts, there is every reason to expect that we can be absolutely diligent in making sure that there is not undue haste or undue pressure to do this on any terms other than commercially appropriate terms.

Chairman CRANE. Mr. Allgeier, on poultry, I want to make clear that it will be hard to find support in Congress to repeal Jackson-Vanik if Russia continues to play politics on that issue. And what is the status of the poultry ban?

Mr. ALLGEIER. Well, Mr. Chairman, we certainly understand very clearly the first point that you just made, and we have conveyed that to the Russians.

We reached an agreement with Russia at the end of March on a memorandum of understanding (MOU) that delineated what would constitute compliance with the food safety standards of Russia. We invited a Russian team of veterinarians here, took them around the country to show them our plants to provide the documentation. We believe we have complied with all elements of that MOU, and as I mentioned, our team is in Russia now, our embassy there, working through those documents with the Russian authorities, and we are committed to having that ban lifted immediately.

Chairman CRANE. A second question for Ambassador Allgeier. We will hear testimony later this morning from one of my constituents, Bob Liuzzi. He is with CF Industries based in my district in Palatine, Illinois. And Mr. Liuzzi is representing the U.S. nitrogen fertilizer industry, and he will focus on that industry's concerns with respect to U.S. imports of nitrogen fertilizer from Russia.

Russian nitrogen fertilizer producers benefit from government-set, low-priced natural gas that allows them to undersell producers from other countries. Mr. Liuzzi says the U.S. industry may go bankrupt if it has to wait until Russia's WTO accession for the issue to be resolved.

How is the administration addressing today the legitimate economic and trade concerns of this strategic industry?

Mr. ALLGEIER. Yes, we met yesterday actually with Mr. Liuzzi. That was not the first time that we have met with the fertilizer industry of the United States. It is a significant and legitimate problem that they face due to the dual pricing of energy, specifically natural gas, in Russia. And in terms of the short term, we are working with them. There are a number of remedies possible under either U.S. law, for example, antidumping, but we also have a pro-

vision in our trade agreement to deal with selective safeguards if there is market disruption or a threat of market disruption.

We are prepared to work with the industry conscientiously to find the most appropriate solution to the problem.

Chairman CRANE. Thank you. Mr. Cardin—or, Mr. Levin, I am sorry.

Mr. LEVIN. Let me yield to Mr. Cardin. He has to go on the floor.

Mr. CARDIN. Thank you, Mr. Chairman, and thank you, Mr. Levin. I appreciate that.

Mr. Secretary, I particularly want to compliment the part of your testimony where you indicate that, "President Bush has reaffirmed this administration's commitment to broad human rights and religious freedom principles on numerous occasions. He has pledged that the administration will continue to work with Russia to help freedom and tolerance become fully protected in law and to safeguard religious liberty."

"We will continue to engage in an active dialog with Russia on civil liberties and religious freedom issues and we will report regularly to the Congress on these issues."

I thank you for those statements. I think they are very important.

Mr. Ambassador, as I was listening to you talk about accession to WTO and the fact that it is consensus and the fact the United States plays a critical role, and as you ticked off all the economic issues that are going to be of concern to our country, I didn't hear you mention human rights issues. And I think this is an opportunity that we have with WTO accession by Russia, not just what we do with Jackson-Vanik but how we handle the accession issues.

There are serious problems that remain in Russia. As you have pointed out, as the Administration has pointed out, as Mr. Lantos has pointed out, yes, there has been tremendous progress made. We understand that. But there is still more progress that needs to be made. And Mr. Lantos has made certain suggestions as to how we can achieve that in the context of the legislation we have before us. But I would hope as we negotiate on the WTO agenda that we would be bringing these issues up and asking our friends in Russia to resolve these issues to make it easier for us to support the accession to the WTO. And I appreciate your comments on that.

Mr. ALLGEIER. Yes. Well, obviously, the WTO accession negotiations and even our other trade negotiations with Russia are only one part of our dialog with them, and we work very closely with the State Department and the other departments to ensure that we are reinforcing the broad message to Russia that it is not just economic reform, but it is also continuing attention to human rights and other values that we hold high that is part of moving forward together.

Mr. CARDIN. Just be a little bit bolder about that. That is one of the things that I think Jackson-Vanik speaks to, the fact that Congress intended us to link economic issues with human rights issues, and use this opportunity to show that the United States maintains the highest priorities on human rights achievements. I just think that—I understand that sometimes these are quiet discussions, but I think some of us would feel a little more com-

fortable if you would highlight these issues as we go through some of the economic changes that are occurring in Russia.

Mr. ALLGEIER. OK. I understand. Thank you.

Mr. CARDIN. Thank you, and I yield back to Mr. Levin, and I thank him for yielding to me.

Chairman CRANE. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Secretary Larson, this is obviously a very difficult issue and one that I think goes to the core of the administration's trade policy in the region, which I am interested in, among other things, as Chairman of the Congressional Steel Caucus. And as part of the broader picture, I would like to ask you a question having to do with our recent situation in Europe.

There have been reports regarding EU threats to retaliate against U.S. products in response to the administration's recent actions on behalf of the steel industry, in part precipitated by conditions in Russia. I find these reports to be particularly ironic, given that any retaliation at this juncture would clearly violate the rules of the WTO by bypassing the dispute mechanism entirely -a strange approach coming from some of the strongest apostles of multilateral trade policy.

It is also my understanding that the EU has drawn up a list of very sensitive items for possible retaliation. I have reviewed that list, and I am very concerned about the rhetoric coming out of Europe. Frankly, I think if we are going to have a strong trade policy, we need to have a very strong response to this situation.

Mr. Secretary, I want to know what you are telling the Europeans on this subject, and what we plan to do should they retaliate against us.

Mr. LARSON. First of all, Congressman, we have been working very closely with the U.S. Trade Representative's Office to explain the reasons for the President's decision. We recognize that it is a decision that many in Europe did not want. But we have pointed out that it is a decision that was taken after a great deal of pressure on and injury to our own industry, after following a deliberative process that is in compliance with WTO rules, and after looking to make sure that, to the maximum extent possible, we were not harming the interests of our trading partners.

We have also pointed out, as you just did, that there is a place to talk about differences of opinion of this type, and that is in the WTO.

We agree that in the cases where we have had problems with European actions, we have waited until the end of the WTO process to impose any sanctions, and we have only done that retaliation or the withdrawal of concessions at the time when the WTO process was over and Europe had failed to comply with any WTO decision. So we agree that if there were a move toward retaliation, that that would be not in compliance with WTO rules. It would be a strange, unilateral measure for Europe to take. And we are working very hard to encourage the Europeans to really see this in a more reasonable way and to realize that this is an issue that, if they have concerns about it, there is a place in which they can bring those up and a process in the——

Mr. ENGLISH. I am gratified to hear that. I must say I have carried the same message to Mr. Lamy when he has visited with me. I have carried the same message to some of my counterparts in the European Parliament. But having done all of that, there seems to be still an extraordinary rhetoric on their part.

What I am seeking from you is a specific assurance—my having worked with USTR, I know they are on the same song sheet, that they are putting forward a very strong message. I would like the same assurance that the State Department is working with USTR and carrying the same strong message that we are not going to tolerate the retaliation in this case. Can I have that assurance, Mr. Secretary?

Mr. LARSON. Congressman, you definitely do. We are on the same sheet of music. I think Ambassador Allgeier and I talk about three or four times in an average day about how to make sure that our respective activities dovetail so that we are sending the same strong message on this issue, as well as on others.

Mr. ENGLISH. Thank you, and I want to thank both of you for the strong position that the administration has taken on steel. And, Mr. Chairman, I thank you for the opportunity to have posed this question.

Chairman CRANE. Thank you. Mr. Levin?

Mr. LEVIN. Thank you. Thank you very much.

I wanted to start off by indicating, Mr. Larson, Secretary Larson, I fully agree with what you have laid out under strategic and foreign policy considerations beginning on page three. And I hope we keep all of these in mind, including the progress in our relations with Russia.

I do want to talk a bit about the economic issue because you also mentioned, Mr. Secretary, that the principal goal of the Jackson-Vanik legislation in 1974 was to promote free emigration from the Soviet Union, particularly for Soviet Jews. That became the main focus of the 1974 Act, though it wasn't its original. It related to trade policy, and without in any way diminishing the importance—I want to elevate the importance of the Jackson-Vanik amendment—I want to go back to some of the economic issues and ask the Ambassador, you mentioned that there was a Working Group report that has just been issued in draft form. Has that been discussed? Has that been made available to Members of Congress?

Mr. ALLGEIER. I believe it has. If it hasn't, it should be, and it will be. Yes, it has been. I am assured that it has been.

Mr. LEVIN. The full text of it?

Mr. ALLGEIER. Yes, the 123 pages of it.

Mr. LEVIN. OK. And is there a clear delineation of the administration's objectives in the WTO Russian negotiations, accession negotiations? Is there an outline of what are considered the prerequisites?

Mr. ALLGEIER. Yes. We have our objectives that we have discussed, of course, with Congress and would be happy to lay out for you in writing, if that is something that you would like.

Mr. LEVIN. I am not sure they have been laid out in writing to us, and I would appreciate it if you would do that, because let me just say it as clearly as I can what the question in this regard is. The way the legislation is now written, essentially it would take

out any formal role of Congress relating to the WTO accession of Russia. That is the effect of it. We will be consulted, but there will not be a required vote of any kind, because we don't vote on the accession itself. Right?

[The information is being retained in the Committee files.]

Mr. ALLGEIER. Right.

Mr. LEVIN. And when it came to the important negotiations with China, it was the vote on PNTR that became the formal way for Congress to be involved.

Now, one of the issues, for example, relates to section 406, the surge provision, and when that was waived under the so-called Jackson-Vanik PNTR vote, we inserted into the legislation, as you know, a replacement for it. So the reason for the concern—and it has been more actively expressed on the Senate side, but it exists here—is the role of Congress and the impact of the elimination of an opportunity for Congress to vote.

So let me ask you this: As you have begun to think of Russia's accession—I will use this as just one example, because poultry is important and fertilizer is important, but we need to look at the overall framework of our economic relations. So I am picking out section 406, the surge provision, as just one example.

What would you propose to replace it?

Mr. ALLGEIER. OK. First of all, in terms of the role of Congress, of course, we take very seriously the necessity, the desirability of consulting with you, and, in fact, I believe that in the Uruguay round implementing legislation, we are required to consult with Congress in the course of WTO accession. So there is in that sense——

Mr. LEVIN. That is to consult, but while we vote on the ultimate agreement in a round, like Uruguay, we have to implement it. That isn't true of a WTO accession. So I know there is a requirement of consultation, but that has its limits. It is different than our having the leverage of a formal vote.

So I am asking you, regarding section 406 specifically, what are you suggesting be its replacement with Russia still being other than a market economy?

Mr. ALLGEIER. Two comments. First of all, specifically with respect to the selective safeguard provision that section 406 provides in our domestic law, we, of course, have the trade agreement which would be in place until we have WTO accession. At that point we still—we will have to explore with Russia and our other trading partners who have the similar concerns to the ones you have raised whether it would be appropriate to have some sort of safeguard provision as part of their accession.

Mr. LEVIN. You haven't explored that yet?

Mr. ALLGEIER. Oh, yes, we have.

Mr. LEVIN. And where are those explorations?

Mr. ALLGEIER. Well, we are still looking at what would be most appropriate. We are in a fairly initial stage of the negotiations with Russia in the sense that we have this first Working Party report, and that will inform both us and the Russians, and our trading partners, of what needs to be done before they join the WTO. So that is one area that we and our trading partners are concerned about and will be looking to address appropriately in the accession.

Mr. LEVIN. Remember, these are bilateral agreements. Do you expect there will be a replacement for section 406 in our bilateral agreement with Russia?

Mr. ALLGEIER. Actually, section 406 is not the only basis for dealing with the selective safeguard provision in our bilateral agreement. section 125 of the Trade Act actually provides that and would not require us to link it to emigration or anything like that.

Mr. LEVIN. OK. Well, there is clearly a set of issues here, and we need to move ahead with these, I think, if you expect there to be the kind of action I think all of us would ultimately like. And there is a lot of territory to be covered, clearly I think in the House and, as you know, in the Senate, you aren't going to move—you eliminate the role of Congress in terms of a vote, that is an important change. And we need to take that into account.

Thank you.

Chairman CRANE. Thank you. Ms. Dunn?

Ms. DUNN. Thank you, Mr. Chairman.

I know that steel has been addressed, and also poultry has been addressed. I want to ask you about a couple of industries that are very important in my corner of the world, which is the Puget Sound area.

I know Ambassador Pickering will be before us later on. In his new position, I am sure he is watching very carefully over one of my favorite companies, the Boeing Company.

But let me ask you first, on the level of trade relations with Russia, I am concerned about the level of intellectual privacy piracy, and I would like to have you talk to me a little bit about the position of the USTR and the State Department and what kind of pressure you are exerting on Russia to enact and enforce intellectual property rights (IPR) laws to protect piracy of American products. According to my read, the numbers that come out of Russia are about $5 billion of company profits over the last 5 years.

Could you tell me what is going on in that area, please?

Mr. ALLGEIER. Yes. Protection of intellectual property has been a longstanding objective of the administration in its relations with Russia, even outside of the WTO accession, first to obtain better laws—and there still needs to be work on that, and particularly on enforcement. We have a bilateral intellectual property group that addresses these issues, that takes on information and help from our private sector. We have made it very clear in the WTO accessions that scrupulous adherence to the obligations of the WTO, the so-called TRIPs, Trade-Related Aspects of Intellectual Property Rights, will be an essential part of our willingness to accept Russia's accession. We use our domestic law, the special 301 law. Russia is a priority watch list country. So I don't think there is any doubt in Russia's mind that this is a very high priority for us, and it is extremely important from an economic standpoint. So we will continue to press that.

Ms. DUNN. And, second, let me ask you about aircraft being sold in Russia. Washington State is the home of—we consider still Washington State the home of the airplane manufacturing industry. We actually do have 55 percent of that company still, the commercial line, in Seattle.

Chairman CRANE. Chicago's Boeing? [Laughter.]

Ms. DUNN. Well, I hope you treat them as well as we treat them, Mr. Chairman.

But we have all kinds of industry in our Northwest, and so you have got the aircraft industry, you have got the medical device companies. What is the position of the negotiations on reducing and eliminating the tariffs that cost us so much as we try to export our top-level products?

Mr. ALLGEIER. Well, part of any country's accession package has to be a schedule of commitments on reducing their tariffs and getting rid of other non-tariff barriers. That will have to be an important part of the Russian package, and the two industries that you mentioned—medical equipment and civil aircraft—are two that we have been highlighting with them in our negotiations and will continue to. And we are pressing the Russians to join the civil aircraft code of the WTO as part of their accession package.

Mr. LARSON. If I could just add two quick points. One of the things that we are doing in this relationship that we are strengthening the business-to-business aspect of it. There is a business dialog which I think provides a very good environment in which to both push our IPR concerns, because they do affect investment into Russia, something they want, but it also provides an avenue to pursue cooperation in sectors like the aircraft sector.

I do want to add that when large sales become a matter of political jockeying, the U.S. government in the form of the U.S. Trade Representative, the Secretary of State, and others in the administration have always been pushing to make sure that our suppliers get a fair opportunity to compete on the commercial merits and that politics from other quarters doesn't enter in.

Ms. DUNN. Good. And, you know, all of that has to do as much with jobs in my neck of the woods where we have lost 30,000 jobs because the Boeing Co. has laid off workers. We have had to spend a lot of time this year making sure that those folks were well treated through Trade Adjustment Assistance Program for Workers, TAA, and through the unemployment pockets of money that we could bring home. So we also think highly of the product that is made in our neck of the woods. So we will be watching what you do with great interest, and I am happy to hear your reply.

Thank you.

Chairman CRANE. Thank you. Mr. Camp?

Mr. CAMP. Thank you, Mr. Chairman.

Ambassador Allgeier, I apologize for being called out of the room for part of your testimony, and I realize that you have addressed the poultry issue to some extent. But I just am very concerned that the ban isn't lifted. As you know, this is the largest foreign destination for poultry. It is unacceptable to me that this ban hasn't been addressed on March 31st when the protocols were signed. And from what I understand your testimony to be, we don't really know when the ban is going to be lifted. This has a tremendous ripple effect throughout the agricultural community and for support for trade in general in this country, because I don't really see any justification.

Can you tell me specifically when you think this ban will be lifted and exactly what steps will be taken? I realize there are ongoing

discussions, but it is critical that this be addressed and be addressed in as expeditious a manner as possible.

Mr. ALLGEIER. Yes, we certainly agree with the importance of this issue and its ramifications for many, many States in the country. We were told by the Russians that the ban would be lifted by the 10th of April, and we are beyond the 10th of April. We are determined that this ban will be lifted in the next few days. That will obviously be for the Russians to decide, but that is our objective. We think it should be lifted now. We believe that we have demonstrated compliance with their standards, compliance with our standards, and that there is not a scientific basis for denying entry for our poultry products.

Mr. CAMP. Would you agree that we complied with all issues when we signed the protocol on March 31st?

Mr. ALLGEIER. Excuse me?

Mr. CAMP. Would you agree that the United States provided the Russian Government with all information and complied with all issues necessary to resolve the ban when the protocol was signed on March 31st?

Mr. ALLGEIER. Yes. Well, we felt that it was fair for them to conduct the inspections, but the inspections are over now, and we believe that both the inspections and the documentation that we have provided is adequate, is more than adequate to demonstrate that the ban should be lifted now.

Mr. CAMP. So the United States has met the obligations or conditions to lift the ban?

Mr. ALLGEIER. Yes, we believe we have.

Mr. CAMP. All right. Thank you.

Mr. ALLGEIER. We believe that quite strongly.

Mr. CAMP. Thank you, Mr. Chairman.

Chairman CRANE. Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman. And I thank the two of you for being here again.

A quick question for Secretary Larson, if I may. We recently granted Russia Generalized System of Preferences (GSP) status, and within GSP there is a requirement that the country observe and implement internationally recognized core labor standards. A question to you, because I know that the State Department and our embassy raised concerns before the Duma with regard to their new labor law. What do you plan to do, does the administration plan to do, to try to ensure that those GSP requirements with regard to the internationally recognized core labor standards are adhered to?

Mr. LARSON. We will be having a very, very active process of diplomacy and advocacy on the labor issue, as we have continued to do on human rights and religious freedom issues. Our embassy and our consulates have been extraordinarily active on those issues.

Now, under the GSP program, though this isn't a direct quote, there is a standard that you referred to of taking steps toward the recognition of internationally recognized workers' rights. And there is set up under law a process for reviewing where GSP beneficiaries stand. It is a process that the U.S. Trade Representative's Office operates, but that the other agencies that have an interest and concern in this participate. And my expectation would be that with Russia, as with other countries, one would keep under review

under that framework whether the country is taking steps and whether they are moving in the right direction.

I think there are many aspects of what Russia has done in this and other human rights-related areas that have been positive, but we have been very outspoken about some of the deficiencies that we do see in this draft legislation.

Mr. BECERRA. Would the administration be supportive of including language in the legislation with regard to graduating Russia from Jackson-Vanik that would specifically incorporate those issues of seeing Russia taking steps toward addressing those core labor standards?

Mr. LARSON. Well, we do have a legislative framework that the Congress has set out that I think addresses that. So, I mean, without being definitive, my feeling is that we have a framework that the Congress and the executive branch have agreed on, and it is just a question of having that framework operate in the normal way.

Mr. BECERRA. One last question, Ambassador. You mentioned in your testimony that you think the Cold war issues are outdated, that Russia certainly is one of those former adversaries that now has become an ally and friend. You mentioned continued application of Jackson-Vanik, however, as an indication to Russia that they continue to be suspect and viewed as a Cold war adversary. We granted China permanent normal trade relations recently. In the spirit of Charlie Rangel, who is not here in this room at this moment, I would like to ask: Can you tell us why we don't address these same issues with Cuba?

Mr. LARSON. I think that there is a world of difference between where Russia is and where Cuba is. We have tried to summarize in my statement all of the extraordinary steps that Russia has taken over the last 13 years, and some of the particularly remarkable steps they have taken over the last year in working with us on the war on terrorism, moving forward on religious freedom, and things of that sort.

I cannot report that there has been progress on human rights—or labor rights, for that matter—in Cuba. There is oppression of any effort to organize political parties or dissident groups. People that try to express their opinion get jailed. Workers are taken advantage of when they go to work in some of these foreign investments that our European friends make in Cuba.

So for me, the difference between those two situations is a difference of night and day.

Chairman CRANE. Right. Thank you, Ambassador Larson, Ambassador Allgeier. I hate to interrupt but we are down to less than 2 minutes to make this vote.

Mr. ALLGEIER. Thank you, Mr. Chairman.

Chairman CRANE. We have three votes in succession, and so we are going to stand in recess subject to the call of the Chair for our next panel, but I want to express profound appreciation to Ambassador Larson and Ambassador Allgeier for your testimony.

With that, we stand in recess.

[Recess.]

Chairman CRANE. I apologize to you for the disruption here, and I can't control the voting over on the floor. But we had three re-

corded votes in a row, and we have other commitments. But I want to try and complete our hearing this morning with your testimony, and we will have Members filtering back here. But in the interim, I think we ought to get started.

And so I will start with the Honorable Thomas Pickering and then Bob Liuzzi, and then Dave Camp is going to get back here—he hopes to get back here—to formally introduce Mr. Wood. And then Harold Luks and Richard Edlin.

So we will start, and try and keep your oral remarks to 5 minutes or less, and any written statements will be made a part of the permanent record. So we will proceed with you, Ambassador Pickering.

STATEMENT OF HON. THOMAS R. PICKERING, SENIOR VICE PRESIDENT, INTERNATIONAL AFFAIRS, BOEING COMPANY, ON BEHALF OF THE U.S.-RUSSIA BUSINESS COUNCIL; FORMER UNDER SECRETARY FOR POLITICAL AFFAIRS, U.S. DEPARTMENT OF STATE; AND FORMER UNITED STATES AMBASSADOR TO THE RUSSIA FEDERATION

Mr. PICKERING. Thank you, Mr. Chairman. Good afternoon to you. Thank you for the opportunity to testify on such an important subject. It is an honor to be with you and a privilege and a pleasure to give this testimony.

My name is Thomas R. Pickering. I am Senior Vice President, International Relations, at the Boeing Company. I am testifying today on behalf of the U.S.-Russia Business Council. I was Ambassador to the Russian Federation from 1993 to 1996 and followed Russian events as Under Secretary of State in 1997 through 2000.

I will focus my remarks this morning on terminating the application of the Jackson-Vanik amendment to Russia, extending permanent normal trade relations, and Russia's accession to the WTO. I will outline for the Subcommittee why each of these issues is important to the Business Council and Boeing, and why we believe that WTO accession and Jackson-Vanik are separate issues and should be treated as such.

Boeing and the Business Council, Mr. Chairman, support terminating the application of the Jackson-Vanik amendment to Russia, thereby discarding a remnant of the Cold war that is of no practical consequence. Russia has been in full compliance with the legislation, as we have heard this morning, since 1994, and its intent should not be altered ex post facto to deal with other unrelated objectives. If the requirements have been satisfied and the reason for them is obsolete, it should be terminated.

The changing nature of our strategic relationship with Russia has been startling and far-reaching. Russia's reaction to the September 11th attacks more than any other event best illustrates how the relationship has fundamentally shifted. President Putin was the first foreign leader to contact President Bush, offering condolences to the American people and his clear support for a strong response. That contact was followed by a series of concrete actions and policy decisions, many of which were contrary to previously held public positions of many senior Russian officials, some of whom currently serve as senior advisers to President Putin.

As our relationship continues to unfold in previously unimaginable ways and our security relationship is transformed, it is important that the trade and investment aspect of that relationship keep pace with the times. Removing Russia from annual Jackson-Vanik consideration is an important part of this evolution. Jews in Russia and others today are free to emigrate, and Russia is no longer a controlled economy. Terminating the amendment's application to Russia would help foster more normal trade relations between our two countries and demonstrate to countries that continue to restrict emigration that graduation is possible with the right sort of reforms.

Permanent normal trade relations for Russia is a logical event, even outside the Jackson-Vanik context. Russian exports to the United States include titanium and other materials that are important components in the aviation manufacturing industry. Continued access to these products contributes to the competitive position of Boeing and other U.S. manufacturers in global markets. We, therefore, encourage continued development of free, fair, and reciprocal trade with Russia. PNTR and eventual Russian Membership in the World Trade Organization are important steps in this direction. Boeing and the Business Council support Russia's aspirations to join the WTO. Much is at stake in terms of market access and uniform acceptance of agreed rules of the game, including the elimination of tariffs on imported aircraft. However, it is our belief that WTO accession and the termination of the Jackson-Vanik amendment are separate issues, and they should be treated accordingly.

At no time since Russia applied for WTO Membership has any U.S. official linked Jackson-Vanik to Russia's accession to the WTO. To do so now would be perceived as moving the goalpost on WTO accession and would treat Russia differently from all other former Soviet countries in the accession process.

The United States maintains the leverage necessary to address trade concerns with Russia as obviously Russia cannot accede to the WTO without our consent. The United States, regardless of the administration in power, has an excellent track record in setting the highest bar for new entrants to the WTO. We are confident that the USTR, under the leadership of Ambassador Robert Zoellick, will continue to seek strong commitments from Russia.

Russia has been a good place for the Boeing Co. to build industrial cooperation to grow our business. Our commitment to the market is strategic and long-term. There are currently 25 of our airplanes operating in Russia and 45 in the remaining former Soviet countries. The demand for modern aircraft exists, and we aim to increase our sales there significantly. This opportunity hinges on a commitment by the governments of both countries to facilitate and expand free and open trade between the United States and Russia. Graduating Russia from annual Jackson-Vanik review and extending PNTR are consistent with this principle and are steps supportive of America's industrial aspirations in the Russian market.

Further, failure to terminate Russia risks encouraging those in Russia who oppose free trade and more open relations with the

United States. Failure to act risks a more closed and protectionist Russia.

In conclusion, while this decision involves the principle of free trade, it also involves the principles of good faith, upholding one's commitments, and standing by our friends and partners.

President Putin's policies of closer alignment with the West and his support for American positions come at some domestic political cost. Since Russian support in the war on terrorism is important to its success, it is obviously of continuing importance for the U.S. government to keep faith with the Putin Government. In this context, it is, therefore, important we deliver on our word. The U.S. government can and should take this step. It will yield benefits in the strategic bilateral relationship, but, most importantly, it is sound trade policy for the United States.

Thus, Boeing and the U.S.-Russia Business Council encourage you to terminate application of the Jackson-Vanik amendment to Russia.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Pickering follows:]

Statement of the Hon. Thomas R. Pickering, Senior Vice President, International Relations, Boeing Company, on behalf of the U.S.-Russia Business Council; Former Under Secretary for Political Affairs, U.S. Department of State; and Former United States Ambassador to the Russian Federation

Opening Remarks

Good Morning Mr. Chairman and Members of the Committee. Thank you for the opportunity to testify on what is certainly an important and very timely subject. My name is Thomas R. Pickering, and I am Senior Vice President, International Relations at The Boeing Company. Prior to joining Boeing, I held a number of senior positions in the U.S. Department of State, including Undersecretary for Political Affairs for the years 1997–2000 and Ambassador to the Russian Federation from 1993–1996. I retired from government with the rank of Career Ambassador at the end of 2000.

I am testifying today on behalf of the U.S.-Russia Business Council, a Washington-based nonprofit trade association whose mission is to expand and enhance the U.S.-Russian commercial relationship on behalf of more than 260 American firms active in U.S.-Russian trade and investment. Guided by member interests, the Council promotes an economic environment in which U.S. business can succeed in a challenging Russian marketplace. To achieve its mission, the Council conducts activities and provides services that fall into the following categories: company-specific assistance and problem-solving; Russian and U.S. government policy work; information products; Russian business relationships; and formal and informal briefing and networking opportunities.

I will focus my remarks this morning on Russia's accession to the WTO, terminating the application of the Jackson-Vanik amendment to Russia, and extending Permanent Normal Trade Relations. I will outline for the committee why each of these issues is important to the USRBC and Boeing and why we believe that WTO accession and Jackson-Vanik are separate issues and should be treated as such.

Jackson Vanik

Mr. Chairman, the USRBC and Boeing support terminating the application of the Jackson-Vanik amendment to Russia, thereby discarding a remnant of the Cold War that is of no practical consequence. As we all know Russia has been in full compliance with the legislation since 1994 and its intent should not be altered ex-post facto to suit unrelated objectives. If the requirements have been satisfied and its raison d'etre is obsolete, it should be terminated.

Just as Jackson-Vanik has been successful in its pressure for important changes within the new post-Soviet Russia, so has the changing nature of our strategic relationship with Russia been startling and far-reaching. The tension that defined our relationship in the early days of the Soviet collapse has been replaced with new opportunities and cooperation. Compare Russia's reaction to the latest round of NATO

expansion with their reaction to the first round. Rather than objecting to an enlargement of the alliance, Russia has instead begun negotiating to establish formal cooperation with NATO and to meet regularly in a new council "to pursue opportunities for joint action."

There are other examples. Earlier this year, President Putin announced the closing of the Lourdes listening facility in Cuba, and both Presidents have agreed to reduce the level of deployed nuclear warheads by one-third. Russia's reaction to the September 11 terrorist attacks, more than any other event, best illustrates how the relationship has fundamentally changed. President Putin was the first foreign leader to contact President Bush following the attack. President Putin offered his condolences to the American people and his clear support for a strong response. That contact was followed by a series of concrete actions and policy decisions, some of which were done in clear contradiction to the public positions of the national security and intelligence officials who form his inner circle and from which he came.

As our relationship unfolds in previously unimaginable ways, and our security relationship is transformed, it is important that the trade and investment aspect of our relationship keep pace with the times. Removing Russia from annual Jackson-Vanik consideration is an important part of this evolution. Jews in Russia today are free to emigrate, and Russia is no longer a controlled economy. Terminating the amendment's application to Russia would help foster a sense of normal trade relations between the U.S. and Russia and demonstrate to countries that continue to restrict emigration that graduation is possible with the right reforms.

Mr. Chairman, I also believe that PNTR for Russia is logical outside the Jackson-Vanik context. Russian imports to the United States increased significantly in both 1999 and 2000, reaching an all-time high of $7.8 billion in 2000 (U.S. Department of Commerce). Russian titanium and other materials included in these figures are an important component in aircraft manufacturing. Continued access to these products contributes to the competitive position of Boeing and other US manufacturers in world markets. We therefore encourage continued development of free, fair, and reciprocal trade with Russia. PNTR and eventual Russian membership in the World Trade Organization are important steps in this direction.

Although Russia has been found in compliance with Jackson Vanik for the past several years, its continued existence perpetuates a feeling of discrimination among Russians and allows a feeling of uncertainty to cloud a markedly improved trade and investment climate. Stability and predictability are important to exporters and importers alike.

WTO and Jackson-Vanik

The USRBC and Boeing support Russia's aspirations to join the WTO, primarily because much is at stake in terms of market access and uniform acceptance of agreed rules of the game. However, we also believe that WTO accession and the termination of the Jackson-Vanik amendment are separate issues and should be treated accordingly.

At no time since Russia applied for WTO membership has any U.S. official linked Jackson-Vanik to Russia's WTO accession. To do so now would be perceived as moving the goalpost on WTO accession and would treat Russia differently from other former Soviet countries in the accession process.

It's also important to emphasize that the United States, regardless of the administration in power, has an excellent track record in setting the highest bar for new entrants to the WTO. We are confident that the USTR, under the leadership of Ambassador Robert Zoellick, will continue to seek strong commitments from Russia pertaining to the adoption of WTO rules governing its trade regime, the provision of market access in goods and services, the establishment of limits on agricultural supports, and the enforcement of the rule of law in commerce.

Absent Jackson-Vanik, the United States maintains the leverage it needs to address trade concerns with Russia, as obviously Russia cannot accede to the WTO without U.S. consent. As in all WTO accessions, leverage to secure commitments is based on the requirement for consensus in the Working Party—i.e., acceptance without objection by all Working Party members, including the United States, of the accession package. While there remains much to be done, we are confident that the U.S. government will remain engaged on Russia's accession process and, likewise, Russia will continue to make great progress.

WTO Accession as a Policy Framework

In addition to the increase in Working Party meetings, USRBC, its member companies, and the U.S. business community in general, is seeing a new momentum within the Putin Administration, which represents an internal recognition of the need for and benefits of WTO accession (as compared to external pressure from the

international community). We are not only seeing WTO accession as a mandate from Putin himself and the Executive Branch, but the Duma has created an Experts Council on Foreign Trade and Investment, whose main task is to review current legislation in terms of its WTO compliance and recommend required changes. The Duma is currently considering amendments to 55 Russian laws related to WTO norms.

Priority Areas

In order to facilitate Russia's accession to the WTO, several priority areas need to be addressed.

Civil Aerospace: Russia maintains high tariffs on imported aircraft. Import duties, when added together with the domestic VAT, equal 40 percent of the purchase price. In a 1996 bilateral MOU on "Market Access for Civil Aircraft," the Russian government confirmed it will join the WTO Agreement on Trade in Civil Aircraft, which together with other WTO agreements, establishes the basic international rules governing trade in the aircraft sector.

In the interim, the Russian Government committed to providing market access by taking trade-liberalizing steps such as tariff reductions and tariff waivers. These steps are designed to enable Russian airlines to meet their needs for importing American and other non-Russian civil aircraft on a nondiscriminatory basis. Since the signing of the MOU, the Russian Government has lowered its tariffs on imports of aircraft from 50 percent to 20 percent currently, and permitted 16 US-built airplanes to enter Russia on limited tariff waivers. These are steps in the right direction, but to serve Russia's airlines' need for equipment, more needs to be done.

The Russian Government is under pressure from domestic aircraft makers to protect its market from competitive imports. The USRBC argues that by granting PNTR and shoring up domestic support for Russia's entry into the WTO, today's market barriers will be eliminated. In turn it will give Russia's domestic industry its best opportunity to bring value to world production markets by attracting investment to those areas of comparative advantage.

Telecommunications: The creation of an investor-friendly infrastructure and legislative environment (e.g., reducing existing tariff and non-tariff barriers that limit foreign participation in this sector) is critical to the development of the telecommunications sector in Russia. Russia presented a new goods and services offer in March 2001, which included its agreement to accept a WTO accord that commits to binding, pro-competition regulatory disciplines. The new offer also included an initial offer of 25 percent foreign equity in the mobile telephone sector. This goods and services offer continues to be revised based on continual bilateral and multilateral negotiations.

Financial Services: The strengthening of Russia's financial services sector is crucial to the country's economic development. Some important steps include a reduction in the number of state-owned banks; increased liberalization to allow mergers and acquisitions; greater access for foreign banks; openness to international participation in the Russian insurance industry (which remains poorly developed and whose members have promoted exclusionary legislation to date); development of a legislative framework governing the leasing industry; and improvement in access to capital and credit relationships. Another important issue is Russia's adoption of International Accounting Standards (IAS).

Intellectual Property Rights: Protection of intellectual property rights is a key factor influencing Russia's WTO accession and its ability to attract foreign investment. IPR violations—including trademark and patent infringement, counterfeiting, copyright violations, and piracy—remain epidemic. Incomplete anti-counterfeit legislation, lack of enforcement, weak penalties, corruption, and lack of education and training of law enforcement and judicial officials in this area are key impediments to better IPR protection and enforcement in Russia. Specifically, significant shortcomings remain in the country's trademark and patent laws, especially provisions dealing with famous trademarks and geographical indications, as well as confiscation and destruction of counterfeit goods.

The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) covers seven types of IPR: patents, copyright, trademarks, geographical indications, industrial designs, layout-designs of integrated circuits, and undisclosed information. Each WTO member is obligated to implement the TRIPS agreement through their respective domestic legislation, to incorporate the rights and obligations of an IPR-holder and the manner in which these will be enforced.

Legislative progress is being made in Russia. The government submitted a legislative package to the State Duma in July 2001. The package includes amendments to the Law on Trademarks, Service Marks and Appellations of Origin of Goods; Patent Law; Copyright Law; and the Law on Legal Protection of Computer Programs

and Databases; among others. The amendments to the Trademark Law and the Patent Law have passed the first reading in the Duma, but the amendments to the Copyright Law have not. In most respects, the proposed amendments will bring Russia's legislation into TRIPS compliance.

Bilaterally, the U.S. government has not hesitated to criticize the Russian government on its failure to protect intellectual property rights: in May 2001, the USTR placed Russia on the Special 301 Priority Watch List. The USTR also began a review last year of Russia's eligibility under the Generalized System of Preferences (GSP) program, based on issues raised by the U.S. copyright industry concerning Russia's intellectual property regime. (The GSP program is currently expired; however, pending its reauthorization, the review of Russia's GSP eligibility would continue.)

Agriculture: Russia's domestic support for its agricultural sector is a major impediment to accession. It is important to recognize that the WTO does not prohibit domestic support (a popular misperception in Russia); rather, it limits certain types of support (for example, export subsidies). In WTO terminology, subsidies in general are identified by "boxes" that are given the colors of traffic lights: green (permitted), amber (slow down or reduce), and red (forbidden). The WTO Agriculture Agreement has no red box; therefore WTO members with trade-distorting domestic supports in the amber box must make commitments to reduce these measures.

Over the past 10 years, Russia's subsidies have primarily been amber-box measures. The government's main task in current WTO agricultural negotiations is to reduce these measures and focus on green-box measures. Examples of green-box measures include programs that are not directed at particular products such as environmental protection, rural infrastructure and regional development programs.

In terms of annual support levels, Russia has offered a $16 billion ceiling on its subsidies, and this issue continues to be negotiated (WTO members prefer a figure closer to $2–3 billion). Due to the sensitive role agriculture continues to play in the economy, Russian government officials consider agriculture one of the most politically sensitive issues of its accession.

Boeing and Russia

Russia has been a good place for Boeing to build industrial cooperation. Boeing's commitment to and investment in Russia are strategic and long-term. Boeing has invested $1.3 billion in Russia over the last 10 years. In the civil space sector, the Company has invested in projects such as the International Space Station and the Sea Launch satellite-launching venture. In aviation, Boeing's Moscow Design Center contracts with Russian manufacturers to employ more than 350 Russian aerospace engineers who supply unique design capabilities while learning market—and rules-based management practices. The company also cooperates with 350 scientists in 6 Russian research institutes to explore civil aerospace technologies and ideas, and has begun work with Russian partners to explore the development of a Russian regional-size commercial jetliner.

There are currently 25 Boeing airplanes operating in Russia, and another 45 in the remaining former-Soviet countries. The demand for modern aircraft exists, and Boeing aims to grow those numbers significantly.

Further access to the Russian market is vital. Aeroflot's plans to grow and modernize its fleet presents a great opportunity. In addition, opportunities exist in aircraft and parts sales to the many smaller Russian operators, air traffic control infrastructure, airport development and operation, airline engineering and training, and management training across the entire civil aviation sector.

This potential, however, hinges on a commitment by the governments of both countries to facilitate and expand free and open trade between the United States and Russia. Graduating Russia from annual Jackson-Vanik review and extending PNTR are consistent with this principle and are indirectly linked to America's industrial aspirations in the Russian market.

Russian Expectations and American Commitments

Not only does this decision involve the principle of free trade, it also involves the principle of good-faith, upholding one's commitments, and standing by your allies.

President Putin is out in front in Russia in his policies of alignment with the West and his perceived pro-American positions. In the hours after September 11, Russian Defense Minister Sergei Ivanov reversed his position on U.S. troops in Central Asia. After first saying there was not "any basis for even the hypothetical possibility" of a NATO presence in Central Asia, Ivanov backtracked and pledged his support to the president. There a number of officials in the national security and intelligence apparatus, however, who continue to question the alliance with the West.

These voices of discontent are no longer confined to national security and intelligence circles. Some who originally praised President Putin's westward turn are beginning to question how it benefits Russia. Just last week one of the Duma's most influential foreign policy and defense experts, Alexei Arbatov, was quoted in an AP story as saying, "The majority, who did not support the President's plans from the beginning, now are washing their hands of them, and saying 'we warned you, you won't get anything from the Americans!"

Also last week, Lenoid Ivashov, a former high-ranking Defense Ministry official, likened Russia's moves after September 11 to "an attempt at geostrategic suicide." Former Foreign Minister Andrei Kozyrev commented to the American Chamber of Commerce in Moscow that, "even state media portray all these cooperative moves by him (Putin) almost as treason."

These comments suggest the growth of real opposition to the Putin government—opposition rooted in contempt for pro-American policy. Since Russian support in the war on terrorism is important to its success, it should be important for the US Government to support the Putin government. In this context, it is even more important that we deliver on our word. The US government can and should take this step. It will yield benefits in the strategic bilateral relationship, but, most importantly, it is sound trade policy for the United States.

Conclusion

In conclusion, the US Russia Business Council and its member companies urge the Congress to repeal the outdated Jackson-Vanik amendment. It is clearly the right time and the right measure. Removing the restrictions will put healthy political and economic relations between the US and Russia on a faster track.

The USRBC also urges the Congress to work separately to bring Russia into the WTO as quickly as possible. In doing so, lawmakers will help ensure healthy US-Russia trade relations. Accession will codify and strengthen the obligations Russia has undertaken already to align themselves with the global rules-based trading system and provide a firm foundation for progress.

Thank you.

Chairman CRANE. Thank you, Mr. Ambassador. Mr. Liuzzi?

STATEMENT OF ROBERT LIUZZI, PRESIDENT AND CHIEF EXECUTIVE OFFICER, CF INDUSTRIES, LONG GROVE, ILLINOIS, AND CHAIRMAN, HOC COMMITTEE OF DOMESTIC NITROGEN PRODUCERS

Mr. LIUZZI. Thank you, Mr. Chairman, for the opportunity to be here. My name is Robert Liuzzi. I am President and chief executive officer of CF Industries, a major farm cooperative and a major producer of nitrogen and phosphate fertilizer. I am testifying today in my capacity as Chairman of the Ad Hoc Committee of Domestic Nitrogen Producers, a group of U.S. companies that accounts for about 75 percent of total U.S. nitrogen production.

The U.S. nitrogen fertilizer industry is a major strategic industry for U.S. agriculture. Without our products, U.S. farmers cannot efficiently produce food or fiber. U.S. farmers consumer approximately $9 to $10 billion worth of fertilizer yearly, the majority of which is nitrogen fertilizer.

Russia is the world's largest exporter of nitrogen fertilizer and a major competitor of ours. Accordingly, how the United States structures its trading relationships with Russia in legal terms has major implications for the economic well-being of U.S. nitrogen producers.

The major threat posed to the U.S. industry by Russian nitrogen producers derives from the fact that Russian energy policies provide an artificial advantage to Russian nitrogen fertilizer producers. Nitrogen is produced from natural gas feedstock, which accounts for 50 to 80 percent of the cost of producing such fertilizer.

In the United States, we pay market prices for our natural gas. In Russia, the government sets the price of natural gas, the price at which it is supplied to industrial users, including nitrogen manufacturers. That price is, at best, 20 to 25 percent of the price of that same gas which is sold for export into Europe. Moreover, one Russian company, Gazprom, which produces and sells 94 percent of all the natural gas in Russia, is 40 percent owned by the Russian government.

Given this artificially low price for natural gas, Russian nitrogen producers can place tremendous volumes of nitrogen product on the world market at prices far below what their competitors from market economy countries such as ours must charge to recover our costs. Unfair trade in Russian nitrogen products has repeatedly done severe harm to U.S. producers. Fortunately, however, we have been able to obtain antidumping relief from massive surges of Russian nitrogen imports in the past, as we did in 1987 against urea and in the year 2000 against ammonium nitrate.

Currently, there are several important administrative, legislative, and negotiating processes underway that could dramatically alter the legal structure governing U.S.-Russian trade. The outcomes of these processes will determine how Russian nitrogen will be sold in the United States and whether Russian nitrogen will be sold at a fair price or dumped.

First, the U.S. Department of Commerce will soon decide whether or not to revoke non-market economy status for Russia under the antidumping law. Revocation of Russia's NME status will have serious negative implications for domestic nitrogen producers because we believe the antidumping law could not then be meaningfully applied to imports of nitrogen from Russia. We have urged the Commerce Department not to revoke Russia's NME status as long as the energy sector in Russia continues to operate on non-market principles. At a minimum, the Commerce Department should retain NME status for the nitrogen fertilizer sector and other energy-related sectors so long as Russia continues to price energy and petrochemical feedstock at non-market levels.

Second, at the administration's request, Congress may soon decide to provide the President with the authority to terminate the applicability to Russia of Title IV of the Trade Act 1974 and to proclaim permanent normal trade relation status for Russia. Unfortunately, termination of Title IV will leave the nitrogen industry without recourse to section 406, the market disruption provision, for countries operating as non-market economies. We urge Congress to retain section 406 for Russia, at least until Russia joins the WTO or operates its natural gas sector on a market basis. Alternatively, if Title IV is revoked in its entirety, we urge the Congress to pass a similar provision for Russia like the one in effect for China based on section 406 that was passed as part of the China PNTR legislation.

Finally, we have been working with USTR on Russia's accession to the WTO. We believe that this negotiation affords an opportunity to get Russia to reform its energy and natural gas sector so that market forces and not the government determine pricing. As long as Russia refuses to allow market forces to determine the economics of nitrogen production in Russia, their exports, and the

prices of those exports, the NME provisions of the dumping law and section 406 or some like substitute must continue to apply to imports into the United States of nitrogen from Russia.

In conclusion, Mr. Chairman, I ask that you and the Subcommittee help us to address these issues regarding U.S.-Russian trade so that the impact on our industry will not be so negative. The legal structure of U.S.-Russian trade is our number one public policy issue, and the decisions that the government makes in this area will determine whether our industry will survive or not. The stakes for us are high, and we urgently request your assistance.

Thank you again, Mr. Chairman.

[The prepared statement of Mr. Liuzzi follows:]

Statement of Robert Liuzzi, President and Chief Executive Officer, CF Industries, Long Grove, Illinois, and Chairman, Ad Hoc Committee of Domestic Nitrogen Producers

Mr. Chairman and Members of the Subcommittee——

My name is Robert Liuzzi and I am the President and CEO of CF Industries, a major U.S. farmer cooperative and producer of nitrogen and phosphate fertilizers headquartered in Long Grove, Illinois. CF supplies over 1 million farmers in 46 states with their fertilizer needs. I appear before you today in my capacity as Chairman of the Ad Hoc Committee of Domestic Nitrogen Producers, a group of U.S. producers of nitrogen fertilizers. The other members on the Committee are El Paso Corporation, Mississippi Chemical Corporation, PCS Nitrogen, Inc., and Terra Industries, Inc. This group of companies accounts for approximately 75 percent of total U.S. nitrogen fertilizer production.

I appreciate the opportunity to testify before the Subcommittee on the subject of U.S.-Russian trade relations. Russia is the world's largest exporter of nitrogen fertilizers and a major competitor of the U.S. industry, particularly in the U.S. market. How the United States structures its trading relationship with Russia in legal terms, both domestically and internationally, has major implications for the economic well-being of U.S. nitrogen producers.

There are several important administrative, legislative, and negotiating processes underway that could dramatically alter the legal structure governing U.S.-Russian trade. Indeed, the outcomes of these processes will determine how Russian nitrogen fertilizers will be sold in the U.S. market in the future. These outcomes could have an extremely negative impact on U.S. producers. As a result, the U.S. nitrogen industry is following developments closely and is making its views and concerns known to U.S. officials in both the legislative and executive branches of the U.S. government.

In my testimony today, I will first provide you with a brief background on nitrogen fertilizer and its importance to U.S. agriculture. Then I will describe the current situation with respect to U.S.-Russian trade in nitrogen fertilizers and how current energy policies in Russia provide massive unfair advantages to Russian producers of nitrogen fertilizers. I will then briefly describe the administrative, legislative, and negotiating processes underway that will shape the future legal structure of U.S.-Russian trade, and our positions on each of these processes. I will conclude with several recommendations on the role the Subcommittee and the Congress could play to ensure that these processes do not lead to outcomes that will do grave damage to the domestic nitrogen industry.

Nitrogen Fertilizer and its Importance to U.S. Agriculture

Plants need adequate nutrients to germinate, grow and produce fruit and seed. Although all of these nutrients can be found in the soil, there are three primary nutrients—nitrogen (N), phosphate (P) and potash (K)—that are not supplied naturally in sufficient quantity to meet the needs of today's high-yielding production agriculture. As a result, U.S. farmers spend $9–10 billion annually on commercial fertilizers.

Of the three primary nutrients, nitrogen is generally considered to be the most important. Commercial nitrogen fertilizers are produced through a catalytic reaction between elemental nitrogen derived from the air and hydrogen derived from natural gas. The primary product from this reaction is anhydrous ammonia (NH3). Anhydrous ammonia can be used directly as a commercial fertilizer or can be used as the building block for producing other forms of nitrogen fertilizer such as urea, am-

monium nitrate, or nitrogen solutions. For a typical U.S. producer, natural gas accounts for as much as 50–80 percent of the total cash cost of production for a ton of nitrogen fertilizer, depending on the product.

Historically, the domestic industry has supplied approximately 70–75 percent of the nitrogen fertilizers used by U.S. farmers with another 15 percent being supplied from nearby Canadian plants. The domestic industry and a large portion of the Canadian industry were constructed primarily to meet U.S. demand. Further, an extensive distribution and storage infrastructure has been developed over the years to ensure that American farmers would have adequate supplies at the right time. This system was specifically designed to move and handle large volumes of product from domestic production sites to the major consuming areas, particularly ammonia moving through pipelines. Consequently, without a strong domestic industry, there is no assurance that U.S. farmers would be able to secure adequate volumes of nitrogen fertilizer when they need it.

The importance of nitrogen fertilizers to today's high yielding agriculture is evidenced by the fact that it is applied on 98 percent of the corn, 88 percent of the wheat and 86 percent of the cotton acreage planted in the United States. Recent data from the University of Illinois indicates that, without nitrogen fertilizers, corn yields would drop by as much as 30–50 percent. It is clear that without nitrogen fertilizers and a strong domestic nitrogen industry, the U.S. would not be able to maintain its position as a reliable, low cost supplier of food and fiber products to the world market. In addition, nitrogen fertilizer's contribution to low cost, efficient feed production has allowed the U.S. to also become a major exporter of meat products such as beef, pork and poultry. Similarly, without adequate nitrogen supplies these exports would also likely decline.

Russian Trade in Nitrogen Fertilizer

Russia is the world's largest exporter of nitrogen fertilizers. The Russian industry is heavily export-oriented and accounts for over 20 percent of global exports in this sector. With the collapse of the Russian agricultural sector and the resultant drop in Russian consumption of nitrogen fertilizers, Russian producers have looked to overseas markets in recent years. In 2000, Russia accounted for about 20 percent of world anhydrous ammonia exports, 15 percent of world urea exports, 24 percent of world nitrogen solution exports, and 40 percent of world ammonium nitrate exports. Moreover, again in 2000, Russia exported 92 percent of its end-product ammonia, 96 percent of its urea, 86 percent of its nitrogen solutions, and 41 percent of its ammonium nitrate production.

Russian Energy Policies Provide An Artificial Advantage to Russian Nitrogen Fertilizer Producers

The major reason for Russia's growing success as a nitrogen exporter is the artificially low price of natural gas feedstock provided to Russian producers. As previously noted, about 50–80 percent of the cost of producing nitrogen fertilizer (depending on the type) is the cost of the natural gas. In Russia, the government sets the price at which natural gas is supplied to industrial users. The price of the natural gas supplied to Russian nitrogen producers is best 20–25 percent of the price of that same gas sold for export from Russia, a price determined by market forces.

The artificially low, government set price at which natural gas is provided to Russian nitrogen fertilizer producers allows Russian nitrogen fertilizer to be the lowest priced product on the world market. Moreover, the setting of gas prices to Russian industry is not simply the type of "cost plus" rate regulation that is common in market economies. Indeed, according to the U.S. Department of Energy, the government established price for natural gas in Russia is **below the cost of production.** Given this low price for natural gas and extensive nitrogen capacity built up during the Soviet era, Russian nitrogen fertilizers are always priced well below nitrogen products from other countries.

It is also important to realize that the Russian government's establishment of domestic natural gas prices that reflect neither production costs nor supply and demand has other effects.

These low, non-market prices mean that inefficient Russian nitrogen plants continue to operate and to export. They also mean that Gazprom, which does not make a profit on its domestic gas sales, often barters its gas for fertilizer and then exports it for hard currency. In the absence of profitable domestic natural gas prices, and given the availability of export markets for nitrogen fertilizer (the cost of which is comprised 50–80 percent of natural gas), Gazprom has taken, directly or indirectly, an interest in a substantial portion of the Russian nitrogen fertilizer industry. The result is that artificially low Russian gas prices have created a situation in which

exporting large volumes of nitrogen fertilizer has become an imperative. The U.S. market is an obvious and repeated target for these exports.

While the U.S. nitrogen industry is modern, efficient, and well situated to serve U.S. agricultural customers, unfair trade in Russian nitrogen products has repeatedly done severe harm to U.S. producers. As a result, the U.S. industry has had no choice in the past but to seek and obtain antidumping relief from massive surges of Russian imports of urea and ammonium nitrate. In 1987 it obtained an antidumping order against Russian urea and in 2000 it obtained an antidumping suspension agreement against ammonium nitrate. The U.S. industry is now preparing to file an antidumping petition against Russian imports of urea-ammonium nitrate solutions (UAN), another form of nitrogen fertilizer.

Commerce Department Will Soon Decide Whether To Revoke Non-Market Economy (NME) Status for Russia Under the Antidumping Law—Revocation Would Have Serious Negative Implications for Domestic Nitrogen Producers

The U.S. industry has been able to obtain antidumping relief against Russian imports of nitrogen fertilizers in the past primarily because the Department of Commerce has, correctly, applied non-market economy ("NME") methodologies to determine if Russian imports have been sold in the United States at dumped prices. NME treatment of Russia has been critical because it means that the government-set natural gas price is not used to determine fair pricing for the Russian imports. Rather, the Department uses costs and prices from third countries that operate as market economies and are at a similar stage of economic development as Russia (such as Poland).

In an administrative proceeding currently underway, the Department of Commerce will soon decide whether to revoke Russia's status as an NME country under U.S. antidumping law. This is a decision to be made solely by the Department based on its evaluation of six criteria set forth in U.S. antidumping law, namely: 1) the degree of currency convertibility; 2) free wage rate determination; 3) foreign investment; 4) government ownership or control of production; 5) government control over the allocation of resources and prices; and 6) other appropriate factors. While there is no statutory deadline for Commerce to make this decision, it is widely expected that the decision will be made before the next Bush-Putin summit in late May.

Revocation of Russia's NME status would have serious negative consequences for the U.S. nitrogen industry, which has relied on U.S. antidumping law to address unfairly priced Russian nitrogen imports that have been dumped on the U.S. market. If NME status for Russia were revoked, Commerce in the future would determine whether Russian export prices are "fair" by examining the actual prices in Russia for natural gas (and the derived prices for nitrogen fertilizer) despite the fact that these are state-determined costs that are not market-driven prices. If the government-determined natural gar prices are used, or the resulting domestic prices are referenced, we believe that there will not be a meaningful dumping analysis.

Revocation of Russia's NME status under the antidumping law will, in effect, allow Russia to dump nitrogen fertilizers into the United States with impunity. Russia has huge excess nitrogen capacity and, as it has already proven, will be able to flood the U.S. market with nitrogen imports, causing further harm to a U.S. nitrogen industry that is currently struggling financially and has faced repeated waves of Russian imports.

Given Russia's continuing central control over its key energy sectors, we do not believe that Russia has transitioned sufficiently to be considered a market economy country. It is clear, in any event, that the energy and natural gas sectors do not operate as a market economy in Russia. The Commerce Department has the authority to provide market economy status individually to "market-oriented industries (MOIs)" within a non-market economy country, even if the rest of that country's economy operates as a non-market economy. This would suggest that the converse would also be true, namely, that a country's NME status could be revoked (i.e., most industries declared to be MOIs), with exceptions being made for non-market oriented industries. We have urged the Commerce Department, if it intends to graduate Russia to market economy status, to use this approach with respect to Russia. Specifically, we have advocated to Commerce that, if it decides (incorrectly in our view) to revoke NME status for Russia, it should nonetheless retain NME status for the nitrogen fertilizer industry and other industries that still do not operate on a market economy basis in Russia.

Congress May Soon Decide To Provide the President with Authority to Terminate Applicability to Russia of Title IV of the Trade Act of 1974 ("Jackson-Vanik")—Possible Adverse Consequences for Domestic Nitrogen Producers

Last year, the Bush Administration requested that Congress pass legislation that would terminate the applicability of Title IV of the Trade Act of 1974 to Russia. In popular terms, this is referred to as granting Permanent Normal Trade Relations status ("PNTR") to Russia. Supporters of such legislation argue that Title IV (also known as "Jackson-Vanik" in honor of its lead sponsors) is a relic of the Cold War and should no longer applicable to Russia since Russia now accords its citizens the right to emigrate, travel freely, and return to Russia without restriction; has committed itself to ensuring freedom of religion; has made progress toward democratic reforms and creating a free market system; and has generally taken positive steps to correct the abuses against which the original passage of Title IV was intended to provide leverage.

In response to the Bush Administration's request, Chairman Thomas and Chairman Crane introduced H.R. 3553 on December 20, 2001. H.R. 3553 would authorize the President to determine that Title IV should no longer apply to Russia and then to proclaim normal trade relations treatment to the products of Russia. On the date of such proclamation, Title IV would cease to apply to Russia.

We take no position at this time on whether the President should be authorized to grant PNTR to Russia. We understand that there is a debate on this point among those who believe such authorization should be granted at once to the President and others who have suggested that such authority be contingent upon Russia's accession to the World Trade Organization (WTO).

On the other hand, if this Committee and the Congress do go forward with legislation granting PNTR to Russia, we strongly urge that the legislation provide that Section 406 of Title IV, or some similar provision, would remain in effect with respect to Russia at least until such time as Russia accedes to the WTO. Section 406 provides for a remedy under U.S. law against imports from a non-market economy country that cause market disruption.

It is interesting to note that legislation granting PNTR for China contains a market disruption provision applicable to Chinese imports that is patterned after Section 406. This market disruption provision for China (Chapter 2 of Title IV of the Trade Act of 1974, as amended) is to remain in effect for twelve years from the date that China entered into the WTO.

From the standpoint of the U.S. nitrogen industry, retention in U.S. law of Section 406, or a similar provision like the one in effect for China, is absolutely essential for Russia at least until Russia accedes to the WTO or operates its natural gas sector on a market basis. This is particularly the case if the Commerce Department revokes Russia's NME status under the antidumping law and leaves the U.S. nitrogen industry no effective remedy under that statute. Retention of Section 406 or a similar provision is also entirely appropriate to continue to give effect to Article XI ("Market Disruption Safeguards") of the Agreement on Trade Relations Between the United States and Russia of June 17, 1992. Revocation of Section 406, without the passage of a similar replacement provision, would mean that there would no longer exist under U.S. law any statutory provision to give domestic legal effect to Article XI of the bilateral trade agreement.

Negotiations on Russian Accession to the WTO—Possibilities and Prospects for Moving Russia to A Market Economy in the Natural Gas (and Nitrogen Fertilizer) Sectors

In the last year, Russia has intensified its negotiations with other WTO members, including the United States, on its terms of accession to the WTO. The Russian government under President Putin has decided that Russian accession to the WTO will help to extend and solidify Russia's economic reforms in the direction of a more market-oriented economy with a more open and liberal trading regime. With the accelerated pace of negotiations, many believe that it will be possible to conclude Russian accession negotiations as early as the beginning of 2004.

Last year, the Ad Hoc Committee of Domestic Nitrogen Producers began working with USTR to develop an appropriate approach for addressing Russia's gas pricing policy as part of Russia's accession to the WTO. In the view of the Ad Hoc Committee, these negotiations represent the most favorable opportunity for the international community to obtain Russian agreement to eliminate state control of domestic industrial gas pricing and to subject such pricing to market forces. Unless this is accomplished, either as part of Russia's accession to the WTO or autonomously, the specter of massive, unfairly priced Russian imports of nitrogen fer-

tilizers will continue to hang over the U.S. domestic nitrogen industry for the indefinite future.

It is too early to tell whether USTR will be able to negotiate a market-oriented outcome on Russian industrial gas pricing as part of the Russian WTO accession talks. However, they have continued to raise the issue with the Russians and have pledged to continue to work with the U.S. industry to find a long-term solution to this problem.

In the meantime, however, it is imperative that the U.S. nitrogen fertilizer industry be able to address effectively under U.S. trade remedy laws (especially the antidumping and market disruption laws) the recurring problems caused by state-controlled natural gas pricing in Russia. As long as Russia refuses to allow market forces to determine the economics of Russian nitrogen fertilizer production, exports and pricing, the NME provisions of U.S. antidumping law and Section 406 of Title IV (or some appropriate variation thereof) must continue to apply to Russian imports into the United States of nitrogen fertilizers.

Conclusion

The manner in which the United States structures its trading relationship with Russia from a legal standpoint, both domestically and internationally, has huge consequences for the economic well being of the U.S. nitrogen fertilizer industry. This in turn has important consequences for the well-being of U.S. agriculture. For that reason, there is no more important public policy issue facing our industry today than the legal structure of our trading relationship with Russia.

In my testimony, I have discussed three interrelated and overlapping administrative, legislative, and negotiating developments that will likely have a profound impact on this legal structure. From the standpoint of the domestic nitrogen industry, decisions made in these areas will determine whether we keep plants open or close them, whether we continue to employ people or lay them off, and whether we continue to supply nitrogen fertilizers to the U.S. agricultural community or totally cede that business to offshore suppliers.

In light of my testimony, I would ask the Trade Subcommittee to assist us with respect to the following:

1) Congress should encourage Commerce not to revoke NME status under the antidumping law for countries where important sectors of the economy have not yet transitioned to market economy status and where production economics for major exported products remains distorted. Certainly, those sectors that remain subject to significant state control should not be graduated. This is clearly the case with respect to the Russian nitrogen industry.

2) Legislation granting the President authority to terminate Section 406 of Title IV with respect to Russia should not be passed at least until such time as Russia joins the WTO or the bilateral trade agreement with Russia terminates, whichever is later. If such authority is granted, the Congress should at the same time enact legislation providing for a market disruption safeguard against Russian imports similar to that which it enacted with respect to China.

3) USTR should be directed by Congress not to agree to terms of accession to the WTO for Russia unless they include a requirement that Russia reform its natural gas sector, permitting industrial pricing for natural gas to be determined according to market principles. If USTR cannot achieve this, Russia's terms of accession should include appropriate safeguards to allow appropriate defenses by other countries against Russia's unfairly priced energy-derivative products, particularly nitrogen fertilizers.

I again thank the Trade Subcommittee for allowing me to testify and look forward to working with the Subcommittee on these important matters.

Chairman CRANE. Thank you, Mr. Liuzzi.

And now I would like to yield to our distinguished colleague, Mr. Camp, to introduce his constituent, Mr. Wood.

Mr. CAMP. Well, thank you, Mr. Chairman. Mr. Wood is the 16th President of the Michigan Farm Bureau, elected in December 2000, and is a fourth-generation Sanilac County dairy farmer. For more than a decade, he served as Vice President of the 17-member State Board of Directors and served on the Policy and Development Committee which recommended State and national policies for dele-

gates, and has been very active certainly in his farm organization, which is a family farm partnership, and also very active in trying to recommend good legislation to Congress.

Wayne, it is a pleasure to have you here. Welcome to the Subcommittee.

STATEMENT OF WAYNE WOOD, PRESIDENT, MICHIGAN FARM BUREAU, LANSING, MICHIGAN, ON BEHALF OF THE AMERICAN FARM BUREAU FEDERATION

Mr. WOOD. Thank you. Mr. Chairman, Ranking Member, and distinguished Members of the Subcommittee, the American Farm Bureau Federation, AFBF, appreciates the opportunity to testify on the important issue of granting permanent normal trade relation status to the Russian Federation.

I am Wayne Wood and, Mr. Chairman, I will make every attempt to live up to any preconceived expectations that the distinguished Mr. Camp has created for me.

The AFBF is the largest agricultural organization in the Nation with over 5.1 million Member families. Our producer Members cultivate every commodity grown in the United States and Puerto Rico and rely on trade for more than 30 percent of their farm income.

The ability to access Russia's market, on terms favorable to our farmers and provide a level of certainty and transparency, is critically important. That is why we welcome the eventual Membership of Russia into the World Trade Organization to provide rules-based commitments for our bilateral trade relationship. However, there are a number of important issues outstanding in the agricultural concessions of Russia's accession agreement that must be satisfactorily addressed.

The Russian market remains largely untapped for our exports for a number of reasons, not the least of which are inconsistent regulations, arbitrary bans, and discriminatory preferences for other countries. These practices are not in accordance with international rules.

Chief among our concerns with Russia is the arbitrary, unjustified ban that Russian authorities placed on our poultry exports to its market last month. The ban lacked scientific merit and immediately shut the door on our largest poultry export market valued annually in excess of $660 million. The U.S. poultry exports to that market represent nearly 40 percent of our total foreign poultry shipments and constitute over 24 percent of the overall U.S.-Russian trade.

Russia has already established WTO-illegal minimum import prices for meat and poultry, and recently the Duma passed legislation authorizing the implementation of tariff rate quotas, TRQs, for meat and poultry imports. We strongly oppose the implementation of quantitative restrictions on Russian meat and poultry imports.

The agricultural concessions offered by Russia to date for its accession to the WTO are unacceptable. The Doha Declaration calls for countries to eliminate export subsidies, yet Russia has requested authorization to use $726 million in export subsidies.

On domestic supports, Russia's accession offer calls for an eightfold increase in its trade-distorting domestic supports from $2 bil-

lion to $16 billion, which indicates that Russia would like to further insulate its domestic producers from the global market forces.

Farm Bureau supports Russia's accession into the WTO once the following terms are met: One, elimination of agricultural export subsidies, consistent with the WTO accession agreement reached with China; two, Russian food and agricultural tariffs should be reduced sharply. Under no circumstances should Russia be permitted to establish new tariff rate quotas; three, trade-distorting domestic support should be limited to a level equal to or lower than historical levels of Russian support payments to its agricultural sector; four, Russia should not be permitted to nullify or impair its market access commitments through the use of sanitary or phytosanitary barriers; and, five, measures should be implemented to improve and standardize Russia's customs procedures consistent with acceptable international commercial practices.

The Farm Bureau seeks assurances regarding commitments to seek the objectives outlined above for Russia's WTO accession. We are working with the Administration closely on this matter and appreciate the efforts of the Office of the U.S. Trade Representative in attempting to build our sector's confidence that a meaningful accession package will be achieved. We encourage congressional endorsement of a strong WTO accession package from Russia.

In closing, the overall U.S.-Russian trade relationship strongly favors Russia with its exports to our markets reaching $6.5 billion, compared to $2.5 billion in U.S. exports. Every effort must be taken to ensure the arbitrary and unjustifiable poultry ban is resolved in a manner that rapidly restores our access to that market and ensures that actions of this nature are not allowed to disrupt the important relationship in the future. We recognize the significance of granting permanent normal trade relation status to Russia, but regret that we cannot endorse PNTR until this important issue is fully resolved.

Mr. Chairman, I thank you very much for the opportunity to present this position today, and I thank the distinguished Congressman Camp for the very eloquent introduction.

[The prepared statement of Mr. Wood follows:]

Statement of Wayne Wood, President, Michigan Farm Bureau, Lansing, Michigan, on behalf of the American Farm Bureau Federation

Mr. Chairman, Ranking Member and members of the Committee, the American Farm Bureau Federation (AFBF) appreciates the opportunity to testify on the important issue of granting Permanent Normal Trade Relations status to the Russian Federation.

AFBF is the largest agricultural organization in the nation with over 5. 1 million member families. Our producer members cultivate every commodity grown in the United States and Puerto Rico and rely on trade for more than 30 percent of their farm income.

The ability to access Russia's market, on terms that are favorable to our farmers and provide a level of certainty and transparency, is critically important. That is why we welcome the eventual membership of Russia into the World Trade Organization to provide rules-based commitments for our bilateral trade relationship. However, there are a number of important issues outstanding in the agricultural concessions of Russia's accession agreement that must be satisfactorily addressed.

The Russian market offers an important opportunity for the U.S. food and agricultural sector. However, it remains a largely untapped market for our exports for a number of reasons, not the least of which are inconsistent regulations, arbitrary bans and discriminatory preferences for other countries. These practices are not in

accordance with international rules. We must bring Russia into the global trading body to ensure that it begins to play by the rules.

Chief among our concerns with Russia is the arbitrary, unjustified ban that Russian authorities placed on our poultry exports to its market last month. The ban lacked scientific merit and immediately shut the door on our largest poultry export market valued annually in excess of $660 million. U.S. poultry exports to that market represent nearly 40 percent of our total foreign poultry shipments and constitute over 24 percent of the overall U.S.-Russian trade.

This is the second ban that Russia has suddenly and arbitrarily placed on our poultry exports. In 1996, the Russians imposed a poultry ban on U.S. imports that was strikingly similar to the current ban. Ultimately, a bilateral agreement was reached that resolved the issue. Russian authorities are now alleging that the 1996 agreement is no longer valid. The Russian market has been a top destination for our poultry exports for nearly 10 years, mostly without incident. U.S. poultry exports to Russia have steadily climbed, with significant increases experienced immediately proceeding both poultry bans. This is not without coincidence.

We also understand that Russian authorities, at the request of their domestic poultry industry, are considering implementing new quotas on imported poultry as early as this year. This would be a very troubling development in advance of their accession to the WTO, which is intended to further liberalize—not restrict—the Russian market.

Russia already has established WTO-illegal minimum import prices for meat and poultry and recently the Duma passed legislation authorizing the implementation of tariff-rate quotas (TRQ's) for meat and poultry imports. Notwithstanding the minimum import price rules, Russia has been the top U.S. poultry export market and one of the largest markets for U.S. beef and pork exports. Implementation of the TRQ's would be a severe blow to U.S. meat and poultry producers. We strongly oppose the implementation of quantitative restrictions on Russian meat and poultry imports.

The agricultural concessions offered by Russia to date for its accession to the WTO are unacceptable. The Doha Declaration calls for countries to eliminate export subsidies, yet Russia has requested authorization to use $726 million in export subsidies. The trend is for WTO accession countries to *eliminate* export subsidies, as China agreed to do.

On domestic supports, Russia's accession offer calls for an eight-fold increase in its trade distorting domestic supports from $2 billion to $16 billion, which indicates that Russia would like to further insulate its domestic producers from global market forces.

Farm Bureau supports Russia's accession into the WTO once the following terms are met:

Export Subsidies

Elimination of agricultural export subsidies, consistent with the WTO accession agreement reached with China.

Market Access

Russian food and agricultural tariffs should be reduced sharply. Tariff reductions should be as comprehensive as possible and implemented on an accelerated schedule.

Under no circumstances should Russia be permitted to establish tariff rate quotas for products for which there is no recent history of a TRQ.

Products that currently are subjected to a low tariff should be bound at that rate, or lower.

Product Specific Market Access Issues:

Equitable treatment should be accorded to all countries that export product to Russia. Currently, wheat imports are assessed a twelve percent tariff, except those originating from Commonwealth of Independent States (CIS) countries (zero tariffs). Certain discriminatory tariff discounts for soy oil imports that are extended to other countries must be provided on a most favored nation basis.

The United States should seek to achieve final bound tariff levels of no more than 10 percent for all cheese items and butter products. Likewise, tariffs on skim milk powder and ice cream should also be maintained at a level no higher than 10 percent.

Russia maintains a minimum price invoicing system on imported meat. Establishing minimum or target prices for imported products is contrary to WTO rules. This system should be abolished.

Feed grains currently enjoy access into Russia's market with a five-percent tariff and are not subject to a TRQ. However, since imports from CIS countries and some

developing countries receive duty free status, feed grain tariffs should be reduced from the five-percent tariff.

There is a 10 percent value added tax (VAT) on all products domestically produced or imported into Russia. This tax is not assessed on Russian exports, and, given the inability of the Russian tax collection system to accurately account for all the domestic production or cross border trade, it is likely that a significant amount of domestic production and imports from CIS countries escape the 10 percent VAT assessment, further disadvantaging U.S. exports.

Domestic Support Payments

The bar should not be lowered for Russia. Trade-distorting domestic support should be limited to a level equal to, or lower than, historical levels of Russian support payments to its agricultural sector or that amount which other countries entering the WTO have been held to as a percentage of their total value of agricultural production. Amber box qualifying de minimis product specific and non-product specific payments should not exceed 8. 5 percent, consistent with the WTO accession agreement reached with China.

SPS Measures

Russia should meet all obligations specified under the WTO Agreement on Sanitary and Phytosanitary Measures.

The administration should ensure that Russian sanitary and phytosanitary measures that are not based on science, and/or represent arbitrary and unjustifiable health and safety regulations, are removed prior to Russia's accession to the WTO.

Russia should not be permitted to nullify or impair its market access commitments through the use of sanitary barriers.

As part of its accession agreement, Russia should agree to terminate sanitary measures that impede imports of U.S. agricultural products and have no scientific basis.

Specific SPS issues to be addressed

Russia should agree to accept meats from all U.S. federally inspected plants. Current Russian requirements for U.S. meats related to trichinae and vesicular stomatitis that have no scientific basis, and that impede market access, should be eliminated.

A bilateral agreement on pest/weed levels & quarantine issues should be achieved. Russian restrictions on pests/weeds, that are not necessary for quarantine purposes and lack scientific merit, should be eliminated.

The U.S. government needs to ensure that products of biotechnology do not become an impediment to trade. Prior to WTO accession, the administration should get an official commitment from the Russian government to let trade of biotech products already in the marketplace continue uninterrupted, and that any implementation of rules governing biotechnology be transparent, timely, and scientifically based.

We oppose mandatory labeling requirements for genetically modified foods or agricultural commodities, including any requirement that meats be labeled to indicate that the animal had consumed genetically modified feed.

Other Non-Tariff Barriers

Russia should agree to adopt internationally accepted standards/specifications, including those pertaining to soybean and soybean products. Current differences in the Russian GOST Standards (Russian State Standards) and the FGIS and NOPA standards, as well as differences in the method of analysis and terminology for the standards, impede timely market access.

Trade Facilitation

Measures should be implemented to improve and standardize Russia's customs procedures consistent with acceptable international commercial practices.

Coordination of all the Russian governmental bodies and documentation requirements necessary to import commodities and clear cargo should be achieved. Currently there are numerous documents required by various Russian governmental bodies with each promulgating their own rules, absent central control. Approximately 80 percent of goods imported into Russia require certificates, compared with only 16 percent in the EU.

Permanent Normal Trade Relations Status

Farm Bureau cannot support granting Permanent Normal Trade Relations status to Russia until its ban on our poultry exports is fully lifted and resumption of our poultry exports to the Russian market approximates previous levels. We note that

the de-listing of certain poultry plants for export to Russia could be used to curtail future imports, a development that we would strongly oppose.

In addition, the Farm Bureau seeks assurances regarding commitments to seek Farm Bureau's objectives outlined above for Russia's WTO accession. We are working with the administration closely on this matter and appreciate the efforts of the Office of the United States Trade Representative in attempting to build our sector's confidence that a meaningful accession package that accommodates our concerns will be achieved. We look forward to a firm commitment in this regard.

In closing, the overall U.S.-Russia trade relationship strongly favors Russia with its exports to our market reaching $6.5 billion, compared to $2.5 billion in U.S. exports. Unfortunately, our agricultural trade relationship with Russia has been severely damaged by its arbitrary and unjustifiable ban on our largest export to its market, poultry. Every effort must be taken to ensure that this issue is resolved in a manner that rapidly restores our access to that market and ensures that actions of this nature are not allowed to disrupt the important relationship that our country is trying to build with that nation. We recognize the significance of granting Permanent Normal Trade Relations status to Russia, but regret that we cannot endorse PNTR until this important issue is fully resolved.

Chairman CRANE. Thank you, Mr. Wood.

Mr. Luks.

STATEMENT OF HAROLD PAUL LUKS, CHAIRMAN, NCSJ: ADVOCATES ON BEHALF OF JEWS IN RUSSIA, UKRAINE, THE BALTIC STATES & EURASIA

Mr. LUKS. Thank you, Mr. Chairman. My name is Harold Luks. I am the Chairman of NCSJ. We are now known as the Advocates on behalf of Jews in Russia, Ukraine, the Baltic States and Eurasia. With me today is Mark Levin, our Executive Director, who has been with us for more than 20 years.

As a former congressional staffer in the House and Senate, I first worked on the waivers from Jackson-Vanik for Eastern European countries in 1978. And today is a historic hearing. We represent nearly 50 national Jewish organizations, including the Anti-Defamation League and B'nai B'rith (which have asked to be associated with this testimony), 300 local community councils and federations across the country. Mr. Chairman, I would like to take this opportunity to summarize our basic points.

First, we support the graduation of Russia from the Jackson-Vanik amendment, and we believe the Subcommittee should focus on the concept of graduation because it represents a turning point and an important step forward. We base our position first on the fact that there is free emigration, but, also that those individuals who are citizens of the Russian Federation have the opportunity now to choose the religion, culture, language, and faith of their forefathers, something that was denied to them during 70 years of Soviet rule.

Second, there are problems in the Russian Federation confronting the Jewish community. There are anti-Semitic incidents, some in more places than in others. Two, the Russian government has interfered directly in Jewish communal affairs, such as by unilaterally choosing who should be viewed as the chief rabbi. And, police have broken into the central synagogue in Moscow and conducted a search. There have been confiscatory taxes imposed on Jewish organizations engaged in religious and humanitarian af-

fairs. Finally, the 1997 law on religion which requires registration continues to be a problem.

Let me make one thing clear: We support graduation. We have addressed these issues with someone whom we have come to regard as a colleague and a voice of reason, and that is Ambassador Ushakov. But we look to the future with some trepidation given the uncertainties in the Russian Federation.

The focus of my remarks today is with respect to certain deficiencies which we see, Mr. Crane, in the bill which you have cosponsored, H.R. 3553.

I would like to take a moment to just step back in history. In his State of the Union message to Congress in 1904, Teddy Roosevelt condemned anti-Semitism in the Russian Empire. In 1911, the United States critiqued the U.S.-Russian trade treaty that dated from 1832. And, in 1912, Mr. Crane, the United States abrogated this treaty because of czarist policies against their Jewish minority.

The Jackson-Vanik was not the beginning of the U.S. commitment, and the Jackson-Vanik is not the end of this commitment. It is something that preceded us and we hope will live on after us, because it reflects the very best in American values and commitments to human rights and religious freedom.

Therefore, we are asking the Subcommittee for three very specific things, and they are set forth in our testimony: Number one, expand the findings section; number two, include a policy section within the bill that builds on the legacy left to us by Teddy Roosevelt so there is no ambiguity as to what the United States stands for; and, number three, in the Committee report, to address some of the bilateral mechanisms which were referenced by Mr. Lantos to continue the focus of the Congress and the President on human rights and religious freedom.

I would like to close by noting that, after the Holocaust, Jews who survived still had a memory of Jewish religion and faith because they were able to maintain it even in the camps. After 73 years of Soviet rule, that memory became barely recognizable. Jewish life in an organized way had all but ceased. The Jackson-Vanik was an instrument, Mr. Crane, that created an opportunity for Jews in the Soviet Union and now in Russia to rediscover their past. That is a Jewish issue.

But let me say, the treatment of Jews in the Russian Federation is a reflection of civil society, and when the Jewish minority is treated well, there is a much greater indication that Russia will become a Member of the community of nations, engage in trade, welcome foreign investment, buy planes from Boeing, buy American agriculture, and export to us. We believe the two were never separated, and we believe they continue to work together.

The substantial progress that has been achieved by Jackson-Vanik and by many Members of this Subcommittee, in revitalizing Jewish life, has been a success. But it still reaches a small portion of the population. We want to make sure that our message, that NCSJ's message and the message of other Jewish organizations, can continue to be made inside Russia.

Congress can help to secure their future by articulating a clear U.S. policy: that they should have the freedom to choose their faith and their culture.

Mr. Crane, Mr. Levin, this is a noble cause, and we commend the good work of this Subcommittee and look forward to your good work to perfect the legislation before you.

Thank you very much.

[The prepared statement of Mr. Luks follows:]

Statement of Harold Paul Luks, Chairman, NCSJ: Advocates on behalf of Jews in Russia, Ukraine, the Baltic States & Eurasia

Good morning, Mr. Chairman, Representative Levin, and Members of the Subcommittee. My name is Harold Paul Luks. I am the Chairman of NCSJ: Advocates on behalf of Jews in Russia, Ukraine, the Baltic States & Eurasia, *i.e.,* the Former Soviet Union ("FSU"). With me today is Mark Levin, NCSJ's Executive Director, who has been with our organization for more than 20 years.

As a former Congressional staffer, I first worked on extending Jackson-Vanik waivers for Eastern European countries in 1978 and have been deeply involved in international trade matters since that time. As member of NCSJ, and Chair of its Jackson-Vanik Committee for many years, I have had the privilege of working on the linkage among international trade, emigration, and religious freedom.

NCSJ, representing nearly 50 national organizations and more than 300 local community-based federations, community councils, and committees on Jews in the FSU, speaks for the organized American Jewish community on issues affecting the Jewish minority in the FSU. My organization, formerly known as the National Conference on Soviet Jewry, changed its name several years ago to reflect the emergence of independent successor states. We evaluate graduation for each successor state based on a set of country-specific issues, achievements, and challenges.[1]

For three decades, NCSJ has mobilized public opinion to oppose human rights violations in the FSU and the successor states, including such efforts as the 1987 March on Washington—"Freedom Sunday for Soviet Jews"—which drew an estimated 250,000. As evidence of our community's continuing consensus, several major American Jewish organizations have asked to be associated with our testimony today.

Members of this Subcommittee and the full Committee have earned a place of merit in the struggle to save the Jewish people in the Soviet Union from the concerted policy of the Communist Party to extinguish their religion, culture, and language. Those who met with refuseniks under the eyes of the KGB, delivered Hebrew texts when they were banned and stood for the linkage between human rights and trade policy gave courage to those who struggled for freedom. Jackson-Vanik is a bipartisan issue. Just as former Chairman Archer was an original cosponsor of the Amendment, we wish to acknowledge the work of Representative Tom Lantos who has devoted many hours to advancing the cause of human rights and developing a new Congressional-Executive Branch framework following the graduation of the Russian Federation.

The Position of NCSJ on Graduation

Mr. Chairman, NCSJ supports the graduation of the Russian Federation from Title IV of the Trade Act of 1974—the Jackson, Vanik, Archer, Mills Amendment ("Jackson-Vanik"). Our position on the graduation of the Russian Federation does not imply that we are prepared, at this time, to support the graduation of the other FSU successor states to which Jackson-Vanik still applies. It is not the position of NCSJ that the terms of Jackson-Vanik should apply in perpetuity to the former republics of the Soviet Union. However, graduation for any successor state must be conditioned upon the development of a legal structure that guarantees internationally recognized human rights for its Jewish citizens, and other religious and national/ethnic minorities. In the absence of such conditions, there is in our opinion no possibility of establishing democratic institutions applicable to all citizens.

However, the struggle for the freedom of Soviet Jewry contributed to the transformation of the Soviet Union into the Newly Independent States ("NIS"), a process that is not complete. The American diplomatic commitment to secure freedom for Russian Jewry (that first found expression before World War One) has not diminished, and the task before this Committee requires a new legislative formulation, which NCSJ will advocate this morning. The opening of the doors to emigration is not the exclusive factor on which we base our support for graduation. NCSJ's position on graduation is based on substantial progress toward two factors. These are:

[1] For an assessment of these issues, a copy of JCSJ's *2000/01 Country Reports* is available upon request by contacting our office in Washington or online at www.ncsj.org.

First, freedom of emigration for all Jews in accordance with the Helsinki Accords and established principles of international law, and

Second, for those who choose remain in Russia, freedom to practice the religion of their forbears, to participate in the unique aspects of Jewish culture and language, unfettered by governmental interference.

Our support for graduation is not without a reasoned measure of apprehension.

- Across the Russian Federation, the severity and frequency of anti-Semitic incidents have been increasing. These have included arson attacks, synagogue and cemetery desecrations, and direct assaults into Jewish institutions.
- The extent to which anti-Semitic acts are investigated, and perpetrators are prosecuted, requires greater attention from Moscow and local governmental authorities.
- Kremlin officials have either tolerated or actively promoted government interference in Jewish intra-communal affairs. This has manifested itself in (1) pressuring individuals to decline leadership positions in specific Jewish organizations, (2) threats to withhold entry visas to guests of the community, (3) unilaterally replacing the Chief Rabbi of Russia in official fora, refusing to re-register the Moscow Jewish Community, and (4) interference in intra-communal disputes as a means to solidify Kremlin influence and control.
- At times, governmental interference has become outright intimidation, such as the illegal search of the Choral Synagogue, the main synagogue in Moscow.
- Unreasonable, and at times confiscatory taxes have been imposed on the donations provided to organizations dedicated to performing humanitarian tasks.

In prior position papers, NCSJ has drawn attention to the dichotomies inherent in Russian President Vladimir Putin's rise to power. He has clearly demonstrated his support for the revival of Jewish life. He has visited the Jewish Community Center in Moscow, participated in lighting the Chanukah menorah, issued statements condemning anti-Semitism, spoken positively about supporting Jewish renewal, and developed warm relations with successive Israeli governments. But seemingly contradicting these actions are the past use of anti-Semitism in promoting Mr. Putin's candidacy for President, the election rhetoric of his political allies in elections for the Duma, and the difficulties posed by Russia's restrictive Law on Religion.

In our meeting with President Putin on November 13th in Washington, he spoke very personally and firmly about his government's, and his own personal, commitment to promoting Jewish communal life and to combating popular anti-Semitism and xenophobia. As impressed as my fellow community leaders and I were with Mr. Putin's remarks, it is Russia's formal statements and assurances, and the legislative context in which Russia may be graduated, that best assure "the continued dedication of the United States to fundamental human rights," which are the opening words of the Jackson-Vanik Amendment (22 U.S.C. 2431).

The Position of NCSJ on H.R. 3553

With respect to the present legislation before the Subcommittee, NCSJ wishes to express its appreciation to Members and their personal and Committee staffs, both majority and minority, who have consulted with us on the graduation of Russia and the future status of the other FSU states under Jackson-Vanik.

Mr. Chairman, as noted above, we believe that the Committee on Ways and Means has a historic opportunity to restate the American commitment to securing the future for Jews in the Russian Federation and the NIS. Before and after the President's announcement on the graduation of Russia, we have heard that Jackson-Vanik is: a relic of the Cold War; an impediment to normalizing U.S.-Russia trade relations; a mechanism that never achieved its objectives; and a statute that speaks only of emigration. These are the statements of those who are not familiar with or choose to ignore American diplomatic history, the Amendment's legislative history, and most importantly, the profound effect it has had on those who struggled to reassert their Jewish identity either by emigration or the restoration of organized Jewish communal life.

A. Additional "Findings" Should be Included in H.R. 3553

H.R. 3553, as introduced, contains a number of positive "Findings" that reflect the language adopted by the Committee and Congress in graduating Georgia. However, there are certain additional provisions that should be incorporated into H.R. 3553. Before reviewing these, Mr. Chairman, permit me to summarize the basis for our request.

In his Annual Message to Congress of 1904, President Theodore Roosevelt denounced Czarist persecution of the Jews. Moreover, in 1912, the United States cancelled the 1832 U.S.-Russia trade treaty because of American displeasure with the

Russian government's treatment of its Jewish minority. Thus, the enactment of Title IV in the Trade Act of 1974 was not a departure for Congress and American diplomacy, but a continuation of a longstanding commitment. The voluminous record of resolutions, letters, appeals and meetings by Members of this Committee relating to this struggle will continue to have meaning if H.R. 3553 is expanded to include the following points:

Russia has continued to return religious and communal properties confiscated from national and religious minorities during the Soviet period, facilitating the reemergence of these communities in the national life of the Russian Federation; and has committed, including through an exchange of letters, to continue its efforts toward the restitution of such properties in accordance with existing Russian laws.[2]

Russia is committed to addressing issues related to its national and religious minorities as a member of the Organization for Security and Cooperation in Europe (OSCE), and to adopt measures for ensuring that persons belonging to national minorities have full equality individually, as well as in community with other members of their group.

Russia is committed to the 1990 Copenhagen Document of the OSCE affirming the right of national minorities to establish and maintain their own educational, cultural and religious institutions, organizations or associations and to establish and maintain unimpeded contacts among themselves within their country as well as contacts across frontiers.

Russia has enacted statutory provisions to provide protection against incitement to violence against persons or groups based on national, racial, ethnic or religious discrimination, hostility or hatred, including anti-Semitism, and has adopted a four-year national program for preventing extremism and promoting tolerance in Russian society.

Recognition that the exchange of letters between the Governments of Russia and the United States, and related assurances, are viewed by Congress as binding obligations by the Russian Federation.

NCSJ believes that any legislation to graduate successor states from the Jackson-Vanik Amendment should acknowledge assurances from the respective governments regarding freedom of emigration and other human rights. In other words, there should be an assurance provided to the United States regarding these matters. I would also suggest that this Subcommittee, in consultation with other appropriate bodies within the United States Congress, use the opportunity of graduating Russia to review an inventory of remaining bilateral and unilateral mechanisms and commitments available to our Legislative and Executive Branches for addressing and resolving concerns relating to human rights and religious freedom in Russia.

The trade aspects of Jackson-Vanik, intended to advance a decidedly non-trade agenda, have tied human rights criteria to bilateral commercial trade relations. This has now afforded the Subcommittee on Trade a historic opportunity to formulate and adopt a new framework that acknowledges Russia's considerable progress, and creates a new paradigm for continuing America's century-long commitment to religious freedom in Russia.

For over two decades, our advocacy of Jackson-Vanik has led some in the business community to express the view that we were concerned with a religious issue that should be divorced from the business of international trade. To be sure, for NCSJ and its constituent organizations, Jackson-Vanik is a religious issue—a Jewish issue. Despite the collapse of the Soviet Union and substantial emigration, Russia remains home for the world's third-largest Jewish population. These people now have the potential to reenter the Jewish world.

We have always regarded Russia's treatment of its Jewish minority as a barometer of its potential to reenter the community of nations and to become integrated into the economic lifeline of world trade. Without question, a vibrant, revitalized Jewish community is a reflection of an emerging civil society. Such a society, based on laws and implementing regulations, is a prerequisite for long-term, sustained economic growth, trade, and foreign investment.

B. H.R. 3553 Should Include a New Section on U.S. Policy Objectives

The current bill acknowledges some of Russia's commitments which formed the basis for NCSJ's support of graduation from Jackson-Vanik. However, the current bill does not set forth U.S. policy objectives post graduation. For this reason, we urge that the Committee adopt a "Policy" subsection reflecting Administration assurances and based on the following:

(1) Urging the Russian Federation to

[2] This would replace Sectio 1, paragraph 7, in H.R. 3553.

(A) continue its current policy regarding the free emigration of its citizens;

(B) safeguard religious liberty throughout the Russian Federation;

(C) prevent the requirement that religious organizations be registered from being abused to curtail activities of religious organizations;

(D) enforce existing Russian laws at the national and local level to combat ethnic, religious, and racial discrimination and violence; and

(E) expand the restitution of religious and communal properties, including establishing a legal framework for completion of restitution in the future; and

(2) Continuing rigorous U.S. monitoring of human rights issues in the Russian Federation, including the issues described in paragraph (1), providing assistance to nongovernmental organizations and human rights groups involved in human rights activities in the Russian Federation, and establishing ongoing discussions with the Russian Federation regarding such issues, including the participation of U.S. and Russian non-governmental organizations in such discussions.

Incorporation of such language will provide a firm basis for continuing the long-standing commitment of successive administrations and Congress to securing religious freedom in Russia, which is a multi-ethnic and multi-religious state.

The Ways and Means Committee made clear its policy when Jackson-Vanik was adopted. As noted above, former Representative Archer was an original sponsor of the "Freedom of Emigration Act," the initiative which became the Jackson-Vanik Amendment. In his floor statement of February 7, 1973, he said, in part:

"By taking this action we call upon the Government of the Union of Soviet Socialist Republics to cease persecution of these people on the basis of religious belief.

"We also call upon the Soviet Union to release all prisoners, those already sentenced and those due to stand trial, arrested as a result of their attempt to exercise their religious beliefs and to study their religious heritage and culture."

Representative Archer concluded his statement with the following credo: "We do not need foreign trade enough to do business with countries that practice religious discrimination and this form of bondage." The Report of the Committee on Finance for the Trade Reform Act of 1974 (H.R. 10710) emphasized that Jackson-Vanik extended beyond emigration policy. The Report states an ultimate motivation beyond that of emigration: "The Committee believes that it is equally reasonable to establish conditions on all basic human rights, including the right to emigrate as well as basic property rights, before extending broad concessions to communist countries." Writing in 1980, the late Senator Henry M. "Scoop" Jackson reiterated that this law "has long been the principal hope of thousands of Soviet Jews and others who have struggled to obtain visas so that they might emigrate to Israel, the United States, or other countries where they are free to live and worship according to their faith—a freedom denied them in the Soviet Union." Now, the time has come to develop a new formulation that will continue to focus the attention of Congress and the Executive Branch on the issues that led to the enactment of the Jackson-Vanik Amendment.

Background to Jackson-Vanik

The Jackson-Vanik Amendment in Title IV of the Trade Act of 1974 (P.L. 93–618, 19 U.S.C. 2432) was enacted to "assure the continued dedication of the United States to fundamental human rights," and in so doing sought to eliminate barriers to emigration, an internationally recognized human right. Congress has recognized that Jackson-Vanik has become an instrument of U.S. policy for assessing certain countries' observance of basic human rights and the protection of minorities. These principles were reflected in the graduation of Georgia from Jackson-Vanik in 2000, as well as previous examples (*e.g.,* the Kyrgyz Republic).

Since before the enactment of the Trade Act of 1974, NCSJ has worked for free emigration from the Soviet Union and now from the successor states of the FSU. Numerous Congressional resolutions and Presidential statements confirm that Jackson-Vanik encouraged the Soviet Union and its successor states to liberalize emigration policy and, ultimately, to permit a mass emigration to Israel and other countries. Today, many take for granted free emigration from the FSU. For NCSJ and the Jewish community, of course, free emigration can never be taken for granted. For us, it is celebrated. The Passover festival, which we concluded last week, re-enacts the Biblical exodus of the Jewish people from Egyptian bondage. The Passover observances hosted at the United States Embassy in Moscow in the 1980s provided moral support to thousands of refuseniks and Prisoners of Zion, such as Natan (Anatoly) Sharansky. It is for these reasons, and the unprecedented mobilization by American Jews and other human rights advocates, that we do not take unrestricted emigration for granted. Unfortunately, we must acknowledge that there remains an undercurrent of anti-Semitic violence within the Russian Federation. For that rea-

son, the United States needs to be on record, in legislation approved by Congress and signed into law by the President, that the United States will not stand aside if political circumstances should turn against the Russian Jewish community.

NCSJ believes that economic growth in Russia is in the strategic interest of the United States. We devoted considerable resources to support enactment of the 1992 Freedom Support Act, and continue to support the current assistance package as we have advised every Member of Congress. NCSJ is an active participant in a broad-based coalition of business, public interest and ethnic organizations that supports full funding for U.S. foreign assistance through the Function 150 account. As with freedom of emigration, building democratic societies in the wake of Soviet tyranny is hardly something we can afford to take for granted.

Beginning in 1989, the NCSJ Board of Governors endorsed annual waivers of the Jackson-Vanik Amendment for the Soviet Union and its successor states. This support was contingent on (1) the President's affirmation that waivers would encourage emigration and progress on other humanitarian issues; and (2) assurances concerning a commitment of further progress in connection with these concerns. Since 1994, NCSJ has supported semi-annual findings by the President that Russia, and most of the successor states, are in compliance with Jackson-Vanik's emigration provisions and have demonstrated progress on protection of minority rights.

We have never lost sight of the original motivation for Jackson-Vanik. Representative Archer's words, like those of so many of his colleagues, underscore the emphasis on religious freedom. In 1974, emigration constituted the only vehicle for ensuring that Soviet Jews could live freely as Jews. Dr. William Korey, a leading scholar on human rights, has noted that the late Andrei Sakharov endorsed Jackson-Vanik not only as an emigration tool. Dr. Sakharov foresaw that freer emigration would compel the Soviet regime to observe human rights generally or risk losing valuable citizens to other countries.

Graduation from Jackson-Vanik was never restricted to narrow questions of emigration. Terminating application of the Amendment to a successor state necessarily takes into account a set of broad human rights considerations that evolved since implementation of the Trade Act. Especially in the post-Soviet landscape, emigration, the ability of Jews and other minorities to identify with their cultural heritage, restitution of communal property, governmental responses to anti-Semitism and xenophobia as well as commitments on implementation of laws and practices ensuring minority protection have become part of the test for graduation. These are reasonable standards and, in effect, confirm the transition from the legacy of communism to the development of a civil society.

In our consultations with the Government of the Russian Federation, discussions with Executive Branch officials and contacts with so many Members of the House and Senate, we have communicated our support for Russia's graduation. We know that President Putin, his government, members of the Duma and members of the Russian intelligentsia will carefully review the legislation approved by this Committee and ultimately passed by the United States Congress. In simple terms, Mr. Chairman, you have the ability to send an important message that will be reviewed by multiple audiences in the United States, Russia, and the FSU.

Support for Permanent Normal Trade Relations

Graduation of any successor state from the terms of Jackson-Vanik must be based upon an assessment of emigration policies as reflected in law and fact, and, no less importantly, other national policies that affect the status of ethnic and religious minorities, such as the Jewish community. Virtually every Member of Congress has subscribed to this formulation. Therefore, graduation should be conditioned upon Congressional consideration of the following standards and conditions that provide the basis for the language we propose be incorporated into H.R. 3553.

An unrestricted right of emigration, protection of minority rights, including legislation to provide protection against incitement to violence against persons or groups based on various criteria, including religion (*e.g.,* anti-Semitism), and the exercise of freedom of religion;

The incorporation of human rights standards (including freedom of emigration and religion) into the country's constitutional and legal structure, their protection by the judiciary, and the implementation of administrative practices that do not detract from such rights; and

Participation in bilateral and multilateral mechanisms related to the observance of religious freedom and basic human rights, demonstrating a commitment to these freedoms and rights.

Mr. Chairman, Russian Jewish life has increasingly flourished since the Soviet collapse. Thousands of students—young and old—across the country now study their Jewish heritage. Welfare activities proceed generally uninhibited by official inter-

ference. Jews everywhere are forming congregations and cultural groups. Jewish communities are forming in places where we believed Jewish life had been crushed by the Soviets in the 1920s, as a consequence of the Holocaust, or through Stalinist persecutions. Russia's friendship with Israel is largely a testament to over one million Soviet émigrés who have become Israeli citizens since Jackson-Vanik was enacted. Russia's evolving relationship with the United States offers potential for progress in ways we did not imagine just over a decade ago. Although it is unrelated to Jackson-Vanik, I must also recognize the critical support and cooperation that Russia provides to the ongoing campaign in support of our collective struggle against international terror.

Additional Protections for Religious Freedom

Mr. Chairman and Members of the Subcommittee, we encourage the Congress to approve Russia's graduation from Jackson-Vanik, and to do so through legislation that reflects and acknowledges the accomplishments of Title IV with respect to the Russian Federation. As we have reiterated throughout our testimony, we believe that Congress and the President must continue to focus attention on Jackson-Vanik-related issues. Paraphrasing Jackson-Vanik, to assure the continued dedication of the United States to human rights in Russia, Congress should consider the following measures so as to make certain that there is an unambiguous record documenting the objectives of U.S. policy and the standards to which the United States expects the Russian Federation's adherence. The Committee's report should reference the following items:

Executive Branch prerogatives such as the International Emergency Economic Powers Act ("IEEPA") and the resources at the disposal of the Ambassador at Large for International Religious Freedom;

Legislative oversight of human rights and matters involving linking of religious freedom to U.S. assistance to Russia. This can be accomplished through Legislative-Executive Branch partnerships, such as Congressional participation in multilateral fora including the OSCE Parliamentary Assembly;

The Department of State's Annual Report on Human Rights Practices and the Report on International Religious Freedom, which include sections that address specifically matters affecting the Jewish community;

Official bodies such as the U.S. Commission for International Religious Freedom and the U.S. Commission for the Preservation of America's Heritage Abroad, which have opened new avenues for communication with FSU successor governments and local administrators on minority rights issues and the preservation of communal properties (*e.g.,* synagogues, schools, cemeteries and mass-murder sites dating from the Holocaust).

U.S. Government initiatives to convene meetings of Congressional, Administration and non-governmental organizations ("NGOs"), both American and Russian, including the Roundtable on Religious Freedom in Russia;

The exchange of letters on religious freedom between the Russian and U.S. governments, related assurances, communications between the Administration and Congress, and the multilateral treaties and agreements to which Russia is a party, including the Helsinki Final Act and subsequent OSCE documents.

The Legacy of the Jackson-Vanik Amendment

In the quarter-century since the adoption of Jackson-Vanik, its boldness has contributed to a sea change in U.S. and Russian policies, and in some measure to the roadmap for the 21st century. In announcing his intent to graduate Russia, President George W. Bush underscored the importance of Russian assurances on religious freedom. The President recently wrote to American Jewish organizations about Jackson-Vanik: "The Jewish community has helped write a proud chapter in the history of American foreign policy, but the work is not complete. We need your continued advocacy and support . . ." (I ask, Mr. Chairman, that the President's letter to NCSJ of November 19, 2001, be entered into the record of this hearing.) Today, the U.S. Government expects, appreciates and invites public interest in the internal human rights policies of other countries, just as we do at home.

The continuing force and effect of Jackson-Vanik are reflected in the correspondence between Secretary of State Colin Powell and Russian Foreign Minister Igor Ivanov. Foreign Minister Ivanov's November 13 letter to Secretary Powell welcomes the Bush administration's decision to graduate Russia, stresses his country's commitment to religious freedom and minority rights, and applauds the "genuine renaissance" of Russian Jewish life. As a testament to the reordering of post-Soviet priorities, Mr. Ivanov concludes his historic letter by reaffirming "our commitment to these principles [of religious freedom], which we consider an indispensable condition

for Russia's development as a multiethnic country based on the principles of civil society."

The purpose of Jackson-Vanik was never to promote trade, but rather to ensure that free trade would never be confused for the ultimate goal of U.S. foreign policy. Thomas Jefferson wrote of America in 1824 that "even should the cloud of barbarism and despotism again obscure the science and liberties of Europe, this country remains to preserve and restore light and liberty to them." As a result of Jackson-Vanik, never again can critics in either country credibly claim that religious freedom has no substantive place in U.S.-Russian relations or that internal government practices are a solely domestic concern.

To conclude, let me emphasize what graduation of Russia does *not* mean for the Jewish community. It does not mean Russian anti-Semitism has disappeared, or that the Russian authorities are doing all they could to eradicate racism, xenophobia, and intolerance. Nor does it mean that the gains for Jewish life in Russia are irreversible; this progress remains vulnerable to the voices of darker days, voices that can be heard still in Russian political life and in the Duma.

When World War Two ended, there remained tens of thousands of Jews in Europe who lost everything—their families, homes, communities, and personal possessions. What remained was an indomitable spirit to survive and to preserve their Jewish heritage. In the FSU, there still are hundreds of thousands of persons who would be welcome members of the Jewish community. However, 73 years of communist rule eviscerated virtually all aspects of Jewish life in the Soviet Union. Rabbis and religious leaders were either expelled or disappeared. Religious and Jewish cultural institutions were closed, their assets seized and properties confiscated. With the passage of generations, memory of Judaism dissipated and became barely recognizable. Although Soviet support was a critical factor in the creation of Israel, expressing Jewish identity in the 1950s was, at times, life-threatening. Through the balance of the 20th century, Soviet policy achieved one of its main objectives regarding its Jewish citizens: a population largely devoid of Jewish identity or fearful of expressing it. Completion of this goal was thwarted because the dissidents, refuseniks and Hebrew teachers could no longer just disappear. This was, in part, due to the spotlight Jackson-Vanik shined on human rights.

Jackson-Vanik was instrumental in creating the opportunity for Soviet Jewry, now Russian Jewry, to find new ways to express their identity. The story of those who will remain in Russia is yet to be written. The substantial progress in revitalizing Jewish life has reached a small percentage of this population. Their future as part of the Jewish People remains tentative. NCSJ and our member organizations are working to inspire a Jewish revival. Congress can help to secure their future by articulating a clear United States policy that they should have the freedom to choose their faith and culture. This is a noble cause and we look forward to the continued good work of this Committee.

Thank you, Mr. Chairman, for this opportunity to share the views of NCSJ and the organized American Jewish community on an issue which has been and continues to be of utmost importance to us, to Jewish communities everywhere, and to our brethren in the FSU.

Attachment: Letter from President Bush to Harold Paul Luks

Mr. Harold P. Luks
Chairman
NCSJ
1640 Rhode Island Avenue, N.W.
Suite 501
Washington, D.C. 20036–3278

Dear Mr. Luks:

In my meeting last week with President Putin of Russia, we discussed a matter of particular interest to the American Jewish community: the graduation of Russia from the provisions of the 1974 Jackson-Vanik Amendment that linked emigration rights from the Soviet Union to American trade policy. Mr. Putin and I agreed that on the basis of the Russian Government's consistent, nearly decade-long allowance of unfettered emigration, Russia merits permanent normal trade relations status. To this end, I intend to work with the 107th Congress to pass the necessary legislation for removing Jackson-Vanik requirements for Russia.

I know the American Jewish community maintains a great and continuing interest in the human rights situation in Russia, particularly as it affects Russian Jews. So does my Administration. Mr. Putin provided clear assurances that his government would take concrete actions to promote our common interest in core human

rights and basic freedoms. He stated that anti-Semitism has no place in a modern Russia. My Administration is fully committed to work with Russia to bring about progress in human rights, including safeguarding of religious liberty, enforcement of hate crimes laws, and restitution of religious community property.

Please accept my deep appreciation for the American Jewish community's steadfast commitment to defend the basic rights of Soviet Jewry. Through the darkest days of the Cold War and the tumult of the post-Soviet era, American Jews never wavered in this cause. Your decades-long struggle has won a once unthinkable victory. Russian Jews are now free to emigrate freely from Russia.

The Jewish community has helped write a proud chapter in the history of American foreign relations, but the work is not complete. We need your continued advocacy and support, and my Administration looks forward to working closely with you on these challenges.

Sincerely,

/s./

George W. Bush

Chairman CRANE. Thank you, Mr. Luks.

Mr. Edlin.

STATEMENT OF RICHARD A. EDLIN, PARTNER, GREENBERG TRAURIG LLP, AND U.S. COUNSEL, SPI SPIRITS LTD, NETHERLANDS

Mr. EDLIN. Mr. Chairman, honorable Members of the Subcommittee, thank you very much for the opportunity to come and speak before you today. As it is late and I am last, I will take that opportunity to try to be brief as well. I am here representing the interests of Stolichnaya Vodka and its business partners throughout the United States and, indeed, the rest of the world.

Mr. Chairman, vodka is the second largest industry in Russia. Prior to the fall of the Soviet Union, trademarks to vodka were state-owned. They were owned by a company called SPI. Following the fall of the Soviet Union and the reforms of perestroika, those rights to those trademarks were passed from the state-owned company to a privately owned company of the same name, SPI. And since that time, in 1991, when privatization occurred, our client has invested tens of millions of dollars rebuilding the brand of Stolichnaya so that it is now, I believe, the largest selling distilled spirit in the world.

In that time, we have required our trade partners to similarly invest millions of dollars in building the brand Stolichnaya for sale throughout the world. Now, some 10 or 11 years after privatization has occurred, the Russian Government has determined to take back the trademarks and nationalize and monopolize the vodka industry.

Now, in testimony before the Commerce Department, Deputy Minister Sharonov clearly stated—and I was there in the room—clearly stated that the government of Russia has no interest in owning the means of production of industries other than those required for the national defense or those that are typically owned by a government, such as printing currency. I believe that the Ambassador for the Russian Federation in his testimony before this Subcommittee also echoes the same government policy.

This, unfortunately, is not what is occurring within Russia today, and it is extremely important, as we take up the issue of normal-

izing trade relations with Russia, that we understand that we need to match what they say they intend to do with what they are doing today on the ground.

We are interested in only the most simple and basic form of international trade. All our clients has done since it has obtained the right to do so in privatization in Russia is buy vodka from Russian distilleries and export it throughout the world for sale.

What the Russian government is now doing is blocking the export of vodka out of the country. There are 150,000 cases of vodka sitting in the Russian port of Kaliningrad which the government refuses to let out of the country. But it refuses to let it out of the country despite its own court orders requiring it to do so. It is attempting to usurp the same trademark rights that were given to SPI during privatization and usurp them for their own use. And it is doing so, again, despite court orders from Russian courts saying it has no right to do so.

As I listened to Ambassador Allgeier testify earlier today on issues of normalization of trade and Russian accession to the WTO, two issues come out very clearly from that testimony: the need for Russia to respect private property rights and the need for Russia to respect the rule of law. On both counts, Mr. Chairman, Russia is falling tragically short of its stated goals. Mr. Putin has expressed strongly on a number of occasions in a variety of fora that he intends to respect the privatization process and that is the government policy. However, Agricultural Minister Leganov, the same person who is charged with taking back these trademarks, has set up a privately owned enterprise to usurp those trademarks, and has monopolized the vodka industry within Russia. This is not something that American trading partners can tolerate. It is not a system that is reliable enough for companies throughout the world to engage in trade with Russia on.

If Boeing's 25 planes, as I understood Ambassador Pickering earlier today, if those 25 planes on the ground in Russia were nationalized by the government, it would be exactly the same thing as what Russia is presently doing to our client in the vodka industry. And everyone is at risk when one person is at risk. Until we have uniform rules that the Russian government is willing to live up to, I respectfully suggest to this Subcommittee that the normalization of trade relations cannot be entered into and Russia cannot be permitted to ascend to membership in the WTO.

My final point, Mr. Chairman, is that Russia has been a very willing and very active participant in the war against terror. That is a noble effort from which Russia itself benefits. We should not link positive and progressive acts in the area of anti-terrorism to allow someone to fall short of positive and progressive policy in the area of international trade.

Thank you very much.

[The prepared statement of Mr. Edlin follows:]

Statement of Richard A. Edlin, Partner, Greenberg Traurig, LLP, and U.S. Counsel, SPI Spirits, Ltd., Netherlands

Mr. Chairman and Honorable Members of the Committee, my name is Richard Edlin and I am a partner in the law firm of Greenberg Traurig. Thank you for your invitation to appear before this distinguished Committee. I am counsel to SPI Spirits, which is the maker of Stolichnaya Vodka, the principal brand of Russian Vodka

and one of the best selling brands of Vodka in the United States and the World. I come before this Committee in order to bring to your collective attention certain facts and conduct by the Russian Government which brings into serious question Russia's ability to act as a reliable trade partner, to respect the rule of law, and to conduct itself in accordance with the practices we associate with free market economies and reliable trade partners. Rather, recent events highlight a troubling pattern of regression by the Russian Government to the tactics and policies of the Soviet era.

Background to Russian Regression on International Trade and Russia's Attempt To Reverse the Privatization of Russian Vodka

Vodka is the second largest industry in Russia. Prior to the collapse of the Soviet Union, trademarks to Russian vodka products were state-owned. Beginning in 1991 or thereabouts, many Russian industries, including the Vodka industry, were privatized. SPI International NV ("SPI") and its predecessor entities became the legal owner directly of, or of reversionary interests in, Stolichnaya, one of the most popular brands of Vodka in the world and the principal brand of Russian Vodka sold throughout the United States and the world. Now, utilizing many of the presumably discarded methods of Soviet-era intimidation, disrespect for international legal principles, and raw police power, the government of Russia is attempting to nationalize again the Vodka industry. In effect, this will reverse Russia's progressive privatization practices of the past and casts significant doubt on Russia's ability to become a reliable member of the international economic community.

Many of the facts below were recited and recognized as accurate in a lawsuit which took place in 1992 over rights to the Stolichnaya trademark, *Financial Matters, Inc. v. PepsiCo, Inc. and Monsieur Henri Wines, Ltd.*, 806 F. Supp 480 (S.D.N.Y. 1992)(Owen, J.), in which representatives of SPI participated as fact witnesses.

SPI received trademark registration for the Stolichnaya mark in the United States in 1967. In 1969, SPI assigned all its rights in the mark to Kraus Bros. & Co.; SPI designated MHW, Kraus' subsidiary, as SPI's representative in its trademark application. In 1973 PepsiCo entered into an agreement with Sojuzplodoimport (the predecessor to SPI), the Soviet state-controlled bureaucracy that controlled all agricultural exports from the U.S.S.R., to export Pepsi-Cola syrup to the Soviet Union, and to receive in return the exclusive right to import Stolichnaya Vodka into the United States. PepsiCo acquired Kraus and MHW in order to secure its right to import the Stolichnaya Vodka. The mark became incontestable in the United States in 1974 on the filing of the requisite affidavit of continuous use. PepsiCo also owned the mark "Stoli."

Upon its acquisition of the Stolichnaya import rights, PepsiCo set up a system for approving potential suppliers, establishing quality specifications, assisting distilleries in improving their product, testing the final product, and rejecting unsuitable shipments. PepsiCo was thus instrumental, following its trademark assignment from SPI's predecessor, in creating a domestic American product of consistently high quality and uniform characteristics. Upon acquiring the right to distribute Stolichnaya in the U.S., PepsiCo and MHW spent over $100 million to popularize Stolichnaya vodka in the U.S.[1] PepsiCo approved only seven distilleries in the USSR to produce and export Stolichnaya vodka to the U.S., and imported Stolichnaya vodka had come from those same seven distilleries over the more than twenty years of PepsiCo's control.

In 1983, PepsiCo assigned to SPI the Stolichnaya trademark registration, as well as its pending application to register Stoli. In June, 1991, SPI reassigned to PepsiCo all of its right, title and interest in and to the said marks. That agreement was amended on February 6, 1992, after the dissolution of the USSR, by deleting para-

[1] In 1977, PepsiCo acquired the Pizza Hut restaurant chain. Since Pizza Hut restaurants served liquor, and since various states forbid a manufacturer, importer or wholesaler of liquor products from retaining any interest in premises where alcoholic beverages are sold ("Tied House" laws), PepsiCo divested itself of the ownership of MHW when it acquired Pizza Hut. However, PepsiCo retained ownership of the Stolichnaya mark, and entered into an agreement with MHW under which MHW agreed to continue importing the vodka made by the same distilleries. PepsiCo, as the trademark owner, continued to monitor the nature and quality of the vodka as it had done before, and it continued to receive a royalty based on sales from MHW.

It is irrelevant that the consuming public does not know that it was actually PepsiCo who owns the mark. Under well-established law it is clear that the public need not know the name of the trademark owner for their to be goodwill in a mark, nor does the name of the owner have to appear on the product itself.

graph 8, which had conferred a right upon the now-defunct Soviet government to request the reassignment of the marks back to SPI at will.

In August, 1991, the USSR patent office cancelled SPI's registration in Russia for Stolichnaya on the ground that Stolichnaya had come to identify a type rather than a brand of vodka in the USSR. However, an opinion by the patent office clarifying that decision notes that under Russian law, the ownership and validity of rights in marks outside Russia is independent of such rights in Russia, and that the cancellation of the mark in Russia should not affect rights outside Russia. Furthermore, pursuant to Article 6(3) of the International Convention for the Protection of Industrial Property, the "Paris Convention," to which Russia is a signatory, a mark duly registered in one country is independent of marks registered in other countries, even including the country of origin.

When the USSR collapsed in December 1991, SPI became a private joint stock company which succeeded to the same rights as its governmental predecessor; these rights were confirmed by the statements of various Russian government officials and trade representatives of the Russian Federation in the United States. PepsiCo, MHW and SPI then continued their business relationship virtually unchanged.[2]

As the official documents of the Ministry of Foreign Economic Relations of the Russian Federation, attached as EXHIBIT A, stated in October 1992, SPI "is a legal entity in the Russian Federation and the successor of its Soviet predecessor VVO 'Sojuzplodoimport'. [SPI] has the right to export Russian vodka to the USA under the following trademarks: Stolichnaya, Stolichnaya Christall, Pertsovka, Limonnaya, Prievet, Prievet Orange (Apelsinovaya), Russian, Okhotnichya." It could not be stated any more clearly and legally. And there are numerous such documents. Russia now, acting solely out of its own desire to take back property it has already privatized, has ignored its own official actions during the privatization process. We ask: "By what right?"

Since privatization in Russia took place a decade ago, SPI has sold Stolichnaya vodka to the American and European markets without any claim by the Russian government in any country that SPI did not have the right to do so. After the legally privatized company was sold to its present owners, tens of millions of dollars were invested to successfully rebuild the nearly bankrupt company into one of the world's leading vodka producers. SPI also requires its distributors in various countries, including the United States, to make significant investments in marketing and advertising the Stolichnaya brand.

All of SPI's actions were taken with the knowledge of the Russian government and without any suggestion at all that when SPI and its trade partners around the world were spending tens of millions of dollars to build and support the Stolichnaya brand, that the Russian government has any reservations regarding SPI's right to do so. AND NOW RUSSIA WANTS TO TAKE STOLICHNAYA BACK. Again we ask: "By what right?"

Russia's Testimony Before the United States Department of Commerce Misstates Material Facts Regarding the Government's Actions to Nationalize and Monopolize the Vodka Industry

In testimony before the United States Department of Commerce, the Russian Government expressly represented that it would respect its former privatization of industry and that it did not wish to own the means of production of industries other than those typically associated with national security or the fundamental acts of governments, such as printing currency. I do not believe the vodka industry would fall into this category.

Nonetheless, The Moscow Times reported on April 4, 2002 that the Russian Government has set up a federal enterprise through which it intends to nationalize and monopolize the Vodka industry. Deputy Agriculture Minister Loginov, the same individual who has been active in attempting to deny SPI export permits for SPI's vodka and illegally take back numerous vodka trademarks, is the same person who

[2] In *Financial Matters*, Judge Owen accepted PepsiCo's testimony that PepsiCo continued to do business with the same SPI staff in the same manner as it had done when the USSR was extant, and that the new SPI operated out of the same physical facilities as the old state-run SPI. With respect to the position that SPI did not undertake the requisite privatization procedures authorized by the Russian government, Judge Owen noted that the situation in Russia was volatile—a statement that could be made with equal relevance today. As Judge Owen concluded: "Nobody knows precisely what procedures were undertaken by SPI to privatize, but all the evidence seems to indicate that this new private joint-stock company is indeed carrying on the functions of the old SPI."

has been designated to run the new state-controlled vodka company. Obviously this is no accident. These acts with respect to the Russian Government's continuing and aggressive efforts to nationalize the vodka industry flatly contradicts the Russian Government's testimony to the Commerce Department. We leave the Committee to reach its own conclusions as to the continuing reliability of the Russian Government's representations regarding the actual facts of what is taking place in Russia today.

Russia's Refusal to Respect the Rule of Law And its Efforts to Politically Manipulate its Court System

We believe that the Committee will also find relevant the rash of litigation within Russia between the Government and SPI. Acting in a manner contrary to its own laws, Russia has attempted to and is in the process of nakedly usurping SPI's trademarks to Stolichnaya and other brands within Russia itself. Russia is also presently violating Russian court orders requiring the government to allow SPI and its U.S. distributor, Allied Domecq, to ship some 120,000 cases of vodka out of the Russian port of Kaliningrad. Attached as EXHIBIT B is the translation of the February 22, 2002 decision of the Leningrad District Court for the City of Kaliningrad which orders the Russian Government to "cease prohibiting the exiting of the alcoholic products of" SPI that bear, among others, the trademark of Stolichnaya. Again, what could be clearer?

Most disturbingly, there are credible reports that the Russian government has threatened baseless criminal prosecutions and engaged in physical threats against SPI employees.

From the legal point of view, Russia's "strategy" is doomed to failure. As alluded to above, Russia cannot sell Stolichnaya in the United States, only the registered trademark holder can do that, in this case Allied Domecq. Allied Domecq is obligated to return the U.S. trademark to SPI in 2010 and until that time SPI is Allied Domecq's exclusive supplier of Stolichnaya in the United States. This analysis is applicable in every country in which SPI or its partners holds the Stolichnaya trademark.

However, from the point of view of fair international trade practices, Russia has run amok. Russia's efforts to re-nationalize and monopolize its vodka industry—when it has in the past said that it would respect privatization—and its reversion to the tactics of Soviet-era thuggery to do so, sends an ominous message and poses fundamental questions regarding Russia's fitness to enter the WTO and to receive normalization of trade relations with our government. It is critical that commercial issues be resolved by the rule of law and that those laws be consistently applied in Russia as they are in international markets.

Russia's Former Deputy Prime Minister Criticizes the Present Russian Economic and Political Climate As Providing Inadequate Respect for Private Property Rights

The problems facing SPI are hardly unique. The unfortunate fact is that SPI's problems are simply one part of a larger problem. In an April 5, 2002 article in The Wall Street Journal Europe, which is attached as EXHIBIT C, Boris Nemtsov, former Deputy Prime Minister for the Russian Federation and presently a member of the Russian Duma, calls for President Putin to "Stop the Rot." Mr. Nemtsov identifies "dangerous trends that threaten to undermine the twin pillars of true progress for Russia—democracy and property rights." Mr. Nemtsov asks a question that this Committee should be equally concerned with: "Why are property rights in Russia so weak?" And the answer which Mr. Nemtsov gives goes directly to the heart of SPI's present problem with the Russian Government. As Mr. Nemtsov says: "The short, and long, answer is bureaucratic corruption."

In connection with Russia's court system, which supposedly provides private parties aggrieved by the Russian Government's illegal interference with private property rights, Mr. Nemtsov describes decisions issued by Russia's courts as "shocking" and "Kafkaesque." A recent decision by Russia's courts concerning the securities industry was criticized by the prominent English firm Freshfields in this way: "[T]his decision threatens the very idea of securities and the securities markets in Russia. To say nothing of the violations of constitutional principles of private property, freedom to contract and principles of trade."

Russia's court system has met with similar disapproval last summer in a decision reached in the United States District Court for the Eastern District of New York. The overall dispute involved efforts by a state-sponsored company to rescind copyrights previously issued to an American company and bears all of the hallmarks of

the Russian Government's tactics to illegally rescind SPI's property rights to Stolichnaya.

United States District Court Judge Trager conducted an exhaustive review of Russian law and the facts behind the issuance of copyrights to the American company, Films By Jove. Judge Trager upheld Films By Jove's copyrights and, significantly for the purposes of this testimony and these hearings, described a decision from the Russian Arbitrazh Court, rendered under pressure from the Government, as "incoherent," "irrelevant," and "shocking."[3]

I respectfully submit that SPI's present problems with the Russian Government, and those of a great many other companies, demonstrate that Russia has not developed a market economy that is reliable in any reasonable manner with respect to protection of property rights, the rule of law, or due process. Rather, old-fashioned, Soviet-era corruption and the tactics of intimidation and threats are all too often the governing principles of the Russian economy.

Conclusion:

Before the United States Rewards Russia With Normalized Trade Relations, Russia Must First Put its House in Order and Make Amends to Those Who Have Been Hurt by its Recent Actions

Until Russia demonstrates that it is willing to be a reliable member of the world economic community, and that it is willing to respect internationally accepted principles of free trade, free markets, and private enterprise free from government persecution, it should be denied normalization of trade relations and admission to the WTO.

[**EXHIBIT A IS BEING RETAINED IN THE COMMITTEE FILES**]

EXHIBIT B

[Document 1]

RULING

On February 22, 2002 the Leningrad District Court of the city of Kaliningrad represented by:

the Chief Judge L. G. Kilienko

has considered a petition with respect to the complaint entered by Rinat Akbarovitch Zuparov as to the illegal actions of the Kaliningrad Customs Office, and

HAS DETERMINED:

The petitioner in the case has submitted a complaint to the court as to the illegal actions of the Kaliningrad Customs Office and has requested that the actions of the Kaliningrad Customs Office, which manifested themselves in a prohibition against the exiting of the export products applied for by OAO SPI–RVVK in accordance with the State Customs Declaration Nos. 10205030/040202/0003034, 10205030/140202/0004179, 10205030/140202/0004180, and 10205030/140202/0004181 (four documents, in total), on the basis of the absence and non-submittal of the licensing agreement with the Ministry of Agricultural Products of Russia, be deemed to be illegal.

The court has received a petition that requests that, for the purposes of the securing of the submitted demands pending the conclusion of the legal proceedings in the case, the Kaliningrad Customs Office is to be ordered to cease prohibiting the exiting of the alcoholic products of OAO SPI–RVVK, which bear the trademarks in accordance with the state customs declarations mentioned above, from the customs territory of the Russian Federation.

The court deems it feasible, for the purposes of the securing of the demands submitted in the petition, to order the Kaliningrad Customs Office to cease prohibiting the exiting of the alcoholic products of OAO SPI–RVVK that bear the trademarks SOVIET, SPARKLING, STARKA, YUBILEYNAYA, KUBANSKAYA, SUBROVKA [sic], STOLICHNAYA, RUSSKAYA [in the Cyrillic alphabet], OKHOTNICHYA/PERTSOVKA, MOSKOVSKAYA, LIMONNAYA [in the Cyrillic alphabet],

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[3] We refer the Committee to *Films By Jove, Inc. v. Berov, et al.,* 2001 WL 967781, August 27, 2001 (E.D.N.Y.)(Trager, J.).

KREPKAYA, STOLOVAYA, SIBIRSKAYA, BALTIYSKAYA, KRISTAL, and SPI in accordance with State Customs Declaration Nos. 10205030/040202/0003034, 10205030/140202/0004179, 10205030/140202/0004180, and 10205030/140202/0004181 (four documents, in total) from the customs territory of the Russian Federation on the basis of the absence and non-submittal of the licensing agreement with the Ministry of Agricultural Products of Russia.

In accordance with Articles 133 and 134 of the Code of Civil Procedure of the Russian Soviet Federated Socialist Republic, the court

HAS RULED:

To order the Kaliningrad Customs Office to cease prohibiting the exiting of the alcoholic products of OAO SPI–RVVK that bear the trademarks SOVIET, SPARKLING, STARKA, YUBILEYNAYA, KUBANSKAYA, SUBROVKA [sic], STOLICHNAYA, RUSSKAYA [in the Cyrillic alphabet], OKHOTNICHYA/PERTSOVKA, MOSKOVSKAYA, LIMONNAYA [in the Cyrillic alphabet], KREPKAYA, STOLOVAYA, SIBIRSKAYA, BALTIYSKAYA, KRISTAL, and SPI in accordance with State Customs Declaration Nos. 10205030/040202/0003034, 10205030/140202/0004179, 10205030/140202/0004180, and 10205030/140202/0004181 (four documents, in total) from the customs territory of the Russian Federation on the basis of the absence and non-submittal of the licensing agreement with the Ministry of Agricultural Products of Russia.

The present ruling may be appealed within the term of 10 days to the Kaliningrad Regional Court through the Leningrad District Court of the City of Kaliningrad.

s/

[rubber-stamped seal with emblem of the Russian Federation:]

Leningrad District Court of the City of Kaliningrad

[Document 5]

[SCRIPT IN ENGLISH]

[RUBBER STAMP:] COPY

RULING

March 21, 2002

The Leninsk-Kuznetsk City Court represented by:

the Chief Judge E. Yu. Erokhina,

and the Court Clerk Naydenova,

has considered, for the purposes of pre-trial preparation, a petition from Galina Leonidovna Naumova as to the implementation of measures for the securing of the claims submitted in the complaint, and

HAS DETERMINED:

That Galina Leonidovna Naumova, a shareholder of the joint stock company of the closed type ZAO Sojuzplodimport, requests that the actions of the Patents and Trademarks Agency of Russia in the process of the re-registration of the rights to seventeen trademarks from ZAO Sojuzplodimport to the Russian Federation, represented by the Ministry of Agriculture of the Russian Federation, are to be deemed by the court to be illegal, and that the Patents and Trademarks Agency of Russia is to be obligated to reinstate ZAO Sojuzplodimport as the owner of the disputed trademarks, on the grounds of the violation of its rights and legal interests as a shareholder due to the actions of the Patents and Trademarks Agency of Russia that led to the change in the name of the owner of the trademarks in the register, as a result of which ZAO Sojuzplodimport and, therefore, the shareholders, suffered financial losses.

The court is of the opinion that the petition is to be granted due to the fact that a lack of implementation of measures for the securing of the demands would make it difficult or impossible to implement a decision by the court due to the following circumstances.

A failure to implement measures for the securing of the demands would enable the Ministry of Agriculture of the Russian Federation to exercise ownership rights and enable Rospatent to carry out registration activities with respect to the disputed trademarks. All of this may lead to future multiple changes of owners of the trademarks as a result of their alienation and to burdening them with the making of the licensing agreements and carrying out of other activities.

In accordance with Articles 133, 134, and 136 of the Code of Civil Procedure of the Russian Soviet Federated Socialist Republic, the court

HAS RULED:

I. To prohibit the Ministry of Agriculture of the Russian Federation from exercising the rights of an owner, that is, the rights to own, use, and dispose, with respect to the following trademarks:

1. Starka (label), Registration Certificate No. 38384 of 10/10/69, with a priority date of 3/12/69.
2. Yubileynaya [in the Latin alphabet] (label), Registration Certificate No. 38385 of 10/10/69, with a priority date of 3/12/69.
3. Kubanskaya [in the Latin alphabet] (label), Registration Certificate No. 38386 of 10/10/69, with a priority date of 3/12/69.
4. Zubrovka [in the Latin alphabet] (label), Registration Certificate No. 38387 of 10/10/69, with a priority date of 3/12/69.
5. Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 38388 of 10/10/69, with a priority date of 3/12/69.
6. Russkaya (label), Registration Certificate No. 38389 of 10/10/69, with a priority date of 3/12/69.
7. Okhotnichya [in the Latin alphabet] (label), Registration Certificate No. 38391 of 10/10/69, with a priority date of 3/12/69.
8. Pertsovka [in the Latin alphabet] (label), Registration Certificate No. 39231 of 2/12/70, with a priority date of 3/12/69.
9. Moskovskaya [in the Latin alphabet] (label), Registration Certificate No. 38237 of 9/9/69, with a priority date of 3/12/69.
10. Limonnaya (label), Registration Certificate No. 39232 of 2/12/70, with a priority date of 3/12/69.
11. Krepkaya (label), Registration Certificate No. 40207 of 8/15/70, with a priority date of 9/23/69.
12. Stolovaya [in the Latin alphabet] (label), Registration Certificate No. 40208 of 8/15/70, with a priority date of 9/23/69.
13. Sibirskaya [in the Latin alphabet] (label), Registration Certificate No. 68655 of 7/29/81, with a priority date of 3/4/81.
14. Baltiyskaya [in the Latin alphabet] (label), Registration Certificate No. 38390 of 10/10/69, with a priority date of 3/12/69.
15. Kristal [in the Latin alphabet] (word), Registration Certificate No. 49140 of 3/13/74, with a priority date of 9/3/73.
16. Soviet Sparkling [in the Latin alphabet] (label), Registration Certificate No. 38383 of 10/10/69, with a priority date of 3/12/69.
17. SPI (graphic), Registration Certificate No. 34475 of 12/23/67, with a priority date of 2/17/67.

II. To prohibit the Ministry of Agriculture of the Russian Federation from preventing the exercise by ZAO Sojuzplodoimport of the rights of an owner, that is, the rights to own, use, and dispose, with respect to the following trademarks, until the termination of the proceedings in the case:

1. Starka [in the Latin alphabet] (label), Registration Certificate No. 38384 of 10/10/69, with a priority date of 3/12/69.
2. Yubileynaya [in the Latin alphabet] (label), Registration Certificate No. 38385 of 10/10/69, with a priority date of 3/12/69.
3. Kubanskaya [in the Latin alphabet] (label), Registration Certificate No. 38386 of 10/10/69, with a priority date of 3/12/69.
4. Zubrovka [in the Latin alphabet] (label), Registration Certificate No. 38387 of 10/10/69, with a priority date of 3/12/69.
5. Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 38388 of 10/10/69, with a priority date of 3/12/69.
6. Russkaya (label), Registration Certificate No. 38389 of 10/10/69, with a priority date of 3/12/69.
7. Okhotnichya [in the Latin alphabet] (label), Registration Certificate No. 38391 of 10/10/69, with a priority date of 3/12/69.
8. Pertsovka [in the Latin alphabet] (label), Registration Certificate No. 39231 of 2/12/70, with a priority date of 3/12/69.
9. Moskovskaya [in the Latin alphabet] (label), Registration Certificate No. 38237 of 9/9/69, with a priority date of 3/12/69.
10. Limonnaya (label), Registration Certificate No. 39232 of 2/12/70, with a priority date of 3/12/69.
11. Krepkaya (label), Registration Certificate No. 40207 of 8/15/70, with a priority date of 9/23/69.

12. Stolovaya [in the Latin alphabet] (label), Registration Certificate No. 40208 of 8/15/70, with a priority date of 9/23/69.
13. Sibirskaya [in the Latin alphabet] (label), Registration Certificate No. 68655 of 7/29/81, with a priority date of 3/4/81.
14. Baltiyskaya [in the Latin alphabet] (label), Registration Certificate No. 38390 of 10/10/69, with a priority date of 3/12/69.
15. Kristal [in the Latin alphabet] (word), Registration Certificate No. 49140 of 3/13/74, with a priority date of 9/3/73.
16. Soviet Sparkling [in the Latin alphabet] (label), Registration Certificate No. 38383 of 10/10/69, with a priority date of 3/12/69.
17. SPI (graphic), Registration Certificate No. 34475 of 12/23/67, with a priority date of 2/17/67.

III. To prohibit the Ministry of Agriculture of the Russian Federation from disseminating, in any manner, information concerning registration activities with respect to the following trademarks, until the termination of the proceedings in the case:

1. Starka [in the Latin alphabet] (label), Registration Certificate No. 38384 of 10/10/69, with a priority date of 3/12/69.
2. Yubileynaya [in the Latin alphabet] (label), Registration Certificate No. 38385 of 10/10/69, with a priority date of 3/12/69.
3. Kubanskaya [in the Latin alphabet] (label), Registration Certificate No. 38386 of 10/10/69, with a priority date of 3/12/69.
4. Zubrovka [in the Latin alphabet] (label), Registration Certificate No. 38387 of 10/10/69, with a priority date of 3/12/69.
5. Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 38388 of 10/10/69, with a priority date of 3/12/69.
6. Russkaya (label), Registration Certificate No. 38389 of 10/10/69, with a priority date of 3/12/69.
7. Okhotnichya [in the Latin alphabet] (label), Registration Certificate No. 38391 of 10/10/69, with a priority date of 3/12/69.
8. Pertsovka [in the Latin alphabet] (label), Registration Certificate No. 39231 of 2/12/70, with a priority date of 3/12/69.
9. Moskovskaya [in the Latin alphabet] (label), Registration Certificate No. 38237 of 9/9/69, with a priority date of 3/12/69.
10. Limonnaya (label), Registration Certificate No. 39232 of 2/12/70, with a priority date of 3/12/69.
11. Krepkaya (label), Registration Certificate No. 40207 of 8/15/70, with a priority date of 9/23/69.
12. Stolovaya [in the Latin alphabet] (label), Registration Certificate No. 40208 of 8/15/70, with a priority date of 9/23/69.
13. Sibirskaya [in the Latin alphabet] (label), Registration Certificate No. 68655 of 7/29/81, with a priority date of 3/4/81.
14. Baltiyskaya [in the Latin alphabet] (label), Registration Certificate No. 38390 of 10/10/69, with a priority date of 3/12/69.
15. Kristal [in the Latin alphabet] (word), Registration Certificate No. 49140 of 3/13/74, with a priority date of 9/3/73.
16. Soviet Sparkling [in the Latin alphabet] (label), Registration Certificate No. 38383 of 10/10/69, with a priority date of 3/12/69.
17. SPI (graphic), Registration Certificate No. 34475 of 12/23/67, with a priority date of 2/17/67.

IV. To prohibit the Patents and Trademarks Agency of Russia from issuing copies of the Registration Certificates for the following trademarks to any legal or physical entities, until the termination of the proceedings in the case:

1. Starka [in the Latin alphabet] (label), Registration Certificate No. 38384 of 10/10/69, with a priority date of 3/12/69.
2. Yubileynaya [in the Latin alphabet] (label), Registration Certificate No. 38385 of 10/10/69, with a priority date of 3/12/69.
3. Kubanskaya [in the Latin alphabet] (label), Registration Certificate No. 38386 of 10/10/69, with a priority date of 3/12/69.
4. Zubrovka [in the Latin alphabet] (label), Registration Certificate No. 38387 of 10/10/69, with a priority date of 3/12/69.
5. Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 38388 of 10/10/69, with a priority date of 3/12/69.
6. Russkaya (label), Registration Certificate No. 38389 of 10/10/69, with a priority date of 3/12/69.
7. Okhotnichya [in the Latin alphabet] (label), Registration Certificate No. 38391 of 10/10/69, with a priority date of 3/12/69.

8. Pertsovka [in the Latin alphabet] (label), Registration Certificate No. 39231 of 2/12/70, with a priority date of 3/12/69.
9. Moskovskaya [in the Latin alphabet] (label), Registration Certificate No. 38237 of 9/9/69, with a priority date of 3/12/69.
10. Limonnaya (label), Registration Certificate No. 39232 of 2/12/70, with a priority date of 3/12/69.
11. Krepkaya (label), Registration Certificate No. 40207 of 8/15/70, with a priority date of 9/23/69.
12. Stolovaya [in the Latin alphabet] (label), Registration Certificate No. 40208 of 8/15/70, with a priority date of 9/23/69.
13. Sibirskaya [in the Latin alphabet] (label), Registration Certificate No. 68655 of 7/29/81, with a priority date of 3/4/81.
14. Baltiyskaya [in the Latin alphabet] (label), Registration Certificate No. 38390 of 10/10/69, with a priority date of 3/12/69.
15. Kristal [in the Latin alphabet] (word), Registration Certificate No. 49140 of 3/13/74, with a priority date of 9/3/73.
16. Soviet Sparkling [in the Latin alphabet] (label), Registration Certificate No. 38383 of 10/10/69, with a priority date of 3/12/69.
17. SPI (graphic), Registration Certificate No. 34475 of 12/23/67, with a priority date of 2/17/67.

V. To prohibit the Patents and Trademarks Agency of Russia from publishing in the official Bulletin of the State Patent Agency of the Russian Federation, or disseminating, in any manner, information concerning registration activities with respect to the following trademarks:

1. Starka [in the Latin alphabet] (label), Registration Certificate No. 38384 of 10/10/69, with a priority date of 3/12/69.
2. Yubileynaya [in the Latin alphabet] (label), Registration Certificate No. 38385 of 10/10/69, with a priority date of 3/12/69.
3. Kubanskaya [in the Latin alphabet] (label), Registration Certificate No. 38386 of 10/10/69, with a priority date of 3/12/69.
4. Zubrovka [in the Latin alphabet] (label), Registration Certificate No. 38387 of 10/10/69, with a priority date of 3/12/69.
5. Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 38388 of 10/10/69, with a priority date of 3/12/69.
6. Russkaya (label), Registration Certificate No. 38389 of 10/10/69, with a priority date of 3/12/69.
7. Okhotnichya [in the Latin alphabet] (label), Registration Certificate No. 38391 of 10/10/69, with a priority date of 3/12/69.
8. Pertsovka [in the Latin alphabet] (label), Registration Certificate No. 39231 of 2/12/70, with a priority date of 3/12/69.
9. Moskovskaya [in the Latin alphabet] (label), Registration Certificate No. 38237 of 9/9/69, with a priority date of 3/12/69.
10. Limonnaya (label), Registration Certificate No. 39232 of 2/12/70, with a priority date of 3/12/69.
11. Krepkaya (label), Registration Certificate No. 40207 of 8/15/70, with a priority date of 9/23/69.
12. Stolovaya [in the Latin alphabet] (label), Registration Certificate No. 40208 of 8/15/70, with a priority date of 9/23/69.
13. Sibirskaya [in the Latin alphabet] (label), Registration Certificate No. 68655 of 7/29/81, with a priority date of 3/4/81.
14. Baltiyskaya [in the Latin alphabet] (label), Registration Certificate No. 38390 of 10/10/69, with a priority date of 3/12/69.
15. Kristal [in the Latin alphabet] (word), Registration Certificate No. 49140 of 3/13/74, with a priority date of 9/3/73.
16. Soviet Sparkling [in the Latin alphabet] (label), Registration Certificate No. 38383 of 10/10/69, with a priority date of 3/12/69.
17. SPI (graphic), Registration Certificate No. 34475 of 12/23/67, with a priority date of 2/17/67.

VI. To prohibit the Patents and Trademarks Agency of Russia from inhibiting the exercise by ZAO Sojuzplodoimport of the rights of an owner, that is, of the rights to use and dispose, with respect to the following trademarks, until the termination of the proceedings in the case:

1. Starka [in the Latin alphabet] (label), Registration Certificate No. 38384 of 10/10/69, with a priority date of 3/12/69.
2. Yubileynaya [in the Latin alphabet] (label), Registration Certificate No. 38385 of 10/10/69, with a priority date of 3/12/69.
3. Kubanskaya [in the Latin alphabet] (label), Registration Certificate No. 38386 of 10/10/69, with a priority date of 3/12/69.

4. Zubrovka [in the Latin alphabet] (label), Registration Certificate No. 38387 of 10/10/69, with a priority date of 3/12/69.
5. Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 38388 of 10/10/69, with a priority date of 3/12/69.
6. Russkaya (label), Registration Certificate No. 38389 of 10/10/69, with a priority date of 3/12/69.
7. Okhotnichya [in the Latin alphabet] (label), Registration Certificate No. 38391 of 10/10/69, with a priority date of 3/12/69.
8. Pertsovka [in the Latin alphabet] (label), Registration Certificate No. 39231 of 2/12/70, with a priority date of 3/12/69.
9. Moskovskaya [in the Latin alphabet] (label), Registration Certificate No. 38237 of 9/9/69, with a priority date of 3/12/69.
10. Limonnaya (label), Registration Certificate No. 39232 of 2/12/70, with a priority date of 3/12/69.
11. Krepkaya (label), Registration Certificate No. 40207 of 8/15/70, with a priority date of 9/23/69.
12. Stolovaya [in the Latin alphabet] (label), Registration Certificate No. 40208 of 8/15/70, with a priority date of 9/23/69.
13. Sibirskaya [in the Latin alphabet] (label), Registration Certificate No. 68655 of 7/29/81, with a priority date of 3/4/81.
14. Baltiyskaya [in the Latin alphabet] (label), Registration Certificate No. 38390 of 10/10/69, with a priority date of 3/12/69.
15. Kristal [in the Latin alphabet] (word), Registration Certificate No. 49140 of 3/13/74, with a priority date of 9/3/73.
16. Soviet Sparkling [in the Latin alphabet] (label), Registration Certificate No. 38383 of 10/10/69, with a priority date of 3/12/69.
17. SPI (graphic), Registration Certificate No. 34475 of 12/23/67, with a priority date of 2/17/67.

VII. To prohibit the Appellate Chamber of the Patents and Trademarks Agency of Russia from accepting, scheduling hearings and considering oppositions to the registrations with respect to the following trademarks, until the termination of the proceedings in the case:

1. Stolichnaya (label), Registration Certificate No. 134843 of 11/24/95, with a priority date of 9/21/94.
2. Kubanskaya (label), Registration Certificate No. 134844 of 11/24/95, with a priority date of 9/21/94.
3. Pertsovka (label), Registration Certificate No. 134841 of 11/24/95, with a priority date of 9/21/94.
4. Yubileynaya (label), Registration Certificate No. 134840 of 11/24/95, with a priority date of 9/21/94.
5. Moskovskaya (label), Registration Certificate No. 134836 of 11/24/95, with a priority date of 9/21/94.
6. Starka (label), Registration Certificate No. 134839 of 11/24/95, with a priority date of 9/21/94.
7. Zubrovka (label), Registration Certificate No. 134837 of 11/24/95, with a priority date of 9/21/94.
8. Okhotnichya (label), Registration Certificate No. 134838 of 11/24/95, with a priority date of 9/21/94.
9. Stolovaya (label), Registration Certificate No. 134842 of 11/24/95, with a priority date of 9/21/94.
10. Limonnaya [in the Latin alphabet] (label), Registration Certificate No. 135314 of 12/15/95, with a priority date of 9/21/94.
11. Stolichnaya-Ohranj [in the Latin alphabet] (label), Registration Certificate No. 142892 of 6/17/96, with a priority date of 2/3/95.
12. Stolichnaya Limon [in the Latin alphabet] (label), Registration Certificate No. 147472 of 6/17/96, with a priority date of 2/3/95.
13. Moskovskaya Limon [in the Latin alphabet] (label), Registration Certificate No. 147471 of 6/17/96, with a priority date of 2/3/95.
14. Moskovskaya [in the Latin alphabet] (word), Registration Certificate No. 155062 of 7/31/97, with a priority date of 9/25/95.
15. Moskovskaya (word), Registration Certificate No. 155063 of 7/31/97, with a priority date of 9/25/95.
16. Stolichnaya [in the Latin alphabet] (word), Registration Certificate No. 155061 of 7/31/97, with a priority date of 9/25/95.
17. Stolichnaya (word), Registration Certificate No. 155064 of 7/31/97, with a priority date of 9/25/95.
18. Stoli Kafya [in the Latin alphabet] (label), Registration Certificate No. 156044 of 8/31/97, with a priority date of 5/8/96.

19. Stoli Peshka [in the Latin alphabet] (label), Registration Certificate No. 156047 of 8/31/97, with a priority date of 5/8/96.
20. Stoli Strasberi [in the Latin alphabet] (label), Registration Certificate No. 156046 of 8/31/97, with a priority date of 5/8/96.
21. Stoli Razberi [in the Latin alphabet] (label), Registration Certificate No. 156045 of 8/31/97, with a priority date of 5/8/96.
22. Stoli Vanil [in the Latin alphabet] (label), Registration Certificate No. 156048 of 8/31/97, with a priority date of 5/8/96.
23. Stoli [in the Latin alphabet] (label), Registration Certificate No. 155939 of 8/27/97, with a priority date of 7/19/96.
24. Stoli (word), Registration Certificate No. 155940 of 8/27/97, with a priority date of 7/19/96.
25. Stolichnaya Kristal [in the Latin alphabet] (word), Registration Certificate No. 156960 of 10/13/97, with a priority date of 7/11/96.
26. Ruby of Russia [in the Latin alphabet] (label), Registration Certificate No. 156961 of 10/13/97, with a priority date of 9/12/95.
27. Pristyn Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 162956 of 4/9/98.
28. Pristin Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 166301 of 7/31/98.
29. Starka [in the Latin alphabet] (word), Registration Certificate No. 175041 of 5/18/99.
30. Stoli Zinamon [in the Latin alphabet] (label), Registration Certificate No. 162957 of 4/9/98.
31. Stoli [in the Latin alphabet] (word), Registration Certificate No. 155939 of 8/27/97.
32. Stoli (word), Registration Certificate No. 155940 of 8/27/97.
33. Na Zdorovye (word), Registration Certificate No. 55807 of 6/14/76.
34. Na Zdorovye [in the Latin alphabet] (word), Registration Certificate No. 55806 of 6/14/76.
35. Ruby of Russia [in the Latin alphabet] (label), Registration Certificate No. 156961 of 10/13/97.

VIII. To prohibit any legal or physical entities, the agencies of executive power and management, from inhibiting the exercise by ZAO Sojuzplodoimport of the rights of the owner, that is, the rights to own, use, and dispose, with respect to the following trademarks, until the termination of the proceedings in the case:

1. Starka [in the Latin alphabet] (label), Registration Certificate No. 38384 of 10/10/69, with a priority date of 3/12/69.
2. Yubileynaya [in the Latin alphabet] (label), Registration Certificate No. 38385 of 10/10/69, with a priority date of 3/12/69.
3. Kubanskaya [in the Latin alphabet] (label), Registration Certificate No. 38386 of 10/10/69, with a priority date of 3/12/69.
4. Zubrovka [in the Latin alphabet] (label), Registration Certificate No. 38387 of 10/10/69, with a priority date of 3/12/69.
5. Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 38388 of 10/10/69, with a priority date of 3/12/69.
6. Russkaya (label), Registration Certificate No. 38389 of 10/10/69, with a priority date of 3/12/69.
7. Okhotnichya [in the Latin alphabet] (label), Registration Certificate No. 38391 of 10/10/69, with a priority date of 3/12/69.
8. Pertsovka [in the Latin alphabet] (label), Registration Certificate No. 39231 of 2/12/70, with a priority date of 3/12/69.
9. Moskovskaya [in the Latin alphabet] (label), Registration Certificate No. 38237 of 9/9/69, with a priority date of 3/12/69.
10. Limonnaya (label), Registration Certificate No. 39232 of 2/12/70, with a priority date of 3/12/69.
11. Krepkaya (label), Registration Certificate No. 40207 of 8/15/70, with a priority date of 9/23/69.
12. Stolovaya [in the Latin alphabet] (label), Registration Certificate No. 40208 of 8/15/70, with a priority date of 9/23/69.
13. Sibirskaya [in the Latin alphabet] (label), Registration Certificate No. 68655 of 7/29/81, with a priority date of 3/4/81.
14. Baltiyskaya [in the Latin alphabet] (label), Registration Certificate No. 38390 of 10/10/69, with a priority date of 3/12/69.
15. Kristal [in the Latin alphabet] (word), Registration Certificate No. 49140 of 3/13/74, with a priority date of 9/3/73.
16. Soviet Sparkling [in the Latin alphabet] (label), Registration Certificate No. 38383 of 10/10/69, with a priority date of 3/12/69.

17. SPI (graphic), Registration Certificate No. 34475 of 12/23/67, with a priority date of 2/17/67.

IX. To order the Kaliningrad Customs Office to cease prohibiting the carrying out of the customs exportation procedures and the exportation exiting of the alcoholic products of OAO SPI–RVVK that bear the following trademarks:

1. Starka (label), Registration Certificate No. 38384 of 10/10/69, with a priority date of 3/12/69.
2. Yubileynaya [in the Latin alphabet] (label), Registration Certificate No. 38385 of 10/10/69, with a priority date of 3/12/69.
3. Kubanskaya [in the Latin alphabet] (label), Registration Certificate No. 38386 of 10/10/69, with a priority date of 3/12/69.
4. Zubrovka [in the Latin alphabet] (label), Registration Certificate No. 38387 of 10/10/69, with a priority date of 3/12/69.
5. Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 38388 of 10/10/69, with a priority date of 3/12/69.
6. Russkaya (label), Registration Certificate No. 38389 of 10/10/69, with a priority date of 3/12/69.
7. Okhotnichya [in the Latin alphabet] (label), Registration Certificate No. 38391 of 10/10/69, with a priority date of 3/12/69.
8. Pertsovka [in the Latin alphabet] (label), Registration Certificate No. 39231 of 2/12/70, with a priority date of 3/12/69.
9. Moskovskaya [in the Latin alphabet] (label), Registration Certificate No. 38237 of 9/9/69, with a priority date of 3/12/69.
10. Limonnaya (label), Registration Certificate No. 39232 of 2/12/70, with a priority date of 3/12/69.
11. Krepkaya (label), Registration Certificate No. 40207 of 8/15/70, with a priority date of 9/23/69.
12. Stolovaya [in the Latin alphabet] (label), Registration Certificate No. 40208 of 8/15/70, with a priority date of 9/23/69.
13. Sibirskaya [in the Latin alphabet] (label), Registration Certificate No. 68655 of 7/29/81, with a priority date of 3/4/81.
14. Baltiyskaya [in the Latin alphabet] (label), Registration Certificate No. 38390 of 10/10/69, with a priority date of 3/12/69.
15. Kristal [in the Latin alphabet] (word), Registration Certificate No. 49140 of 3/13/74, with a priority date of 9/3/73.
16. Soviet Sparkling [in the Latin alphabet] (label), Registration Certificate No. 38383 of 10/10/69, with a priority date of 3/12/69.
17. SPI (graphic), Registration Certificate No. 34475 of 12/23/67, with a priority date of 2/17/67, on the basis of the absence and non-submittal of the licensing agreement with the Ministry of Agriculture of the Russian Federation.

X. To prohibit the Kaliningrad Customs Office from carrying out of the customs exportation procedures and the exportation exiting of the alcoholic products that bear the following trademarks:

1. Starka [in the Latin alphabet] (label), Registration Certificate No. 38384 of 10/10/69, with a priority date of 3/12/69.
2. Yubileynaya [in the Latin alphabet] (label), Registration Certificate No. 38385 of 10/10/69, with a priority date of 3/12/69.
3. Kubanskaya [in the Latin alphabet] (label), Registration Certificate No. 38386 of 10/10/69, with a priority date of 3/12/69.
4. Zubrovka [in the Latin alphabet] (label), Registration Certificate No. 38387 of 10/10/69, with a priority date of 3/12/69.
5. Stolichnaya [in the Latin alphabet] (label), Registration Certificate No. 38388 of 10/10/69, with a priority date of 3/12/69.
6. Russkaya (label), Registration Certificate No. 38389 of 10/10/69, with a priority date of 3/12/69.
7. Okhotnichya [in the Latin alphabet] (label), Registration Certificate No. 38391 of 10/10/69, with a priority date of 3/12/69.
8. Pertsovka [in the Latin alphabet] (label), Registration Certificate No. 39231 of 2/12/70, with a priority date of 3/12/69.
9. Moskovskaya [in the Latin alphabet] (label), Registration Certificate No. 38237 of 9/9/69, with a priority date of 3/12/69.
10. Limonnaya (label), Registration Certificate No. 39232 of 2/12/70, with a priority date of 3/12/69.
11. Krepkaya (label), Registration Certificate No. 40207 of 8/15/70, with a priority date of 9/23/69.
12. Stolovaya [in the Latin alphabet] (label), Registration Certificate No. 40208 of 8/15/70, with a priority date of 9/23/69.

13. Sibirskaya [in the Latin alphabet] (label), Registration Certificate No. 68655 of 7/29/81, with a priority date of 3/4/81.
14. Baltiyskaya [in the Latin alphabet] (label), Registration Certificate No. 38390 of 10/10/69, with a priority date of 3/12/69.
15. Kristal [in the Latin alphabet] (word), Registration Certificate No. 49140 of 3/13/74, with a priority date of 9/3/73.
16. Soviet Sparkling [in the Latin alphabet] (label), Registration Certificate No. 38383 of 10/10/69, with a priority date of 3/12/69.
17. SPI (graphic), Registration Certificate No. 34475 of 12/23/67, with a priority date of 2/17/67, without the licensing agreement with ZAO Sojuzplodimport which permits the export of alcoholic products bearing the mentioned trademarks.

The ruling with respect to the implementation of the measures for the securing of the claim shall enter into force immediately and in the manner provided for the execution of the decisions of the court.

The present ruling may be appealed, within the term of 10 days, to the Kemerovo Regional Court.

Judge s/

[rubber-stamped seal with emblem of the Russian Federation:]

Leninsk-Kuznetsk City Court of the Kemerovo Region of the Russian Federation

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EXHIBIT C

Russia House: Mr. Putin: Stop the Rot

By Boris Nemtsov

04/05/2002

The Wall Street Journal Europe

President Vladimir Putin has made some real and positive changes in his first year as Russian head of state. He has made Russia politically stable in the short-run. This has allowed him to push through radical economic reforms such as a new income tax and a land code, and lay the groundwork for legal and military reform. Post-September 11, he has changed Russia's geopolitical view. However, these accomplishments will be of little long-term significance if Mr. Putin cannot reverse dangerous trends that threaten to undermine the twin pillars of true progress for Russia—democracy and property rights.

The threats to democracy have been much discussed in the West—beginning with the president's expressed desire to "trash the Chechen fighters in the toilet" rather than seek a peaceful solution of the conflict in Chechnya. More recently, the West has correctly criticized the Putin administration for its support for the systematic destruction of the independent television stations NTV and TV6. Many Western friends of democracy are suspicious of oligarchs such as Boris Berezovsky and Vladimir Gusinsky (the owners of TV6 and NTV respectively) but they are rightly more suspicious of the methods used to destroy them.

And yet the same Western observers have been less quick to notice an equally worrying trend which directly affects Western investors: President Putin's failure to support property rights in Russia by addressing the abuse of office that so systematically undermines them. Property rights and minority shareholder rights are keys to healthy economic growth and investment. While reforms such as the land code, pension reform and indeed tax reform all help, these will be for naught if the fundamental weaknesses of the Russian state that undermine property and minority shareholder rights are not addressed.

Why are property rights in Russia so weak? The short, and long, answer is bureaucratic corruption. Secure property rights are as strong as the government officials who enforce the rules. In Russia today, when ordinary citizens and business people turn to the government to protect their rights, they too often encounter civil servants and government appointees who use their positions of power to tilt the playing field to a favored team. One agency that Mr. Putin needs to examine is the Federal Commission for the Securities Market of the Russian Federation. This is the Russian equivalent of the U.S. Securities and Exchange Commission and the body responsible for defending property rights in the securities market—a cornerstone of any modern economy.

The Commission's Chairman Igor Kostikov has been dogged by persistent allegations in the Russian press that the FCSM gives special treatment to brokerage and asset management firm AVK, which Mr. Kostikov founded (the K stands for Kostikov). Mr. Kostikov says that his shares in the company were sold in December 1998. Last year, AVK brought a lawsuit against a St. Petersburg newspaper which

alleged that the Commission gives unfair advantage to AVK. AVK, however, never showed up for the court date, giving the paper a victory by default.

There is nothing particularly unusual in Russia about a minister regulating the very sector in which he has had a commercial interest. To cite another example, Press Czar Mikhail Lesin founded Video International, which captures the bulk of the Russian advertising market on state television (which Mr. Lesin oversees). Russia's nuclear power minister was sacked last year following allegations (which the minister denied) that he retained an ownership stake in a small Pennsylvania consulting firm that had been hired to advise a U.S. company responsible for a nuclear security pact between the U.S. and Russia.

But if allegations of conflict-of-interest and charges of kickbacks aren't unique to the Commission, Mr. Kostikov's ability to impact property rights makes his job particularly crucial for Russia's economy and investment climate. This is in part why the Commission's tussles with Pallada Asset Management, Russia's top performing fund in 2001, have received so much attention from market participants in Russia.

Pallada is the Moscow subsidiary of State Street Global Advisors—a large asset manager affiliated with State Street Corporation, a leading global custodian. In other words, this is the kind of company Russia ought to be welcoming with open arms. Yet, Pallada's activities have been the subject of the most extraordinary attention by the Commission as well as numerous government investigations on grounds of "tax irregularities," non-compliance with FCSM regulations or "serious economic crimes." None of the investigations have produced evidence of negligence or wrong-doing.

Pallada claims that changes to its fund prospectus were not registered by the Commission because Pallada refused the Commission's demand that it drop its St. Petersburg broker. Pallada claims Mr. Kostikov was also unhappy that Pallada wasn't buying its St. Petersburg bonds through AVK. or seven months, the Commission refused to register amendments to a different Pallada fund while a new fund prospectus for AVK, with similar provisions, was registered. After a widely publicized lawsuit filed by Pallada (and settled out of court), the Commission, a few days before the scheduled court hearing, quietly registered Pallada's amendments. But in what Pallada calls an act of revenge, the Commission forced Pallada to change the name of its fund that competed with AVK (two years after its creation).

Recent events have been even more interesting. Last October, a Russian individual filed a mysterious lawsuit against the Federal Commission for registering a private share issuance by Pallada to State Street in 1998. The individual, Alexei Drobysh, has no known relationship to any of the private parties involved and certainly didn't plead any in his suit.

The Federal Commission did not object to this suit, nor did it inform any of the private parties of the existence of the lawsuit. Neither State Street nor Pallada were allowed to participate in judicial hearings regarding Pallada's share issue to State Street.

Shockingly, the court decided that the share issue was illegal because the Russian plaintiff had not been provided with adequate information about the share issue. On its face, the decision means that every private share issue in Russia may be invalidated unless the parties have taken pains to ensure that each of Russia's 144 million citizens have received information about the transaction. Rather than protest this Kafkaesque result, the Federal Commission simply informed the press that State Street's property rights to the shares issued in 1998 had been cancelled. While surprising court decisions are hardly unusual in Russia and a single decision can be dismissed as politically motivated and thus not a broader threat, it's hard to see how such an environment can be conducive to legal reform or the protection of property rights. As a lawyer at the prominent English law firm of Freshfields wrote in a letter to the newspaper Vremya Novosti, "this decision threatens the very idea of securities and the securities markets in Russia. To say nothing of the violations of constitutional principals of private property, freedom to contract and principals of trade." These actions of the FCSM must be investigated and the widespread concerns of abuse of office either proved or refuted.

Loyalty means a lot in politics, especially in Russia. President Putin understands this better than anyone. To that end, he should adopt a Presidential Code of Ethics for government officials already submitted to the Duma by the Union of Right Forces. The Code of Ethics should equate loyalty with honesty in government service. While a conflict-of-inte rest law exists, government officials should have to go further and sign an oath that they have no commercial interests and will implement the law and policies of the government of Russia. Equally crucially, corporate governance rules ought to be strengthened to provide more transparency. When officials are shown to have violated their oaths, they should be publicly disgraced and dis-

missed. Only President Putin can tackle this difficult problem, and he needs to do it soon if he wants a place in Russian history.

Each time the market is not regulated fairly, or public office used impartially, signals are sent and messages learned by the marketplace. Until bureaucratic corruption and the improper use of office is addressed, President Putin's other reforms to revive the Russian economy and nation will be useless.

Mr. Nemtsov is leader of the Union of Right Forces and a member of the Russian Duma.

Reached for comment by the editors, Mr. Kostikov's office issued the following statement:

The Federal Commission for the Securities Market, which I chair, never favors one market participant over another. There has never been any suggestion by any authority or market participant that it has, except in the matter of Pallada Asset Management, which over the past year has lost a series of court actions it initiated against the Commission that were unrelated to this claim, and which concocted the notion as a public relations maneuver. The specific accusation that the Commission has shown favor, to the detriment of Pallada, toward a financial-sector firm which I had founded before entering public service in 2000, was apparently thought up by Pallada to conveniently exploit negative perceptions by foreign audiences of Russian commercial practices. To be responsive to Russian media inquires caused by Pallada's loud complaints, the Commission invited well-established foreign auditors and attorneys to examine the claim. It was found to be baseless. Russian law-enforcement authorities examined the claim and also found it baseless. Nonetheless, Russian politicians sometimes pick up on Pallada's complaint when it suits their own goals with respect to the Federal Commission, or when they possess a link with Pallada, the origination of which has been an object of investigation by U.S. legal officials examining the use of U.S. government technical assistance funds to Russia in the 1990s.

Igor V. Kostikov
Chairman
Russian Federal Commission for the Securities Market

Chairman CRANE. Thank you, Mr. Edlin. And let me, to all of our witnesses who testified today, express our apologies for the disruptions. This place doesn't run smoothly. But we appreciate your participation, and we will accept any written testimony or information that you have in addition to your oral testimony, which will be made a part of the permanent record. And that will be open until Wednesday, April 24th.

With that, that concludes our hearing, and I thank you again, all of you, for being here, and we stand adjourned.

[Whereupon, at 12:41 p. m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of the Before the Bethlehem Steel Corporation, Bethlehem, Pennsylvania; National Steel Corporation, Mishawaka, Indiana; and United States Steel Corporation, Pittsburgh, Pennsylvania

These comments are submitted pursuant to the Advisory from the Committee on Ways and Means, Subcommittee on Trade No. TR–8, inviting written comments with respect to the possible establishment of permanent normal trade relations with Russia. Bethlehem Steel Corporation, National Steel Corporation, and the United States Steel Corporation are U.S. producers of flat-rolled steel products.

President Bush has requested that Congress pass legislation authorizing the President to terminate the application of Title IV of the Trade Act of 1974 to Russian Federation, including the so-called Jackson-Vanik freedom of emigration provision. Responding to the administration's request, Congressman Thomas (R–CA) introduced H.R. 3553, with Congressmen Crane and Dreier co-sponsoring, on December 20, 2001. The bill authorizes the President to graduate Russia from Jackson-Vanik and establish Permanent Normal Trade Relations status (PNTR). The move to repeal Jackson-Vanik in relation to Russia reflects the fact that it now accords its citizens freedom of emigration and travel as well general human rights progress.

We take no position on the question of whether Russia should be granted PNTR status. However, if Congress decides to approve H.R. 3553, a provision similar to Section 406 of Title IV, which provides an anti-import surge mechanism in the case of market disruption, should be included in the final version. Such a market disruption mechanism was included in legislation providing PNTR for China (19 U.S.C. § 2451), reflecting the fact that the U.S. and China had agreed to maintain that provision in force for twelve years following the latter's accession to WTO.

There is no question that since the breakup of the Soviet Union and the fall of communism, Russia has made significant progress in moving toward a market economy. However recent surveys of the economic situation reveal that significant distortions persist, reflecting elements of the old command-style economy which remain in place:

- Government ownership and control of the means of production is widespread and actually increasing, reflecting deeply imbedded vestiges of the Soviet era centrally planned economy.
- The government-controlled structure of the largest companies in Russia, most notably Gazprom and UES, results in pervasive price distortions and government direction of the allocation of resources and determination of prices. The prices of nearly all goods and services in the energy, transportation and communications field are set by the government, and the government sets prices for hundreds of other enterprises identified as "natural monopolies."
- Low wage rates, late or nonpayment of wages, inadequate protection of workers' rights, and restrictions on labor mobility reflect the continuing lack of free bargaining between labor and management. The actual situation of workers relations in Russia has yet to evidence positive changes due to the three-month old, new Labor Code.
- Capital allocation is badly distorted, with the government controlling the only major banks in the country. The allocation of capital and interest rates are commonly determined by political considerations rather than market-based factors.
- While the use of barter in lieu of money transactions has declined, the persistence of a significant degree of barter is indicative that a true money economy is not fully established.
- Reflecting the absence of a properly functioning system of bankruptcy, insolvent enterprises which should shut down instead continue to produce and export goods, often under the control or direction of local or regional government authorities.

Such distortions were important factors contributing to the massive Russian export surge of 1998, as the Commerce Department found in a comprehensive July 2000 study. That surge disrupted markets around the world and had a devastating impact on the American steel industry, particularly with respect to hot-rolled flat products. The 1998 surge was brought under control by the application of antidumping measures on hot-rolled steel products, using existing rules governing dumping by nonmarket economies, and through the conclusion of a comprehensive bilateral trade agreement limiting the quantities of a range of Russian steel products exported to the U.S. At present, however, it appears that the Commerce Department is on the verge of extending "market economy" status to Russia under the antidumping law, and the Russian government has reportedly renounced the comprehensive agreement. While normal antidumping and countervailing duty remedies remain available to U.S. producers, there are significant reasons to believe that they cannot be utilized effectively with respect to an economy which remains as grossly distorted as that of Russia.

Recent changes with respect to the comprehensive agreement and Russia's nonmarket economy raise the very real prospect that another devastating surge of Russian steel exports into the U.S. market could occur. The addition to this legislation of a safeguard-like feature, comparable to that in the China PNTR bill, is important to provide a fair and adequate protection to threatened U.S. industries for a transition period. The duration of this period should be decided on by Congress based on the time it takes Russia to complete its transition to a real market economy.

In the past, legislation granting PNTR status has been enacted *after* the conclusion of bilateral negotiations between the United States and the country in question over the latter's WTO accession, as was the case with respect to China. In this case, the administration has asked Congress to grant PNTR status to Russia, while Russia's WTO accession negotiations are nowhere near completion. Granting unconditional PNTR status prior to the parties' agreement on a protocol of accession risks dissipation of leverage this country might otherwise enjoy to negotiate conditions necessary to provide safeguards, after Russian accession, with respect to potentially problematic Russian policies, practices, and economic structures. Accordingly, if

Congress sees fit to enact PNTR legislation in advance of an agreement, it should include the requirement of an anti-surge safeguard in order to preserve U.S. leverage and to ensure that U.S. industries and workers are not injured by another Russian export surge after PNTR status is granted.

INTERNATIONAL PAPER
Washington, DC 20003

The Honorable Philip Crane
Chairman, Subcommittee on Trade
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515–6348

Dear Mr. Chairman:

On behalf of International Paper I am writing in support of Congressional action to graduate Russia from Jackson-Vanik consideration. International Paper is a member of the US–Russia Business Council and endorses the testimony they have provided supporting this action.

With the end of the Cold War, and the transformations that have taken place in the Russian political and economic systems, it is appropriate for Congress to remove Russia from Jackson-Vanik annual review. Continued Jackson-Vanik review does nothing to improve the trade relationship with Russia. Terminating its application to Russia would help further normal trade relations between the U.S. and Russia. In our view, Jackson-Vanik review should not be linked to Russia's WTO accession. We believe the Administration is well positioned to negotiate strong commitments from Russia in terms of market access and other market opening measures in the accession negotiations. We would view linking Jackson-Vanik to Russia's WTO membership application as counterproductive since it could be perceived as the U.S. raising the bar on Russia vis-&-vis other countries seeking WTO accession.

International Paper has a significant investment in Russia in the Svetogorsk paper mill, which is producing positive returns for the company and the community. The mill has seen steady improvement in productivity, profitability, and employee wages. The mill has become the market leader in office papers in Russia and is now also supplying export markets in Europe.

International Paper managers have worked effectively with government officials at all levels in Russia, and have seen many positive changes in the economic and legal framework allowing private enterprise to operate successfully in Russia. These changes have been noted in the submissions of the US–Russia Business Council, which International Paper supports. We also recognize that there is room for further improvement, particularly with respect to tax policy, currency controls, law enforcement, and import/export duties.

We believe it important to continue to encourage progress on the market reforms the Russian government has begun, and a positive step in this direction would be graduating Russia from annual Jackson-Vanik review.

Sincerely,

LYN M. WITHEY
Vice President Public Affairs

Statement of the National Cattlemen's Beef Association

Producer-directed and consumer-focused, the National Cattlemen's Beef Association (NCBA) is the trade association of America's cattle farmers and ranchers, and the marketing organization for largest segment of the nation's food and fiber industry.

NCBA has been and continues to be a strong believer in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to US beef products. Livestock producers are becoming increasingly dependent on the rest of the world to buy our products. Exports of meat and grains make sense for the US, a country that has only 4 percent of the world's population, but a large share of the world's production agriculture.

Exports of beef have helped to increase overall beef demand and have complemented improving beef demand in the domestic US market. We, as an industry, have worked hard to promote beef exports that currently account for over 12 percent

of the value of wholesale beef sales. On a tonnage basis, we export approximately 10 percent of what we produce.

NCBA supports terminating application of Jackson-Vanik to Russia and extending Permanent Normal Trading Relations (PNTR) for Russia. We also strongly support Russia's WTO accession and look forward to incorporating Russia into a rules-based system of trade. To be perfectly honest, however, these positions were much easier to support before Russia imposed the ban on imports of US chicken on March 10.

Severe price declines in cattle and hog futures markets, price volatility and losses throughout the cattle feeding and cow-calf sectors have been accentuated because of Russia's unjustified trade action. The domestic US meat market perceives that it will have to absorb an additional 45 million pounds of protein per week for every week that Russia does not resume importing US poultry products. Uncertainty about the outcome of this trade dispute has weighed on the markets for beef and pork and losses have accumulated at increasing rates. Russian leadership must resolve meat access issues and maintain uninterrupted access for US meat if it is serious about generating and maintaining political support for graduating from Jackson-Vanik and negotiating for WTO accession.

During the last few years the US successfully negotiated China PNTR and WTO accession on nearly concurrent timelines. Because that strategy was successful with China, NCBA had concerns when it was first proposed to grant PNTR to Russia before the WTO accession package is negotiated and finalized. However, we also realize that the circumstances in China and Russia are very different and the strategy that successfully concluded with China's WTO accession will not necessarily apply to Russia. If firm assurances are received from U.S. negotiators that issues specific to beef will be resolved in the Russian WTO accession package, the U.S. beef industry could support PNTR for Russia prior to and independent of WTO accession negotiations.

We realize that the situations in China and Russia are very different, with respect to the commercial interests involved, each country's trade regime, the level of economic reform, and their respective human rights situations. In contrast to the situation with Russia, China's MFN (NTR) treatment was subject to an annual waiver and spirited annual debate until Congress approved PNTR for China.

Russia has met its human rights obligations and qualifies for PNTR under the Jackson-Vanik legislation. During the past eight years, Russia has not been subject to an annual review of Normal Trading Relations (NTR) or a Congressional vote on the waiver process because it has met its human rights obligations. There has been little question about whether to continue providing NTR to Russia so the vote for PNTR provides little leverage in the negotiation process for Russia's WTO accession. To reiterate, the US beef industry will not oppose PNTR for Russia as long as firm assurances are received from U.S. negotiators that issues specific to beef will be resolved in the Russian WTO accession package.

The following beef—specific issues that must be resolved be fore NCBA will support a WTO accession package for Russia:

•Minimum Invoice Prices: U.S. beef is subject to minimum invoice pricing requirements. Any Russian agreement must eliminate this WTO-illegal practice.

•Export Subsidies: Any U.S./Russian bilateral negotiations or WTO accession package must include provisions to eliminate export subsidies comparable to agreements reached with China and other countries.

•Zero for Zero Production Subsidies: Any U.S./Russian bilateral negotiations or Russian WTO accession package should explore a zero for zero option with respect to production subsidies specific to meat production (possibly on a species by species basis) to set the stage for Russian/EU bilateral negotiations.

•Tariffs and Tariff Rate Quotas: In recent months, certain actions in Russia appear to be at odds with the WTO accession process. Beef imports now may be subject to tariff rate quotas as a result of new legislation passed by the Duma. Implementation of TRQs—a proposal supported not only by the Russian meat producers but also apparently by the European Union—would be counter to the interests of U.S. beef producers. NCBA opposes implementation of TRQs by Russia and beef tariffs should be bound at low levels consistent with the levels in the China WTO accession package and with target levels in the WTO multilateral agricultural negotiations.

•SPS/TBT/Inspection Equivalency: Russia currently requires individual plant-by-plant-level approval for beef processing plants. The U.S. should insist that Russia, like China and most other U.S. trading partners, accept beef from all USDA-inspected plants. There should be an elimination of all unjustifiable technical and sanitary barriers to trade including the following:

• Beef products originating from beef animals raised in the states with counties that have had confirmed bovine cases of vesicular stomatitis (VS) within the last 12 months are not eligible for shipment to Russia.

• Importation of ground beef, packaged in bulk form or in the form of meat patties, is prohibited.

• The Russians periodically raise the issue of 'GMO statements' on meat certificates. Thus far, USDA has rebutted this issue. Requirement by any country for certification that meat originates from animals that have not consumed GMO feeds is not based on science and will be absolutely opposed by NCBA.

• Thank you for the opportunity to submit these comments. We look forward to working with you this issue moves through the legislative process.

U.S. CHAMBER OF COMMERCE
WASHINGTON, DC 20062–2000
April 24, 2002

The Honorable Philip Crane
United States House of Representatives
Washington, DC 20515

Dear Representative Crane:

I am writing to you on behalf of the U.S. Chamber of Commerce, the world's largest business federation, representing more than three million businesses and organizations of every size, sector and region, to urge you and your colleagues to support graduating Russia from the Jackson-Vanik provisions under Title IV of the Trade Act of 1974, and extending Permanent Normal Trade Relations (PNTR) status to Russia.

The U.S. Chamber of Commerce and its affiliated American Chamber of Commerce in Russia have been closely following the economic and political developments in Russia. As a matter of fact, Tom Donohue, the U.S. Chamber's President and CEO, is currently in Russia continuing our frequent dialogues with Russian and American companies who are engaged in business in the Russian Federation, NGOs, Russian officials, and business association executives.

The U.S. Chamber strongly supports the graduation of Russia from Jackson-Vanik, a remnant of U.S. trade law that has been superceded by the end of the Cold War. Based on our experience and analysis of the developments in Russia, we believe that it meets the statutory requirements for unconditional NTR treatment and that the extension of such treatment is in the economic interests of both Russia and the United States.

Since 1994, the President has found Russia to be in full compliance with the Jackson-Vanik emigration criteria. However, the country's trade status remains conditional upon annual compliance determinations by the President. This, understandably, continues to be an irritant between our two countries. The time has come to put U.S.-Russian commercial relations on a solid foundation, unencumbered by legacies of policy differences with a government that no longer exists.

American companies are keenly interested in the growth of the Russian market for U.S. goods and services. With a trade turnover of only about $9 billion per year, our economic ties with Russia have still not matched the breadth of our political relationship. The extension of permanent NTR status to Russian goods and services is one crucial step in sustaining the transformation of the Russian economy and ensuring its balanced orientation in the global marketplace.

The U.S.-Russian commercial relationship would also benefit from increased efforts to acquaint Russian firms with the U.S. market and business practices, resulting in opportunities for Russian firms to become integral players in the global economy. Through their operations in Russia, U.S. companies establish benchmarks for corporate practice in areas such as corporate governance, minority shareholder rights, sanctity of contracts, respect for private property, and other aspects of the rule of law. U.S. companies have been and will continue to be a powerful force for positive change in Russia.

Extending PNTR status to Russia would send a clear signal of our commitment to help fully integrate Russia into the global economy. It would allow American business to constructively engage Russia's private sector, which is the driving force of reform. It is Russia's private sector that will ultimately benefit from—and solidify—the country's integration into global markets through eventual accession to the World Trade Organization (WTO). The U.S. Chamber of Commerce looks forward to

working with you, as well as other Members of Congress, to ensure the extension of PNTR treatment to Russian goods and services.

Sincerely,

R. BRUCE JOSTEN
Executive Vice President
Government Affairs

Statement of Micah H. Naftalin, National Director, UCSJ: Union of Councils for Jews in the Former Soviet Union of Councils

Mr. Chairman:

On behalf of our president, Yosef I. Abramowitz and the entire UCSJ Board of Directors, I thank you for this opportunity to comment on the issue of graduating the Russian Federation from the strictures of the Jackson-Vanik Amendment. In the early 1970s, UCSJ was the first NGO to recommend to Scoop Jackson the need to link America's trade benefits to freedom of emigration—perhaps the most effective piece of human rights legislation ever enacted.

I am providing here for your record an extended discussion of the situation that provides the context for our views and concerns. So let me begin with the bottom line: UCSJ can support graduating Russia from Jackson-Vanik, but only if a bilateral institutionalized mechanism is established to assure periodic review of Russia's status and efforts to reform its human rights and civil society, including concrete steps to combat antisemitism, xenophobia and manifestations of terrorism. Overall, President Putin is solidly on record as pledging such reforms. What remain to be accomplished are concrete actions that implement those pledges. We seek bilateral mechanisms that, in the words that Ronald Reagan borrowed from Lenin, enable the United States and the human rights community to "trust but verify."

We have just concluded the observance of the Passover holy days, the Jewish celebration of freedom. At every seder table, worldwide, the participants sing the song "Dayeinu," which means "it would have been enough." It is a way of thanking God for each of the step-by-step miracles that led to the Exodus from slavery in Egypt. Thus had God taken us out of Egypt and punished our oppressors, Dayeinu, it would have been enough. Had God parted the Red Sea permitting our escape, Dayeinu. Had God supplied our needs for forty years in the desert, Dayeinu, and so forth.

But, Mr. Chairman, here on the ground, human rights activists can never say Dayeinu. When the U. N. enacted the Universal Declaration of Human Rights, it was not enough. We could not say Dayeinu. When the Congress enacted the Jackson-Vanik Amendment, we could not say Dayeinu. When Sakharov, Orlov, Sharansky and all the other Prisoners were released, when the Soviet Jews were released from quarantine, even when President Putin declares war on terrorism and antisemitism, and even if the time to release Russia from Jackson-Vanik has arrived, we must not say Dayeinu. It is not nearly enough.

In partnership with the Moscow Helsinki Group, UCSJ monitors grassroots human rights, antisemitism and xenophobia in each of Russia's 89 regions. The genius of Jackson-Vanik was to link trade and human rights and that linkage remains. The shortcomings of civil society remain a barrier to economic development and the confidence of foreign investors as long as there is government control of media, severe harassment of Muslims and non-Orthodox Christians, widespread corruption of the civil and criminal justice system. And then, even in the relative absence of Soviet-style official antisemitism, this historic scourge, which is rising across Europe and throughout the Middle East to levels not seen since the defeat of Hitler, is not being effectively combated in Russia's regions.

One way of explaining this is to say that President Putin and his government must go beyond decrying antisemitism and systematically punish antisemites as well. As fully documented by UCSJ, despite his unprecedented and appreciated strong pledges to combat them, large-scale antisemitic, xenophobic and anti-American incidents and propaganda are nonetheless perpetrated, largely unchallenged, by dedicated Communists, neo-Nazis, Islamic extremists and elements within the Russian Orthodox Church, often in league with local officials and police. Human rights-based civil society reforms must be institutionalized for Russia's benefit and as a guarantor of a constructive and reliable bilateral relationship. How Russia handles the challenge of grassroots antisemitism is a reasonable indicator of its human rights progress overall.

Mr. Chairman, it is always difficult to keep human rights goals on the regular agenda of bilateral diplomacy. While we view it as integral to America's national security, it almost invariably is overshadowed by more quantifiable indices like trade or oil or weapons. In the Clinton years, we were critical of the Gore-Chernomyrdin semi-annual meetings because of all the original ten issue categories, only human rights failed to be included for automatic, regular review on each agenda. **Indeed, and this is our central concern: it has been only Jackson-Vanik that has compelled Russia and the United States to come together to discuss and negotiate Russia's human rights progress at least once a year in the context of considering the annual waiver. Accordingly, we are asking the Administration and the Congress—and Russia as well—to replace Jackson-Vanik with an effective venue, a mechanism for continuing, regularly scheduled bilateral oversight for human rights and civil society reform and progress.**

Examples of such mechanisms could include, inter alia, scheduled annual reviews by the Congressional Helsinki Commission and the foreign relations committees of the House and Senate; a bilateral commitment to include human rights review on the agenda of summit meetings and annual joint review sessions convened by the Department of State and Ministry of Foreign Affairs which would include full participation by Russia's Human Rights Ombudsman and by all interested human rights NGOs from both countries. The Congress might also consider extra appropriations for USAID or the National Endowment for Democracy to support US–Russian cooperative human rights and religious freedom monitoring efforts by NGOs and to encourage continuing dialogue among US and Russian business organizations, economic development and trade officials and human rights and environmental NGOs to explore the mutual benefits of improving Russia's human rights and economic goals.

Concrete steps that President Putin and his government could and should take, consistent with his publicly declared goals, which would provide confidence beyond the generalities already expressed, include the following:

- Through the Ministry of Internal Affairs and the Federal Security Service (FSB), vigorously investigate and prosecute antisemitic and extremist organizations and individuals, and incidents of hate crimes, under the currently existing law prohibiting the incitement of ethnic or religious hatred (Article 282 of the Criminal Code). Redirect FSB resources currently being used to investigate and prosecute religious minorities, environmental scientists, and human rights NGOs to the crucial task of fighting extremism.
- Continue to encourage the Duma to enact the draft law "On Political Extremism" to bolster the Article 282-based efforts to confront antisemitic extremism.
- Provide effective police protection to endangered Jewish, Muslim and other especially non-Orthodox Christian minority religious and community sites.
- Repudiate the 1997 law on religion and introduce legislation in the Duma to restore full freedom of religion in Russia.
- Dismiss Russian federal officials in regional and/or municipal offices who collaborate with, or are tolerant of, extremist groups and individuals. At minimum, President Putin should not hesitate to signal these officials out for public criticism-Rather than just condemning antisemitism, he should condemn antisemites, such as Kursk governor Aleksandr Mikhaylov and Krasnodar Kray's representative to the Federation Council Nikolai Kondratenko, by name.

Thanks you, Mr. Chairman. What follows is the policy statement issued by UCSJ in the Fall of 2001.

"Civil Society Reforms Can Replace Jackson-Vanik"

Antisemitism in the Russian provinces is gradually becoming as customary and trivial as foreign made cars on the roads and computers in people's apartments. Not only Stavropol and Krasnodar Kray, but several other regions are becoming totally pro-fascist given the authorities' lax attitude or even direct involvement. ***Izvestiya,* May 12, 2000**

In sharp contrast to the statements intended to minimize the scope and danger of antisemitism by some Jewish leaders in Russia, President Putin himself has candidly noted the problem and vowed to combat it. If he can make concrete progress here, it will be an indication that civil society, upon which America's security and Russia's business environment depend, can be reformed. **UCSJ, November 2001**

As presidents Bush and Putin prepare for their Texas Summit rendezvous, the headlines will deal with the state of their bilateral coalition for security against ter-

rorism, with America's hopes for renegotiating the ABM treaty to accommodate domestic missile defense, the possibility of accessing Russia's vast oil and gas reserves as a counter to our dependence on the Gulf states, and generally with the warming temperature of the relationship itself in what has been called the post-post-cold war era of post-September 11. Only slightly below these headlines will be a sub-headline dealing with the long-held hope of Russia and the American business community that President Bush will move to "graduate" Russia, that is, exempt it permanently, from the strictures of the 1974 Jackson-Vanik Amendment to American trade law, which conditions Russia's access to competitive tariff treatment to its de jure free emigration and de facto human rights behavior. For a decade, Russia has received an annual waiver; the proposed action therefore is symbolic but, as Russia sees it, negative symbolism has no place between friends. Subject to concrete assurances that would confirm promises already made by President Putin, UCSJ: Union of Councils for Jews in the Former Soviet Union, the initial and strongest supporter of Jackson-Vanik, agrees.

How presidents Bush and Putin resolve the Jackson-Vanik issue will offer an important window for measuring the relative merits of political form and national security substance. Virtually all the political and diplomatic pressures argue for the graduation, seen as a thorn in the relationship at a time when both parties are seeking diplomatic harmony and economic benefits. But not so fast if one believes, as do we, that reliability and shared human and democratic values in a coalition partner are in the best long range interest of promoting America's national security. A country that lacks the elemental infrastructure of a civil society—e.g., multiple political parties, minimal corruption, independent media, religious freedom, civil and criminal codes and practices that meet reasonable international standards of rule of law—cannot be a secure and reliable partner. One leading indicator of all these issues, including not only the original goals of Jackson-Vanik but also the presence of global terrorism and anti-Americanism, is the rate of antisemitism and the effectiveness of state and local authorities in combating it.

Linking U.S. trade benefits to Soviet antisemitism, emigration policy and thus human rights was the brainchild of Refusenik leaders in Leningrad and Moscow, and brought to the attention of Senator Henry M. "Scoop" Jackson (D–WA) by UCSJ in the early 1970s. Enacted in 1974 over the strong objection of President Nixon and his national security adviser, Henry Kissinger, the Amendment was one of America's finest hours in the international battle for human rights. The Cold War demanded a stick; today's increasingly warm bilateral relationship with Russia calls for carrots from the West but also reciprocal concrete accomplishment with respect to reforms in Russia's civil society. Actions, in other words, must follow the promising rhetoric.

UCSJ favors graduation but pursuant to the Bush Administration obtaining some concrete actions indicative of a commitment to actual reform. These include: (1) Breaking up alliances between local officials and antisemitic groups, and directing regional prosecutors to prosecute perpetrators of criminal incitement to antisemitic hate crimes, physical or through publishing, under Article 282. Virtually no cases have been brought in the past five years. (2) Giving rhetorical support to independent human rights NGOs such as MHG and Memorial. (3) Providing explicit endorsement of the work of the Human Rights Ombudsman, Oleg Mironov, and support for the appointment of regional HR ombudsmen.

UCSJ's chief adversary in the decades-long controversy over Jackson-Vanik has been the U.S.-Russia Business Council. Today, the policy differences are slight. They, and their Moscow-based counterpart American Chamber of Commerce in Russia, like UCSJ, seek "to develop a market environment in Russia attractive to investment and long-term business operations." Among their policy recommendations to the Bush Administration last March was the following, with which UCSJ agrees: "A bilateral agenda exclusively focused on security issues [to the detriment of our economic and commercial relations] is not in our national interest, as it does not accurately reflect the challenges and opportunities associated with engaging Russia." UCSJ has similarly recommended that the bilateral agenda should go beyond traditional national security concerns to embrace human rights and civil society reforms that both make Russia a more reliable security partner and improve its attractiveness to foreign investment.

Accordingly, we are urging the Bush Administration to recognize that reform of the civil society, including fighting antisemitism, human rights, corruption, the justice system, civil and contract law, etc, is an important strategy for making Russia a more attractive venue for foreign business and investment that will make positive contributions to the Russian economy. We want our Commerce Department, the American business community and appropriate Russian economic planners and min-

istries, to work with the human rights NGO community in a strategic alliance to improve civil society and Russia's economy together.

Antisemitism is by no means the most important failure of Russia's civil society; but it is a leading indicator. And how Jews are treated, in politics, in the media, and in the courts is a leading indicator of how Russian authorities respond to messengers of problems generally, including barriers to commerce. So far, the record is not good. Alexander Nikitin was tried for treason simply for working for a Norwegian foundation in documenting the public record of dangerous nuclear contamination of the seas from submerged mothballed nuclear submarines. Putin called him a spy; to its credit, after five years of imprisonment, house arrest and several trials, the Supreme Court finally approved his acquittal. The justice system, like the economy, is corrupt; bribes are the best defense in a country where the accused, who can be held without bail and tortured into confession, is presumed guilty until proven innocent. The resulting catastrophically overcrowded prisons are breeding grounds for epidemics of tuberculosis and AIDS, at monumental cost to public health as well as budgets. Legal codes and procedures still mostly date to the Soviet era. Business contracts—civil and governmental—are corrupt and disputes are often resolved by mafia, not law. These conditions not only contribute to the discontent of a poverty-stricken provincial public, and drain public resources, they contribute to a decidedly negative environment for attracting foreign investment. These are but some of the human rights violations well documented, region by region, by a nationwide network of local human rights NGO monitors coordinated, under a USAID grant, by the prestigious Moscow Helsinki Group, assisted by UCSJ. Now for the good news.

From the inception of his tenure Putin, to his credit, has displayed candor and accuracy in publicly describing the elements of Russia's problems. He has made genuine efforts to attack the unmanageable drift of authority towards provinces and away from Federal and Constitutional authority. He has addressed problems of taxation and of corruption. He has targeted judicial reform. All, in the early days, with a disconcerting affinity for the methods and colleagues of his basic training, the KGB. Most well known are the mass human rights violations incident to the war in Chechnya and his determination to repress the independent media which, in the absence of true political parties other than the Communists, represented his only serious adversary.

The spotlight of systematic human rights and antisemitism monitoring by experienced and independent NGOs plays two important roles: the inherent protection of the individual that the spotlight provides, and the ability of the public and governments alike to measure abuses and progress both subjectively and objectively

Our belief and hope for the future is that Jewish and other human rights monitors and activists will work constructively with officials and the business community on reforms that would protect Jews and other minorities, improve the rule of law-based civil society and lead to a market economy and attractiveness to foreign investors as well.

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