



New Trade Status for Russia Faces Delay

Gary Clyde Hufbauer says the issue of Russian human rights is stoking Congressional demands for sanctions, which could delay approval of permanent normal trade relations for Russia.

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Steve Weisman: With Russia poised to join the World Trade Organization in December, the question arises whether the United States can take full advantage of the opportunity by repealing the Jackson-Vanik Amendment and giving Russia permanent normal trade relations status (PNTR). Gary Hufbauer, senior fellow at the Peterson Institute for International Economics, what must Congress do to take advantage of the WTO accession by Russia and what problems have arisen?

Gary Hufbauer: Let me go back just one step. The WTO accession has not yet been achieved, but it's on the calendar for next week.

Steve Weisman: For about mid-December, right?

Gary Hufbauer: Right. And it seems almost certain that the members of the WTO will vote to bring Russia in. The issue is whether the United States will recognize Russian membership in the WTO. Every country has a choice whether to recognize a new member or not, and that recognition depends upon the repeal of the Jackson-Vanik Amendment, as you just said.

Steve Weisman: The Jackson-Vanik Amendment bars permanent normal trade relations for any country that restricts immigration.

Gary Hufbauer: That's correct. There is a provision in the amendment for a waiver by the President. President Obama and his predecessors have waived it every year, I believe since 1992, and it's never been challenged in the Congress. So we do, in fact, have most-favored nation or normal trade relations with Russia, which means we have the same low tariffs on their imports, our imports from them as all other countries. But it's subject to a waiver every year and that's what is at issue in this vote that Congress has to take.

Steve Weisman: Let me get to the news. It now appears that that might not happen as quickly as the Obama administration wants. Why?

Gary Hufbauer: There are two reasons. First, Russia does not have a good record for human rights. And recently, a lawyer who was pointing out the graft in the Russian government, [Sergei] Magnitsky, was almost certainly killed by official action in prison. Several congressmen want to attach what they call the Magnitsky Amendment -- this is led by [Senator Ben] Cardin of Maryland—to any vote on permanent normal trade relations. The Magnitsky Amendment would require the United States to target individuals in Russia who perpetrate these human rights abuses and certainly not let them into the United States, but also probably freeze their bank accounts and so forth.

So that's the instant complication. That happened before this weekend. But on this weekend, Putin did not receive the huge majority he had expected [in parliamentary elections]. He had expected something like 60 percent; he got a not quite 50 percent vote. Now the question is

how is he going to respond. There is a tremendous amount of official pressure about Putin and he monopolizes the TV. A lot of people are wondering, both here and in Russia, whether he will gracefully accept what is not actually a defeat, but it certainly is not a victory.

Steve Weisman: It's a setback.

Gary Hufbauer: Yes, a big setback.

Steve Weisman: And the concern is that he might retaliate if Congress tries something like this or that Congress would be more tempted to pounce with some kind of restrictive legislation?

Gary Hufbauer: I think both are true. Congress is more likely to pounce with something like the Magnitsky Amendment. He [Putin] ran on a very nationalistic, very anti-American platform in Russia. Therefore he might -- who knows what he might do? -- take some preemptive action to escalate the already difficult relations with the United States.

Steve Weisman: Gary, you and Anders [Aslund] have written a policy brief calling for adoption of permanent normal trade relations with Russia as a kind of no-brainer in terms of the economic value. But you've also said that Congress, if it wants to punish Russia for human rights or other concerns, has other tools. Is it possible that they could devise a tool and also adopt PNTR?

Gary Hufbauer: It's possible. And then the Russian reaction is a big question mark. I heard yesterday that there's talk about broadening this Magnitsky Amendment to cover all countries that perpetrate human rights abuses. This creates quite a bit of consternation in the administration. Of course, if you broaden it to cover all countries, you're not naming Russia; that makes it a little bit easier. On the other hand, you're taking away some administrative flexibility to apply sanctions as they regard appropriate in each case.

It's very uncharted territory as to what happens. On the economic side, though, Anders and I think that the case is really clear-cut for the United States to benefit from long-term better economic relations with Russia. And if we don't have the PNTR vote, we think US firms will be discriminated against in the growing Russian market whether Putin is there or not.

Steve Weisman: It now looks like the approval of PNTR is going to be put off until into next year.

Gary Hufbauer: Yes. Probably at least until we see how the presidential process sorts itself out in Russia, and that's until March. And that's another three months. This has been going on for 13 years; another three months doesn't make any big difference. But a longer delay than that would be troublesome.

Steve Weisman: But there had been hope to wrap this up before the end of 2011.

Gary Hufbauer: Yes, there was. But I think it's pretty clear that's not going to happen.

Steve Weisman: So your best guess is maybe around March?

Gary Hufbauer: March or April, provided we have a reasonable transition of power and no big bullying and no new human rights abuses and so on.

Steve Weisman: OK. Thank you, Gary.

Gary Hufbauer: Thank you.

