



A Missed Opportunity of Trade with Russia

Anders Åslund says that the United States is not able to take advantage of Russian August 22 accession to the World Trade Organization (WTO), because a measure to grant normal trade relations to Russia has stalled in Congress.

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Steve Weisman: On August 22 Russia became the 156th member of the World Trade Organization. But will the United States take the opportunity to benefit from its accession? Anders Åslund of the Peterson Institute for International Economics is here with me, Steve Weisman, to discuss that matter. Anders, I think the United States is in danger of missing that opportunity.

Anders Åslund: Yes. It's quite a curious situation. The United States government has for 19 years negotiated hundreds and hundreds of pages of concessions from the Russians when Russia joins the World Trade Organization. And now the U.S. Congress has not granted Russia permanent normal trade relations [PNTR]. The United States has to say that, "Sorry. We cannot apply WTO rules to the trade between Russia and the United States." This means that the United States does not benefit at all so far from all these negotiations.

Steve Weisman: As we've discussed, and you've written, the hang up is over human rights in Russia and the necessity of lifting cold war era sanctions against Russia that are now obsolete. We don't need to review those, but let's focus instead on what Congress has done. The leadership supports this lifting, and two measures have passed the Senate Finance Committee, the House Ways and Means Committee incorporating different versions of it, but imposing other restrictions. Why can't the legislation move to the floor?

Anders Åslund: It should be possible. It's simply a matter of not administering this legislation properly. As you say, it has gone through committees in both the Senate and the House. What should be done is to reconcile the legislation in the Senate and the House, and then put it to a floor vote in both chambers. The Republicans in the House blame the White House. They say that the White House has not pushed enough. The administration, of course, blames Congress. There's no fundamental difference, just a certain legislative dysfunction.

Steve Weisman: Governor Romney, the Republican nominee, has named Russia a great strategic threat to the United States. Where does he stand on this legislation?

Anders Aslund: He has not come out very strongly, but he seems to be approving it. The essence is that the business community has come out very strongly in favor of permanent normal trade relations with Russia, because the business community thinks that it's worthwhile. They believe our assessment that this can [expand] US exports to Russia in the next five years or so, and they see no reason not to do exactly as we have been arguing here. Strangely a handful of trade unions came out against PNTR for Russia, saying that the conditions are not good enough in various regards, but there are no other conditions. Also if Russia joins the WTO like this, so there's nothing more to negotiate.

Steve Weisman: What are the chances of Congress addressing this when they return for a few weeks in September?

Anders Aslund: It seems to be pretty good. You have two alternatives. One [is] that it actually goes through in September. The problem is that there are so few legislative days, seven days or so in September, and then it's the election campaign. It's not probably going to go through in the lame duck session after the 6th of November elections.

Steve Weisman: Before we close, review the advantages of granting permanent normal trade relation status to Russia for the United States?

Anders Aslund: Last year the United States exported \$11 billion to Russia; that's both goods and services. Our assessment is that this can be doubled five years. If the United States does not grant PNTR to Russia, then on the contrary the US will be discriminated against. One good example is that the import tariffs to Russia for light commercial vehicles, that's the pickup trucks, will fall instantly tomorrow on the 22nd of August from 25 percent to 15 percent. That means that everybody else will deliver cheaper pickup trucks to Russia than the US produces.

As for various agricultural products, their sanitary standards have been a persistent problem and the idea was that the WTO accession would put an end to that. Russia is today the biggest export market for US poultry, and a substantial export market for US pork. Now these producers [don't] know if they can be able to export to Russia or not. Because it's really up to the Russian authorities and what they think.

And then you have a third area -- state procurement, where about half of Russian industry is controlled by the state. Without WTO and PNTR, the Russian authorities can pretty much do what they want and the United States, unlike other countries, cannot go to the WTO and complain.

Steve Weisman: What do you say finally to the people who say we shouldn't be helping Russia, especially after these clumsy attempts to suppress dissent?

Anders Aslund: The Jackson-Vanik amendment [barring trade advantages over the issue of emigration of Russian Jews] does not do anything in order to improve human rights in Russia. If you want to do something about it, the Magnitsky Act, which in all probability will be adopted together with the PNTR for Russia, would be more relevant. It concerns human rights violations and not immigration, which is no longer a problem. And it would also hit where it hurts. The human rights violators will not get visas and their financial assets could be frozen.

PNTR is favored by the Russian opposition, while the Russian government doesn't do anything to promote it. So the hardliners in the Kremlin would be perfectly happy if Russia does not get permanent normal trade relations with the US.

Steve Weisman: Thank you Anders.

Anders Aslund: OK, thank you.

