

AmCham 8th Annual Investment Conference  
U.S. Secretary of Commerce Carlos Gutierrez  
Transcript

Thank you and good morning. I want to thank Minister Gref for everything he has done to strengthen the relationship between the United States and Russia. I consider Minister Gref a great professional counterpart and a very good friend. And I appreciate all the support that I've had from Minister Gref. Ambassador Burns also for his commitments in relationship between our two countries, and of course Andy Somers who has done so much to bring together businesses and so much to bring together investment opportunities and understanding among the two nations. This is my second trip to Moscow as Secretary of Commerce. It has been nearly two years since my first visit and I am pleased to be here today to discuss economic growth and opportunity between the United States and Russia. And I can say that since I have been here since last the change and the energy is palpable, you can feel it, you can feel the growth, you can feel the progress that has been made in such a short period of time. As you know, this year marks the 200<sup>th</sup> anniversary of diplomatic relations between the US and Russia. Though there have been times of great challenge during that history, we are now poised to enter a new era of commercial engagement which will strengthen our ties, grow our economies and, very importantly, create more prosperity for our citizens. My visit this week reflects the considerable and growing value that the US Government places on our business ties with Russia and the desire of President Bush and his Administration to find new ways to bring greater economic opportunity to the people of our countries. While political issues between our nations typically tend to garner the most headlines the economic relationship between Russia and the US is actually a great untold story. And it's a story that should be told a lot more often. US-Russia commercial ties are stronger and more dynamic today than they have ever been. And this creates a wonderful opportunity for our future. In the past two decades Russia has begun to reap the benefits of engagement in the global economy and take a place as one of the world's great economic powers. And the impressive thing about this is that Russia has done it in such a short period of time. Today, Russia's nearly one trillion dollar economy is in its ninth straight year of growth, and the Economic Development Ministry reported 8.4% growth in the first two months of this year. That is impressive under any circumstances. And it may be some of the most impressive economic performance in the world. With inflation below 10% an 11% increase in real disposable income within the past year, early debt repayments and budget surpluses, Russia's economy is indeed an example for so many countries around the world. As the economy continues to grow, so do US businesses. I know later today you'll be hearing from executives of companies such as Alcoa, Boeing, Coca-Cola and Motorola. Their presence at this conference speaks to the growing environment for business and investment here. According to some recent surveys 84% of foreign companies active in Russia report being successful in meeting their goals, 95%! 95% of the companies in Russia plan to expand. Consistent with these figures current bilateral trade and future prospects for US businesses in Russia are expanding significantly. In 2006 US exports to Russia grew 20% to 4.7 billion dollars. This growth is occurring in a wide range of merchandise and service categories, suggesting that Russia's growth is having a positive impact on purchasing power. Importantly, the growth of our trade is a two-way street. In 2006, Russian exports to the US were more than 19 billion dollars – that's 30% more than in 2005. Russia is, for the first time, beginning to take on a notable direct investment profile in the US, with investments in mining, in steel manufacturing and retail petroleum, helping support American jobs and supply American consumers with products. Russia's direct investment in the US is now 3 billion dollars. The US in turn has invested 11 billion dollars in Russia. As big as these numbers sound, and they are very large numbers. «...» Indeed, we believe that as much as we have accomplished over the past 15 years that we are just, just getting started. The next step for Russia is the World Trade Organization (the WTO). Russia is the world's largest economy, not yet in the WTO. The United States has been working side-by-side with Russia to achieve WTO membership. Last

November, Minister Gref and US Trade Representative Susan Shwab signed a bilateral market access agreement. Now Russia, working multilaterally with the US and other WTO members, has the opportunity to take the necessary steps to bring this process to a close, and to enable its economy, its companies, its people to fully participate in the world market. Many US multinationals regard Russia as a strategic market. At the same time, their perception is colored by what they hear about political issues, such as energy security and a challenging business environment. Expansion of Russian commercial engagement with America and globally requires transparent markets that embrace foreign and domestic competition. As the Organization for Economic Development Cooperation noted in its 2006 economic survey of Russia, and I quote: "Greater openness is essential to monitoring, accountability and anticorruption efforts." The US and other economies have greatly benefited from openness, from transparency, from competition and adherence to the rule of law. Democratic institutions fostering economic freedom and rule of law offer the best mix of economic and social justice. We believe that companies and economies benefit from the accountability provided by a vibrant media and independent courts. They serve to ensure government agencies responsible for upholding the rules of commerce and to carry out their duties properly and even-handedly. As Russia becomes more prominent on the global stage, creating and maintain a level playing field that encourages competition will attract more investment and ensure that Russian companies can successfully thrive at home and abroad. It is crucial for Russia, just as it is for the United States, to maintain an open business climate for capital, for goods and for services moving back and forth with its trade and investment partners. Transparency and predictability in regulations and laws governing investment would send very positive signals to potential partners in both our countries. Capital allocators will always look for secure, predictable markets, and they watch with concern where uncertainty exists. And as you all know, capital abhors uncertainty. In every country with an aspiration of attracting capital, business law should be applied consistently across companies and never selectively. Building in predictability, transparency and reliability for investors will give Russia a true competitive advantage against other countries that have not been able to achieve the same. While we are mindful of countries' interests in protecting so-called strategic aspects of the economy, policies that seek to block off broad segments of an economy are policies that carry risks of their own to a nation's economic strength. Russia's challenge will be to pursue strategic sectors while welcoming and encouraging foreign capital and above all avoiding protectionist policies. We have seen that around the world and in the US that protectionism often has the unintended consequence of limiting access to capital, technology and know-how, and sheltering companies in entire industries from competition that spark innovation and can drive efficiency. Protectionism does not protect jobs. We have seen that time and time again, and we have seen that in our country, we have seen that in countries all over the world. Protectionism does not protect jobs. The only thing that protects jobs is to compete, to innovate, to grow, to attract investment, to welcome private enterprise, to encourage entrepreneurship - that is the only way to create and protect jobs. The United States and Russia should have a stronger partnership in areas such as energy, aerospace transportation infrastructure, and high technology to name just some examples. There have been tremendous technological advancements from which Russian companies could greatly benefit. Russians and Americans, like the rest of the world, stand to benefit from stronger enforcement of intellectual property. Around the globe we have seen that stolen intellectual property is not only an economic hazard, stifling competition, stifling innovation and technological advancement, and discouraging works of culture, music and arts, but it is also, importantly, an issue of safety and a tremendous health hazard. The World Health Organization estimates that 10%! – 10% of the global medicine is counterfeit. Just think about that - 10% of the medicine that people buy throughout the world is counterfeit! Tough intellectual property enforcement will protect companies throughout the world. And will protect businesses here in Russia and in the US against piracy and against challenges to the essence, the very essence of its business. In Russia resurgent film industry and other industries that are technologically driven, we know that Russia has great prowess in technology, in engineering, in

the arts, those are intellectual properties that need to be protected. Russia is doing today better from an economic standpoint than it has ever done before. And a lot of that credit goes to Minister Gref and to members of President Putin's Administration and a lot of that credit should also go to the workers, the companies, the people of Russia because they have made it happen. However, from my discussions with American business leaders it is still unclear that all of the opportunities have been seized. And there is a sense that there is still so much opportunity that there is still so much growth, that there is still so much that we can do together. This foregone potential is an opportunity cost upon Russia's consumers, entrepreneurs, producers and workers, even as it also represents unmet potential for Russia's suppliers, clients and customers. With the maturity of our bilateral relations, we can afford to be frank and honest with one another about issues on which we disagree in the economic area as well as in other areas. Someone said to me that you only become friends after you have heard an argument. So I believe that Minister Gref and I have earned the right to call ourselves friends. It is important that we speak up when we find ways to unlock untapped potential for expanding and building upon our commercial and political relationships in ways that would serve the mutual interests of our two nations. We have come too far. We have come so far in such a short period of time. Way too far in building a new foundation based on cooperation and mutual interest to turn back the clock. We cannot allow ourselves to go back. We've got to look forward. There is so much work to be done, and the foundation has been laid for the future of US-Russia relations. And that future will drive economic growth and above all, above all, the most important thing, it will drive a better life, it'll drive prosperity, it'll drive opportunity for our two peoples. I believe and I am convinced that we are entering a new era of collaboration, a new era of prosperity, we are entering a golden era of relations between Russia and the United States. And I want to thank AmCham Russia because you have played a role in that, and your leadership has made a big difference in creating what we know, what we know is a great future between Russia and the US and again I know I speak for our President and for his Administration when I say that our best days as partners, as friends are yet to come. Thank you very much and thank you for your leadership. Thank you.