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White House Sees Repeal of Jackson-Vanik Yielding Jobs

By The Moscow Times

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The Obama administration is pressing Congress to throw out the Soviet-era Jackson-Vanik amendment to restrict trade with Russia, making a plea on behalf of U.S. farmers and manufacturers.

The United States will seek to repeal the law "as soon as possible" to give American exporters the same benefits as their overseas competitors, U.S. Trade Representative Ron Kirk told the House Ways and Means Committee on Wednesday.

The legislation, passed in 1974, barred favorable U.S. trade with the Soviet Union to punish the nation for blocking emigration for its Jews citizens. Annual waivers have been allowed and widely used since 1993, two years after the communist government collapsed.

"We ought to lift it," Secretary of State Hillary Clinton said Tuesday in testimony to the Senate Foreign Relations Committee. "Failing to lift it will put our farmers and manufacturers

and our workers at a disadvantage."

Russia is now poised to join the World Trade Organization in May or June, Prime Minister Vladimir Putin said this month. President Barack Obama said he supports Russia becoming a member of the international trade arbiter, which would allow reduced tariffs and greater transparency.

U.S. producers won't benefit from lower trade barriers as long as Jackson-Vanik remains in effect, said Randi Levinas, executive director of the U.S.-Russia Business Council, with members such as General Electric, Caterpillar and Chevron. The United States wouldn't gain intellectual property protection and adoption of food safety regulations on products from Russia, she said.

While waivers have worked for almost two decades, Russia's joining the WTO would put the United States in violation of the trade arbiter's rules because Russia wouldn't get the certainty that trade accords provide, said Joshua Meltzer, a fellow at the Brookings Institution in Washington specializing in global economy and development. The United States wouldn't be able to complain about any Russian trade violations at the WTO, he said.

"We are ready to bring Russia into the rules-based system in a way that gives us more enforcement tools to enable enhanced market access and a level playing field for U.S. exporters," Kirk told lawmakers.

Members of Congress, including Representatives Chris Smith, a New Jersey Republican, and Ileana Ros-Lehtinen, a Florida Republican, question repealing the law and easing trade with Russia, citing its human rights record, including a crackdown on journalists and concerns of fraud in recent elections.

Lawmakers also are wary of Russia's role, with China, in blocking UN Security Council resolutions seeking change in Syria as President Bashar Assad's loyalists use tanks and artillery to crush a rebellion.

Senator Richard Durbin of Illinois, the chamber's No. 2 Democrat, told reporters Tuesday that Russia's attitude toward Syria would "definitely" slow debate on overturning the Jackson-Vanik amendment.

"A great deal depends on what happens in Syria and what happens with the Russian vote at the United Nations," Durbin said.

The United States had a $19.7 billion trade deficit with Russia in 2010, according to the U.S. Trade Representative's office. Trade between the nations has increased about sevenfold since the United States began granting the waivers, according to a report by Bloomberg.

Normalizing trade with Russia "is a vote to create American jobs," Clinton told lawmakers yesterday.

Increased trade with Russia could help progress toward Obama's goal of doubling U.S. exports to $3.14 trillion by 2015, from $1.57 trillion in 2009.

"Not one thing" is required from the United States to reap the benefits of the trade

agreement, Kirk said. “It gives us protection we don’t have now.”

The House Ways and Means Committee hasn’t scheduled action on the law, according to Jim Billimoria, the panel’s spokesman. Michael Steel, a spokesman for Speaker of the House John Boehner, an Ohio Republican, declined to comment on the speaker’s intentions for the proposal.

In an Oct. 25 speech, Boehner expressed concerns about “significant outstanding commercial issues that must be addressed,” without elaboration.

U.S. exports to Russia may more than double in five years, to $19 billion from $9 billion in 2010, under WTO membership, according to a November report from the Peterson Institute for International Economics in Washington.

The U.S. Chamber of Commerce, the nation’s largest business group, is joining the U.S.-Russia Business Council in lobbying lawmakers to repeal the Jackson-Vanik amendment as a way to eliminate a competitive disadvantage.

“We have a very complicated relationship with Russia,” said Christopher Wenk, senior director for international policy at the Washington-based group. “The United States and U.S. exporters will be on the outside looking in.”

Under the terms of its WTO agreement, Russia would gradually cut its average tariff ceiling with the United States for manufactured goods to 7.3 percent from 9.5 percent. Duties on farm products would drop to 10.8 percent from 13.2 percent. On average, the tariff cap on Russian goods would fall to 7.8 percent from 10 percent now, according to the WTO.

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