

**Remarks by Secretary of Commerce Donald L. Evans  
Before the American Chamber of Commerce in Russia**

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**[As Prepared For Delivery]**

Good morning and thank you all for coming.

I salute you on being the most active AmCham in the world. But I also think you are the most persistent AmCham . given how early many of you had to get up to beat the traffic and get here on time. And if there's one thing I've learned working for George W. Bush, it's to be on time! It sets the right tone.

I want to especially recognize all the Russian graduates from our business internship program who are with us this morning. You are part of the greatness of Russia, and you are its future. Hundreds of you have gone through this Commerce Department training program, which was set up by the first Bush Administration so that you would come to understand how the free market works, and how much it can benefit people ... your family, your friends, your neighbors and your fellow citizens.

I also want to salute all our American business men and women for your patience in staying in the game, despite the hard times that Russia has seen the past couple of years. I know it hasn't been easy. But I'm very optimistic that your persistence and patience may soon pay off.

I've spent a lot of time since January talking with Russian officials about ways to expand commerce between our two countries. We had a series of very productive meetings yesterday with President Putin and a number of other top officials and businessmen. And there is no doubt in my mind that Russia wants a more open, transparent, investment-driven economy that is governed by laws and rules that make it more attractive to foreign investors, as well as to Russian investors.

I strongly believe we have a window of opportunity. I think we have an opportunity to take our commercial relations to a new level as these recent market reforms by the Duma and President Putin take hold. Last year, trade between Russia and the United States topped \$10 billion. Total direct U.S. investment here exceeds \$5 billion, making America the top foreign investor. So far this year, 726 U.S. companies have done business with Russia.

Things are moving in the right direction. I hope a year from now we'll see these numbers going up. As you well know, American capital goes where American capital is welcomed.

Trade Mission to Russia

So, I'm delighted to announce that President Bush has asked me to return this fall with a group of U.S. executives to look for new business opportunities in Russia. This also will be the first trade mission to Russia led by a U.S. Commerce Secretary in seven years, which is why I'm making this my first trade mission . to send the signal that the time has come to expand our commercial ties here.

We plan to bring our trade mission in mid-October. We're hoping for broad participation, including small and medium-sized companies because of the vital role entrepreneurs play by creating new jobs and increasing economic growth.

Let me point out that our trade mission is the direct result of the new Russian-American Business Dialogue organized by AmCham, as well as the Russian-American Business Council and the U.S.-Russia Business Council.

President Bush and President Putin are very encouraged about what this new Dialogue can accomplish. Their vision includes gaining new sources of capital for Russia as this forum builds investor trust, and executives find new ways to expand business in energy and other natural resource industries . in high-tech . in manufacturing . in transportation . and in other key sectors.

To highlight the kind of ventures we think have great potential, and that we'll be seeking on our trade mission this fall, I'll be visiting several local businesses later today. Among these is a Boeing high-tech design facility that employs some 300 engineers and scientists who represent one of Russia's strongest and greatest assets . its people. I will also visit MosFlowLine, a company that makes insulated piping for Moscow's heating plants ... and is jointly owned by FlowLine, a company from Alaska back home, and by the city of Moscow. It has more than 400 employees and is very successful.

#### U.S.-Russia Trade/Economic Policy Agenda

What I'd like to do with the rest of my time this morning before taking your questions, is go over the U.S.-Russian economic agenda, and then talk briefly about our top trade priority in Washington ... winning presidential Trade Promotion Authority from the Congress.

I'm an engineer by training, but I'm also a businessman like you. I've had to meet a payroll ... develop an effective business plan ... and consistently deliver an acceptable return on capital.

So, I take a pragmatic approach to economic issues. And that's the approach I believe President Putin and the Duma are trying to take. Indeed, when you talk to President Putin and Minister Gref, and you see the reform efforts made by the Duma, you see a nation working to get the economic fundamentals, and the economic environment right.

In just the last year alone, Russia approved major reforms in fiscal policy and cut taxes. The new 13 percent flat tax on individuals is impressive. President Bush is very jealous!

And the recent reduction in the huge tax burden on corporate profits was a big step in the right direction. We look forward to more changes that reduce the stifling effects of high business taxes. Tax cuts are good for any economy.

I am proud to say that the U.S. Commerce Department will continue to work with Russia to revamp its tax system through our bilateral commercial tax-working group. We worked with Russia on last year's tax legislation, and we're doing so again this year.

I'd also like to note that Russia has in place a law that could make it easier for U.S. and other foreign energy companies to operate here by allowing them to enter into production-sharing agreements. But now Russia must set up an effective tax and regulatory framework that allows these deals to go forward.

As you know, President Bush has made energy a priority issue and we'll be watching developments here closely.

Another key fundamental is getting Russia into the World Trade Organization (WTO) to enable this great nation to be a full partner in the global economy. Russia's consumers and its developing private sector would benefit enormously, because they would gain unfettered access to new markets. We are committed to working with President Putin on any WTO accession package that meets the appropriate commercial test.

#### Good Governance

I can also promise you that the U.S. Commerce Department is committed to working with the Russian government and the business community on good governance issues. We have helped train judges. We've helped develop business codes of conduct and guidelines for resolving business disputes in a transparent manner.

To build a relationship and environment of trust, these are essential. It is my strong belief that trust is the fundamental basis for our future success. Trade missions are good. But new business opportunities don't mean much if people don't trust the system enough to take advantage of them. We must have courts, laws, and regulations that are transparent . a due process system you can trust . if you want to attract foreign investors or create new businesses and new jobs. And you need ethical business practices and good corporate governance.

In addition to our efforts on these issues, I hope the Russian-American Business Dialogue will be an active partner in helping make Russia more business-friendly. And there's a lot more going on to promote such an environment.much of it spearheaded by the Commerce Department.

No doubt many of you have dealt with the headaches and the challenges of clearing customs. Well, we set up a joint pilot project called CLEAR-PAC that cuts the time it takes to clear customs from 10 days down to one, in Russia's far eastern ports. Shippers from Alaska and the West Coast back in America are happy with the results so far. We hope to try it out soon in St. Petersburg.

And we're attacking this kind of problem by hosting meetings with regional governors and companies to promote business and to find new ways of removing obstacles to commerce.

We also have a bilateral standards working group. Its top priority is harmonizing Russian standards and certification requirements with international norms. There's a new project underway to get U.S. railroad equipment certified, so we can compete in one of the world's largest rail systems.

As those of you who do business here know better than anyone, if we don't get the nuts and bolts of trade right ... we're not going to have the certainty that companies need in order to make decisions, to do business, to create jobs, and to build wealth. It's that simple.

If you want help with the nuts and bolts, you can talk to our senior Moscow Foreign Commercial Service officer ... Stephan Wasylo . and his staff of 20. Since I'm still relatively new to this job . I brought him along today to answer the tough questions!

#### Trade Promotion Authority

Before closing, I want to mention what's on the trade agenda back in Washington. This will give you an idea of where this administration and Congress are headed ... and, I believe, give you a comfort

level that the President . with the support of Congress . will lead the world in trade, and in promoting opportunities for everyone - American and Russian alike.

As I'm sure most of you heard, President Bush and the other G-7 leaders agreed to ignite a new wave of global economic growth by dramatically opening the world trading system. Launching a new round of global trade talks later this year is a key objective to which we are strongly committed.

To be fully successful with this, we are working with Congress to secure Trade Promotion Authority . authority that our five past presidents have had. It's necessary so that when the United States enters into a trade agreement, Russia, or any other nation that signs the deal, understands that we mean business. We believe it's time for Congress to act. And I plan to go full-bore on this until we get the job done.

Being able to negotiate new free trade deals, which this authority allows, is crucial to demonstrating to our trading partners that the United States is going to lead on free trade, that we are going to lead in opening up markets around the world, and lead in strengthening not only our own economy, but also the global economy.

Clearly, open trade with a level playing field creates the environment for greater national competitiveness, innovation, economic growth, more jobs . which naturally leads to a higher standard of living, more social freedoms, and a higher quality of life around the world.

#### Trade & Democratic Values

But trade isn't just about economics. As President Bush says, it's a moral imperative.

Free and open trade is a foundation for democracy and political stability. It's about human freedom and social responsibility. It's about us honoring our purpose and responsibility in life.

President Putin believes, as I do, that it's our responsibility to use trade, education, and other ways to help those in great need.

In the world today, poverty is the greatest threat to stability. United Nations figures tell us that half the world's population - an astounding 3 billion people - live on less than \$2 dollars a day. This cannot be allowed to continue. It's sad, it's wrong, it's a threat to peace.and it's correctible.

To advance the precious gift of freedom, and to keep our leadership position around the world, we need to rebuild the consensus in support of open markets. This means making Congress and the administration partners on trade issues. If our government can't agree on a trade policy, we will be sending the wrong message to the American people. And we will be party to missing a golden opportunity to further strengthen America's leadership position in the world by exporting freedom and the opportunity to move into a future that holds a better standard of living and better quality of life for all nations . a future of global peace and prosperity.

Trade Promotion Authority is the vehicle to get us started on rebuilding the consensus on open markets. TPA will send a strong message to our trading partners that U.S. trade negotiators have the full backing of the Congress, the President, and the American people.

This is absolutely critical because, ultimately, the progress we make on open and free trade, whether here in Russia or anywhere around the globe, is all about freedom and world peace.

Trade is about former adversaries becoming business partners and friends. It's about entrepreneurs and industry having the opportunity to succeed and to create new and better jobs. It's about workers getting bigger paychecks. It's about consumer choice. It's about opening opportunities in all nations for people to pursue better lives for their families and for themselves. And it's about spreading democratic values around the world.

Just imagine what free trade could accomplish here in this vast country of Russia ... so full of pride and promise . with all its resources ... with all its highly skilled individuals ... its rich history and culture ... and its natural beauty. Just think how Russia's 145 million people could benefit from full economic freedom. Think of the new jobs ... the new wealth ... the new consumer choices ... and the new confidence that all these things would bring. It would be a victory for human dignity, and for human liberty.

That's why we came to Russia, and that's why we'll be back again in the fall. Thank you very much.