

United States Senate Committee on Finance

For Immediate Release

Thursday, May 11, 2006

FINANCE, WAYS & MEANS LEADERSHIP URGE WHITE HOUSE TO ADDRESS RUSSIAN TRADE PRACTICES IN WTO ACCESSION TALKS

Grassley, Baucus, Thomas, Rangel will not support PNTR unless Russia takes definitive action to improve

Washington, DC — The Chairmen and Ranking Members of the U.S. Senate Committee on Finance and the House Ways and Means Committee today cautioned the White House that Russia has not sufficiently demonstrated the sound trade practices essential for Permanent Normal Trade Relations (PNTR) status and accession to the World Trade Organization (WTO). In a letter to the President, U.S. Senators Chuck Grassley (R-Iowa) and Max Baucus (D-Mont.) and Reps. Bill Thomas (R-Calif.) and Charles Rangel (D-N.Y.) expressed strong concerns about Russia's commitment to intellectual property rights (IPR) and science-based standards for agricultural trade policies. The committee leaders urged the administration to require definitive action from Russia on these issues before concluding current WTO negotiations. The text of the letter follows:

May 11, 2006

The President
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

We understand that your administration hopes to conclude bilateral World Trade Organization (WTO) accession talks with the Russian Federation in the near future. We fully support the goal of Russia's accession to the WTO on strong, commercially meaningful terms. Every prospective WTO member, however, must demonstrate its willingness, ability, and commitment to abide by WTO rules. Unfortunately, Russia has not yet done so.

The WTO is only as strong as its members' willingness to enforce the rules that govern international trade and investment. Russia has demonstrated a consistent disregard for these rules, especially regarding the protection of intellectual property rights (IPR) and the application of sanitary and phytosanitary (SPS) measures.

As you know, Russia has remained on the United States Trade Representative's Special 301 Priority Watch List of IPR violators for nearly a decade, due to egregious and costly violations of copyright, patent, and trademark protections. Inadequate enforcement action by Russian authorities allows piracy rates to remain at nearly 70 percent, costing American companies billions of dollars. There are approximately 50 optical media plants in Russia, at least two dozen of which produce pirated CDs and DVDs. Between 12 and 16 of these plants operate on government-controlled, former military-industrial sites. Russia's trademark protection system also remains ineffective, and, as a result, counterfeiting is a rampant and growing problem. And significant concerns exist regarding Russia's willingness to meet the obligations it would assume as a WTO member under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) regarding the protection of undisclosed data.

While the Russian government has taken some steps to enforce intellectual property rights, such as increased plant inspections, these efforts have not reduced levels of pirate production. In addition, well-known pirate websites, such as allofmp3.com, remain operational. Now, the Russian Government is considering a major step backwards. Specifically, Russia is set to annul all of its existing IPR laws and replace them with revisions known as amendments to Part Four of the Civil Code. Such a move would make IPR violators subject to civil rather than criminal penalties. It would also put Russia out of compliance with international and bilateral commitments to protect intellectual property rights, and would inject enormous uncertainty even in those areas of IPR protection where there has been limited progress.

We also have serious concerns regarding agriculture and related issues. On SPS measures, it is vital that Russia adopt science-based standards. Market access provisions for agriculture, no matter how robust, are meaningless if the trade is restricted by illegitimate SPS measures. USTR noted in its 2006 National Trade Estimate Report on Foreign Trade Barriers that Russian SPS restrictions have had a "major negative" effect "on U.S. trade, with products deemed as 'sensitive' by Russia being blocked, seemingly without a scientific basis." While a recent decree indicating Russia's acceptance of science-based standards set by the World Organization for Animal Health (OIE) is a positive and welcome step, specific SPS concerns on beef, pork, and poultry are still unresolved. Moreover, broader agriculture concerns – including Russia's recent actions to halt all poultry imports and require new import certificates for poultry as well as Russia's unilateral decision to effectively triple tariffs on certain agricultural equipment – only increase our skepticism of Russia's commitment to abide by WTO rules.

While we recognize that many of these issues are being considered within the context of the multilateral accession protocol, we urge you not to conclude the bilateral negotiations for Russia's WTO accession while Russia fails to provide basic WTO protections for IPR, adopt measures consistent with the SPS Agreement, or eliminate major industrial subsidies and other non-market based government interventions in sectors such as energy.

At a minimum, Russia should take steps, such as the following, before a bilateral agreement is signed to ensure that Russia's WTO membership is meaningful: announce at the highest levels of government an action plan designed to address Russia's well known problems in protecting and enforcing intellectual property rights; abandon proposed changes to the Civil Code that would further

weaken current levels of IPR protection and enforcement; achieve the permanent closure of commercial internet pirate sites such as allofmp3.com and prosecute those responsible; establish a transparent and meaningful system to register and enforce trademarks and to protect data consistent with international standards; adopt measures to control the machinery and raw materials required for the replication of optical discs and the operation of optical disc facilities; and establish a proven track record of implementing OIE standards, particularly for poultry, beef and pork.

These steps will represent an important signal that Russia is determined to adopt and enforce internationally agreed principles required of all WTO members. As you know, Russia's accession to the WTO will require Congress to consider granting Russia Permanent Normal Trade Relations (PNTR). Until Russia addresses these critical issues in a meaningful way, we cannot support granting PNTR to Russia.

Thank you for your attention to these matters.

Respectfully,

Charles E. Grassley, Chairman
Senate Committee on Finance
Bill Thomas, Chairman
House Committee on Ways and Means

Max Baucus, Ranking Member
Senate Committee on Finance
Charles B. Rangel, Ranking Member
House Committee on Ways and Means

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