



Briefing on the Inaugural Session of the U.S.-Russia Economic Dialogue

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MR. GALLEGOS: Good afternoon. I appreciate you all coming. Today, we have Under Secretary of State for Economic, Energy and Agricultural Affairs Reuben Jeffery III and First Deputy Minister of Foreign Affairs of the Russian Federation Andrey Denisov. They'll be discussing the Inaugural Session of the U.S.-Russian Economic Dialogue.

UNDER SECRETARY JEFFERY: Good afternoon. Thank you very much for sticking it out after a long day for this brief discussion. As you're aware from the press release that I think was reported out of here about a half an hour ago today, we, the United States and Russia, had the opportunity to have our first Economic Dialogue. The genesis of this dialogue came from the Sochi meeting of our two presidents, President Putin and -- President of Russia -- that took place two weeks ago where a strategic framework declaration was announced which had a variety of areas of ongoing cooperation and dialogue as between the United States and Russia, one significant component of which is the economic area. The United States and Russia for a long time have enjoyed very significant commercial relationships going back to the days when Russian fur traders actually came to Alaska and the West Coast, you know, a couple centuries ago.

Today, those relationships are very broad, very deep, very robust with the potential -- significant potential to expand our trading and investment relationship on a mutually advantageous basis. After all, the United States is probably the largest economy in the world. Russia, today, is a \$1.3 trillion economy based on the latest statistics. That would make them somewhere in the area of the seventh largest economy in the world.

In terms of specific topic areas, we began with an overview of U.S. economic developments, which are obviously on all of your minds, on the minds of people and governments around the world, and then we moved into specific topics in the trade and investment area, in the area of energy efficiency and energy security, and then we concluded with a discussion about how to create a more active business-to-business dialogue.

With that, I think I'd turn it over to my friend and colleague, Foreign Minister -- Deputy Foreign Minister Andrey Denisov, for his comments on today's discussion.

FIRST DEPUTY FOREIGN MINISTER DENISOV: Thank you, sir. Good evening. We have -- we had Secretary Jeffery and me and our colleagues, we had a full working day and discussed a lot of issues. Some of them have already been named by Mr. Secretary. I can add some -- a little bit. We discussed WTO accession for Russia, then we discussed investment -- investment legislation, investment process. We discussed how can both sides facilitate the process of negotiating new bilateral investment treaty. So we raised not only general issues, but specific, and I would like to say pragmatic matters as well.

I expect -- we expect further discussions on St. Petersburg economic forum in early June in St. Petersburg where a big American delegation will come, headed by Secretary of Commerce Mr. Gutierrez, and hopefully, hopefully, we'll continue our economic dialogue later this year, this time in Moscow. And I want to use this chance to extend my congratulation* to Secretary Jeffery to Moscow in early autumn, early fall, this year.

The dialogue was very fruitful, very useful, but at the same time, we see the need to make a next step, to come closer to establishment of some kind of institutional framework for trade and economic cooperation between our two countries, and hopefully, such a step to setting up such kind of mechanism which includes, as integral element, business-to-business dialogue will be done in the nearest future.

I can say, finally, that my delegation and me, we are completely satisfied with the outcomes of the dialogue today. Thank you very much.

MR. GALLEGOS: I believe the Deputy Foreign Minister and the Under Secretary have a few moments for questions. And why don't we start right here.

QUESTION: I have a question for Secretary Jeffery, if I may.

UNDER SECRETARY JEFFERY: Sure.

QUESTION: Speaking about such a declaration again, one of the points of the declaration is that the Administration will try its best to finally graduate Russia from the Jackson-Vanik amendment and give it PNTR status. I wanted to ask you what specifically the Administration does* to that end.

UNDER SECRETARY JEFFERY: Well, I think first and foremost, our priority has been to work closely with our Russian counterparts on the WTO accession process. There's a discussion going on as we speak in Geneva. We're working to see a so-called working party report emerge from that discussion which will further narrow the issue set that's being dealt with. There are any number of technical issues associated with WTO ascension*. There's a reason why these processes can take, in this case, 15 years. We hope quickly to wrap it to a close. That's the single most significant thing we can do and are doing and have been deeply involved with that effort, and quite intensively over a long period of time, but certainly over the course of the past 12 months.

The President, President Bush, has indicated his commitment to work on that process, to see it to a successful conclusion, as part of which would be to work with our Congress, the Congress of the United States, on the repeal of Jackson-Vanik.

QUESTION: Thank you. A question for both of you, if I may: About the timing of this initiative, the dialogue comes right at the end of both presidencies, essentially. The Putin presidency has about nine days left, the Bush presidency about nine months. Are you confident that this initiative will span different administration and will carry on with the new leaders in both countries?

And a technical clarification: How often will these meetings be taking place, as you envisage?

UNDER SECRETARY JEFFERY: Sure, why don't I start. I think we all have to keep in mind, as certainly those of us on this side of the dais as public servants, that leadership changes and personnel changes come and go over the course of time. And you correctly point out and we're all well aware that there's a leadership transition in process. The change of administration in Russia takes place on May 7th. Our own presidential election looms large in the media, will be resolved in November of this year.

What we're about here through this process is really putting together a formal dialogue on topics, and I speak here broadly about all of the work streams articulated in the Sochi declaration of significant mutual interest, which will endure beyond individual professional careers or individual presidencies or the lives of individual – the career – the professional careers of individual public servants.

So we very much hope that whatever work has been accomplished to date on the dialogue, again, across a variety of work streams, economics just being one of them and will be accomplished in the months to come will be something deemed worthy by the new administrations of each country to carry forward, again, in the spirit of broadening and deepening this important strategic, political and economic relationship between Russia and the United States.

FIRST DEPUTY FOREIGN MINISTER DENISOV: First of all, I want to share what Secretary Jeffery has said. And I want to add that that was our deliberate intention to launch such a dialogue now in order to ensure continuity of the trade and economic discussion which is not politicized and, therefore, has good opportunity to survive all the uncertainties of the forthcoming period. And the ground, the foundation for such kind of dialogue is our mutual interest in further developing trade and economic cooperation, which is – which has special value for us, for its own merit and a sort of safety net for overall interaction between two countries. Thank you.

QUESTION: (Off-Mike.)

FIRST DEPUTY FOREIGN MINISTER DENISOV: We decided to do it on a regular basis. Actually, that is our second meeting. The first one, initial one, was in Moscow. Here, we have, how to say, launched it. Next meeting, hopefully, will take place in Moscow in fall and then we'll see how to develop it further on. But my strong hope is that we'll be able to do it on a regular basis. Thank you.

MR. GALLEGOS: And we have time for two more. First, here.

QUESTION: Secretary Jeffery, I believe, if I'm not mistaken, you've completed a trip to Central Asia. Your talks with Mr. Denisov and his delegation, how much of the talks overlapped? Can you give us a little bit more detail, Mr. Denisov, as well, about the energy security that you talked about?

UNDER SECRETARY JEFFERY: Sure. Yeah, as you correctly point out, just purely coincidentally, I was – had the opportunity to travel to Central Asia last week. I visited each of -- Turkmenistan and Azerbaijan, had the opportunity to meet with the senior leadership in each of those countries. And I would characterize the discussions in each country, the substance of which related to a broad range of bilateral economic issues. While we did not specifically today in our discussions talk about the specifics of those visits, certainly, the issues set in many cases were similar, if not overlapping. We talked about the global economy, talked about the crisis the world faces right now with rising food prices and shortages of supplies in certain parts of the world. We talked about energy security. We talked about various aspects of that problematic, again, in each of those two countries. And then today, we had not -- discussions not about those two countries, but about that range of issues that affects our bilateral relationship.

On energy security, the emphasis today was on the need to, over time, in the fullness of time, broaden and diversify the base of energy supplies from traditional fossil fuels. We all recognize that oil and natural gas are going to be with us for the foreseeable future. But we all also understand the imperative of using technology to our advantage, the advantage of society to come up with alternative modalities of producing energy on an economic basis in a way that is environmentally respectful.

We – also, Ambassador Gray, who has been recently – Boyden Gray, who has been recently appointed by the President as special envoy for Eurasian energy related matters, spoke briefly about his belief and his hope and expectations for the role he is going to play going forward in that regard.

FIRST DEPUTY FOREIGN MINISTER DENISOV: Well, I confess I haven't asked Secretary Jeffery on his camel riding experience. (Laughter.)

MR. GALLEGOS: And our last question.

QUESTION: It is a question on the structure of this dialogue. It took off very quickly for government time. Do they anticipate there being subgroups or subcommittees of this dialogue, dealing with specific topics? And also, was intellectual property right discussed today?

UNDER SECRETARY JEFFERY: I think it's early to answer that question. But given the range of subjects, my own expectation is that we'll, by definition, devolve into some specific subgroups on particular technical topics.

Effectively, we already have a subgroup going. I referred to it earlier and that's the WTO working group, which has been – actually, is a great example of technical professionals on the side of each country, working constructively, cooperatively and intensively to achieve a common objective. Energy security, ultimately, I confess to not being – not on energy security -- but energy efficiency, not being an expert in all of the technologies involved. There are countless different technologies from biofuels to wind to solar to carbon capture and sequestration and any – a number of others. And that, by definition, will require subgroups of technical experts to figure out the best modalities of constructive cooperation and collaboration between our two countries. But we hope to do that under the framework as this evolves of the economic dialogue.

FIRST DEPUTY FOREIGN MINISTER DENISOV: Thank you. By now, we – so far, we have a set of dialogues on specific issues, like trade policy, energy, like investment. And what we need now is to combine all of them under one roof and that strong and capable business element, then it will work. Thank you.

QUESTION: One more question. Could we have –

MR. GALLEGOS: One more.

UNDER SECRETARY JEFFERY: Yes, ma'am. Please.

QUESTION: Anna Moya at *Russia Today*. Usually when it comes to U.S.-Russia relations, business relations, it's usually about the U.S. companies investing in Russia's developing economy. And a question to both of you, with a slight variation. How badly is – how badly are Russian companies needed to invest right now, given the current economic situation in the United States? And how interested are Russian company -- can we expect more Russian companies investing in the United States and what are the stumbling blocks, if any? So my question -- the second question is to you and the first one is to --

UNDER SECRETARY JEFFERY: Good. Let me just say that there is a – the trade and investment relationship between Russia and the United States is by no means one-way. It's very much bilateral. You look at the mutual trade flows, I think maybe the – it's about \$25 billion, roughly, equally divided between U.S. exports into Russia, U.S. imports from Russia. We can get you the specific numbers if you're interested.

And on the investment side, I could cite any number of examples of U.S. inward investment into Russia. And in the recent past, there have been a number of visible Russian investments in the U.S. And it's -- in fact, for that reason, we spent a lot of time today talking about the new – the CFIUS law in the United States and the implementing regulations that were just published last week.

QUESTION: But could – that didn't answer the question, though. How badly do you want Russian money, Russian companies investing in the United States?

UNDER SECRETARY JEFFERY: I think the hallmark of the U.S. investment policy, as articulated by President Bush, is to maintain an open and competitive and transparent investment environment. It's non-discriminatory as to the origin or source of that investment, but that provides, on our end, appropriate protections for national

security, legitimate concerns that we as a country and all of us as citizens of this country have. And that's the -- probably the best way I can answer that question. I mean, the United States of America welcomes investment from countries around the world, Russia no less so than anybody else, provided it's consistent with the rules and the regulations and the law of the land.

FIRST DEPUTY FOREIGN MINISTER DENISOV: Well, so far, we haven't noticed any decline of interest of business people in those countries to investment and to large-scale economic cooperation.

MR. GALLEGOS: Thank you all. Appreciate it.

2008/337

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 [BACK TO TOP](#)

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