

THE PRESIDENT'S EXPORT COUNCIL

WASHINGTON, D.C. 20230

June 6, 2012

President of the United States of America
The White House
Washington, DC 20500

Dear Mr. President,

We congratulate your Administration for supporting a WTO accession package for the Russian Federation based on strong commercial considerations. Following our letter of December 9, 2010, we welcome your Administration's efforts to work in concert with the business community and the United States Congress in a timely and determined manner to graduate Russia from application of the Jackson-Vanik amendment and extend Permanent Normal Trade Relations (PNTR) to Russia.

As you know, Russia will join the WTO this summer -- irrespective of any action by the United States Congress. However, in order for U.S. firms, farmers, ranchers and others to benefit fully from Russia's WTO Membership, U.S. parties must have PNTR to defend their rights in the Russian market. The United States does not lower one tariff line or open its market in any fashion as a result of Russia's WTO accession -- rather, the WTO accession has required Russia to bind its tariffs and open its markets to become a WTO member, and Jackson-Vanik graduation and PNTR status simply ensure U.S. industries will enjoy the same benefits from those commitments as our global competitors.

Graduating Russia from Jackson-Vanik will provide significant benefits to the U.S. economy. Russia is the ninth largest economy in the world, with an economic growth rate in the four percent range and more than \$320 billion in imports annually. American firms are well-positioned to increase exports to Russia (currently at \$11 billion) and our share of Russia's import market; U.S. companies account for only 4.5 percent of Russia's imports, while Europe holds a 40 percent share and China holds a 16 percent share. We can increase our share of Russia's market, but only if we have PNTR so that U.S. firms have the same market access as firms from other countries.

We would like to highlight a few of the sector opportunities in Russia for U.S. exporters:

Information Communications Technology: As its invitation to the WTO was unveiled, Russia reconfirmed its commitment to join the WTO's Information Technology Agreement, which ensures that IT products and telecommunications equipment will enter Russia duty-free. The telecommunication sector will also be further liberalized and allow more flexibility on foreign direct investment.

Intellectual Property Rights: Russia must comply with all of the obligations of the WTO TRIPS Agreement and its Protocol of Accession, which sets out minimum requirements for protecting and enforcing intellectual property rights.

Industrial Exports: Russia's average tariff for industrial goods will decline to approximately seven percent from the current average tariff of ten percent.

Agriculture: Russia imported more than \$30 billion of agricultural goods in 2011. Upon accession, average tariff rates on farm goods will drop from 13.2 percent to 10.8 percent. In addition, Russia's accession brings commitments to abide by the disciplines of the WTO Agreement on Sanitary and Phytosanitary Measures.

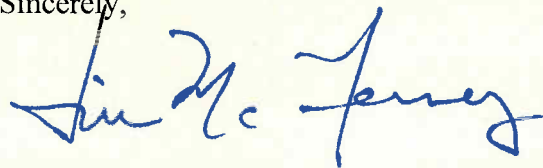
Automotive Sector: Sales of autos are expected to reach 2.8 million units in Russia in 2012, and it will be the largest car market in Europe by 2015. In 2011, U.S. motor vehicle exports to Russia hit a peak of nearly \$1 billion, and that figure is expected to significantly increase in 2012.

Environmental and Energy Services: Russia is the third largest energy-consuming country in the world, and investment in energy efficiency is a priority for the Russian government. Additionally, it is estimated Russia will need to spend \$450 billion to upgrade or build infrastructure for water and sanitation, and the United States has been a top supplier of water treatment equipment to Russia in recent years.

Services: Russia is undertaking legally enforceable market access commitments covering audio-visual, distribution, express delivery, energy, and financial services (including insurance, banking, and securities). Its commitments provide for 100 percent foreign ownership of banks and non-life insurance firms.

Any delay in granting PNTR status to Russia could place American companies and workers at a significant competitive disadvantage to our foreign competitors when Russia joins the WTO this summer. We urge you to work closely with the Congress to provide PNTR prior to Russia's WTO ratification so that American companies and workers do not lose out on significant economic opportunities in the Russian market. We are fully committed to working closely with your Administration and the Congress to achieve a successful vote on PNTR prior to Russia's WTO ratification and to secure these benefits for American manufacturers, service providers, farmers, ranchers and others.¹

Sincerely,



Jim McNerney

¹ Please note this letter was prepared by the private sector appointed members of the PEC.