

# MILESTONES IN U.S.-RUSSIAN HISTORY

MARKET ECONOMY STATUS, AND A LITTLE RESPECT, FOR RUSSIA

by William Corley

*Export America*

On June 6, 2002, the U.S. Department of Commerce (DOC) formally declared Russia a market economy. The declaration follows a nine-month, quasi-judicial process; the resultant market designation is rather technical and will primarily affect future anti-dumping investigations. This is but a small step in Russia's integration into the global economy and its elite multilateral organizations. However, this step represents another in a series of favorable developments in U.S.-Russian relations.

The announcement of market economy status follows a remarkable thaw in geopolitics. At the end of May, Russia and the United States agreed to cut their nuclear arsenals by two thirds over 10 years. Russia also joined the NATO summit in Rome to formalize its deepening relationship with the alliance. Yet these breakthroughs have been eclipsed by economic news as Russia has gained market economy status from the

European Union and the United States and taken one step closer to its distant goal of membership in the World Trade Organization (WTO).

## A NEW ERA

Russia has changed dramatically in a decade, with noteworthy differences in its development and in U.S.-Russian relations. Ten years ago, on June 17, 1992, the DOC hosted a U.S.-Russia business summit in Washington, DC. At that time, the United States and Russia announced several agreements and joint declarations on commercial issues. The June 29, 1992, issue of *Business America*, the biweekly pre-decessor of *Export America*, described these accords, including a bilateral investment treaty; a treaty for avoidance of double taxation; an agreement on trade relations; and several bilateral programs for cultural, commercial, defense, and diplomatic cooperation and exchange.

The same issue of *Business America* carried a story about the opening of

the DOC's Business Information Service for the Newly Independent States (BISNIS). Ten years later, BISNIS and CEEBIC, its Eastern European cousin at the DOC, continue to provide valuable assistance to U.S. companies that do business in Russia and its neighboring countries.

A decade after the bilateral business summit at the DOC, Russia and the United States have deepened their ties and pledged further political and economic cooperation. This represents a long evolution of relations from 1992, the first year of Russia's statehood after the dissolution of the former Soviet Union.

Russia has come a long way since that fateful year, when it was beginning to implement so-called shock therapy reforms that would bring a painful transitional period of structural adjustment. Russia's transition to a market system in the 1990s included hyperinflation and plummeting output, followed by a period of stability, and then the financial crisis of 1998.

Russia has, against heavy odds and despite global recession, strung together three straight years of solid economic growth. This year, Russia's real GDP may grow 3.5 to 4 percent while inflation drops well below the 20 percent mark.

Much remains to be done in Russia. Critics cite corruption, bureaucracy, and lack of transparency and rule of law as some of the many reasons why Russia does not belong — or is incapable of functioning well — in the world economy. Admittedly, Russia barely makes the WTO's 2001 list of the world's top 20 exporters, accounting for less than two percent of global merchandise trade. The country does little better in rankings of emerging markets as recipients of foreign direct investment.

It is easy to forget that Russia's 144 million people have lived through more difficult times with greater challenges. However, change is in the air. It remains to be seen this decade just how far Russia will go in reforming itself, developing its economy, and developing multilateral relationships.

#### TO RUSSIA WITH LOVE

The DOC is among the optimists regarding Russia, supporting U.S. companies with exports to Russia totaling more than \$2.7 billion and direct investments of nearly \$1.1 billion in Russia last year. As Commerce Secretary Donald Evans indicated during his recent third trip to Russia for the DOC, it is important to further trade with Russia. "The benefits of open trade are universal, and the rewards of increased trade between our countries will be felt on every Main Street, factory floor and farm in the United States and Russia," Evans said. "President Bush and President Putin are committed to strengthening our trade ties, and I am optimistic

that because of their common objectives trade between our nations will continue to expand."

If the last decade is any indication of the future, Russia will continue its successes in diplomacy and economics — although perhaps not at a rapid pace. The signs are good. On the same day that the United States granted Russia market economy status, Russia's central bank announced plans for a major overhaul of the banking industry. We'll report back — in less than a decade.

#### FURTHER READING

The March 2002 issue of *Export*

*America* featured the new U.S.-Russian relationship and commercial opportunities in Russia. See [www.trade.gov/media](http://www.trade.gov/media) for a fact sheet about Russia's market economy status. Visit [www.bisnis.doc.gov](http://www.bisnis.doc.gov) for commercial information and trade opportunities regarding Russia and its neighbors. ■

