

Conditions for the Growth of U.S.-Russian Commerce Post-Iraq

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The U.S.-led war against Iraq posed a test of our relationship with Russia. Given Russia's unwillingness to support the war, could the relationship survive intact through an uncomfortable diplomatic circumstance and could commerce sustain itself over the short- and long-term?

The answer to these questions is yes, and that is good news for the survivability of our business relations with Russia. We have realized that we can agree to disagree and that ironclad uniformity of opinion over complex issues in international politics is an unachievable goal.

In past writings I have analyzed conditions essential for the growth of U.S.-Russian business. These factors include cessation of the flight of Russian domestic capital; internal confidence in the viability of market reforms; an increase in business confidence in Russia; an improvement of the media image of Russia; and removal or a significant reduction of U.S.-based trade barriers such as the Jackson-Vanik Amendment and Russian accession into the World Trade Organization.

Now that the war is behind us, and the June 1 Summit in St. Petersburg is history, let's take stock.

- Observe the significant meaning of President Putin's comment to President Bush in St. Petersburg: "*I must say that the fundamentals between the United States and the Russia turned out to be stronger than the forces and events that tested it.*" Translate: Strong fundamentals can be expected to guide the future U.S.-Russian relationship. That means stability and predictability for business ahead. The areas of alignment of our bilateral interest are greater than disintegrating forces. They include counterterrorism, reduction of nuclear stockpiles, growth of trade in energy products and countering Islamic fundamentalism, to name a few.

- An important document was signed in St. Petersburg, the Russo-American Strategic Offensive Reductions Treaty, signed by Bush and Putin. It signals a new strategic relationship and supports the bilateral pursuit of strategic stability and international security and strengthens non-proliferation. This is a good sign.

- We can expect ongoing political stability in Russia under Putin. Russian presidential elections are slated for March 2004, and there is every reason to expect continuity in the current presidential administration.

- "It's the economy, stupid!" What is really driving confidence in Russia now is strong economic performance. Premier Kasyanov recently announced that investments in 2003 are four-fold over the same time in 2002 and that capital flight is significantly reduced. The economy is growing at 4-5% annually, and inflation is in check (not to exceed 12% in 2003, expected to drop in 2004). GDP in 2002 grew 4.3%, and 6.4% first quarter 2003. Will it continue? Best guess: Don't believe recent speculations that conditions now approximate those of 1997 and Russia is getting ready for another big crash. It's mindless rumoring and, in my estimation, you can expect steady, consistent long-term growth.

- Areas requiring greater commitment to conflict resolution? There are many such areas, and they include resolving issues surrounding anti-dumping disputes; Russia's entry into the WTO; Russia's trade protection policies on U.S. pork, beef and poultry. But haggling and jockeying over economic interests is normal, and not a major deterrent to cooperation.

You can expect that the fundamental underlying conditions for the expansion of U.S.-Russian commerce in the post-Iraq period are better than they ever have been and that the stars line up in favor of more investment and trade.