

ROBERT HORMATS SPEECH AT THE MEETING WITH STUDENTS OF MSE MSU

I want to thank all of you for coming this afternoon to what I hope will be an interesting conversation between us. An opportunity to speak to you today is very important for me. This morning I had a chance to meet with number of officials from the Russian government but I think it's also important to meet with the students who going to be, over the course of your careers, focusing exactly on that kind of issues our governments are discussing today. You are the future of Russia and you are also the future of the world. You are going to confront the issues we are focusing on in the course of talks between the leaders and at the G- 20. Let me just say that what makes it particularly pleasurable for me to be here is that when I was in government 20 years ago the World was a very different place for many reasons. May be a lot of you were not even born at that time but we were in the middle of the cold war and there was enormous distrust on both sides. The cold war was, as all of us know, a very dangerous period and there were threats from each country to the other and a very costly and dangerous arms race was on the way. And the other part of the cold war was that two sides were constantly trying to score points on one another and act to the others disadvantage in global economy and global politics. Fortunately that awful period is over and no longer are we trying to score points with one another on the global scene. On the contrary, there is a generally held view among my colleagues in Washington and there is a view from Moscow as well, that we have a Global economy and a strong Russian economy is in the interest of the United States and a strong American economy is in the interest of Russia. Moreover, it is in the interest of Russia and the United States to work together on the problems of Global financial crisis, to deal with energy issues, to deal with global trade issues, to deal with global environmental issues, to address issues such as pandemic diseases . So, the whole context of Russian-US relations has changed very dramatically and that I would like to discuss with you. Let me quote President Obama, because it seems to me that it sets the right tone for our discussion: "We think there is an opportunity to put US-Russian relations on much stronger footing than it has been in the past." We may not agree on everything but I think that we can have the tone of mutual respect and hold consultations that will serve both American people and the Russian people as well. And I believe this to be the case.

My work and the work of my colleagues in the State department and other parts of the US government is to help translate the changed tone of US-Russian relations into actual achievements on the economic front. And that's what we are trying to do today during our conversations. State Secretary Hillary Clinton observed during her meetings here in July: "I believe strongly that USA and Russia must be partners not only for the future of our country and our people but for the future of the World." If you look around our Planet today - you have a spectacular ray of challenges from threats to global security to economic threats and threats to a fragile environment. Russia stands out as a land of almost unlimited talents and potential and can contribute to solution of these problems. I believe that our world would be vastly better if the intellectual energy that resides in both our countries is focused on working together to grasp these common challenges. Now let me just go through some of these challenges and how we might deal with them at this critical point in the history of world economy. I think that the global community has successfully dealt with the immediate challenges of the financial crisis. But we are still faced with decisions that will determine weather or not the world will emerge stronger from this crisis economically and with a kinds of institutions that are suited to tackle these global financial and economic difficulties. Russia has an important role to play in strengthening the global economic architecture. Russia is already a member of major institutions , it' a member of the Group of 8, it's a member of the Group of 20, it's member of the International Monetary Fund, it's a member of the World Bank, a member of various regional groupings. And what reforms that are necessary to address global issues are going to be, will be decided in these global institutions. We in the United States also desire very much that Russia, which is so successful in working together with us and other countries in many global institutions, also become a member of WTO and the OECD. This will help Russia to play even stronger role in

dealing with a number of these global issues. We strongly support Russia's WTO accession. As a WTO member Russia will have additional weight as a leader in shaping the new global architecture and the rules of international economics engagement on trade and on a variety of other issues. Membership will also increase access to a broader range of goods and services for the Russian people and the people of the world. That will also help to diversify Russian economy and will raise Russia's standing in the international business community. The United States is actively working with Russia and with other countries to help Russia find the way of entering the WTO and to make that kind of changes that are needed to enable Russia to enter the WTO. We are also interested in working with Russia in the Group of 20 as a major organization of world leaders. I had a pleasure to participate at Pittsburgh summit where your President and our President held discussions. We see cooperation between the United States and Russia as extremely important. No major economic issues today can be dealt with without all economic powers sitting down together - whether it's energy, whether it's financial crisis, whether it's dealing with pandemic flu - we need Russia to participate and I think Russia needs America to participate as well. The recently concluded APEC Summit which took place just a few weeks ago in Singapore also points to an opportunity that our countries should work together at the Pacific. And we and Russia are working closely in APEC organization, Russia is going to host an APEC summit in 2012 and this provides an enormous opportunity. If you look at Russia - one of the very interesting things about Russia and the same about the United States - is that a lot of our economic focus is moving towards the Pacific basin. The Sahalin-1, Sahalin-2 increased energy production in Siberia and in the Russian Far East, many projects are focused on the developments in East Asia. And there are a lot of opportunities in the Pacific basin for creating jobs. Also I think it's important to put in place and balance recovery. We are focused of the Pacific, Russia is focused on the Pacific and the A Pact organization provides an opportunity for doing this and effectively for both our countries. Also I think it's important to put in place sustained and balanced recovery. A lot of work have been done between our two countries to hold this financial crisis. We've seen a lot of progress on both sides. The Russian economy is turning up in many ways and the same in the United States. The crisis hit the Russian economy and the United States economy both very hard. The cooperation between us will help to deal with this financial crisis and this is important. Think how different this is from what happened in 1920-s-30-s when all countries, instead of working together to get out of the crisis, decided to engage in all sorts of policies that were detrimental to the whole system.

The United States and Russia are increasingly united by trade and investment. This is a positive development that we see as encouraging. This is demonstrated not only by the worldwide impact of the recent crisis but also by the positive results of many fruitful cross border partnerships that already exist and develop even further. At the governmental level we have a new institution that deals with problems of cooperation and economic affairs and that's the one that I've been talking to your leaders and your ministers about today. It's called the Bilateral Presidential Commission. It was launched by our presidents in July with many working groups to discuss many types of issues. It is already making progress in defining and achieving goals, important goals in a range of areas. In the area of communication policy for instance we hope to bring representatives from the State department and other US government agencies to Russia next spring. We are also interested in establishing a constructive bilateral dialogue with our Russian counterparts on telecommunications and information technology. These are areas where there is enormous expertise on both sides. Russia has very strong expertise in telecommunications technology so does the United States. And there is enormous opportunity for us to work together. At the technical level there are a number of our companies that have invested here and have major presence here - Intel, Microsoft and, I think, as we look down the road, areas of cooperation in these fields can produce enormous results, scientific results that will be very beneficial to Americans and to Russians as well. We also intend to increase commercial flows between our two countries. Bilateral trade between the United States and Russia has more than doubled in the last four years but it's still far too low by international standards. If someone came down from

Mars and looked at these two big countries – Russia is big, America is big - and saw the relatively small amount of trade that takes place and the relatively small amount of investment that takes place, they would be very surprised. The USA has more trade and more investment in Ireland than it does in Russia. And it does seem to me that as we normalize and develop more constructive relations between us there is room for even more cooperation in these areas. We believe there is a room for cooperation in such things as agriculture, machinery, high technology, aviation and the variety of areas. There are a number of areas that have to be dealt with and we are going to work between American authorities and Russian authorities to this end. Since 1991 US investors have seen direct investments in Russia's economy as a significant growth opportunity. Here too there are steps that can be taken to help investment flows to reach their potential. There are a number of areas where our governments can support this process. I think it's important that they create a legal, financial and social environment that allows free market operate efficiently and transparently. The receptivity of Russia to foreign investment with respect to legal procedures with respect to welcoming environment can lead to a great deal more American investment and that can lead to a great more jobs being created for Russians in this country. And not just jobs but we think very good jobs.

We in the United States welcome foreign investments and we have legal and social environment that is conducive to these investments because we see that foreign investments in the United States have created millions and millions of jobs for Americans. Virtually every Governor in the United States has a very positive program for attracting investment to his state. And I think that this can be extremely useful in terms of job creation. And if the Russian leadership takes the same view a lot of foreign investment can be helpful to Russia. In fact, we have a very competitive world environment, in which many countries are competing for foreign investment - Russia, China, Vietnam, Indonesia, Brazil etc. So the competition around the world for capital is enormous. For Russia to participate energetically in that competition means to look very closely at its laws and regulations and legal environment to make sure these are conducive to make foreign investors coming in. Our private sector has played a very constructive role in Russian economy and in building foreign relations. Microsoft recently announced that it will invest two hundred million dollars over the next three years. This includes an establishment of a technology center where Russian scientists will be partners. Intel has some one thousand employees in Russia. It's software division here is the second largest outside the United States. These are big companies with good jobs contributing to Russian economic growth. The American company SISCO Systems has invested millions of dollars in a joint venture capital fund that is investing in Russia in hi-tech companies. Some of them are big, others are small but look what Google have sorted out from a very small company built in part by Russian with a little bit of venture capital. Boeing - an aviation company has been in Russia for fifteen years training the next generation of Russian engineers. It also has formed a joint venture with Russia's largest titanium company to provide raw materials and produce finished parts for the Boeing 787. These are examples of companies that are making investments in Russia, there are other companies that are interested in investing in Russia and I think the key is the Russian environment, legal and regulatory environment being more inviting to some of those companies. It is also important, I think, to recognize that your President has identified in his speech on November 12th the importance of turning Russia into an innovation economy. The private sector in the USA considers Russia to be a serious partner in dealing with a number of areas of potential innovation. Both United States and Russia benefit from high technology investments in areas that can produce a great deal of innovation. The fact is that the companies that I mention are among the best advertisements for areas in which the USA can work together to achieve great things. They increase the notion of American stakeholders in Russian economic success. These investments are not just about jobs, they give each of our societies a vested interest in the success of the other society and I think this is very important. We also seek steps from the Russian government to help us make our companies feel more comfortable in investing in Russia. That is something that I think is

extremely important. If we can work with the Russian government on that kind of regulations, on that kind of legal changes we can see a lot more companies investing in Russia.

Let me make a few broader points about trade relationship. We will see trade changing very dramatically in the world over the next several years if world economic recovery picks up. More broadly we are not simply focusing on trade, we focused on a whole range of issues where our peoples, our companies and our governments can work together. Scientific research, medical research, work on the environment where a lot of work needs to be done, work on investment, as I mentioned, aviation, information technology - a wide range of things should be part of a dialogue that we are proposing. And the fact is that our two Presidents are the ones who are the leaders of this Bilateral Presidential Commission and this underscores the priority that both our countries attach to this. So we are not simply talking about an ad hoc relationship we are not simply talking about relationship in one area or the other. We are talking about better relationship between these two great societies with a lot of intelligent people with enormous scientific capability. The Russian scientific community is world famous in many areas. We are talking about a relationship that is both broad and deep and the relationship in many-many areas not just for today or tomorrow but for the next 10-15-20 years. The opportunities are enormous. There are always going to be frictions. There are frictions between big economies throughout the world. The United States has frictions with Canada, with Mexico etc. Nothing is going to be perfect. But I think there are so many areas where interests converge, that it's very much up to us to first of all identify these interests areas where interests converge and second to develop them with practical results that can benefit our economies and our peoples. And in those areas where difficulties occur, to find ways of managing them. And that really should be objective, pragmatic dialogue. We are not going into this with expectations of resolving all these issues. A period of distrust existed between our countries for forty years during the cold war. Now we have to find the way of looking at ourselves and at one another through a different prism. That's a prism of cooperation, a prism of identifying opportunities for our two countries where we can work together. And I, as a representative of the Obama administration, believe that this is an extremely important task and the president of the USA believes that at the period of great opportunity the question is - can we take advantage of this opportunity and can we identify those areas of cooperation where we can achieve progress.