

# BACKGROUND

No. 2687 | MAY 14, 2012

## After WTO Membership: Promoting Human Rights in Russia with the Magnitsky Act

*Ariel Cohen, PhD, and Bryan Riley*

### Abstract

*Russia's accession to the World Trade Organization (WTO) will put U.S. companies at a disadvantage with their global competitors unless Congress first exempts Russia from the application of the Jackson–Vanik Amendment, a tool from the 1970s designed to promote human rights that no longer advances that goal. Russia admittedly suffers from weak rule of law and pervasive corruption, but Congress should pass new human rights legislation rather than try to uphold Jackson–Vanik beyond its utility. Then, Congress should grant Russia permanent normal trade relations status, which will promote transparency, property rights, and the rule of law in addition to the expected economic benefits for U.S. companies.*

In a few months, Russia will become a member of the World Trade Organization (WTO). U.S. businesses will not be able to benefit from the concessions Russia made to join the WTO unless Congress first repeals the Jackson–Vanik Amendment, a powerful tool that the U.S. successfully used to promote human rights in Soviet Russia and other countries which restricted emigration during the Cold War. Failure to repeal Jackson–Vanik could place U.S. companies at a disadvantage while companies in other WTO members benefit from significantly increased access to the Russian economy.

Regrettably, the Obama Administration did not work with Congress to resolve these issues before agreeing to Russia's accession to the WTO. Because accession of a new member requires the unanimous assent of WTO members, the Administration could easily have delayed Russian accession. Now, Russian accession will put U.S. businesses at a disadvantage in Russia until Congress repeals Jackson–Vanik.

To avoid such a scenario, Congress should extend permanent normal trade relations (PNTR) to Russia and press for trade reforms that are in the best interests of the United

### TALKING POINTS

- Because of Russia's imminent accession to the World Trade Organization (WTO), U.S. companies could be placed at a severe disadvantage in Russia due to the continued application of the Jackson–Vanik Amendment.
- The U.S. should grant Russia permanent normal trade relations status, but only after updating its tools for protecting human rights in Russia by replacing the Jackson–Vanik Amendment with the Sergei Magnitsky Act.
- Flush with revenue from energy exports, Russia has reemerged as a major player on the world stage. Regrettably, Moscow's ambition and newfound wealth have also facilitated the spread of its corrupt domestic business practices to the international community.
- Extending PNTR to Russia would promote transparency, property rights, and the rule of law.
- U.S. agencies should cooperate with Western allies to combat corruption, money laundering, and other illicit activities.
- Today, Russia, although authoritarian and corrupt, allows free emigration and has thriving Jewish communities.

This paper, in its entirety, can be found at <http://report.heritage.org/bg2687>

Produced by the Douglas and Sarah Allison Center for Foreign Policy Studies

**The Heritage Foundation**  
214 Massachusetts Avenue, NE  
Washington, DC 20002  
(202) 546-4400 | [heritage.org](http://heritage.org)

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

States while supporting the cause of human rights in Russia and around the world. The Sergei Magnitsky Rule of Law Accountability Act (S. 1039 and H.R. 4405) would accommodate Russian membership in the WTO, while signaling the long-term American commitment to the rule of law and human rights in Russia and other countries.<sup>1</sup>

### A Human Rights Tool Designed for a Different Time

During the Cold War, the Jackson–Vanik Amendment was an important tool for promoting human rights in the Soviet Union and beyond. Attached to the U.S. Trade Act of 1974, the amendment restricts trade with nonmarket economies that limit freedom of emigration and other human rights. It was the U.S. response to Soviet “diploma taxes” on Jews attempting to emigrate from the communist state.

Congress has since granted permanent normal trade status to 10 countries that were targeted by the Jackson–Vanik Amendment<sup>2</sup> (see Table), but not Russia. Russia remains on the dwindling list of countries subject to the Jackson–Vanik Amendment even though it is no longer relevant in the 21st century.

In post-Soviet Russia, the circumstances that prompted the Jackson–Vanik Amendment no longer apply. The U.S. government officially lifted Russia’s status as a nonmarket economy on April 1, 2002. The United States has also granted Russia

### Countries Graduated from Jackson—Vanik

Country	Legislation	Date Effective
Hungary	Section 2, P.L. 102-182	April 14, 1992
Czechoslovakia	(Split into the Czech Republic and Slovakia)	January 1, 1993
Bulgaria	P.L. 104-162	October 1, 1996
Romania	P.L. 104-171	November 12, 1996
Mongolia	Section 2424, P.L. 106-36	July 1, 1999
Albania	Sections 301 and 302, P.L. 106-200	June 29, 2000
Kyrgyzstan	Sections 301 and 302, P.L. 106-200	June 29, 2000
Georgia	Section 3002, P.L. 106-476	December 29, 2000
Armenia	Section 2001, P.L. 108-429	January 7, 2005
Ukraine	P.L. 109-205	March 23, 2006

“normal” trade relations under an annual waiver of Jackson–Vanik provisions every year since 1992. Today, Russia, although authoritarian and corrupt, allows free emigration and has thriving Jewish communities. Russian Chief Rabbi Berl Lazar even asked President George W. Bush to repeal the amendment.<sup>3</sup>

Any human rights violations not part of the legislative intent of Jackson–Vanik at the time of its adoption can and should be addressed in other, more effective ways. As Jackson–Vanik covered not just Russia, so should its successor legislation. Furthermore, Congress has more effective ways of addressing legitimate concerns about Russian

business and economic practices, such as Russian state-affiliated officials and business entities that are exporting corruption.

### Corruption and Human Rights Violations in Russia

In Russia, human and property rights violations are undermining the state and preventing investment and business development. Weak rule of law and pervasive corruption, including the failing court system and law enforcement, are at the heart of persistent rights violations. Western and domestic investors and Russian citizens face these challenges every day. President Vladimir Putin, former president Dmitry

1. RIA Novosti, “Updated Magnitsky Act Introduced in U.S. Congress,” April 20, 2012, <http://en.ria.ru/crime/20120420/172935614.html> (accessed April 27, 2012).  
2. Vladimir Pregelj, “Normal Trade Relations (Most Favored Nation) Policy of the United States,” Congressional Research Service Report for Congress, December 15, 2005, [http://assets.opencrs.com/rpts/RL31558\\_20051215.pdf](http://assets.opencrs.com/rpts/RL31558_20051215.pdf) (accessed April 27, 2012).  
3. Interfax, “Russian Rabbi Slams U.S. Refusal to Repeal Jackson–Vanik Amendment,” October 15, 2008, <http://www.interfax-religion.com/?act=news&div=5261> (accessed April 19, 2012).

Medvedev, and other Russian leaders have bitterly complained about the state of affairs, but have done little to improve things.

Russia's economic prosperity under Vladimir Putin helped Russia reemerge as a major player on the world stage. Russia's gross domestic product (GDP) increased from approximately \$250 billion after the 1998 crisis to \$1.8 trillion 10 years later, before the world financial crisis. Increased oil and natural gas exports—Russia has the seventh largest oil reserves and the largest gas reserves in the world and is the leading exporter of oil and gas—coupled with the higher prices for other Russian commodity exports, have largely driven this economic comeback. Russia uses the revenue from energy exports combined with revenue from arms sales, metal exports, and foreign investments, including in the mining and energy sectors, to extend Russian influence worldwide.<sup>4</sup>

The Kremlin has also used energy exports to Europe as a foreign policy tool, most notoriously through threats to disrupt oil and gas exports to countries that oppose Russia's perceived national interests. Russia has also acquired or is acquiring energy companies and infrastructure, including pipelines, refineries, and other assets in more than a dozen other European countries. This economic expansion is rife with corruption and influence peddling.<sup>5</sup> Russia's geo-economic ambitions cover the entire former Soviet area

and have negative implications for the security of Europe's energy supply.<sup>6</sup> Moscow's ambition and newfound wealth have spread its corrupt domestic business practices to the international community.

This wave of corruption should make gathering actionable intelligence on questionable Russian activities and punishing the culprits a priority for the U.S. and its allies.

---

**THE KREMLIN HAS ALSO USED ENERGY EXPORTS TO EUROPE AS A FOREIGN POLICY TOOL, MOST NOTORIOUSLY THROUGH THREATS TO DISRUPT OIL AND GAS EXPORTS TO COUNTRIES THAT OPPOSE RUSSIA'S PERCEIVED NATIONAL INTERESTS.**

---

**The Magnitsky Case.** The death of Sergei Magnitsky has come to symbolize the systemic and often violent corruption pervading the Russian state. Magnitsky died in jail awaiting trial on fabricated charges of tax evasion and tax fraud. He was jailed after he accused Russian officials of a sophisticated swindle to obtain a \$230 million tax rebate from the Russian treasury.

The Magnitsky story began with the expulsion of U.S.-born investor William Browder from Russia in 2005. Browder, a British citizen, was co-founder of Hermitage Capital, once the largest hedge fund in Russia. Hermitage had leaked evidence of corruption in the Russian

government to the press on several occasions. Browder was subsequently expelled under the pretense that he posed a threat to national security, although the Russian government has not disclosed any details. Police raided the Moscow office of Hermitage Capital on June 4, 2007.

In the course of his work, Sergei Magnitsky, a 37-year-old Firestone Duncan attorney representing Hermitage Capital, uncovered a giant scheme involving the embezzlement of \$230 million from the Russian treasury by law enforcement and tax officials. Magnitsky was conveniently detained in 2008 and died in isolation at a Russian prison in November 2009.

An investigation ordered by then-President Dmitry Medvedev and the Russian Presidential Council on Human Rights determined that Magnitsky died after he was denied medical care and beaten by the guards. However, those involved have not been punished, but have remained in power, and some have even been decorated or promoted. In April 2012, Russian state prosecutors dropped charges against the chief doctor at the prison after the statute of limitations expired. The physician had been accused of negligence in Magnitsky's death.<sup>7</sup> Other officials implicated in Magnitsky's death have not been punished to date.

In late July 2011, the U.S. Department of State placed 64 Russian officials involved in Magnitsky's death on a visa blacklist, prompting protests from the Russian

---

4. Ariel Cohen and Lajos F. Szaszdi, "Russia's Drive for Global Economic Power: A Challenge for the Obama Administration," Heritage Foundation *Background* No. 2235, January 30, 2009, <http://www.heritage.org/research/reports/2009/01/russias-drive-for-global-economic-power-a-challenge-for-the-obama-administration>.

5. Ibid.

6. Andrew Osborn, "Vladimir Putin's Eurasian Union: Excerpts," *The Daily Telegraph*, October 5, 2011, <http://www.telegraph.co.uk/news/worldnews/europe/russia/8806748/Vladimir-Putins-Eurasian-Union-excerpts.html> (accessed April 27, 2012).

7. Nataliya Vasilyeva, "Russia Drops Charges in Lawyer's Prison Death," ABC News, April 9, 2011.

government. Blacklisting the officials may have been an attempt by the Obama Administration to preempt and undermine support for the Sergei Magnitsky Rule of Law Accountability Act of 2011.<sup>8</sup>

**The Khodorkovsky Case.** In 2004, Mikhail Khodorkovsky was Russia's wealthiest man and the chairman and chief executive officer of the Yukos Oil Company. In 2003, he was arrested on charges of tax fraud, and in 2005, he was sentenced to nine years in prison, which was later reduced to eight. In a second show trial in December 2010, he was sentenced to 14 years in prison to run concurrent with his first sentence. After Khodorkovsky's conviction, the Russian government auctioned off Yukos Oil at a sharply discounted price to Rosneft, Russia's state-run oil company in 2006, effectively expropriating without compensation the investments of Yukos shareholders, including many American small investors and mutual funds.

In reality, Khodorkovsky ran afoul of the Putin administration because of his calls to curb corruption and because some Putin associates coveted parts of this lucrative company. The repeated political and financial prosecutions of Russia's wealthiest man, his partners, and his shareholders have lacked any substantial legal basis. The show trial served to intimidate and

control other oligarchs that might consider disobeying the Kremlin.<sup>9</sup> Amnesty International has recognized Khodorkovsky as a political prisoner.

**Fighting Russian Corruption.** Intelligence is critical in gathering the evidence necessary to secure convictions in courts of law. Such intelligence includes, for instance, Russian banks providing credit card support for child pornography websites. The U.S. should lead in expanding international cooperation among law enforcement agencies to prevent and stop complex transnational crimes, such as money laundering and other crimes involving current or former Russian government officials, oligarchs with close ties to Russian political leaders, intelligence operatives, and persons with ties to organized crime. When Russian entities violate the law,<sup>10</sup> the U.S. and its allies should aggressively prosecute the offenders, confiscate illegally laundered funds and properties acquired with illegally procured funds, and deny visas to government and business figures who are involved in illicit activities.<sup>11</sup>

### **The Sergei Magnitsky Rule of Law Accountability Act**

The Sergei Magnitsky Rule of Law Accountability Act, introduced by Senators Ben Cardin (D-MD) and John McCain (R-AZ) in the Senate

and Representatives Ed Royce (R-CA), Chris Smith (R-NJ), and Jim McGovern (D-MA) in the House of Representatives, would "impose sanctions on persons responsible for the detention, abuse, or death of Sergei Magnitsky, for the conspiracy to defraud the Russian Federation of taxes on corporate profits through fraudulent transactions and lawsuits against Hermitage, and for other gross violations of human rights in the Russian Federation."<sup>12</sup>

While named after Magnitsky, the bill would target human rights abusers around the globe by denying U.S. visas to individuals guilty of massive human rights violations and freezing all of their assets within the purview of the U.S. government. The legislation could also apply to the case of Mikhail Khodorkovsky, whose Yukos Oil Company was expropriated by the state for trumped up tax violations and its assets sold to the Rosneft national oil company.

The Magnitsky bill has prominent supporters, including David J. Kramer, president of Freedom House and former Assistant Secretary of State for Human Rights in the George W. Bush Administration. He testified that the Magnitsky bill, even before passage, has already "done more for the cause of human rights [in Russia] than anything done by the Obama Administration ... or by the Bush Administration."<sup>13</sup> Seven

8. Sergei Magnitsky Rule of Law Accountability Act of 2011, S. 1039, 112th Cong., 1st Sess., <http://www.gpo.gov/fdsys/pkg/BILLS-112s1039is/pdf/BILLS-112s1039is.pdf> (accessed April 17, 2012).

9. Khodorkovsky & Lebedev Communications Center, "Khodorkovsky & Lebedev Communications Center," <http://www.khodorkovskycenter.com/> (accessed March 28, 2012).

10. These include the PATRIOT Act, especially Section 312 (proceeds of foreign corruption); the Foreign Investment and National Security Act of 2007; the Defense Production Act of 1950; money laundering laws; the Foreign Corrupt Practices Act; and the similar laws of U.S. allies.

11. Cohen and Szaszdi, "Russia's Drive for Global Economic Power."

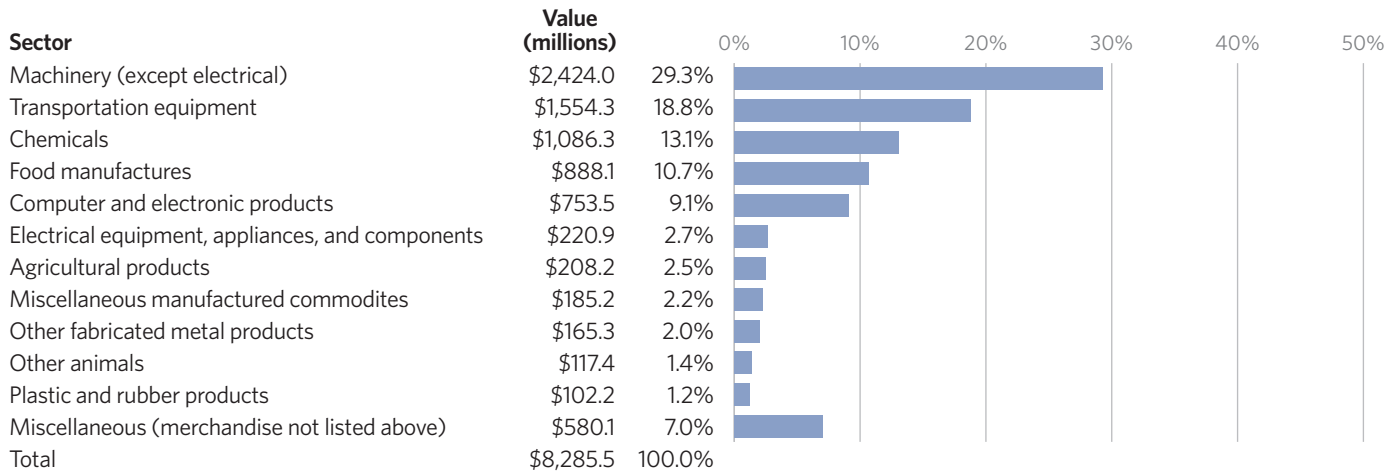
12. Sergei Magnitsky Rule of Law Accountability Act, preamble.

13. David J. Kramer, "The State of Human Rights and Rule of Law in Russia: U.S. Policy Options," testimony before the Subcommittee on European Affairs, Committee on Foreign Relations, U.S. Senate, December 14, 2011, <http://www.freedomhouse.org/article/state-human-rights-and-rule-law-russia-us-policy-options> (accessed April 19, 2012).

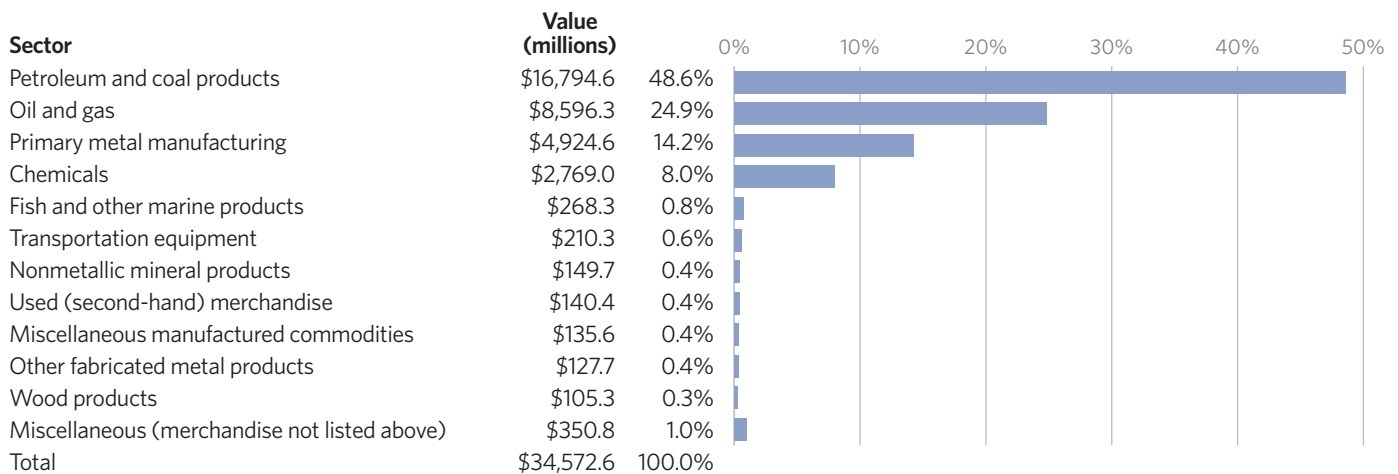
CHART 1

## U.S. Trade With Russia: Exporting Machinery, Importing Energy

### U.S. EXPORTS TO RUSSIA, FY 2011



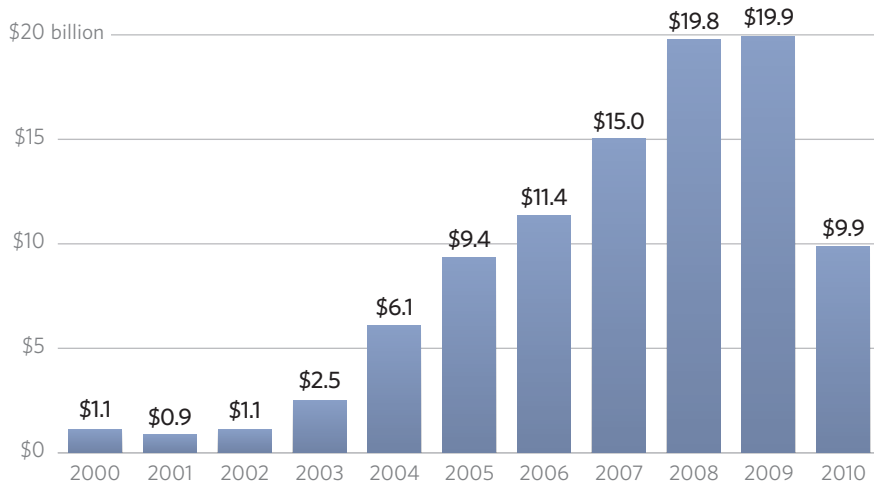
### U.S. IMPORTS FROM RUSSIA, FY 2011



Source: U.S. Department of Commerce, International Trade Administration, TradeStats Express, <http://tse.export.gov/TSE/ChartDisplay.aspx> (accessed April 25, 2012).

CHART 2

## U.S. Foreign Direct Investment in Russia Wanes



Source: U.S. Department of Commerce, Bureau of Economic Analysis, International Data: Direct Investment and MNC, <http://www.bea.gov/iTable/iTable.cfm?ReqID=2&step=1> (accessed April 25, 2012).

B 2687 heritage.org

leaders of Russia's pro-democracy movement have also called for the U.S. to replace Jackson-Vanik with the Magnitsky bill:

We, leading figures of the Russian political opposition, strongly stand behind efforts to remove Russia from the provisions of the Jackson-Vanik Amendment. Jackson-Vanik is not helpful in any way—neither for promotion of human rights and democracy

in Russia, nor for the economic interests of its people. ... [M]uch more effective are targeted sanctions against specific officials involved in human rights abuse, like those named in the Senator Benjamin Cardin's list in the Sergey Magnitsky case.<sup>14</sup>

Russia has threatened to retaliate "asymmetrically" if Congress passes the bill. It has already banned entry to U.S. officials prosecuting Viktor

Bout, an arms trader known as the "Lord of War."<sup>15</sup> However, such retaliation would need to pass the straight face test both at home and abroad. Protection of international criminals like Bout would be met with jeers.

### Russian WTO Membership

Later this year, Russia will finally join the World Trade Organization (WTO). This is a positive development for Russia, which is the largest nation that is not a member of the WTO. It has the world's sixth largest economy, but ranks only 23rd on the list of U.S. trade partners,<sup>16</sup> placing it just below Thailand and Nigeria. Russia is also the only member of the G-20 group outside the World Trade Organization. Of the 50 largest economies of the world, the Islamic Republic of Iran is the only other country that is not a member.<sup>17</sup> According to WTO reports, about 95 percent of world trade takes place between members. After Russia joins the WTO, that percentage will jump to 97 percent.<sup>18</sup> As noted in a 2006 Congressional Research Service report, "Russia's motivation for and progress toward accession to the WTO are directly related to efforts to dismantle the Soviet economic system of central planning and replace it with a more market-based economy."<sup>19</sup>

Russia officially began working on its WTO accession package on June

14. Sergey Aleksashenko et al., "Remove Russia from Jackson-Vanik!" Blog Vladimira Milova, March 14, 2012, [http://v-milov.blogspot.com/2012\\_03\\_01\\_archive.html](http://v-milov.blogspot.com/2012_03_01_archive.html) (accessed May 7, 2014).
15. Thomas Grove, "Russia Draws Up Tit-for-Tat U.S. Visa Bans: Report," Reuters, August 10, 2011, <http://www.reuters.com/article/2011/08/10/us-russia-usa-idUSTRE77922V20110810> (accessed March 27, 2012).
16. U.S. International Trade Commission, *The Year in Trade 2010: Operation of the Trade Agreements Program*, July 2011, <http://www.usitc.gov/publications/332/pub4247.pdf> (accessed March 27, 2012).
17. Daniel Griswold and Douglas Petersen, "Trading with the Bear: Why Russia's Entry into the WTO Is in America's Interest," Cato Institute, December 16, 2011, <http://www.cato.org/publications/free-trade-bulletin/trading-bear-why-russias-entry-wto-is-americas-interest> (accessed March 27, 2012).
18. David Jolly, "W.T.O. Grants Russia Membership," *The New York Times*, December 16, 2011, <http://www.nytimes.com/2011/12/17/business/global/wto-accepts-russia-bid-to-join.html> (accessed March 27, 2012).
19. William H. Cooper, "Russia's Accession to the WTO," Congressional Research Service *Report for Congress*, July 16, 2006, <http://www.usembassy.it/pdf/other/RL31979.pdf> (accessed March 27, 2012).

16, 1993, but progress has been difficult. For example, in 2009, President Putin announced that Russia was no longer interested in individual WTO membership, suggesting instead that the customs union of Belarus, Russia, and Kazakhstan should be accepted together. This approach, later abandoned, delayed the country's membership until 2011.<sup>20</sup>

In October 2011, Speaker of the House John Boehner (R-OH) suggested that the U.S. should take into account the dispute over Georgia's border with Russia: "The Administration should resolve this stalemate in a manner that respects the territorial integrity of Georgia. Then—and only then—will movement on the WTO question be worth considering."<sup>21</sup> This final stumbling block was removed on November 9, 2011, as Georgia and Russia reached an agreement allowing Russia's WTO bid to move forward.<sup>22</sup>

On November 10, 2011, the WTO's Working Party finally adopted Russia's accession package. At the ministerial conference on December 16, 2011, the trade ministers of the WTO members approved Russia's bid to join the World Trade Organization. Russia has 220 days after the approval to ratify accession, and it

will become a member 30 days after ratification.<sup>23</sup>

Upon ratification by the Russian Duma, the United States and other WTO members will benefit from improved access to Russia's market, while Russia will benefit from economic liberalization. The *Index of Economic Freedom*, published by The Heritage Foundation and *The Wall Street Journal*, shows that countries with low trade barriers have the strongest economies.<sup>24</sup> In the long term, Russia also stands to gain significantly from foreign investment and exposure of corrupt business practices. According to one study, WTO membership could increase Russia's GDP by up to 11 percent.<sup>25</sup>

### The Risk to U.S. Businesses

WTO membership is granted on a consensus basis, meaning that WTO members must unanimously agree to grant membership to a new country. Ideally, the Obama Administration should have worked with Congress to address human rights issues and the Jackson–Vanik question before agreeing to Russia's membership. Regrettably, the Administration agreed to Russia's WTO membership without first getting congressional buy-in. Unless the United States

extends PNTR status to Russia, U.S. businesses will not benefit from the concessions Russia made to join the WTO. In that case, companies in every other WTO member would have an advantage over U.S. firms. The 1992 Bilateral Commercial Agreement would continue to apply, but companies in other countries could gain benefits not available to U.S. firms, such as in services exports, intellectual property protection, and dispute resolution.<sup>26</sup>

Currently, the U.S. grants Russia annual waivers to Jackson–Vanik to maintain "normal" trade relations. However, when Russia joins the WTO, the practice of granting annual waivers in lieu of granting permanent normal trade relations, as the U.S. has granted to all other WTO members, would negate the ability of U.S. firms to benefit from the concessions Russia made in order to join the WTO. U.S. businesses engaged in commerce with Russia could be put at a disadvantage compared with companies in other WTO member countries.

The Obama Administration would like to extend permanent normal trade relations to Russia. Granting PNTR combined with implementation of new, targeted

- 
20. Sergei Guriev, "WTO Club May Boost Russian GDP by over 3%," November 7, 2011, <http://blogs.ft.com/beyond-brics/2011/11/07/guest-post-wto-club-may-boost-russian-gdp-by-over-3/> (accessed April 19, 2012).
  21. John Boehner, "Reasserting American Exceptionalism in the U.S.–Russia Relationship," Heritage Foundation *Lecture* No. 1198, January 10, 2012, p. 4, <http://www.heritage.org/research/lecture/2012/01/reasserting-american-exceptionalism-in-the-us-russia-relationship>.
  22. Margarita Antidze, "Georgia Says Russia WTO Deal to Be Signed Nov. 9," Reuters, November 4, 2011, <http://www.reuters.com/article/2011/11/04/russia-wto-georgia-idUSL6E7M43UO20111104> (accessed April 19, 2012).
  23. World Trade Organization, "Working Party Seals the Deal on Russia's Membership Negotiations," November 10, 2011, [http://www.wto.org/english/news\\_e/news11\\_e/acc\\_rus\\_10nov11\\_e.htm](http://www.wto.org/english/news_e/news11_e/acc_rus_10nov11_e.htm) (accessed April 17, 2012).
  24. Bryan Riley and Terry Miller, "Global Trade Freedom Needs a Boost," Heritage Foundation *Background* No. 2614, October 7, 2011, <http://www.heritage.org/research/reports/2011/10/global-trade-freedom-needs-a-boost>.
  25. Jesper Jensen, Thomas Rutherford, and David Tarr, "Economy-Wide and Sector Effects of Russia's Accession to the WTO," May 26, 2004, [http://siteresources.worldbank.org/INTRANETTRADE/Resources/Topics/Accession/Jensen-Rutherford-Tarr\\_effectsaccession.pdf](http://siteresources.worldbank.org/INTRANETTRADE/Resources/Topics/Accession/Jensen-Rutherford-Tarr_effectsaccession.pdf) (accessed April 19, 2012).
  26. Office of the U.S. Trade Representative, "Implications for the United States and U.S. Companies of Non-Application," <http://www.ustr.gov/sites/default/files/Implications%20for%20the%20US%20and%20US%20Companies%20of%20Invoking%20Non-Application.pdf> (accessed May 7, 2012).

human rights measures would benefit both Russia and the United States.<sup>27</sup> Replacing Jackson–Vanik with the Magnitsky Act and granting PNTR to Russia could double U.S. exports to Russia over the next five years according to an estimate from the Peterson Institute for International Economics.<sup>28</sup> However, the Obama Administration views the Magnitsky bill and other human rights legislation as threats to the Administration’s “reset” policy toward Russia.

---

**GRANTING PNTR TO RUSSIA COULD DOUBLE U.S. EXPORTS TO RUSSIA OVER THE NEXT FIVE YEARS ACCORDING TO AN ESTIMATE FROM THE PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS.**

---

### **What the United States Should Do**

The U.S. can improve trade relations with Russia while still promoting human rights and the rule of law in Russia and in other countries. Specifically, the U.S. should:

- **Adopt new measures to protect human rights in Russia and elsewhere.** Targeted legislation like the Senate version of the proposed Magnitsky Act would more effectively encourage Russia, and other countries which systematically abuse human

rights, to respect the rights of their citizens.

- **Cooperate with Western banking regulators, intelligence services, and law enforcement agencies to track human rights abusers, as well as Russian state and oligarch money laundering activities, corruption, and unfair competition practices.** The Obama Administration should prioritize gathering and acting on intelligence on questionable Russian activities. The U.S. should lead an international effort among law enforcement agencies to prevent and stop complex transnational crimes.<sup>29</sup>
- **Replace Jackson–Vanik with the Magnitsky Act.** This would provide a working system to pinpoint and punish gross violators of human rights, while allowing U.S. firms to compete equally for business in Russia and elsewhere. Extending PNTR to Russia would also promote transparency, property rights, and the rule of law.
- **Target blatant and systematic abusers of human rights who spend their time or keep their financial resources in the West.** The U.S. should coordinate its efforts with its allies in Europe and around the world who are promoting similar pieces of legislation. International cooperation can go a long way in deterring

gross violations of individual rights, including property rights, and in promoting the values of the U.S. and its allies in the 21st century.

### **Conclusion**

Russia’s membership in the WTO is a historic event that will greatly benefit Russia and the entire world economy. However, this is not the only U.S. foreign policy concern. America should not ignore the weak rule of law in Russia or its connection to violations of individual rights and human rights and the spread of corruption and organized crime. Congress should take action against those tyrants that systematically violate the natural rights of people, not just in Russia, but around the globe.

The Senate version of the Magnitsky Act or similar legislation would not only empower the U.S. government to take action against such individuals, but also send a clear message that the United States will support the rule of law and freedom in other countries. By placing human rights front and center and then addressing the PNTR issue before Russia joins the WTO, Congress and President Obama can both protect U.S. interests in the global marketplace and maintain America’s stature as a nation that believes in and actively defends human rights.

—*Ariel Cohen, PhD, is Senior Research Fellow in Russian and Eurasian Studies and International Energy Policy in the Douglas and*

---

27. Daniella Markheim and Ariel Cohen, “Permanent Normal Trade Relations for Russia Would Benefit the U.S. and Russia,” Heritage Foundation *WebMemo* No. 1286, December 14, 2006, <http://www.heritage.org/research/reports/2006/12/permanent-normal-trade-relations-for-russia-would-benefit-the-us-and-russia>, and Ariel Cohen and Richard Ericson, “Russia’s Economic Crisis and U.S.–Russia Relations: Troubled Times Ahead,” Heritage Foundation *Background* No. 2333, November 2, 2009, <http://www.heritage.org/research/reports/2009/11/russias-economic-crisis-and-us-russia-relations-troubled-times-ahead>.

28. Anders Åslund and Gary Clyde Hufbauer, “The United States Should Establish Permanent Normal Trade Relations with Russia,” Peterson Institute for International Economics *Policy Brief* No. PB11–20, November 2011, p. 2, <http://www.iie.com/publications/pb/pb11-20.pdf> (accessed April 20, 2012).

29. Cohen and Szaszdi, “Russia’s Drive for Global Economic Power.”



*Sarah Allison Center for Foreign Policy Studies, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation. **Bryan Riley** is Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Anton Altman, an intern in the Davis Center, contributed valuable research in the production of this paper.*