



The U.S. Chamber's PNTR Primer

*Why Approving Permanent Normal Trade Relations
with Kazakhstan is in the U.S. National Interest*



U.S. CHAMBER OF COMMERCE



U.S. CHAMBER OF COMMERCE

Copyright © 2015 by the United States Chamber of Commerce. All rights reserved. No part of this publication may be reproduced or transmitted in any form—print, electronic, or otherwise—without the express written permission of the publisher.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

The U.S. Chamber's PNTR Primer

Why Approving Permanent Normal Trade Relations with Kazakhstan is in the U.S. National Interest

On June 22, 2015, the government of Kazakhstan celebrated the conclusion of negotiations to accede to the World Trade Organization (WTO) as the organization's 162nd member. The energy-rich nation began accession talks nearly two decades earlier in 1996. In those negotiations, Kazakhstan committed to enact a host of reforms, and officials in Astana, the capital, are expected to complete this work and formally join the WTO at its Ministerial Conference in December 2015.

That Kazakhstan will join the WTO is no longer in doubt. In fact, at this juncture, the United States can neither help nor hinder Kazakhstan in doing so. However, Congress must act to ensure that U.S. workers, farmers, ranchers, and companies benefit from the market-opening reforms Kazakhstan is undertaking as it joins the WTO. Specifically, Congress must pass a short and simple bill that grants Kazakhstan Permanent Normal Trade Relations (PNTR) status and graduates the country from the Jackson-Vanik amendment's requirements. Failure to do so will put U.S. goods and services at a unique disadvantage in the Kazakhstani marketplace and drive new sales, exports, and job-creation opportunities to our European and Asian competitors.

The U.S. Chamber of Commerce and the broader U.S. business and agriculture communities have long supported Kazakhstan's WTO access. Today, we are urging Congress to grant Kazakhstan PNTR status so that American workers, farmers, and companies can share in the benefits of this historic step forward for Kazakhstan.

How will U.S. companies benefit from Kazakhstan PNTR?

The multilateral trade agreement governing Kazakhstan's accession will require its government to implement a host of economic reforms that will further open its market to imports of goods and services, ensure greater respect for the rule of law, better protect intellectual property, and safeguard foreign investors—if Congress approves PNTR with Kazakhstan. For an overview of the commitments made by Kazakhstan as a condition of its accession to the WTO, see the to-do list on the final page of this document.

What is Permanent Normal Trade Relations?

One little understood aspect of this process is that Congress does not vote on Kazakhstan's accession to the WTO and has no authority to block it. Kazakhstan's accession to the WTO this year is assured. Rather, Congress must approve PNTR and graduate Kazakhstan from the annual Jackson-Vanik certification process if American companies, workers, and farmers are to benefit from Kazakhstan's new openness as it joins the WTO.

Under WTO rules, every WTO member must grant all other members unconditional Permanent Normal Trade Relations (also known as Most-Favored Nation status). This WTO rule mandates that any advantage granted to one WTO member by another member must be accorded unconditionally to all other members. The United States will be in clear violation of this rule if Congress fails to graduate Kazakhstan from Jackson-Vanik. Kazakhstan would thus be fully within its rights to withhold the benefits of its accession-related reforms from U.S. companies.

What is Jackson-Vanik?

The Jackson-Vanik amendment to the Trade Act of 1974 was devised to press the Soviet Union to allow the emigration of Soviet Jews, prisoners of conscience, and victims of religious persecution. With respect to Kazakhstan, Jackson-Vanik has fully accomplished its objective. With the collapse of the Soviet Union two decades ago, Kazakhstan established freedom of emigration for all citizens. For more than two decades, U.S. presidents of both parties have issued annual certifications of Kazakhstan's full compliance with the Jackson-Vanik amendment.

Because no other WTO member has a law similar to Jackson-Vanik, all of Kazakhstan's trading partners except the United States will immediately benefit when Kazakhstan joins the WTO. If Jackson-Vanik remains applicable to Kazakhstan, the United States will be in violation of WTO rules. Failure to approve PNTR and graduate Kazakhstan from the Jackson-Vanik amendment's requirements would allow Kazakhstan to discriminate against U.S. companies and the workers they employ and deny them the full benefits of Kazakhstan's market-opening reforms. Meanwhile, European and Asian companies will be able to build on their already significant head start in tapping the growing Kazakhstani market.

How important is the Kazakhstani market to U.S. companies?

As one of the largest economies in the world outside the WTO, Kazakhstan is a new market of considerable interest to U.S. companies. With more than 17 million consumers, the country's international trade tops \$120 billion annually, and Kazakhstan has attracted more than \$200 billion in foreign direct investment during the past decade. Kazakhstan's top trading partner is the European Union, which accounts for more than 40% of its exports and imports, but a number of major U.S. companies have made substantial investments in the country. According to the State Department, "the United States is a leading source of investment capital with around \$31.4 billion invested in Kazakhstan during the period 2005-2013." Of note, the American Chamber of Commerce in Kazakhstan represents nearly 200 U.S., multinational, and local companies in 30 industry sectors. For many of these foreign investors, Kazakhstan has proven to be a lucrative market for high-quality goods and services, and opportunities are expected to expand after Kazakhstan finalizes its accession to the WTO.

How will WTO accession benefit ordinary Kazakhs?

The reforms that will accompany Kazakhstan's WTO accession are expected to foster economic growth as greater openness and competition in the marketplace compel Kazakhstani enterprises to become more efficient. Kazakhstan's economy has been dominated by natural resource extraction and state-owned enterprises; joining the global rules-based trading system will foster diversification and openness and directly benefit consumers. According to WTO Director-General Roberto Azevêdo, WTO accession will provide Kazakhstan "a major economic impact, a major systemic impact, and a major human impact. Because, crucially, the benefits of accession can help to create jobs, raise incomes, and improve people's lives... It is an endorsement of the extensive program of reforms which you have undertaken. And it is a message to the world that Kazakhstan is open for business."

What if Kazakhstan fails to meet its commitments?

With Kazakhstan joining the WTO, other countries will for the first time be able to use the WTO dispute settlement process to hold the Kazakhstani authorities accountable if

Until Congress grants Kazakhstan PNTR status, American workers, farmers, and companies won't benefit from the market-opening reforms Kazakhstan is undertaking as it joins the WTO.

they do not meet their commitments as a member of the organization. The WTO dispute settlement process affords graduated responses to the arbitrary imposition of trade barriers, including the possibility of WTO-sanctioned retaliation. At present, no such recourse exists. The United States, however, cannot avail itself of WTO dispute settlement unless it grants Kazakhstan PNTR.

Conclusion

The foreign policy goal of bringing Kazakhstan into the global rules-based trading system is finally within reach. The only question now is whether U.S. workers, farmers, ranchers, and companies in all sectors will be able to secure the benefits of Kazakhstan's accession to the WTO. The answer rests with Congress, which must approve PNTR and graduate Kazakhstan from the Jackson-Vanik certification process.

What Does PNTR Mean for the United States and Kazakhstan?

For the United States, all the benefits.

For Kazakhstan, all the concessions.

Which To-Do List Would You Rather Have?

United States of America To Do:	Kazakhstan To Do:
<p>Approve legislation providing PNTR and graduating Kazakhstan from the Jackson-Vanik certification process.</p>	<p>Manufactures: Reduce tariffs on manufactured products to an average of 5.9%, representing a cut of roughly 50% in duties applied to many U.S. exports.</p> <ul style="list-style-type: none"> • <i>Eliminate duties on hundreds of IT products as Kazakhstan joins the WTO's Information Technology Agreement.</i>
	<p>Agriculture: Reduce tariffs on agricultural products to an average of 7.6%, representing a cut of more than 100% in duties applied to many U.S. exports.</p> <ul style="list-style-type: none"> • <i>Expand market access for beef, poultry, and other products at reduced tariffs.</i> • <i>Require use of international standards and enforceable disciplines against trade restrictions that are not science based.</i> • <i>Limit agricultural subsidies.</i>
	<p>Services: Open market to U.S. firms.</p> <ul style="list-style-type: none"> • <i>Allow majority U.S. ownership of companies in banking, insurance, telecommunications, wholesale, distribution, and tourism; allow branches for banks and insurance.</i>
	<p>Intellectual property: Meet commitments of the WTO TRIPS Agreement.</p>
	<p>Accede to WTO agreements on Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Basic Telecommunications, and Trade-Related Investment Measures, and negotiate accession to Government Procurement Agreement.</p>
	<p>Local content requirements in the oil and gas sector and preferential tariffs or tariff exemptions in the auto sector will be phased out.</p>
	<p>Grant non-discriminatory access to government owned- and -regulated pipelines for foreign investors producing crude oil and gas in the country.</p>
	<p>Allow trade disputes to be taken to the WTO dispute settlement system.</p>



U.S. CHAMBER OF COMMERCE

U.S. Chamber of Commerce | 1615 H Street, NW | Washington, DC 20062