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United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY

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January 20, 2006

The Honorable Robert J. Portman
United States Trade Representative
600 17th Street, NW
Washington, DC 20250

Dear Ambassador Portman:

The cutoff of natural gas delivery imposed by the Russian government's natural gas monopoly Gazprom against Ukraine on New Year's Day raises significant questions about whether Russia is truly prepared to abide by the rules of the World Trade Organization, which it seeks to join. Even though it appears that Gazprom and the government of Ukraine have now reached an agreement, I am disturbed by this manifestation of economic power which was clearly directed by the political objectives of the government of Russia. This kind of behavior is not consistent with the basic principle of the WTO, which is that trade should occur between member countries without discrimination.

I have written to you and your predecessor Ambassador Zoellick previously about my concerns that Russia not be permitted to enter the WTO while it continues to sell natural gas to its domestic fertilizer industry at artificially low prices, effectively subsidizing Russian fertilizer exports and undercutting U.S. fertilizer production. Russia's insistence on maintaining such support causes me to doubt whether it is serious about fully adopting the principles of market economies. This latest development only underscores my concerns about Russia's political control over a key energy sector. The United States should withhold agreement to Russia's accession to the WTO until Russia agrees to reform its natural gas pricing and refrain from utilizing discriminatory practices to enforce political goals.

There are many countries in the world whose governments maintain state authority over key economic sectors but I can think of few instances where that authority has been exercised for such blatant political purposes as in this recent instance by Gazprom against Ukraine. Many countries in Western Europe, who are currently large users of Russian natural gas, are also vulnerable to these types of disruptions. Their governments are justifiably concerned by Gazprom's actions against Ukraine, and what they imply about Russia's future reliability as a major energy exporter.

Ready access to energy resources is of course crucial to the world economy. Should that access be jeopardized in any way, the global repercussions could obviously

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be significant. If Russia does not commit to avoiding similar actions in the future as we complete the U.S. bilateral agreement to Russian WTO accession, it might cost the U.S. and world economy dearly in the long run.

I look forward to the opportunity to work with you on this matter and other issues. An identical version of this letter will also be sent to Secretary of Commerce Gutierrez.

Sincerely,

A handwritten signature in blue ink that reads "Tom Harkin". The signature is fluid and cursive, with a prominent "T" and "H".

Tom Harkin
Ranking Democratic Member