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ON CREATING JOBS: ECONOMIC OPPORTUNITIES IN EUROPE AND EURASIA

Mr. Chairman, Ranking Member Meeks and Members of the House Foreign Affairs Subcommittee on Europe and Eurasia, thank you for inviting me to testify today.

In my remarks, I'd like to focus on the importance of our economic relationship with Europe and how the Obama Administration is working to maximize the potential of that relationship to boost America's international competitiveness and create jobs in the United States.

With news headlines focused on the Eurozone crisis and the dynamic growth of the emerging economies, we sometimes lose track of the breadth and depth of our trade and investment relationship with Europe. Europe is a priority.

We look to Europe to attract more foreign investment into the United States that can produce high-quality jobs and bring us new technologies. We look to Europe for new opportunities for our exporters of industrial and consumer goods, services and agriculture products -- and as a place where large numbers of American companies have been operating successfully for many decades and seek new market opportunities. We work closely with our European partners to ensure an open trade and investment climate in third markets. And, of course, we recognize Europe as a staunch ally – and it has been for decades.

I will give you concrete examples of economic progress, and ways we are working to achieve even better results.

We look forward to continued cooperation with the Congress and the private sector -- as well as our governors and mayors -- as we work to realize our shared objectives.

The example of your district around Indianapolis, Mr. Chairman, is quite instructive. I was struck by the fact that Indianapolis is located within one day's drive of 55% of all Americans – or 50 million households.

Your district's successful reorienting of its economic growth by taking advantage of its location and traditional manufacturing base, while developing its strengths in other competitive industries, such as higher education, health care/pharmaceuticals, transport/distribution services, is exemplary. Lessons learned from your District and your leadership are important to examine and emulate in other U.S. regions, as well as in Europe, as we seek to unlock new sources of jobs and economic growth so important for our recovery.

And the Ranking Member's district is in New York City, one of the world's truly international cities. The district is also the home of John F. Kennedy Airport, our nation's main aviation gateway to Europe. Ranking Member Meeks – a fellow New Yorker – has helped create many jobs in his district and throughout the country by his support of trade expansion in Europe and around the world.

The Importance of the United States – European Union Economic Relationship

I would like to begin with just a few words on the U.S.-EU bilateral economic relationship. It is one of the central drivers of the world economy and accounts for almost 50 percent of global GDP. To put this in perspective, the value of United States goods and services exports to the European Union is several times the value of our exports to China. Trade flows between the United States and the EU exceed $2.7 billion per day.

Foreign Direct Investment has created millions of jobs on both sides of the Atlantic. At last measure in 2010, U.S. Foreign Direct Investment into the EU -- $1.95 trillion -- was more than twice U.S. Foreign Direct Investment into any other region in the world. The EU's 2010 Foreign Direct Investment of almost $1.5 trillion in the United States is approximately four times the amount from any other region – and a huge job creator here.

Given the importance of transatlantic trade and investment in supporting high-quality jobs in the United States, I cannot emphasize enough the importance of making further efforts to remove barriers to commerce between the United States and the EU.

And this is not only in America's interest – it is in the EU's as well. Given the absolute size of our relationship, even small gains in any sector can mean significant economic benefits – more trade, more jobs, and more business opportunities for U.S. firms and U.S. workers and farmers.

The President has said, "Europe is the cornerstone of our engagement with the world." And this is true, not only in our shared foreign policy objectives, but in the economic sphere as well. We have similar values and embrace shared market economic principles that have stood the test of time.

Together, we also can spur multilateral liberalization in our globalized world, in such fora as the G8, G20, WTO and OECD -- promoting an open, transparent, and non-discriminatory trade and investment climate in third countries.

We work with the EU and other European partners in the G20 and the Financial Stability Board, strengthening existing global financial regulatory and supervisory structures. As the world's two largest donors, the United States and the EU promote effective and complementary development assistance. We also work together to improve supply chain security through the World Customs Organization and other fora.

Even as we focus on achieving positive multilateral results, the United States and the EU have every interest in promoting strong market-based, rules-based approaches to economic policies in third countries, including in particular Russia, China, Brazil and India.

The United States and the European Union can both benefit if we work together to promote the adoption of market principles worldwide. This creates a level playing field for our firms around the world. We have made joint efforts, for example, to help China improve the safety of the toys, pharmaceuticals, and other products it exports, which is essential to the health and well-being of our consumers.

In the U.S. – EU Intellectual Property Working Group we have worked to promote legitimate copyright content among Chinese Internet Service Providers, and trademark law reform in China, and to conduct joint IPR enforcement operations at U.S. and EU ports. In 2012, the group will focus on protecting trade secrets, particularly in China. Our newly created U.S. - EU Investment Dialogue is another example of our joint commitment to promote market-friendly, rules-based economic policies in third countries.

Effects of Eurozone Crisis

Our ties to Europe are deep and longstanding, and we have continued to collaborate closely through the global financial crisis and, more recently, the Eurozone crisis.

It has been U.S. policy for almost seven decades to support a Europe whole, free and at peace. We will continue to work with our European partners to promote financial stability and sustainable, balanced growth.

We have seen a commitment by the EU to address current economic challenges not only through fiscal consolidation aimed at improving debt sustainability, but also by facilitating job creation and structural improvements and putting in place measures to assist member states in finding a path back to economic growth.

European Union member states are developing strategies to safeguard the region's economic future, improve competitiveness, and achieve stability. There's a lot more hard work ahead and many difficult choices to make. But our European partners have laid a solid foundation on which to build.

The United States is encouraged by European leaders' efforts to address the region's crisis. We have a huge stake in the health and vitality of the EU. European growth and financial stability are important not only for Europe, but also for the global economy, and for creating and sustaining jobs in the United States.

We know from our own experience that moving from crisis to recovery depends on swift and aggressive action to restore market confidence. We have every reason to believe that with continued decisive action by European leaders, fiscal financial sector, and competitiveness challenges can be resolved.

There is no doubt that the debt crisis has put serious strains on the European Union and its members, both politically and economically. But the commitment to a united Europe remains strong and European integration remains attractive because it makes economic sense over the long-term.

Realizing that fiscal consolidation can be facilitated by complementary growth-enhancing reforms, we are seeing similar debates in Europe as in the U.S. on how to support jobs and growth.

It is clear that slower growth and tighter budgets in Europe may have an impact on some of our foreign policy objectives, so we are actively searching for opportunities to leverage our individual and collective resources in our efforts to advance shared transatlantic goals.

Europe is an indispensable partner in promoting peace and prosperity through development assistance. Together we can stretch the impact of our assistance through targeted cooperation efforts in developing countries and countries in transition across the globe. The EU and its Member States account for over 55 percent of net Official Development Assistance to developing countries, with aid from the fifteen wealthiest EU member states rising by 6.7percent in 2010 to just over $70 billion.

The EU and its member states have taken the lead on post-conflict aid operations in Liberia, Burundi, the Democratic Republic of the Congo, Sierra Leone, Darfur and Chad. The EU has also taken on lead roles in the democratic transitions occurring in Libya, Tunisia and in the Middle East and North African region.

We have been key partners in transforming Europe's frontier regions in the Balkans, South Caucasus, and Central Asia, in cementing ties to Euro-Atlantic institutions and in promoting

reforms to support transition to market economies. Our collective assistance helps these countries become robust trade and investment partners; helping them make economic decisions based on market principles and embrace international norms; increasing the transparency of the governments' banking, financing and procurement operations; and reducing impediments such as corruption and over-regulation in order to level the playing field for U.S. firms. And I think you will agree, Mr. Chairman and Ranking Member Meeks, that when U.S. businesses and U.S. labor are able to compete on a level playing field, their products and services can win in markets the world over.

Defense spending faces continued pressure in Europe. The Secretary of Defense told the Allies last fall that "we are at a critical moment for our defense partnership." Overall, defense spending in Europe has decreased during the past decade and is less than half of U.S. military spending.

Whatever happens on the financial and economic front, our foreign policy message has been consistent: It is important that we continue to spend the money required to meet our key priorities, and maintain critical deployments, both military and civilian. Reduced outlays overall should not mean reduced engagement in critical parts of the world.

U.S. Efforts to Deepen Economic Ties with Europe

While we work through these issues, the effort to expand our economic ties has not taken a back seat.

The Obama Administration is committed to deepen and broaden our economic relationship with Europe. Secretary Clinton has said, "We need to forge an ambitious agenda for joint economic leadership with Europe that is every bit as compelling as our security cooperation around the world." I would like to outline for you how we at the State Department are actively expanding trade and investment opportunities for U.S. companies in Europe.

The State Department works closely in this effort with partners throughout the U.S. Government, including the Office of the U.S. Trade Representative, the Department of Commerce, the Department of Agriculture and the Department of the Treasury.

We also are working closely with other partners in regulatory and technical agencies, including the Environmental Protection Agency, the Department of Health and Human Services, the National Aeronautics and Space Administration, the National Science Foundation and the U.S. Patent & Trademark Office -- as well as research institutions, many of which have developed very inventive ideas for advancing collaboration and increased trade.

U.S.- EU scientific, research and development cooperation is increasingly key to many of the issues facing us today, including fostering economic growth and creating jobs in our countries in

emerging sectors. Pursuing regulatory and standards-setting cooperation will benefit our economies.

Economic Statecraft

In October 2011, Secretary Clinton announced her vision of Economic Statecraft as a central pillar of U.S. foreign policy, that is, how we use the tools of diplomacy abroad to support trade and the rights of U.S. investors, leverage the strengths and expertise of the U.S. private sector in our economic engagement overseas and use diplomacy and our overseas presence to grow our economy at home by attracting foreign investment to the United States.

We have established an Economic Statecraft Task Force to elevate economic and commercial diplomacy goals and to ensure that we have the right people, support tools, and engagement platforms. The Task Force covers four principal areas of work: human capital; internal tools; external engagement; and policy opportunities.

We are doing much of this work already, especially at our overseas posts, to support such programs as the National Export Initiative and Select USA (which promotes job-creating foreign investment in the United States). The State Department puts special emphasis on support for entrepreneurship. Under the Secretary's Economic Statecraft Initiative, we will scale up our efforts.

Several examples of how our State Department colleagues in Embassies abroad are already supporting U.S. companies include:

Embassy Berlin advocated in favor of Volkswagen's decision to build a new $1 billion manufacturing plant in Chattanooga.

Embassy Bern's advocacy and assistance to Virginia-based Aurora Flight Sciences led to its successful bid under an open procurement competition for a contract worth $5 million with the Swiss government. This medium-sized, new-to-export firm had to navigate a complex path of export controls in order to receive permission for the lease of its product. Aurora is now well-positioned to bid on a much larger Swiss government tender worth as much as $250 million and that would create 300 well-paid, high-quality jobs in the United States.

Embassy Skopje advocated for the liberalization of our aviation relationship with Macedonia, resulting in the initialing of an Open Skies agreement that will benefit consumers and businesses in both countries. In addition, in 2012 Johnson Controls launched its second investment in Macedonia of approximately €20 million , complementing its parent activities in the United States while supporting Macedonia's efforts to establish a sustainable, market-based economy.

Embassy Kyiv worked with the Commerce Department's Commercial Law Development Program to combat counterfeit medicines. As a result, the Ukrainian parliament passed legislation providing for stiffer sentences for individuals convicted of trafficking in counterfeit medicines.

Embassy Sarajevo, working closely with several U.S. software firms, encouraged the government of Bosnia to purchase licensed American software. In December 2010, the Bosnian government made its first payment on a $7.5 million licensing agreement with Microsoft for government workstations. This represents a great step forward in the protection of Intellectual Property Rights in Bosnia.

Embassy Moscow had a number of dramatic successes befitting Russia's large, growing market. Over the course of 2011 the Embassy supported many major business deals – such as Boeing's sale of 50 aircraft to Aeroflot and 40 planes to Russian airline UTAir, a joint venture between Exxon-Mobil and Rosneft to explore for oil and gas in the Arctic, and GE's joint ventures with two Russian partners. I am confident that our advocacy both in Moscow and by officials here in Washington made a real difference.

High level U.S. advocacy with the **Turkish** government has been crucial in winning multi-million dollar bids for U.S. companies. In April 2011, helicopter producer Sikorsky was selected to negotiate a contract, with a potential value of $1.3 billion, to co-produce utility helicopters in Turkey. In January 2012, the Turkish National Police began final negotiations with Bell Helicopters for the sale of 15 Bell 429s with an option to purchase five additional aircraft.

Embassy Astana provides critical support to U.S. businesses seeking to benefit from Kazakhstan's growing commercial potential, its intensified efforts to complete accession to the WTO, and its central role as a transit hub for EU-China trade. As the New Silk Road develops, Kazakhstan is almost certain to emerge as one of the vital links -- and vital avenues for private U.S. engagement -- across the region. Over the course of fiscal year 2011, our mission had 57 concrete export successes valued at $7.8 million and two commercial diplomacy successes valued at $3.4 million. On February 5, 2012, Air Astana, the national flag carrier of Kazakhstan, announced that it has agreed to purchase seven Boeing aircraft worth US $1.3 billion.

Beyond advocacy for specific business deals, we are also working to level the playing field for U.S. workers and businesses in Europe and around the world. One example is the agriculture sector. The volume of U.S. agricultural exports to the EU is strong and growing. Our 2011 agricultural exports to the EU were valued at $9.5 billion, up 8.2 % from the prior year. The USDA estimates that every $1 billion in U.S. agricultural exports supports about 7,800 American jobs across a variety of sectors. We want to push those numbers even higher.

Business is telling us there is more we can do to help them grow in an increasingly challenging world – and we at State want not only to respond boldly, but also to exceed their expectations. On February 21-22, Secretary Clinton invited 200 representatives of U.S. business support

organizations and the private sector to participate in the Department's first ever Global Business Conference. I was pleased to participate in several sessions. This is part of the Department's effort to increase engagement with the private sector and support U.S. business.

Transatlantic Economic Council and Regulatory Cooperation

The business community, consumer organizations and other stakeholders in the United States and in Europe have also been an active and vocal constituency in support of the Transatlantic Economic Council, or TEC. The TEC, established in 2007 and led by the White House and the European Commission, engages our most senior economic policymakers to promote economic growth and job creation on both sides of the Atlantic -- in particular by addressing regulatory barriers and fostering innovation.

As tariffs have fallen in recent decades, non-tariff measures or "behind the border" barriers to trade and investment have come to pose the most significant obstacles to our trade. Regulators in both the EU and the United States aim essentially for the same strong protections for the health and safety of our citizens, for our environment, and for our financial systems.

But differing approaches to regulation and to the development of standards can create barriers and slow the growth of trade and investment. Reducing unnecessary differences can create opportunities.

One way we are seeking to minimize the impact of unnecessary regulatory divergences on trade and investment is to examine closely our respective regulatory processes and to try to identify ways to make them more compatible and accessible. The TEC and the U.S. - EU High Level Regulatory Cooperation Forum, led by OMB, have spurred new discussion on our respective approaches to risk analysis, cost-benefit analysis, and the assessment of the impact of regulation on trade.

One of the highlights of the November 2011 TEC meeting was a comprehensive work plan on electric vehicles and associated infrastructure, in cooperation with the U.S.-EU Energy Council, business, standard-setting bodies, and scientists on both sides of the Atlantic.

A key component of this work plan is a decision to establish "interoperability centers" which will allow scientists from both sides of the Atlantic to share data, equipment, and testing methodologies. This in turn should set a foundation for compatible approaches and regulations in both markets and lead to interoperable e-cars and related infrastructure, such as charging stations and smart grids.

And while we have a common purpose on electric vehicles, the work that is done in the private sector to prioritize and develop the standards adopted for and applied to these new technologies

is also critical. The standards-setting process is very complex with vital roles for government, business and standard-setters.

If the EU and the United States can together promote the creation of compatible, high quality, transatlantic standards in a variety of sectors or product areas in the short-to- medium term, our countries can encourage other nations to adhere to them and reduce the clutter of disjointed, unilateral standards that would impede trade and serve as protectionist devices.

Businesses then will be able to deploy technologies more effectively and more quickly across the globe, where demand for these products will only grow over time, supporting our shared desire for new sources of jobs and growth.

Additionally, common transatlantic approaches to regulation can serve as a model for other nations, in particular Russia, China, Brazil and India. Together we can provide incentives for others to embrace science-based strategies and approaches, working toward regulatory convergence and enabling mutual access to markets with fewer impediments and avoiding protectionist regulation.

This is an important point. Many countries don't share our regulatory principles. Many are inclined to devise approaches that make it more difficult for our companies to do business in their markets – which over time will Balkanize the trading system.

The United States and the EU can both benefit if we work together to promote the adoption in third countries of market principles and internationally-accepted rules governing trade, finance, intellectual property, and investment. Better economic policies in third countries will help ensure fair competition and market access, increasing opportunities to generate exports and jobs in the United States and Europe.

I would also like to highlight our work on investment. We are very close to finalizing a set of investment principles that we have developed with the EU as part of the TEC Investment Working Group. We are hopeful that these principles can be used in our joint efforts on investment in third countries, as well as with our multilateral efforts at the OECD, UNCTAD, and elsewhere. In the months ahead, we will keep you informed how we intend to operationalize this set of principles.

We reference in the principles support for the OECD work on a preliminary set of criteria on State-owned and State-supported enterprises. This new breed of SOE can crowd out more innovative, smaller competitors, hurting both the host economy and foreign competitors.

We are working with the EU and others to push further work by the OECD Trade and Investment Committees to examine the cross-border impact of these practices and build on the existing work of the Corporate Governance and Competition Committees. We believe the

investment and trade dimensions are particularly important and they are substantially interrelated.

U.S.-EU High Level Working Group on Jobs and Growth

At the U.S.-EU Summit in November 2011, President Obama and EU leaders pledged to make the U.S.-EU trade and investment relationship even stronger. They called upon the TEC to create a High Level Working Group on Jobs and Growth, co-chaired by the U.S. Trade Representative Ron Kirk and EU Trade Commissioner Karel De Gucht.

The purpose of this group is to identify and assess options for strengthening the transatlantic economic relationship in areas including, but not limited to: conventional barriers to trade in goods; barriers to trade in services and in investment; opportunities to reduce or prevent unnecessary non-tariff barriers to trade; and enhanced cooperation on common concerns involving third countries.

All options are on the table. USTR has had initial consultations with EU counterparts and is seeking input from all stakeholders, including Congress, as it conducts its work. Several major private sector organizations have issued studies or reports that make compelling arguments for an ambitious agenda in this area.

Opportunities in Russia and Turkey

I would like to say a few words about emerging trade and investment opportunities in the regions bordering the EU, in particular Turkey and Russia.

Putting our relations with **Russia** on a more constructive course is one of the Adminstration's top priorities. We work together where we have common interests, while speaking frankly about areas of disagreement, holding firm to our values and principles.

This year we have set as a goal the broadening and strengthening of our cooperation, particularly economic and commercial ties. The unprecedented sales of aircraft by Boeing, the ExxonMobil Arctic deal and General Electric's new joint ventures are a few of our key economic and commercial successes reflecting that improved cooperation. This work is in America's economic interest and part of the Adminstration's efforts to create American jobs. In 2011, American exports to Russia rose 39 percent -- more than twice as fast as our goods exports to the world as a whole. But even this increase leaves our exports to Russia at $8.2 billion for 2011 – about one-half of one percent of our total exports.

We are working closely with Russia in a variety of fora, including the multilateral financial institutions, the G8 and the G20, and in APEC – the Asia-Pacific Economic Cooperation forum – which Russia hosts this year following the hosting of the 2011 forum in the U.S. – and increasingly in the OECD. Russia's ratification of the OECD Anti-Bribery Convention required the passage of new laws that criminalized foreign bribery, with penalties for those who bribe foreign public officials to gain business advantages. As a signatory, Russia will undergo detailed reviews of its anti-bribery laws to confirm these laws are effectively implemented.

The **U.S.-Russia Bilateral Presidential Commission**, launched by Presidents Obama and Medvedev in 2009, now includes 20 working groups on various fields of cooperation, including a group on business development and economic relations. That working group explores cooperative approaches to boost two-way trade and investment, increase energy efficiency, modernize industry, grow small and medium-sized businesses, and develop training programs for managers in innovative and high-technology sectors. We also have recently launched a Working Group on Innovation, of which I am the U.S. co-chair. Our aim is to have Russian and American innovators cooperate in our mutual interest to produce benefits for both societies, and the first meeting of the group will take place March 27, the date of this hearing, in Silicon Valley.

In December 2011, **Russia received an invitation to join the WTO**. The Duma must now ratify Russia's WTO accession package, which it is expected to do no later than July 2012. Thirty days later Russia will become a full-fledged member of the WTO. President Obama in his most recent State of the Union Address urged Congress to ensure "that no foreign company has an advantage over American manufacturing when it comes to accessing… new markets like Russia." If Congress does not enact the necessary legislation to terminate Jackson-Vanik with regard to Russia, when Russia becomes a member of the WTO U.S. exporters will not get the full benefits of Russia's WTO membership, but our competitors will. This puts many of our industries at a serious disadvantage. Unlike other WTO members, the United States will not be able to turn to the WTO mechanisms, including dispute settlement procedures to ensure compliance in areas such as application of sanitary and phyto-sanitary measures, intellectual property, services market access, or WTO rules on antidumping.

We should not underestimate the opportunity to expand U.S. exports further to the world's seventh largest economy. The trend is promising for American manufacturers, service industries, farmers, and U.S. job creation. And the Commerce Department's International Trade Administration estimates that every billion dollars of U.S. exports supports over 5,000 jobs.

The Jackson-Vanik Amendment – enacted vis-à-vis the former Soviet Union -- long ago fulfilled its purpose: to support free emigration, particularly Jewish emigration. No such barriers to emigration exist in Russia today.

As U.S. Trade Representative Ron Kirk has said, terminating Jackson-Vanik "is not a gift to Russia. It's a gift to America's exporting businesses." It means more jobs and economic growth

here in the United States. Let me give you some concrete examples about how lifting Jackson-Vanik for Russia will help American business.

When Russia becomes a WTO Member, it will be required to comply with all provisions of the WTO's Agreement on Application of Sanitary and Phyto-sanitary Measures, including obligations related to the use of international standards and applying measures based on science. However, Russia would only be required to apply these rules to U.S. exports of meat, poultry, dairy, and other agricultural products if Congress terminates the application of Jackson-Vanik to Russia. It is similar for intellectual property rights. Russia would be required to meet stronger requirements for enforcement of IPR held by American authors and inventors only if Congress lifts Jackson-Vanik application to Russia.

Make no mistake, Russia will join the WTO, but action is required from Congress to ensure that American companies reap the benefits.

Turkey is another strategic priority in Europe. We have seen significant growth in our trade relationship. From 2010 to 2011, trade between our two countries increased by 35 percent – however, exports from the United States still account for only about seven percent of Turkey's total imports. Tremendous opportunities remain for enhanced two-way trade.

During their April 2009 meeting in Ankara, President Obama and Turkish President Gul pledged to strengthen the economic pillar of our relationship, leading to the creation of the cabinet-level Framework for Strategic Economic and Commercial Cooperation (FSECC). The FSECC and its various working level components advance discussions among experts from both governments on everything from protecting IPR to boosting energy trade, to positioning Istanbul as an international financial center.

These efforts have led, and will continue to lead, to new business opportunities – both trade and investment -- for U.S. companies. Moreover, they provide an opportunity to address barriers to trade that are affecting our exports, such as in agriculture biotechnology and pharmaceuticals in a constructive and meaningful manner.

Through the Economic Partnership Commission and the Trade and Investment Framework Agreement meetings, we are developing a more robust economic partnership with Turkey, and making progress towards resolving outstanding trade issues. I have had regular conversations with Deputy Prime Minister Babacan to explore what we both believe is the enormous potential for our countries to work more closely on a wide range of economic issues – both bilateral and multilateral. Turkey is one of the most dynamic economies in the world – and we value it as a strong current and future partner.

Turkey was designated one of six "Next Tier" markets with very high export potential for U.S. companies under the President's National Export Initiative. In just two years, we have already doubled exports to that important country. Export promotion activities have focused on

opportunities in Turkey's aviation, defense, high-tech, and energy sectors, among others. Commerce Assistant Secretary Camunez in December 2011 led a trade mission to Turkey focused on renewable energy and energy efficiency, which is expected to generate significant business for U.S. companies.

Eurasia and Central Asia

I also want to comment on our work with the other countries in Eurasia and Central Asia. This region is rich in energy resources, growing at a fast pace economically, and strategically important.

Through U.S. assistance to improve the business-enabling environment, states such as Georgia have become leading reformers in the World Bank's "Doing Business" index. In Kazakhstan, technical assistance co-funded by the United States and the Government of Kazakhstan helped to regularize the use of international standards for financial reporting. This helped improve the climate for investment, including substantial investments by U.S. energy companies

This region is also a key part of Secretary Clinton's vision for the New Silk Road, which seeks to connect countries in the South and Central Asian region to each other through greater economic growth and trade.

Let me highlight **Azerbaijan** as one example. Since 2004, its economy has tripled in size. According to the World Bank, the poverty rate has dropped from 49 percent in 2003 to about 9 percent in 2009. Its imports from the United States, at $328 million in 2011, are about 30 percent greater than the 2010 total of $253 million. The Azerbaijan government has identified agriculture, information and communications technology, transportation, and tourism as priority economic sectors for development. U.S. firms can play a key role in this development. We are now re-launching the U.S.-Azerbaijan Economic Partnership Commission, which I plan to co-chair with Azerbaijan's Minister of Finance soon in Washington. And we support its efforts to become a member of the WTO.

Georgia is another example. Georgia has made remarkable progress since the Rose Revolution in carrying out reforms that have laid the foundation for future economic growth and development. To assist in these efforts, and following his meeting with President Saakashvili on January 30, President Obama announced the launch of a high-level bilateral dialogue to strengthen trade relations. We also continue to pursue avenues for deeper bilateral economic ties through the Economic Working Group of the Strategic Partnership Commission, which will next meet in Georgia later this year.

And finally, let me touch on **Kazakhstan**. We have established a number of bilateral dialogues, including the U.S. – Kazakhstan Energy Partnership, which is chaired by Deputy Secretary of Energy Poneman and Minister of Oil and Gas Mynbayev, an agreement on science and technology cooperation, and a memorandum of understanding on agricultural cooperation. U.S. exports are rising by 13 percent – from about $730 million in 2010 to more than $825 million in 2011. We are working with Kazakhstan to further integrate it into the world economy by supporting its negotiations to join the WTO, which should help to level the playing field and increase opportunities for U.S. firms in that market.

Conclusion

There is much work yet to be done, but our partnership with Europe -- and our partnerships with Eurasia and Central Asia -- have never been stronger or more important. I look forward to working closely with this subcommittee to further strengthen our relationship with this region and create more jobs and more opportunities for U.S. workers, farmers and businesses there and around the world.

I am pleased to answer any questions you may have.