



**Opening Statement of Senator Joseph R. Biden, Jr.
Hearing on “U.S. Policy Toward Russia”
Tuesday, June 21, 2005,
AS PREPARED FOR DELIVERY**

Mr. Chairman, thank you for convening this hearing. I, too, want to welcome our witnesses and thank them for sharing their expertise with us.

Fifteen years ago this summer, we all watched with awe – and a bit of uncertainty – as the Soviet empire receded into history. At the time, we hoped that a vibrant, democratic Russia could rise from the rubble of the old Soviet Union and, for a while, such hope seemed justified.

Unfortunately, recent developments have brought an unsettling conclusion to that era of high expectations. The consolidation of political power in the hands of Russia’s President, the declining independence of the judiciary, and the Kremlin’s increasing involvement in Russia’s energy sector are all causes for serious concern.

In recent years, economic growth has been a rare bright spot for the country. However, I am worried that recent Kremlin actions will eventually undermine this positive trend as well.

At a cabinet meeting on June 16, Russia’s Economic Development and Trade Minister said that capital flight from the country may reach \$7 billion this year. He also indicated that foreign investment, oil production, and economic growth are all slowing. At a time when roughly one out of every six Russians still lives in extreme poverty, the nation and its citizens can ill afford such losses.

No recent event in Russia has exemplified these disturbing trends more clearly than last month’s sentencing of businessman Mikhail Khodorkovsky.

While Mr. Khodorkovsky rose to wealth and prominence amid dubious circumstances, by the time Russian authorities arrested him in October 2003, the oil company he headed, Yukos, had an outstanding reputation for good corporate governance.

In addition to introducing Western business practices, Mr. Khodorkovsky sought Western business partners. He used his wealth to fund a broad range of civil society

projects and also provided financial support to political opponents of Russian President Vladimir Putin.

Mr. Khodorkovsky's backing of President Putin's political rivals, his close ties with Western energy companies, and his success as a businessman all seem to have been major factors in the decision by Kremlin authorities to go after Yukos and its leadership.

In the wake of the Yukos affair, the Kremlin's influence in the country's energy sector grew again last week when the government took a controlling stake in Gazprom, Russia's lucrative gas monopoly.

I am concerned that the timing of Mr. Khodorkovsky's prosecution, the declining independence of Russia's judiciary evidenced at his trial, and the government's efforts to gain control of Russia's energy sector are all moving the country in the wrong direction.

President Putin has used his control of Russia's broadcast media to portray these developments as a victory for Russia's citizens. However, in doing so, I fear he is creating a Potemkin village on a national scale.

In addition to Russia's pressing political and economic challenges, health problems are devastating the population and threaten to throw the country into a demographic tailspin.

Russia's current population of 144 million is likely to decrease by more than a third in the next fifty years and much of this decline will be due to rampant alcoholism and the spread of HIV/AIDS. Unfortunately, the Russian government has been slow to acknowledge the extent of these epidemics and reluctance to confront health issues has diverted attention and funding away from the country's problems.

I want to conclude where I began, by invoking the great optimism that attended Russia's transition to democracy. I am not drawing attention to these problems with the goal of weakening Russia. If anything, the reverse is true. Now, as in the summer of 1990, I hope for the emergence of a Russia that is respected and prosperous. I hope for a Russia that can address its health crisis and become a real partner for the United States in promoting global peace and security. However, experience shows these goals are unrealistic without the protection of political liberties, the strong rule of law, and judicial and economic independence.

Few countries can match Russia's history of scientific, literary, and cultural achievement, but history also shows us that the people of Russia will never fulfill their potential in the absence of basic freedoms.

We have all lived through dark decades of authoritarian rule in Russia, and I remember that period too well to stand by and watch as the country's leadership reverts to old behaviors. For that reason, I hope our discussion today can focus on how to help

bring Russia closer to a free, democratic future. I look forward to hearing your testimony and ideas for how we can reach that goal.