

## **A wrap up of the Workshop**

### **“Localization of industrial manufacturing in Russia”**

**Kaluga, April 12-13, 2011**

Stimulating localization of industrial manufacturing in one’s own country is widely practiced around the world as a way to attract investments and advance an economy’s level of technology. Having analyzed Russian and foreign experience in this field, participants of the Workshop compiled the following recommendations to create favorable conditions for the successful localization of industrial manufacturing in the Russian Federation and in some regions in particular.

1. Effective policies for stimulating localization of manufacturing must embody the principle “localization in exchange for support”. Additional requirements to increase the level of manufacturing localization in one’s country must be beneficial for the state as well as for investors, securing their interest in the fulfillment of applicable projects and the development of a local supply network. Considering Russia’s planned entry into the WTO, measures to support localization should not introduce additional trade barriers and other barriers to market entry (including restrictions on participating in state purchase order tenders), from which companies engaged in localization projects are exempted. The most promising measures are tax incentives and also updating customs regulations and business administration, in particular resolving investors’ problems related to the import of component parts, equipment, and export of finished goods.

2. Requirements for localization of industrial manufacturing and methods for calculating the level of localization must be developed considering features of specific industries and conditions for their development in the Russian Federation. Arbitrary determination of localization levels, ignoring industry’s objective characteristics (in particular, current tendencies in pharmaceutical production, or the large share of international research, development and testing, and the importance of related services such as support and software development in the manufacture of telecommunications equipment) is fraught with increased demands, which can negatively affect the influx of investments.

3. Under conditions of fierce international competition in the field of advanced technology, special attention must be paid to the localization of research, development, and testing. Building of a modern R&D infrastructure that satisfies demands of international standards (including production engineering centers, laboratories, preclinical and clinical pharmaceutical trial centers) is vitally important both for attracting research, development and testing subsidiaries of leading international corporations, and for the development of technologically advanced domestic companies. Quickest transition to the EU standards of good manufacturing practices (GMP), good laboratory practices (GLP), and good clinical practices (GCP) will facilitate implementation of research, development, and testing results in the Russian pharmaceutical industry.

4. Measures aimed at providing production facilities with a qualified work force play an important role in ensuring the success of localization projects. Of fundamental significance for attracting highly qualified, highly paid specialists, including foreign nationals, are the creation of educational facilities for focused specialists within localized regional manufacturing clusters, fulfillment of mass residential construction programs, providing stimuli for relocating to regions where given specialties are represented, and the creation of a favorable urban environment (increased levels of comfort and safety, improvement of the educational and recreational infrastructure).

Effective policies for stimulating localization with a focus on the best international practices can make a significant contribution to the improvement of the investment climate and development of mutually beneficial cooperation between Russian and European business to promote the achievement of strategic goals of the EU-Russia Partnership for Modernization.