

IRT Recommendations to the EU-Russia Summit (21 December 2012, Brussels)

The EU-Russia Roundtable of Industrialists' Recommendations for the EU-Russia Summit

The economies of the European Union and Russian Federation will continue to face important challenges in 2013. According to the most recent (October 2012) IMF forecast, the EU is expected to return to a very modest GDP growth of 0.4% in 2013, while Russia is expected to reach a growth rate of 3.8%. The EU-Russia Summit of December 2012 provides an important occasion to boost jobs and growth by deepening trade and investment cooperation between the EU and Russia.

The IRT is a long-standing advocate for an integrated EU-Russia common economic area with a rules-based framework for mutual trade and investment. Its strategic objective is a consistent elimination of all trade and investment barriers through a Deep and Comprehensive Free Trade and Investment Agreement. Such an agreement should also include regulatory cooperation on non-tariff barriers, procurement and trade in services.

This strategic goal should also be pursued through the EU-Russia Partnership for Modernization, launched in 2010. As an official stakeholder in this Partnership, the IRT has carried out a large number of workshops in 2011 and 2012 to provide concrete input on a variety of topics ranging from technical regulation to innovation. The implementation of these proposals through the Partnership for Modernization will boost the confidence of the business community both in this Partnership and in long-term perspectives of the EU-Russia cooperation.

For 2013, the IRT urges leaders to focus on the following issues:

- 1. Maximizing the positive results of WTO accession.** Russia's WTO accession on 22 August 2012 was a milestone for the country's further integration into the world economy. It will facilitate investment and trade and help to accelerate the modernization of the Russian economy. Several measures recently introduced by Russia, notably in the automotive, forestry and beverage industries, as well as measures on Russian steel-pipe exports to the EU, are source of concern. Full implementation of all WTO commitments both in fact and spirit, including those on domestic market protection and Intellectual Property Rights will be essential to taking full advantage of their expected benefits.
- 2. Concluding the New EU-Russia agreement.** The IRT is convinced of the critical importance of this agreement for deepening EU-Russia relations and calls for the negotiations to be finalized in the atmosphere of a close dialogue with the business community. Mutual economic benefits are expected to arise from new trade and investment rules, access to public procurement, as well as from the harmonization of technical regulations and increased cooperation on standards.
- 3. Enhancing investment conditions.** As the EU develops a more unified approach to ensure market access and protection for investors, the IRT recommends an EU-Russia agreement to completely eliminate investment barriers, such as broad exclusion of foreign investors from economic activities, quantitative restrictions, foreign ownership caps and restrictions on the type of establishment. Such an agreement should prevent all forms of discrimination against investors from both sides and improve the legal framework for investment protection, including through an investor-state dispute settlement mechanism. The IRT recommends a negotiation on investment to be finalized in 2013. It should be based on "best practices" in existing bilateral investment treaties

and, where possible, go even beyond existing provisions. Under no circumstance should an EU-Russia investment agreement weaken existing investor protection.

- 4. Promoting joint priorities in the G20.** Russia has announced the intention to refocus the G20 on key issues, as well as to carry out a stocktaking exercise on all previous G20 commitments. IRT encourages the promotion of joint EU-Russia priorities in the G20 such as: boosting green and resource-efficient economic growth, fostering job creation, encouraging an open trade and investment climate and resisting protectionism. Important work also remains to be done on improving good governance and intensifying the fight against corruption. We believe the G20 should underline decisively the important role of innovative industries and their need for strong protection of Intellectual Property Rights. IRT is prepared to take an active part in discussing the agenda for the B20 and elaborating proposals for the G20.
- 5. Facilitating Trade between the EU and the Russia-Belarus-Kazakhstan Common Economic Space.** The outreach by the Eurasian Economic Commission to consult with business on new regulations and standards as well as on customs administration is welcomed by industry. This dialogue should be continued to further make use of opportunities for improving the business climate. New regulations and standards should be harmonized as much as possible with international and European best practices. Upgrading physical transport infrastructure (ports and terminals, railroads, roads etc.) as well as customs clearance will further facilitate trade within the Common Economic Space as well as with its trade partners.
- 6. Finalizing Russia's accession to the OECD in 2013.** OECD Membership will bring Russia closer to the best international practices in economic and social policy-making. The reforms required for OECD accession will help modernize Russia's economy and result in an improved climate for doing business. The IRT calls on the Russian government to implement the reforms to adjust to the OECD norms, in particular related to corporate governance, investment policy, anti-competitive practices and customs. Progress should also be made to ensure a level playing field for domestic and foreign investors in all spheres of business activity, such as, investment, intellectual property rights protection, law enforcement and dispute resolution. We call for the EU to continue supporting Russia in achieving these important reforms in 2013.
- 7. Fostering free movement of people between the EU and Russia.** A conclusion of the upgraded EU-Russia Visa Facilitation Agreement would be of practical benefit for European and Russian companies. The IRT therefore calls for negotiations on visa facilitation to come to a constructive and speedy conclusion. Consistent with the recommendations for the EU-Russia summits in 2010 and 2011, the IRT proposes an arrangement that would automatically make any citizen who has crossed the EU-Russia border at least twice eligible for a multiple long-term entry visa. The IRT also urges progress on common steps towards the total abolition of the visa regime.

In addition to these strategic issues, the IRT members highlight two more priority areas for EU-Russia relations: (a) formation of a common EU-Russia technology market and (b) harmonization of technical regulations. These recommendations summarize the result of extensive work by experts from IRT member companies in 2011 and 2012.

a. Formation of a common EU-Russia technology market

Continuing dialogue between business and government is crucial to create an atmosphere of trust and certainty needed for long-term innovation projects. The Partnership for Modernization mechanism is evidence of the interest by the EU institutions and by the Government of Russia in deeper cooperation in this field. The IRT declares its willingness to work on systemic identification of existing barriers to technological cooperation and measures to lift these barriers, as well as to discuss a list of pilot joint projects (such as those in the field of high-speed transportation, electricity grid networks, energy saving and energy efficiency) paving the way for

a wide-scale technological cooperation. These efforts, when supported by the EU authorities and Russian government, can form the basis for development and implementation of a practical roadmap for establishing the common EU-Russia technology market.

The following steps will help foster the formation of this common EU-Russia technology market.

- Low cost and exact timing of deliveries are major conditions for technological cooperation based on cross-border value chains. Any goods moved across the EU-Russia border under technology transfer projects should be exempted from custom duties and their custom clearance procedures should be made cheap and straightforward.
- Efficient system of intellectual property rights is crucial for successful technology transfer and commercialization of innovations. Imperfect protection and/or inadequate allocation of intellectual property rights widen a gap between the demand for and implementation of innovative solutions. IRT proposes to intensify work on harmonization of EU and Russian patent legislation (following the introduction of the EU single patent system), and unify rules concerning the protection of information categorized as trade secrets to prevent their abuse in technology transfer projects (including formation of joint ventures).
- Successful EU-Russia technological cooperation is only feasible on the basis of joint R&D projects involving not only businesses but also leading universities and academic institutions. To this end, Russian research institutions should gain access to the EU-sponsored programs designed to support R&D activities, and vice versa. The same principle should apply to all spheres of R&D cooperation. In particular, EU-Russia R&D projects should rely on existing EU programs supporting innovation (like FP7 and Horizon 2020) as well as opportunities provided by the Enterprise Europe Network and Knowledge and Innovation Communities.

b. Harmonization of Technical Regulations

Harmonization of technical regulations and standards is an important pre-condition for the development of economic cooperation between the EU and Russia. Active use of European and international standards will promote the competitiveness of Russian companies, increase their investment and technological cooperation with companies in EU countries. In order to form a single technical legislation of the Customs Union, as well as to follow-up Russia's WTO accession, it is crucial to systemize the European experience in the field of technical regulations and engage leading European and Russian experts in the process. The main task shall be to harmonize the technical legislation and dismantle any technical trade barriers between the countries of the EU and the Customs Union.

To this end, the IRT Task Force on Technical Regulations (IRT TF8) has prepared recommendations on harmonization of technical legislation of the EU and Russia. These recommendations are presently under final drafting to be completed and will be delivered to the IRT Council as a comprehensive White Book by December 19th, 2012. It should be the basis for further cooperation of business associations of the EU and the Customs Union.

As the IRT TF8 project has shown promising first results for many areas of Technical Regulation already, it is worthwhile to be continued from 2013 in a permanent standing committee which should be administratively managed by an office capability in a cross-sectoral trade association. For this purpose, the IRT supports the establishment of the Council for Technical Regulation and Standardization under a cross-sectoral management office on the European side, and the Belarus-Kazakhstan-Russia Business Dialogue – on the side of the Common Economic Space. The main objectives of the Council shall be to ensure business-government dialogue regarding: technical regulations, standardization, conformity assessment, harmonization of technical regulations of the Customs Union with the EU directives.

The IRT considers that the agreement on cooperation between Rosstandart and CEN-CENELEC, which was prepared with regard to the suggestions of the expert communities of both the EU and the Customs Union, should play an important role in the joint efforts on harmonizing the standards.

IRT Members

Russian side

Anatoly Chubais, IRT co-chairman (Director General, Rusnano)
Vladimir Evtushenkov (Chairman, AFK “Sistema”)
Andrey Ivashenko (Chairman, ChemRar)
Natalya Kasperskaya (Director General, Infowatch)
Andrey Kostin (President & CEO, VTB Bank)
Andrey, Melnichenko (Chairman, Eurochem)
Alexey Mordashov (Director General, Severstal)
Dimitry Pumpiansky (Chairman, TMK Group)
Alexander Shokhin (President, Russian Union of Industrialists and Entrepreneurs – RSPP)
Viktor Vekselberg (President, Skolkovo Foundation)
Vladimir Yakunin (President, Russian Railways - RZD)

EU side

Peter Löscher, IRT co-chairman (President and CEO, Siemens)
Nils S. Andersen (Group CEO, A.P. Moller – Maersk)
Pascal Soriot (CEO, Astra Zeneca)
Dr. Rüdiger Grube (Chairman and CEO, Deutsche Bahn)
Robert Dudley (Group CEO, BP)
Hans-Peter Haselsteiner (CEO, Strabag)
Jouko Karvinen (CEO, Stora Enso)
Gertjan Lankhorst (CEO, GasTerra)
Jean-Pierre Clamadieu (CEO, Solvay)
Jørgen Buhl Rasmussen (President and CEO, Carlsberg)
Rajeev Suri (CEO, Nokia Siemens Networks)
Frans Van Houten (President and CEO, Royal Philips Electronics)

Observers

Sir Suma Chakrabarti (President, European Bank for Reconstruction and Development – EBRD)
Viktor Dmitriev (CEO, Association of Russian Pharmaceutical Manufacturers)
Frank Schauff (CEO, Association of European Businesses in the Russian Federation – AEB)
Jürgen R. Thumann (President, BUSINESSEUROPE)
Garegin Tosunyan (President, Association of Russian Banks)