

**IRT RECOMMENDATIONS TO THE EU-RUSSIA SUMMIT
(15 December 2011, Brussels)**

This EU-Russia Summit has the potential to mark a turning point for EU-Russia economic relations. Russia's accession to the WTO long and consistently advocated by the EU-Russia Industrialists Round Table (IRT) appears imminent. The IRT welcomes this development, which finally puts in place a key building block for reinforced economic links between Russia and the EU based on equal partnership.

Once the WTO Ministerial Conference has formally adopted Russia's accession package, we look forward to its speedy ratification in Russia, which will allow the country to become a full WTO member by the summer of 2012.

This prospect of achieving real progress in integrating Russia into the multilateral trading system makes advances in EU-Russia economic cooperation easier.

This will be assisted by an agreement on further visa facilitation. As IRT has pointed out previously, an easier exchange of people is fundamental to deeper economic integration. We welcome all measures that facilitate short and long term stays of business people, scientists, teachers and as many other groups as possible.

Based on the IRT's recommendations to the EU-Russia summit in Nizhny Novgorod (June 2011) we now see the EU-Russia relationship on track towards a more strategic dimension.

To achieve this, we outlined a clear sequence of next steps:

1. **Conclusion of the New EU-Russia Agreement, already under negotiation, in 2012.** We expect this agreement to further reduce obstacles to EU-Russia trade and investment in both directions. We do not expect this agreement to produce fully free trade and investment flows, but we are looking for noticeable improvements.
2. **2013 should see the start of negotiations on a 'Deep and Comprehensive' Free Trade and Investment Agreement for conclusion in 2014.** The ultimate goal of this agreement should be that all tariff barriers for trade and investment obstacles between the EU and Russia should be abolished. This should also include regulatory cooperation to address non-tariff barriers, procurement, and trade in services; thus going much further than a traditional Free Trade Agreement (FTA).

We encourage Summit leaders to commit to a rapid conclusion of the EU-Russia New Agreement and the launch of negotiations on a comprehensive Free Trade Agreement soon afterwards. It is crucial that the negotiations on the Free Trade Agreement do not become hostage of the New Agreement negotiations.

In order to make progress on the substance of the ongoing and future EU-Russia negotiations, and in line with the results of its special workshops and Task Force activity, IRT makes recommendations on the following priority issues:

1. Framework conditions for investment and investment protection
2. Technical regulation, standard-setting and conformity assessment
3. Education for innovative entrepreneurship

The Partnership for Modernisation should serve to make progress on these and all other elements that can contribute to a speedy conclusion of the New Agreement.

The following pages give some more detail on these points. Further detail is included in the conclusions, annexed to this document, of the various workshops IRT organised throughout the year on specific topics.

1. Framework conditions for investment and investment protection

While intensive investment relationships exist already between the EU and Russia, we believe that the potential for increasing investment flows in both directions is significant, should the framework conditions be improved to provide investors with more predictability. A transparent regulatory environment is a prerequisite for improved investors' certainty. A comprehensive dialogue between business and government fosters mutual understanding and regulatory predictability, which further improves conditions for investment.

The EU's new power over investment under the Lisbon Treaty offers an excellent opportunity to pursue improved framework conditions for investment in the interest of both EU and Russia-based companies.

IRT suggests that any new investment-related agreements between the EU and Russia should cover both pre- and post-establishment and include fair and equitable treatment and national treatment. It should also give better investment protection than the best of the existing Bilateral Investment Treaties (BITs) currently provides. In addition, it should provide for both state-to-state and investor-to-state dispute settlement. Until these new agreements enter into force, it is essential to ensure a high standard of legal certainty for investors during the interim period on the basis of the existing BITs.

These investment-related agreements should include the protection of intellectual property rights, which plays an important role in encouraging investment especially in innovative technology sectors. With WTO accession, Russia will become a Member of the WTO TRIPs Agreement, which will already lead to improvements in some areas related to the exploitation of intellectual property rights. In addition, we would welcome further regulatory cooperation. In particular, cooperation on patent procurement and enforcement should be reinforced and joint monitoring mechanisms to prevent trade in counterfeit goods established.

Independently from the negotiations on an investment agreement, authorities can make an immediate contribution to a better investment climate by improving the predictability of their actions and by concrete steps facilitating industrial cooperation. As an example, in the pharmaceutical industry, this can be done by introducing a strict legal definition of a "medical drug produced in Russia". A bilateral agreement on mutual acceptance of clinical trials results is of crucial importance too.

An improved dialogue on investment protection between authorities, investors and other stakeholders would be a major advancement in the context of Russia's WTO accession which is to raise investors' interest towards Russia as early as in 2012. In that context, any

remaining controversial aspects related to the implementation of the EU's Third Energy Package should also be addressed.

2. Technical regulation, standard-setting and conformity assessment

As tariffs on trade are increasingly dismantled, non-tariff barriers increasingly represent significant and often hidden obstacles to EU-Russia trade and investment. The reduction of non-tariff barriers generally has significant positive effects on bilateral economic relations.

IRT welcomes the increased adoption of European standards and technical regulations in the Customs Union. IRT also highly appreciates the work carried out so far under the EU project "Approximation of EU and RF Technical Regulations, Standardisation and Certification System" and fully supports its continuation beyond the end of the year in the form of specific working projects. In particular, we draw attention to the need to ensure that accreditation for conformity assessment in Russia is speeded up.

At the same time, IRT believes that more ambitious steps should be taken in addition to what is already being done. We particularly recommend Russia's (and, if appropriate, the Customs Union's) full participation in the European standardisation system, which is composed of national standards bodies, who all participate equally in the European standard-setting process and are responsible for the implementation of European standards as national standards and for the reconciliation of any conflicting national standards. Thanks to this unique system, it has been possible to build the EU's Single Market. It should now be extended through the integration of Rosstandart into the European standard-setting system. Such cooperation on standard-setting would represent an important step towards the creation of the EU-Russia common economic area and most likely also facilitate further regulatory cooperation.

IRT has set up a new Task Force to analyse technical regulations and to develop specific recommendations regarding the harmonisation of legislation in the area of standardisation, accreditation, conformity assessment and market surveillance as well as regarding development of framework conditions for their mutual recognition.

3. Education for innovative entrepreneurship

Joint projects to strengthen innovation can be a major factor in securing the EU and Russia's joint ability to compete in a fast-changing global economy. The success of such projects depends to a large extent on the availability of qualified human resources capable of developing, marketing and implementing modern technology and management solutions. In both the EU and Russia, there is an increasing mismatch between the educational system and business needs for labour and entrepreneurial skills. Individual companies are taking specific steps to address this challenge, notably by providing organised training programmes for their employees. But the global innovation challenge requires a more systematic approach to address this mismatch at the level of the entire economy. IRT suggests taking the following steps to start bridging this gap in a systematic manner:

- a. **Support for joint research and development centres** (R&D centres) as a key mechanism to train human resources for innovative businesses, should embrace preferential tax treatment and state financial support for educational infrastructure.
- b. **The development of joint training standards** can bring the economies of Russia and the EU closer together, combining their respective advantages.

- c. **Stepping up training of skilled technological entrepreneurs** is a common challenge. These skills (especially in the fields of new product development, introduction and the commercialisation of new technologies) are required both by leading R&D centres and also in order to launch own innovative businesses.
- d. **The facilitation of wider commercial use of intellectual property** produced in research and educational institutions would provide more incentives for their staff and students to engage in business-oriented technology research.

In these issues, the experience of centres for development and commercialization of new technologies marks definitive steps towards innovation-friendly ecosystems in the EU and in Russia. We strongly hope that this positive experience will be further developed and these mechanisms will be applied to the R&D regimes in the whole of the EU and Russia.

To boost investment cooperation and innovative entrepreneurship, free movement of professionals is necessary. IRT considers the complete elimination of visa barriers as one of the key priorities on the EU-Russian agenda. We strongly hope that the approach advocated by IRT, namely systematic use of long-term multi-entrance visas without any registration requirements, will be adopted in order to provide a pragmatic first step towards a visa-free regime between the EU and Russia. Clear criteria for abolishing visas should be introduced, and once these criteria are met by both parties a visa-free regime should be put in place without further delay.

Being an official contributor to the Partnership for Modernization, IRT views this flexible framework as an effective mechanism to ensure a speedy conclusion of the New EU-Russian Agreement. In this spirit, attached to these Recommendations are the concrete findings and conclusions of the IRT workshops held throughout the year 2011. The IRT community looks forward to a sustained and profound dialogue with the respective authorities of both the EU and Russia on the implementation of our proposals.