

## IRT Recommendations to the EU-Russia Summit

**Saint Petersburg, 3-4 June 2012**

The present EU-Russia Summit is the first one since the December 2011 WTO Ministerial Conference that formally approved Russia's accession to the WTO. With its vision of an integrated EU-Russia common economic area with a rules-based framework for mutual trade and investment, the IRT has actively advocated Russia's membership in the WTO and welcomes this decision. We trust that the ratification process by the Russian Parliament of the WTO membership package can be finalized shortly and would encourage the drafting of further implementing regulations that will enable Russia to fully meet its accession agreements within the agreed timeline. This will open up new prospects for productive economic cooperation between the EU and Russia.

In order to further strengthen economic relations between the EU and Russia, the IRT urges attention to the following areas:

- 1. Conclusion of the New EU-Russia agreement.** The IRT emphasizes the critical importance of this agreement for future EU-Russia relations. Recommending both sides to assume a pragmatic and ambitious approach in their further negotiations, the IRT urges to focus on maximising the mutual economic benefits from new forms of cooperation and from new rules on enhanced trade and investment emerging from that Agreement.
- 2. Formation of the Common Economic Space (CES) of Russia, Belarus and Kazakhstan.** The CES creates brand new opportunities for fostering business ties between the EU and Russia, contributing to further growth of mutual economic benefits, since the conditions of a free trade and investment area as agreed between the EU and Russia, may later be extended to the other two members states of the CES. The IRT urges the Eurasian Economic Union to consult with business on new regulations and standards which should be harmonised as much as possible with international / European best practices.
- 3. Making progress on Russia's accession to the OECD.** OECD Membership will bring Russia closer to the best international practices. Specific actions to be undertaken include enhanced consultation with business organisations on forthcoming regulatory reforms and ensuring a level playing field between domestic and foreign investors in all spheres of business activity, such as investment opportunities, intellectual property rights protection, law enforcement and dispute resolution. We call for the EU to support Russia in achieving this important objective.
- 4. Free movement of people between the EU and Russia.** Further economic integration, accompanied by improved visa facilitation, will increase mobility of people and goods between the EU and Russia. We therefore call for negotiations on this issue 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 multiple entry visas for a maximum period of time. The IRT also urges to develop clear terms for the abolition of the visa regime. Once these conditions are fulfilled by both sides, the visa-free regime should be put into effect without delay.

In addition to these strategic issues, IRT members highlight three priority areas in the EU-Russia relations that could be addressed as early as in 2012, in close cooperation with business. Progress in these areas will facilitate a fuller use of the benefits resulting from Russia's accession to the WTO, for all businesses involved in the EU-Russia cooperation.

- Enhancing mutual trade and investment conditions;
- Formation of a common EU-Russia technology market;
- Cooperation on technical regulation, standardisation and conformity assessment.

### **Enhancing Mutual Trade and Investment Conditions**

The IRT confirms that its strategic objective is a consistent elimination of barriers to mutual trade, which would give significant economic benefits to both sides. Russia's WTO accession enables both market economies to take advantage of the rules applied to trade, for example in the field of antidumping, SPS and regulatory transparency. It also opens way for negotiations on a 'Deep and Comprehensive' Free Trade and Investment Agreement that is to put an end to all trade and investment barriers and should include regulatory cooperation on non-tariff barriers, procurement and trade in services. In the short term, the IRT would urge to examine a series of confidence-building measures toward this aim, for example in the field of regulatory transparency.

In addition, as the EU intends to develop a new, more unified approach to access to markets and investor protection issues, there is an opportunity to further improve the conditions for mutual investment. The IRT recommends:

- The negotiations on the text of the investment section of the future EU-Russia agreement should be based on the principle of "best practices" of access to markets and investor protection as in existing bilateral investment treaties (BITs) and international agreements.
- A detailed study of the existing BITs needs to be organised to identify "best practices" ensuring market access and investor protection. This study should involve representatives of Russian and European business circles who, based on their experience, could provide their input on the strengths and weaknesses of existing BITs.
- After the conclusion of the future Agreement, the rules governing the specific issues of investment cooperation between Russia and the EU should be at least as favourable to investors as the provisions of previous BITs, in conformity with the "best practice" principle and, where possible, go even beyond existing BIT provisions. The strategic goal is to completely eliminate investment barriers, prevent all forms of discrimination against investors and improve the legal framework for the protection of property rights (including intellectual property rights), also through the inclusion of investor-state dispute settlement.
- An improved dialogue on investment protection between authorities, investors and other stakeholders would be a major advancement. In that context, any remaining controversial aspects related to the implementation of the EU's Third Energy Package should also be addressed.

The IRT would also like to stress the need to prioritize the development of the physical infrastructure related to transport (port and terminals, railroads, roads etc.) and customs clearance in order to eliminate bottlenecks. In addition, conditions for intermodal transport and short sea shipping should be prioritized.

## **Formation of a Common EU-Russia Technology Market**

In recent years, the EU-Russia technological cooperation has developed rapidly, increasing the competitiveness of existing businesses, and encouraging new products onto the market. Improved investment climate and measures to support innovative entrepreneurship, proposed by the IRT in its recommendations to the December 2011 EU-Russia summit in Brussels, would give an additional impetus to cooperation. For definitive progress in this area, a common EU-Russia technology market should be established. To achieve this goal, the existing barriers to technology transfer should be removed, and additional measures should be taken to protect intellectual property rights and support their commercialisation:

- Any goods moved across the EU-Russia borders under technology transfer projects (including equipment, product samples, clinical trial material and biological samples for clinical trials) should be exempt from customs duties. For complex high-tech goods, especially for perishable articles delivered under R&D projects, fast-track customs procedures should be envisaged;
- The rules of protection of information categorised as trade secret should be harmonised to prevent their abuse in technology transfer projects (including formation of joint ventures);
- Scientific and educational organisations in Russia should be given the right to contribute the intellectual property (patents, know-how) that they created with budgetary funds to the charter capital of joint ventures, in which they are parties;
- To promote cooperation in strategic high-tech industries, transparent criteria for the identification of dual-use goods and technologies under the Wassenaar Arrangements should be developed and applied.

Additional measures regarding a common EU-Russia technology market refer to the harmonisation of technical regulations.

## **Cooperation on technical regulation, standardisation and conformity assessment**

Harmonisation 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. With the formation of the CES, this would also lead to increased opportunities for European companies to collaborate with other CES countries. The IRT considers the following priority tasks:

- Continue developing technical regulations of the Customs Union involving businesses and other stakeholders and taking into account the international and European best practices.
- Ensure the early conclusion of a cooperation agreement between Rosstandart, the European Committee for Standardisation and the European Committee for Electrotechnical Standardisation (CEN-CENELEC). In the context of the formation of the CES, this agreement should be regarded as the first step towards a future agreement between the two regional standardisation systems, i.e. CEN-CENELEC and the Eurasian Council for Standardisation, Metrology and Certification (EASK).
- Ensure participation of technical committees on standardization of Russia and the Customs Union in the work of CEN/CENELEC technical committees, aiming for full membership providing eligibility to vote as a visionary objective.
- Speed up the establishment of a unified system of conformity assessment accreditation in Russia, taking into account the requirements of relevant European documents, ISO standards and WTO rules.

Progress in implementing the three priorities above may increase both long-term and short-term benefits of the EU-Russia cooperation. The existing framework of cooperation (in

particular, projects aimed at stimulating the technology transfer under the Partnership for Modernization) provides reliable prerequisites for such progress. However, only fresh, decisive steps to implement the proposed recommendations are needed to give a new impetus to economic cooperation between the EU and Russia.

## **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)  
David Brennan (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)  
Aloïs Michielsen (Chairman, Solvay)  
Jørgen Buhl Rasmussen (President and CEO, Carlsberg)  
Herbert Stepic (Chairman and CEO, Raiffeisen Bank International)  
Rajeev Suri (CEO, Nokia Siemens Networks)  
Frans Van Houten (President and CEO, Royal Philips Electronics)

### **Observers**

Thomas Mirow (President, European Bank for Reconstruction and Development – EBRD)  
Viktor Dmitriev (CEO, Association of Russian Pharmaceutical Manufacturers)  
Nikolay Koshman (President, Builders’ Association of Russia)  
Frank Schauff (CEO, Association of European Businesses in the Russian Federation – AEB)  
Jürgen R. Thumann (President, BUSINESSEUROPE)  
Garegin Tosunyan (President, Association of Russian Banks)