

EU-RUSSIA BUSINESS DIALOGUE

16 JUNE 2011

KEY STATEMENTS

Russia's WTO Accession

- As an outcome of the EU-Russia Summit of 9-10 June 2011, a final decision on Russia's WTO accession should be made in December, which leaves a month to settle the last issues. A success on the WTO accession, which would be a great momentum, could imply the following agenda in the medium term:
 - o 2011:
 - § Progress in discussions of visa-free regime. A major breakthrough is needed to allow exchanges for major parts of the population. The EU-Russia Summit took note of good progress, but efforts need to deliver concrete results by 2011;
 - o 2012:
 - § New "basic agreement" between the EU and Russia. This new agreement could be based on Russia's WTO agreement and should be a "WTO+" agreement to emphasize the special relationship between the EU and Russia (trade amounting already to 300 billion USD per annum between both economies);
 - § new phase of integration by preparation of a new comprehensive free trade agreement between the EU and Russia.
- In order to progress towards the objectives, it is important to focus on what unites the EU and Russia, rather than on areas of disagreement. Both economies are complementary and closer integration will be for the benefit of both parties.

Success stories of investing in Russia

- Key drivers to success are:
 - o Getting in at a right phase of market development;
 - o Clear business vision;
 - o Being committed to the local market place even in tough times;
 - o Strong local (Russian) management;
 - o Innovative products and strong brands;
- Areas for further progress:
 - o Predictability in decision / lawmaking / taxation is the key to improve business environment in Russia. Transparent legal rules and economic policy are indispensable preconditions for business success;
 - o Dialogue between the government and businesses and between different levels of government in Russia (local, regional, federal) should be improved.

Beyond dialogue, a true culture of cooperation between government and businesses should be established.

- Technical regulations in Russia are hard to understand for foreign companies. Compliance with technical regulations is more expensive in Russia than in Western Europe, which partly offsets competitiveness gains resulting from lower labour costs. This problem can be effectively addressed by aligning Russian technical standards with European ones as soon as possible;
- Access to specific skilled labour remains difficult (due to shortage in some sectors, salaries paid in Russia can be equivalent to Northern EU countries)
- The Russian economy is very much focused on large players. There is a need for the development of a stronger SME's network, based on the German example.
- The Russian economy also needs a strong capital market to support foreign direct investment.
- Outsourcing of needs. Due to the absence of SME service-providers in many areas, large companies cannot outsource services, such as for example machinery maintenance, which they would normally do in Western Europe.
- Deepening localisation projects in production and R&D activities in close cooperation with Russian partners.

Reasons for Russian companies to invest in the EU

- In recent years, Russia experienced a net money outflow. Substantial part of this outflow consists, however, of productive investment by Russian companies abroad;
- Russian companies invest in industries and businesses abroad to gain technologies, competences and skills that they can use in Russia;
- Targeted business plans combined with learning European business culture are keys for successful operation of Russian investors in Europe.

Improvement of exchanges between the EU and Russia

- High-level political contacts and business cooperation are very positive. They need to be complemented with strong exchanges between universities and local governments from the EU and Russia. Radical simplification of visa requirements as soon as in 2011-2012 will be most helpful for that matter;
- Such exchanges, combined with flagship initiatives such as the Skolkovo Foundation, will help creating an embedded innovation culture, which will be beneficial to both the EU and Russia;
- With progress on the framework for economic integration taking place, integration in the education, research and development areas is the new frontier on which to focus in years to come;

- Visa-free regime between the EU and Russia is the strategic priority to boost professional contacts and develop mutual trust both on business issues and beyond.
