

# Closer ties to Russia will profit the peoples of Europe

**Nils Andersen and Anatoly Chubais**

**W**ill our expectations be fulfilled? When negotiations for a new agreement on future relations between the European Union and Russia begin in earnest today, many business people will ask themselves this question. Businesses in the EU and Russia have been looking forward to official talks in the expectation that formal links between our two economies might match the maturing business relationship and support a further deepening of economic ties.

Following the launch of negotiations by political leaders at the EU-Russia summit in Siberia last week, the shape of our future relationship looks finally to be getting the attention it deserves. Russia is already the EU's number three trading partner, after the US and China. For Russia, the EU is both import and export partner number one. The investment relationship is growing rapidly: last year's flow of EU investments into Russia - €17bn (\$26.9bn, £13.5bn) - represents a doubling compared with three years earlier; Russia's direct investments into the EU in 2007 approximated €5bn.

This explains why business leaders represented in the EU-Russia Industrialists' Round Table believe that deeper economic integration can provide the backbone for a more dynamic, mutually beneficial EU-Russia relationship. The gains from allowing our economies to benefit from potential synergies should not be underestimated. The objective of formal EU-Russia relations must be the creation of an integrated common economic area, based on World Trade Organisation membership; a stimulating, open, non-discriminatory regime for mutual investment; and compatible economic regulations and standards. These

## The objective of formal relations is an integrated common economic area, based on World Trade Organisation membership

measures taken together would more closely interlink our economies, making mutually beneficial use of each other's advantages and reflecting the fact that we are close neighbours in a globalising world.

The fact that Russia's accession to the WTO is still pending presents complexities for certain parts of the economic negotiations, in particular on many trade and investment-related matters, where WTO membership provides a solid basis of common rules for further economic integration. We hope that sustainable conditions for Russia's WTO accession can be put in place sooner rather than later, as this will provide a leap forward for the EU-Russia talks. Both sides need to do all they can to resolve the issues over which they have control.

The talks do not face such obstacles in other areas. The IRT, therefore, also recommended to the recent summit in Khanty-Mansyisk that a strong emphasis be put on innovation - a policy priority in the EU as well as in Russia. A true strategic partnership would draw on each other's strengths in research and technological development. Russia's full association in the seventh EU Framework Programme for Research and Technological Development would be an important step in this direction. Equally, the participation of European organisations in Russian programmes should be actively encouraged. Why not be more innovative in the field of innovation? Why not consider Russia's involvement in the European Institute for Innovation and Technology, for example?

Innovation in our relations would be welcome in other fields as well. For example, we do not need to wait for the EU-Russia talks to be concluded to agree on a common determination to address the issues that continue to inhibit EU-Russia business relations, including bottlenecks at border crossings, food safety and hygiene measures and misunderstandings on the issue of market opening and investment. The conditions should be put in place to address technical issues effectively. This could be done by officials meeting either in existing or new committees with mandates to propose solutions jointly to bring about more economic vibrancy and bring us closer to our common goal of fostering economic integration.

The beginning of EU-Russia talks presents a welcome opportunity to boost bilateral business relations further. The business leaders represented in the IRT expect foresight, ambition and responsibility to take precedence in the negotiations. We will do our part by contributing new ideas to ensure that the EU and Russia can together play a strong economic role in the global economy. Success in this endeavour is crucial: it will deliver growth and jobs to the peoples of Europe - in the EU as well as in Russia.

*The authors co-chair the EU-Russia Industrialists' Round Table*