



**EUROPEAN COUNCIL
THE PRESIDENT**



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**Speech by Herman Van Rompuy
President of the European Council
to the EU-Russia Industrialists Round Table**

At our meeting on 7 December last year, I finished my speech stating that there is still considerable potential to increase our broad and intense relations and that this is a challenge for us politicians, but also for you as business-people.

Today it is not exaggerated that we together succeeded to use this potential to further develop the strategic partnership between Russia and the EU. And if you allow me to even look back to the last four years, there can only be one conclusion: Relations between the EU and Russia have improved during your term in office, President Medvedev.

Our today's summit was an excellent one. We have managed to complete and to bring forward some topics high on the common agenda. Our achievements also have a direct bearing on the work of the IRT. Let me give you five examples:

First and of particular relevance for the political as well as the business side: We have cooperated very closely to achieve Russia's WTO accession; we managed to find compromises for a number of difficult issues on the path towards Russia's WTO membership, such as the automotive investment regime, the export duties on wood, or the Siberian overflight charges.

Second, we agreed on common steps towards a visa waiver agreement for short-term stays. This has been for a longer time already a key demand of Russia, but also of the business community. You businesspeople feel strongly the hindrances posed by visa restrictions and red tape, for example when it comes to the registration of foreign staff operating in Russia. In the same context, we will amend the visa facilitation agreement to inter alia include more categories of beneficiaries.

P R E S S

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Third, eighteen months ago, we agreed on a joint Partnership for Modernisation. At our today's Summit we could not only look back at first concrete results with particular importance for business, but also discuss further activities. In line with an IRT-demand, we will closely cooperate on the alignment of technical regulations in 19 areas and we agree that business will be closely associated to the work. Furthermore, Russian and European standardization organizations will soon sign a cooperation protocol.

Fourth, and further on the modernization agenda: We today could welcome a broad and varied list of successful joint activities. They range from the first start of a Soyuz rocket from Europe's space port in Guyana, carrying Galileo satellites into orbit over the introduction of an appeal system in Russian criminal and civil courts to the foundation of an independent EU-Russia Civil society forum that will increasingly contribute to the modernization agenda.

Fifth, Russia's aim is to also join the OECD. The EU actively supports reforms in the country that support a better investment climate and more predictability for business. Building on our achievements during today's Summit, let me now comment on the IRT Recommendations of 8 December.

As regards the framework conditions for investment and investment protection: the potential for increasing investment flows in both directions is indeed significant. We should now move forward decisively on the trade, investment and energy aspects of the New Agreement negotiations. It is without question that the Partnership and Cooperation Agreement, still from the nineties, needs updating. The question is where we can go beyond WTO provisions in our bilateral relationship. This concerns not mainly market opening, but also regulatory cooperation, for example in the areas intellectual property rights, public procurement and technical standards.

The New Agreement must be comprehensive and include bilateral trade, investment and energy provisions. I already referred to standard-setting and technical regulations. The EU - and I believe also President Medvedev - see this as a priority. We shall continue work through jointly or EU-funded support projects. We must aim to create a common market in the long run.

On your third recommendation area, education for innovative entrepreneurship, we will examine whether more can be done to further foster university/enterprise cooperation and to strengthen innovation by ensuring participation of business in the training and career development of researchers.

Our Summit does of course not take place in a bilateral political vacuum. Let me therefore finally widen the context and briefly refer to the debt crisis in the Eurozone and the deteriorating economic situation.

It is clear that economic growth and employment bear the brunt of a loss of confidence due to the financial instability in the euro-zone. A great deterioration in growth prospects adversely affects public finance and bond markets and increases financial instability. Everything is in everything. All is in all. That is why we must adopt a comprehensive approach and reverse the vicious circle.

Europe has taken and is taking forceful measures to address its weaknesses. Governance has been strengthened and mechanisms to address the financial crisis have been put in place. The new set of measures decided at the European Council meetings of 26 October and last Friday aims at cutting the negative feed-back loop between the sovereign debt and the financial sector problems. Heads of State and Government decided on ambitious thresholds for bank recapitalisation and new measures to ensure the availability of term funding to shield the financial sector against further turbulences.

The European Council also decided on the key parameters for another financial assistance programme for Greece including enhanced involvement of the private sector. Furthermore, the summit agreed on a series of measures to bolster the crisis mechanisms. The tools for leveraging the EFSF will be rapidly deployed, and the entry into force of the ESM-Treaty will be brought forward to July 2012. In addition, the EU agreed to contribute 200 billion Euro in new funds to bolster the resources of the IMF so that it is better equipped to fight the crisis. This being a crisis with global ramifications, it is very important that the EU contributions are accompanied by parallel contributions from the international community, notably the G20 members.

We also agreed last week on some big steps to strengthen the economic union. These consist of a new fiscal compact as well as stronger coordination on matters that are important for the smooth functioning of the EMU.

Fighting the financial crisis alone is not enough. That's why the European Council combined these measures that will bring deficits under control with policies that cushion growth. In October, Heads of State and Government sent a strong signal for a more growth-friendly pattern of fiscal consolidation, prioritising investment and jobs. The EU wants to give immediate priority to those areas most likely to enhance growth.

This involves the speedy deployment of the Single Market Act including the full implementation of the Services Directive, the integrated market for energy, a better financial integration including venture capital and the modernisation of public procurement. This involves the completion of a fully integrated digital Single Market in order to facilitate cross border online transactions. This involves furthermore the reduction of administrative burdens, in particular for Small and Medium Sized Enterprises.

To create new jobs, we must also improve the EU's trade performance and attract more foreign investment. Another example showing that the European Union is a good place to invest is the current discussion on the EU's long-term central budget (about 1 Trillion euros over seven years, or roughly one percent of our total GDP):

We want to make sure that as many policies as possible stimulate growth and create jobs. About one third of this large sum of money is linked to these objectives. Helping people set up a business. Connecting countries through highways and railroads. Building an integrated energy infrastructure. So the European Union does a lot more than advocating an austerity strategy! It provides great opportunities for Russian businesses to invest.

The global financial and economic crisis confronts both, Russia and the EU, with enormous tasks that we can only lift together with our partners: Creating global balances between the major economies means taking concerted action that goes well beyond the traditional trade-sphere.

Let us in our bilateral relationship use the dynamism created through the WTO negotiations in order to push forward an ambitious New Agreement with substantial economic convergence elements. This will be a crucial step to make shared prosperity from Lisbon to Vladivostok a reality.
