



**Joint Conclusions of the Conference on 13 November  
and Recommendations to the EU-Russia Summit on 14 November**

*These recommendations are based on the 10<sup>th</sup> IRT Annual Conference, which brought together more than 300 representatives from business, think tanks and policy makers on 13 November 2008 in Cannes. They were agreed by the IRT Council, composed of 17 CEOs of major EU and Russian companies and business organisations, in the light of discussions at the 10<sup>th</sup> IRT Annual Conference.*

***Uncertainties are on top of the business communities' minds***

The 10<sup>th</sup> IRT Annual Conference recognised deep concerns among the EU and Russian business communities arising from the uncertainties in global financial markets and recent tensions in the EU-Russia relationship. These could have a negative impact on the growing number of successful, constructive and mutually beneficial business relationships. Both business communities believe that the last months have affected potential investors' willingness to commit to new projects.

A favourable business climate is closely related to stability. Political leaders should take steps to restore confidence in the EU-Russia economic relationship, reassure companies and strengthen business ties.

At the EU-Russia Summit, we encourage political leaders to reassure the business communities that they are strongly committed to constructive multilateral and bilateral negotiations on strengthening our trade and investment relationship. More serious efforts must be made to bring our economies closer together. The business community expects policy makers to focus on the creation of a rules-based common integrated economic area. Too much time has already been lost in achieving this objective. It would be highly unfortunate if our two economies missed an historical opportunity to forge closer ties for their mutual benefit. The business communities are committed to continue contributing constructively to closer economic integration.

Determined and reinforced engagement is the right path to follow now. IRT therefore calls for the constructive continuation of Russia's WTO accession negotiations and welcomes the decision to re-start negotiations on the new EU-Russia agreement. Political leaders should emphasise the mutual economic benefits of such an agreement. The business communities are ready to support their efforts. IRT Members look forward to a renewed commitment towards each other by Russia's and the EU's leadership.

With emerging economies playing an increasingly important role in the global economy, the governance of the global economic system is becoming more topical. In view of this, IRT Council members encourage Russia's efforts to accede to key international and multilateral organisations.

The current crisis calls for internationally coordinated, transparent government action. Protectionism and isolation must be prevented. The EU and Russia should set an example and work closely together in the forthcoming multilateral discussions on the global financial architecture and global economic governance. The business communities should be invited to participate in these discussions.

***The IRT vision of an integrated EU-Russia common economic area***

An integrated EU-Russia common economic area should provide a rules-based framework for mutual trade and investment, which will generate a win-win partnership ensuring fair competition and freedom of cross-border movement for professionals.

This vision can only be built on a broad and comprehensive free trade agreement, based on WTO membership, which includes implementation of the following elements:

- Substantially fewer trade obstacles for bilateral trade in goods and services than required by the WTO (“WTO+”). As a rule, tariffs should be abolished and quotas and all other export and import restrictions discontinued.
- Approximation of economic regulations and standards around transparent, predictable, proportionate and fact-based regulation and international approaches to standards.
- An open, transparent and non-discriminatory regime to encourage and protect mutual investment with full transparency and sustainability based on national treatment and, if necessary, an exhaustive list of reasonable exemptions
- Robust enforcement of intellectual property rules
- Effective dispute settlement and mediation mechanisms

## GENERAL RECOMMENDATIONS

### ***1. Specific priority recommendations for a new EU-Russia agreement***

- The legal architecture of the agreement matters less than the practical contributions it will make towards the achievement of an integrated EU-Russia common economic area. The level of commitments in the new agreement must be much higher than in the Partnership and Cooperation Agreement (PCA).
- IRT is concerned about statements suggesting a slowdown in Russia’s efforts to join the WTO. This would represent a withdrawal at the last minute, after more than 13 years of progress and with only a few hurdles still to overcome. WTO membership is a key element of Russia’s global integration strategy, and will bring numerous longer term benefits. It also constitutes an essential foundation for an ambitious economic agreement between the EU and Russia. To prevent this issue becoming an obstacle, IRT strongly recommends that:
  - All bilateral and multilateral negotiations should be put back on track to ensure that Russia accedes to the WTO as soon as possible.
  - The EU and Russia should agree to abide by their respective bilateral commitments and timetables throughout the remainder of the WTO accession process.
  - To avoid any further misunderstandings throughout the remainder of the WTO accession process, IRT would welcome an agreement in which the EU and Russia commit themselves not to introduce any trade restrictions that are not in line with the 2004 bilateral accession agreement, not to add any new issues to the agenda, and to find solutions to existing barriers that have been put in place since the bilateral agreement was reached.
  - Any attempts to politicise the WTO negotiations should be firmly rejected. The WTO was designed to deal exclusively with trade issues.

- Certain elements of the existing EU-Russia structure work well, and should be enhanced by the new agreement. The dialogues set up under the Roadmap to the Common Spaces should continue, with a much stronger focus on deliverables and their implementation. A more systematic involvement of business in economic discussions should be ensured through direct business participation in the dialogues, and an organised process that ensures that regular feedback on their progress is given to the broader business community.

## ***II. Specific recommendations for immediate implementation***

- IRT is convinced that a number of measures can be taken immediately – in parallel to the negotiations on the New EU-Russia Agreement – to provide additional momentum towards closer economic relations and reduce costs of cross-border business transactions. These measures include:
  - The creation of joint intergovernmental committees of technical experts with a clear mandate to solve issues in areas like food safety and hygiene and border crossing. For example, it is highly important to strengthen expert-level cooperation between customs authorities to improve information exchange (including on transit shipments), harmonising operational procedures and document formats.
  - In the area of certification and compliance, IRT would support a joint programme to implement gradual acceptance, in Russia, of selected European certificates and agree on a roadmap for transfer to electronic supply of information for customs clearance. This could be limited initially to specific product groups where no significant compliance problems have been observed. If successful, this practice could be further expanded at a later stage. This policy would reduce non-tariff barriers for trade as both EU and Russian companies would be subject to the same requirements, allowing them to sell their products freely in each other's market.
  - Innovation should be given more prominence in the EU-Russia dialogue. In the 21st century, innovation is a crucial factor of competitiveness and economic growth. Political leaders should create possibilities for closer cooperation and reciprocity in each others' government innovation programmes, e.g. investigate the possibility of Russia's participation in the European Institute for Innovation and Technology (EIT). EU-Russia cooperation should support the development of joint training programmes and twinning arrangements to facilitate dissemination of best practice, e.g. in the area of commercialisation of innovations.
  - Adequate protection of intellectual property rights and the fight against trade in counterfeit products are crucial for the promotion of innovation. The EU and Russia, as major trading partners, are in a strong position to act jointly.

## ***III. Foreign investment, strategic industry sectors, and protectionism***

The Russian and EU business communities strongly support international free movement of capital as a proven driver of economic development and integration. Commercial interests should be governed through the impartial application of laws, regulations and legal process, not on the basis of nationality of ownership. In that respect, business continues to be worried about signs of growing protectionism in the EU and Russia.

Governments have a legitimate right to regulate natural monopolies in a proportional manner. In this context, IRT recalls that foreign investors' activities are subject to all national rules and legislation, including competition policy, applicable in the destination country and take place under the supervision of the relevant oversight authorities. IRT presumes that national interests are not affected by the ownership of the commercial entities operating within the appropriate regulatory frameworks.

On this basis and in line with these principles, IRT recommends:

- The investment elements of the New EU-Russia Agreement should take a broad definition of investment to capture the full array of companies' assets and to ensure full protection of investors.
- General market regulation and competition law, all applied on a transparent and non-discriminatory basis to all operators in the same market, should provide the primary means of ensuring the secure and productive operation of our economies.
- The new agreement should aim to roll back excessive investment restrictions, and to prevent new ones, as a way to deepen economic integration. It would also be useful to increase certainty by clarifying the current degree of openness for investment in sectors where this is not fully clear to all market actors.
- The presumption should remain strongly in favour of the benefits of open capital and investment flows. Private foreign investment should be presumed exempt of any review process unless there is reasoned evidence that the investment is based on non-commercial considerations.
- EU and Russian leaders should explicitly state their commitment to free, open and non-discriminatory investment, explain the merits of this policy approach to their electorates, and ensure its application within their jurisdictions. Any decision to review or restrict foreign investment in a particular sector should be justified, explaining why public authorities are unable to ensure the foreign-owned entity's full legal compliance based on existing laws and regulations.
- Companies subject to reviews should be treated fairly and have the right to challenge decisions before independent courts or an effective investor-to-state dispute settlement system.

Given the important role of investment for economic growth and competitiveness, investment – by domestic and foreign actors – should be encouraged. The free flow of cross-border investments should be the cornerstone of the New EU-Russia Agreement. Its investment clauses should form a minimum platform that is complementary with existing bilateral investment treaties (BITs) concluded at a national level. The investment provisions must not conflict with national arrangements, and EU Member States and Russia should have the option to revise their BITs in the future.

The costs of investing are often unnecessarily high and policymakers can contribute to their reduction by encouraging widespread use of a "single window" approach, whereby any prospective investor can obtain all necessary permits and authorisations from all administrative departments through one single contact point. An added benefit of this approach is the reduction of corruption linked to permit issuance. Further harmonisation of national regulatory regimes across the EU would further reduce the costs of Russian investments into the EU.

#### ***IV. Benchmarking progress in EU-Russia economic relations***

In order to ensure steady progress in EU-Russia economic relations, IRT proposes to benchmark progress in the area of trade and economy from one EU-Russia Summit to the next. IRT Members will use the opportunity of their regular dialogue with political leaders to request their feedback on progress on the implementation of their recommendations, and to recommend further policy actions to support the pursuit of our common goal – the creation of a common integrated economic area.

### **TASK FORCE RECOMMENDATIONS**

#### **Construction Task Force**

- Develop a proposal to considerably simplify the existing Russian procedures for getting construction permits. This proposal should take into account the EU experience with permit allocation. Expand the use of “single window” facilities for permit allocation and introduce maximum time limits, within which investors can expect a decision from the authorities.
- Harmonise Russian construction regulations with EU rules, including the EU directive on Construction Safety.
- Expand cooperation in the area of high-rise construction, aimed *inter alia* at raising the safety standards in Russian high-rise construction, retraining of construction experts, and establishment of the joint EU-Russia certification centre.

#### **Forestry Task Force**

- Expand public financing of crucial infrastructure developments in Russia for operations of large wood-processing enterprises. Development of forestry roads should be a priority.
- Raise efficiency of forestry use, consider various forms of forest ownership that are used to supplying large wood-processing enterprises.
- Make additional efforts to establish joint ventures that produce equipment for forestry and wood-processing.

#### **Financial industry**

- Expand international cooperation in reforming the global financial system and monetary policy, combining efforts of the business community and governments in the quest for the most effective reform solutions.
- The following should be considered as priorities for reforming international finance:
  - development of joint principles for monetary policy,
  - establishment of the common approach to reforming financial sector supervision,
  - strengthening international cooperation in supervision of transnational financial institutions,
  - strengthening accounting rules,
  - tightening regulation of rating agencies.

### **Transport and Infrastructure Task Force**

- Customs clearance procedures should be improved and operations at border crossings improved using progressive IT and e-document systems.
- A coordinated development of railway and road infrastructure as well as rolling stock and road vehicles based on harmonized technical standards which allow interoperable transport processes should be pursued.
- Interoperability and accessibility of railway lines, new terminals and new logistic centres must be improved. The implementation of multimodal transportation technologies for container, trailer and other equipment for the intermodal transport industry between Russia and the EU needs to be co-ordinated.
- Setting reliable and long-term tariffs and track and other user charges for the railways and intermodal industries in order to creating a sound calculation basis for business and customer relations.

### **Information and Communications Technology Task Force**

- Regulation in the EU and Russia should promote the creation of a unified marketplace for digital TV and wireless technology.
- EU and Russian regulators should share experience regarding mobile virtual network operators (MVNOs), local loop unbundling.
- A framework for cooperation between telecommunications carriers from the EU and Russia should be put in place
- Telecoms should become an integral part of network infrastructure projects (roads, pipelines etc.)
- Joint commercialization of nano- and other technologies with high added value has sizeable market potential.

### **Energy Task Force**

- The financial crisis is a severe threat to the necessary investments in energy projects, underlining the need for an open, transparent and non-discriminatory regime encouraging and protecting sustainable reciprocal investments.
- Tax reforms that promote production of oil and gas should be promoted, and energy efficiency improved in Russia, including heavier use of associated gas.
- Promotion of technology, knowledge exchange and education must be intensified.