

## **MESSAGE TO THE EU-RUSSIA SUMMIT**

(Khabarovsk, 21-22 May 2009)

Addressing the consequences of the on-going global economic crisis remains the top priority for companies and governments. As business leaders, we are concerned by a globally diminished focus on cross-border cooperation, including economic integration between the EU and Russia. Under these circumstances, the members of the EU-Russia Industrialists' Roundtable (IRT) Council, emphasise that no anti-crisis measures can be effective unless designed around the concepts of deeper integration, broader international cooperation, trade and foreign investments.

IRT Council members are convinced that the Recommendations of the 10<sup>th</sup> IRT Conference (November 2008, Cannes) remain fully appropriate at this time of economic slowdown. The Recommendations emphasise the importance of a new EU-Russia framework agreement, reduced legal and administrative barriers to trade and investments, Russia's accession to the WTO as well as increased cooperation in research and innovation. We strongly believe that the implementation of our Recommendations has become more urgent. We invite policy makers in the EU and Russia to provide us with feedback on those policy recommendations, including an update on the status of their implementation.

IRT Council members were relieved at global leaders' determination to save the world from sliding into protectionism and isolation, as expressed by the recent G20 Summits, and welcome the constructive role played by the EU and Russian governments. As responsible business leaders, we pursue this strategic goal by calling for deeper global economic integration, and we will continue to engage in international projects and closer business cooperation. In this respect, it is encouraging that even during the crisis, integration endeavours add value to the EU-Russia relationship.

- In late 2008, the EU and Russia entered into an agreement on the quality of medicine and medical aid. This agreement is important for further harmonisation of the legal framework for the production and turnover of drugs and for the fight against counterfeit drugs.
- In December 2008, Russia adopted significant changes to its legislation on the legal status of limited liability companies, on collateral, and on banks and

banking. These changes represent an important further alignment of Russian and EU business practices.

- With the active involvement of Russian and EU companies, Russia last year completed the introduction of an electronic airline ticketing system, thus adopting international standards in this area.

On the other hand, companies are facing more hurdles that reduce their flexibility in adjusting to the crisis environment. The following are examples of a wider experience that doing business has become more difficult, despite determined political statements condemning protectionism.

- Russian companies are worried about apparent scepticism in the EU towards Russian investors, especially in the energy field, and fear that this is leading to discriminatory treatment, which may inhibit Russian investments into the EU.
- EU companies are greatly concerned about a marked increase in the unpredictability, volatility, and number of individual tariffs and other restrictions to trade with Russia. This complicates business processes in many market segments and increases risks for planned investments into Russia, reducing the country's attractiveness as an investment destination.
- A new legal regime governing sub-soil use introduced in Russia in 2008 implies more limitations for foreign investors' access to oil and gas resources.
- The EU's decision, in early 2009, to re-introduce export subsidies for dairy products represent a step backwards, with damaging effects on Russian agribusiness.
- A new road usage tariff applying to foreign trucks, introduced in Russia in February 2009, has caused serious problems for many European transportation companies. This tariff contradicts bilateral agreements between Russia and some EU Member States.

Although current circumstances require determined government action, anti-crisis measures should strive to minimise barriers to cross-border trade and investment, and avoid discrimination of foreign investors at all costs. The IRT Council underlines that the Partnership and Cooperation Agreement (PCA) currently in force requires consultation between the EU and Russia on measures distorting trade and investment. This mechanism should be used more effectively during the preparation of any anti-crisis measures to ensure mutual notification and formal consultations (including consultations with business) on planned measures that may affect legitimate business interests, including tariff and non-tariff measures. Formal consultations (including those

with business) would strengthen the design of anti-crisis measures and ensure that direct costs of these measures to companies are minimised.

In this practical way, strengthened EU-Russia cooperation can help to soften the impact of the global economic crisis on our economies.

At the same time, the overall EU-Russia government dialogue must continue to reinforce cooperation in the areas that are central to a quick economic recovery, and further deepen our mutual understanding of how closer economic co-operation can support an effective crisis response.

We continue to strongly support the successful conclusion of the process leading towards Russia's WTO accession as a good basis for the conclusion of an ambitious bilateral agreement deepening EU-Russia economic relations. IRT council members reiterate the need for WTO negotiations to focus solely on economic issues and express concern about recent developments suggesting a slowdown in Russia's efforts to join the WTO.

IRT council members also believe that there is significant potential in developing a common agenda to boost cooperation on innovation. Closer cooperation in this area will not only contribute to a greater dynamism in our economies, but also help achieve a more diversified and integrated EU-Russia economic relationship. The IRT Council therefore proposes that the political leaders meeting at the Khabarovsk Summit explore further the possibilities of co-operation in this area, including setting up a dialogue dedicated to innovation cooperation.

At its meeting on 4 June 2009 in St. Petersburg, the IRT Council will discuss the business priorities for a dialogue on innovation, and put forward recommendations that can serve as a reference for this dialogue. IRT Council members will also discuss the current economic trends and review progress in the negotiations on the new agreement between the EU and Russia. The IRT Council counts on the active participation of representatives from the European Commission and the Government of Russia in these discussions.