

21 November 2006

**RSPP- UNICE POSITION ON DEVELOPMENT OF EU-RUSSIA ECONOMIC
RELATIONS TO THE 23 NOVEMBER EU-RUSSIA
INDUSTRIALISTS ROUND TABLE**

***MORE THAN FREE TRADE,
A STRATEGIC ECONOMIC PARTNERSHIP***

Since signing a Memorandum of Understanding, RSPP/KSPS and UNICE – the Confederation of European Business, have called for progressively deeper Russia and EU economic integration. Both organisations strongly support Russian accession to the WTO, the roadmap to implement the EU-Russia Common Economic Space and the idea of working towards a framework guaranteeing free trade and investment.

Today, we firmly believe that it is in the mutual interest of Russian and EU business to deepen the current EU-Russia economic relationship into a more integrated economic partnership. This RSPP-UNICE contribution to the IRT outlines a joint business vision for deeper EU-Russia economic integration, in which Russia and the EU are equal partners.

1. A BUSINESS VISION FOR AN EU-RUSSIA COMMON ECONOMIC AREA

Russian and EU business share a common vision on the need to create an integrated market across Greater Europe for several reasons.

- The EU and Russia are major trade and investment partners. The EU is Russia's biggest and Russia is the EU's third largest trading partner. In spite of the recent high growth of cross-border business, the volume of bilateral trade and especially investment is modest compared with the huge potential and interest from the EU and Russian business communities.
- The structures of the EU and Russian economies are complementary and thus present a multiplicity of business opportunities. However, business from both sides too often encounters administrative barriers to trade and investment. A growing number of companies in the EU and Russia is prepared for moving from traditional export and import to cross-border investment including strategic partnerships and alliances provided favourable framework conditions are put in place.
- Closer EU-Russia cooperation can contribute to putting these conditions into place. The expansion and deepening of business relations should be encouraged by relevant changes in the EU-Russia agreements regulating economic relations as well as their implementation mechanisms. For example, progress on implementing the roadmap to the EU-Russia Common Economic

Space provides an excellent basis for an ambitious agreement to deepen our mutual economic cooperation.

- A modern, well-functioning and non-discriminatory legal basis for trade and investment is of crucial importance for further expansion and deepening of EU-Russia economic relations. The creation of a Common Economic Area is an ambitious goal which requires step-by-step progress and strong commitment by the EU and Russia to pursue deeper economic integration. The EU and Russia should take determined steps in that direction without delay.

2. A New EU-Russia Framework Treaty

Current bilateral EU-Russia relations, including economic cooperation, fall under the framework of the Partnership and Cooperation Agreement (PCA) which was signed in 1994 and came into force on December 1, 1997. The PCA covers a broad range of economic, political, scientific, cultural and other cooperation activities and includes an institutional framework for consultations on key issues like energy or customs.

The PCA initially served Russian and EU needs for the development of a closer relationship, enabling the deepening of bilateral economic ties. In view of this, EU and Russian business are now seeking to put in place a more ambitious framework that builds on the positive achievements of the PCA.

Therefore, Russian and EU business call for the launch of negotiations on a new bilateral framework agreement to define improved rules for economic relations, covering both trade and investment. In the field of economic cooperation, the aim of this agreement should be to establish an outline for the rapid negotiation of an EU-Russia Common Economic Area based on free trade and national treatment of cross-border investments.

The new agreement should also strengthen consultation mechanisms between relevant EU and Russian authorities and include provisions on mechanisms for the EU and Russian Governments to consult with representative business organisations on issues related to economic cooperation.

Transparency and regular consultations with representative business organisations for the preparation, implementation and monitoring of trade and investment related agreements between the EU and Russia will help to guarantee a successful outcome in the development of economic relations.

The 2007 expiry of the initial period of the PCA provides an excellent opportunity to modernise the EU-Russia framework agreement which will serve as the basic treaty for deepening EU-Russia economic integration through the establishment of a future Common Economic Area based on goal-setting presented under point 5.

3. Progress in the Road Map for a Common Economic Space (CES)

At the St. Petersburg Summit in May 2003 the EU and Russia decided to reinforce cooperation in the PCA framework with four new spaces:

- a common economic space
- a common space of freedom, security and justice
- a common space for cooperation in the field of external security
- a common space for research and education, including cultural cooperation.

In May 2005, the EU and Russia agreed to implement the four common spaces on the basis of road maps. The work on the four spaces and especially on the CES, which aims to remove barriers to trade and investment and to introduce regulatory approximation, non-discrimination, transparency and good governance, is strongly supported by EU and Russian business.

Practical results from the implementation of the CES road map are vital to pave the way for negotiations on an EU-Russia Common Economic Area, which should be a broad-based agreement with extensive provisions on free cross-border trade and investment.

EU and Russian business urge the European Union and Russian government to push ahead with the road maps and supply regular progress reports on the work done. At the same time more transparency on the process and results achieved in the implementation of the CES road map is needed to provide the business community with an opportunity to learn more about the current situation and to provide constructive input when relevant.

Progress on implementing the roadmaps should continue without interruption in parallel to the post-PCA negotiations.

4. Russia's accession to the World Trade Organisation (WTO)

Russia and the WTO have reached the final stage in the accession negotiations. Accomplishment of Russia's accession to the WTO is an important milestone also for deepening EU-Russia bilateral economic relations. It will render many aspects of the PCA obsolete, though it does not cover all the articles of the PCA.

Russia's membership in the WTO would significantly facilitate expeditious progress in preparations for the EU-Russia Common Economic Area based on free trade and national treatment of cross-border investments. Indeed, Russian WTO Membership is an essential prerequisite for a functioning EU-Russia Common Economic Area.

As a result, business underscores the vital importance of rapidly concluding Russia's accession negotiations as it remains the only major trading partner outside of the multilateral trade system. All outstanding economic issues should therefore be rapidly resolved to enable Russia to take up its responsibilities as a leading partner in the WTO.

5. A bold vision for an EU-Russia Common Economic Area

Business is committed to developing stronger economic cooperation between Russia and the EU. Russia's WTO Accession, the EU-Russia Common Economic Space and the new EU-Russia framework treaty are important milestones on the road to a truly strategic economic partnership. Our bold vision is to prepare the terrain for future negotiations on a Common Economic Area that would promote the free movement of goods and services, capital and people, knowledge and technology.

Since the broad issues of a strategic economic partnership can only be partially addressed by WTO accession, the EU and Russia should build their future economic relations, where possible, on WTO+ structures to create a common economic area for Greater Europe. This requires strong commitment from the EU and Russia to address a much broader and deeper range of issues than found in traditional free trade agreements.

The EU-Russia agreement should include *inter alia* common provisions for the national treatment of cross-border investments, elimination of customs duties, dismantling of non-tariff barriers, regulatory convergence, mutual recognition of standards and conformity assessment, trade facilitation and customs, cooperation on competition, services liberalisation, public procurement, sanitary and phyto-sanitary regulations, intellectual property rights protection, dispute settlement and the use of international accounting standards. Examples of issues covered by such a broad agreement can be found, for instance, in the European Economic Area agreements.

EU and Russian business call on their governments to pursue a bold approach to deepening and strengthening economic cooperation to achieve a truly strategic economic partnership. This is vital to ensure the future competitiveness of the Greater European economy.
