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| <b>133 COMMITTEE</b>            |
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**NOTE FOR THE ATTENTION OF THE 133 COMMITTEE,**

**SUBJECT:** Russia – Common Economic Space

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**OBJECTIVE:** For information

**REMARKS:** Please find attached for information the draft Action Plan (or Road Map) on the EU-Russia Common Economic Space, which has been distributed to delegates in the COEST working group of the Council. The Common Economic Space is one of the Four Spaces on which the EU and Russia agreed to work at the St. Petersburg Summit in May 2003.

Please note that the attached is a ‘work-in-progress’ document since discussions are currently taking place on draft Action Plans for the Four Spaces. The next round of discussions on the Common Economic Space will take place in Moscow on 15 October.

Subject to sufficient progress on the discussions, the package of Action Plans for the Four Spaces is to be adopted at the upcoming EU-Russia Summit on 11 November in The Hague.

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## **I. THE COMMON ECONOMIC SPACE – BUILDING BLOCKS FOR SUSTAINED ECONOMIC GROWTH**

The Joint Statement adopted at the St. Petersburg Summit agreed to reinforce cooperation with a view to creating a common economic space, building on the concept for the Common European Economic Space (CEES) by the High Level Group endorsed by the Rome Summit and actively pursuing regulatory convergence. It was agreed that this common space would be broader in scope than the CEES concept and that, in this space, the EU and Russia would maintain the momentum of the energy dialogue, with particular emphasis on promoting investments, improving the investment climate and pursuing regulatory convergence. It was also agreed to take forward work in the field of transport and in particular satellite navigation. The importance of work in the field of the environment was specifically underlined, including cooperation on nuclear safety, maritime safety and climate change, with a specific reference to the Kyoto Protocol.

The overall objective of the CES is the creation of an open and integrated market between the EU and Russia. The aim is to put in place conditions which will increase opportunities for economic operators, promote trade and investment, facilitate the establishment and operation of companies on a reciprocal basis, strengthen cooperation in the field of energy, transport, agriculture and environment, reinforce economic cooperation and reforms and enhance the competitiveness of the EU and Russian economies, based on the principles of non-discrimination, transparency and good governance and taking into account the business dialogue undertaken within the EU-Russia Industrialists' Round Table.

### **1. General issues of trade and economic cooperation**

#### **1.1. Standardisation, technical regulations and conformity assessment procedures of industrial products**

**Objective:** Development of harmonised and compatible standards, regulations and conformity assessment procedures, where appropriate, including through enhanced regulatory dialogue and cooperation between responsible institutions and a reinforcement of the institutional capacities.

**Actions:**

- Support for the effective implementation of the WTO TBT agreement.
- Establish a regulatory dialogue, which includes a consultation mechanism, aiming at the gradual approximation of relevant legislation and practice for clearly identified priority industrial sectors of greatest mutual interest, to be jointly defined:
  - discuss and establish a formal framework (terms of reference) for the regulatory dialogue
  - determination of areas and sectors where harmonization of relevant legislation and practices is appropriate and possible
  - as soon as the priorities are determined, launch the work of gradual approximation of relevant legislation and practices
  - assessment of the feasibility of the elaboration of procedures of recognition of the results of conformity assessment of both sides, including certification of systems of quality and ecological management.

- Support the reinforcement of institutional capacity with respect to standardisation, accreditation, conformity assessment, metrology and market surveillance. Promotion of cooperation and participation of the Russian bodies in the European standardisation, accreditation and metrology organisations.
- Priority sectors:
  - **Information, Communication, Radio and Telecommunications Equipment and Electrical Equipment**
    - Setting up of a mechanism for consultation and dialogue among regulators and intensification of cooperation, aiming at the approximation of legislation and alignment of standards, as well as creating transparency, predictability and proportionality in product and market regulations in the areas of Information, Communication, Radio and Telecommunications equipment and Electrical Equipment.
  - **Automotive industry:**
    - harmonization of technical requirements for automotive production
    - intensification of cooperation in the field of motor vehicle homologation
  - **Textiles**
    - harmonization of the legislation of Russia and the EU in the field of standardisation, technical regulations, conformity assessment procedures
  - **Pharmaceuticals**
    - approximation of Russia and EU legislation regulating the distribution of medicines, including their registration and production
    - assessment of possibilities of assistance to Russian enterprises producing medicines in adopting the system of international standards for the production of medical preparations (GMP)
    - intensification of the cooperation in the field of quality control and arrangement of pharmaceutical inspections
    - facilitation of the access to the markets of EU and Russia of the products produced according to international standards and, at the longer-term, assessment of the possibility of mutual recognition of registration of medical preparations
  - **Forest Sector**
    - intensification of cooperation in the field of technical regulation.

## 1.2. Public procurement

**Objective:** Development of transparent, competition-based systems of public procurement at all levels including mutual access to tender databases.

Actions:

- Establish a dialogue with the following aims:
  - Improvement and approximation of regulatory principles in order to ensure a transparent, non-discriminatory and competition-based procurement system
  - cooperation and exchange of experience in establishing and using tender databases on public procurement, definition of rules and conditions for mutual access to these databases

### **1.3. Intellectual, industrial and commercial property rights**

**Objective:** Improvement of the legislative and law enforcement systems for the protection of intellectual, industrial and commercial property rights in order to enhance competitiveness and improving the investment climate through the approximation of regulatory systems with the highest international standards and agreements

Actions:

- Establish a regulatory dialogue aiming at the gradual improvement of the legislative and enforcement instruments for the protection of intellectual, industrial and commercial property, with the following aims:
  - cooperation to gradually harmonise legislation to protect intellectual, industrial and commercial property rights including effective means of enforcement and in areas such as geographical indications
  - Exchange of information on strategies to fight against counterfeiting and piracy, notably in priority sectors such as pharmaceuticals and laser music and video products.
  - assessment of possibilities for introduction of improved means systems for protection of intellectual property rights and fight against trade in counterfeit products, including voluntary systems based on microlabelling of goods

### **1.4 Competition**

**Objective:** Approximation of competition legislation systems and strengthening of implementation of competition policy of the sides

Actions:

- strengthening of cooperation of state bodies responsible for elaboration and implementation of competition policy with a view to approximating common systems of regulation and realization of competition policy for ensuring equal environment for functioning of economic operators of Russia and EU member-states on the markets of both sides
- further harmonization of competition law, including mutual rules on disciplines applicable to public aids (PCA, article 53.2.2.)
- promotion of mutual work for elaboration of adequate systems of competition and comparison of areas of competition rules and legislation
- elaboration of common approaches to principles for competition law implementation including system of sanctions and judicial procedures etc.
- dialogue with a view to creation of effective informal means of cooperation between the sides in investigation of cases of infringement of competition law with transnational effect

## 1.5. Investment

**Objective:** to improve the investment climate, including by ensuring transparency, predictability and simplification of regulation and its application; to promote and facilitate two-way investments.

Actions:

- more systematic dialogue covering all investment-related issues;
- consultation with stakeholders, including business, with a view to determining disciplines and instruments for improving the bilateral investment environment and reducing administrative barriers to the development of business;
- the development of mechanisms that enhance transparency, such as impact assessment of regulatory measures, consultation of stakeholders, and prior notification of regulatory changes to economic operators to ensure transparency (predictability of regulatory environment);
- ensuring the uniform application of trade and investment legislation and the streamlining of judicial review for trade and investment issues.
- activities on ensuring the uniform application of the investment legislation at central and sub-central levels
- assessment of possibility of elaboration of an EU-Russia agreement on investment-related issues

## 1.6. Enterprise policy and economic dialogue

**Objective:** the development of in-depth dialogue on economic reform and enterprise policy, including an exchange of information on economic issues and policies, aiming at the improvement of the framework conditions for economic operators and their competitiveness, including dialogue in industrial policy.

Actions:

- Develop a dialogue on industrial policy. The specific sectors for this dialogue should include:
  - **Automotive industry**
    - Assessment of the conditions for investment in and for conducting business with the Russian automotive industry, and discussion of possible measures to be taken in order to improve them.
    - enhancement of cooperation among stakeholders
  - **Mining and metallurgical complex**
    - Intensification of cooperation in the field of the mining and metallurgical industry. The cooperation should focus on sustainability issues and regulatory convergence in the areas of environmental and social standards, safety and the impact of restructuring.
    - Analysis of the needs for technical assistance programmes for modernization and technical renovation in the mining sector and training.
  - **Chemical industry**
    - Intensification of the cooperation in the field of the chemical industry. The cooperation should focus on sustainability issues and regulatory convergence in the areas of environmental, health and social standards and the impact of restructuring.

- Analysis of the needs for joint programmes of technical assistance in the chemical sector.
- Launch of a dialogue on the development of enterprise policy , including the improvement of the administrative and regulatory environment of companies and the development of measures to increase competitiveness. Special attention should be devoted to SMEs and their respective needs. Study and report on approaches to the criteria for classification of SMEs in Russia and in the EU.
- Exchange of information on economic policies, strategies and trends in the EU and Russia, including on economic integration and enlargement of the EU and on regional trade agreements

## **1.7 Interregional and cross-border cooperation**

**Objective:** Deepening and diversification of interregional cooperation.

Actions:

- increase the importance of regional development and cross-border co-operation through an active support to cross-border initiatives and the Neighbourhood Programmes
- encourage the involvement of local and regional key actors such as authorities and civil society, in all aspects of cross-border co-operation, and especially the Neighbourhood Programmes
- further deepened cooperation, and facilitation of investments, in the area of cross-border infrastructure and border issues
- promotion of establishing and strengthening of economic and people-to-people links between Russian and EU regions

## **1.8. Financial services (banking, insurance, securities)**

**Objective:** To inter alia ensure the stability of the financial system, support consolidation of a sound financial sector and an effective system for protection of financial services consumers through improvement of the legislative base, independent supervision, and effective implementation in accordance with the highest international standards and norms.

Actions:

- development of cooperation, for example through the establishment of a regulatory dialogue, with the aim to strengthening the effectiveness of the prudential regulatory system and independent supervision in accordance with the highest international standards and norms
- conduction of consultations to jointly determine the areas and sectors where harmonization of legislation governing activities of financial service suppliers is appropriate and possible
- cooperation to develop, where necessary, and implement adequate company law, accounting and governance rules

## **1.9. Accounting/auditing**

**Objective:** enhance the transparency of the economy and share-holder protection, create favorable conditions for investment by implementation of the highest international standards and norms in this area

Actions:

- Cooperation towards the establishment of a suitable environment for companies, e.g. effective competition, appropriate bankruptcy legislation etc
- Cooperation to improve the competence and independence of auditors.
- Cooperation to ensure effective implementation of codes of corporate governance
- Cooperation with a view to supporting the implementation of the highest international accounting standards in Russia and the EU

### **1.10. Cooperation in the Space sector**

**Objective:** to build an effective system of cooperation between the European Union and the Russian Federation in following fields:

- Space applications
- Space science and technology development
- Access to space

Actions:

- Development of efficient mechanisms and instruments for the implementation of joint initiatives
- Create a framework for information and consultation on respective space programmes

### **1.11. Agriculture, forestry, fisheries, sanitary and phyto-sanitary standards**

**Objective:** to intensify cooperation to promote regulatory convergence in agriculture, notably with regard to issues related to SPS issues and animal health and welfare, as well as in the phyto-sanitary area.

Actions:

- Activities on the marketing of agricultural products: 1. joint identification of products of interest in view of the alignment of EU and Russian legislation; 2. launch work on gradual approximation of legislation in the field of marketing standards, labelling and trademarks for such products (i.e. quality standards, organic produce, geographic and marketing denominations, label specifications)
- rural development, in particular promoting the exchange of information and best practice on rural development policies;
- conclude negotiations on a veterinary agreement and until then, jointly look for mutually acceptable solutions to avoid any disruptions of trade in animal products
- enhancement of cooperation, including exchange of information, on issues related to animal welfare, health and safety of animal products
- conclude negotiations on a Fisheries Agreement

## **2. Trade facilitation and Customs**

**Objective:** to facilitate, to standardize and to automate procedures, connected with external trade, including transit operations; to increase the parties' capacity to combat

fraud, smuggling and other irregularities; to improve consultation mechanisms of the trading community on its needs with regards to the development and implementation of trade facilitation measures, with particular attention to small and medium enterprises.

Actions in this area could, inter alia, include:

- Development of a general system of simplification of customs procedures using compatible computer based systems and integrated systems of data transmission by using common data and similar rules, which are based on international agreements.
- Alignment with international standards, taking into account the work of international organisations, in the areas of risks management systems and methods and security checks.
- Bring administrative capacity to a level ensuring that trade facilitation and the fight against illicit trafficking correspond to international agreed standards.
- Simplification of trade related legislation with a view to making it less burdensome, more transparent and non discriminatory.
- Enhancement of consultation mechanisms of the trading community prior to the development and implementation of trade facilitation measures.
- Development and realization of technical assistance programs with a view to improvement of customs technologies and procedures, development of customs infrastructure, including on the border.

### **3. Networks: telecommunications and transport**

#### **3.1 Telecommunications, information society and e-business**

**Objectives:** Co-operate towards the creation of a common EU-Russia Information Society area

Actions:

- Establishment of an EU-Russia Information Society Dialogue which includes a consultation mechanism aiming at the approximation of the relevant Policies, Strategies, Legislation, and best practice in the ICT sector on clearly identified objectives of mutual interest. The EU-Russia Expert group on telecommunications whose establishment was agreed in 2004, will discuss and establish a formal framework (terms of reference) for the Dialogue between relevant Authorities within six months.
- The furthering of cooperation towards the development and the implementation of a transparent pro-competitive regulatory framework enforced by an independent National Regulatory Authority.
- The development of close coordination of policies and initiatives on ICT strategies such as e-Europe and e-Russia
- The furthering of interoperability of equipment through cooperation on standardisation, technical regulations and conformity assessment, including infrastructure support via the European Investment Bank
- The enhancement of cooperation on joint research programmes, notably through the interconnection of R&D networks including and the encouragement of participation of Russia to EU's R&D 6th Framework programme on IST.

#### **3.2. Transport**



**Objectives:** to approximate legislation and standards to promote the integration of the EU and Russian transport sectors. Development of a dialogue on issues of common interest in the transport field.

**Actions:**

- Harmonization of long-term transport strategies of Russia and the EU, including approximation, where it is possible and practicable, of legislation in the sphere of transport. approximation of legislative and legal norms at the bilateral Russia-EU level as well as in the framework of international organizations (ICAO, IMO, UNECE, ECMT and others)
- In the field of air transport, further work towards an agreement on Russia-EU cooperation, including air transportation, industrial cooperation, development of air traffic management systems, aircraft certification and modernisation of the system of Siberian overflight as agreed in May 2004. Strengthen the cooperation between EU and Russian aviation authorities on certification and harmonisation of standards.
- Conclusion of an overall agreement on Galileo/Glonass cooperation, to include key issues such as interoperability, co-ordination in international fora (ITU, ICAO, and WRC), possible Russian stake holding in Galileo and technical co-operation.
- Removal bottlenecks and ease reciprocal access for transport operators through the use of basic common standards
- development of cooperation in the field of transport security and safety, in the sphere of terrorism counteraction and technical aspects of safe transport
- Evaluation of priority infrastructure projects in various sectors in light of the joint development of Pan-European Corridors, taking into account the development of the border infrastructure taking into account recommendations of High Level Group (in which Russian authorities will participate).
- Cooperation to secure investment for the above aims particularly through the European Investment Bank
- Cooperation on the pan-European corridors to promote in particular rail interoperability.
- Cooperation in the field of maritime security and safety, particularly regarding the phasing-out of single hull tankers and the immediate banning of heavy grades of oil transportation in single hull tankers
- Development of public-private partnerships in this field by the creation of business dialogue structures in the field of logistics and transportation, as well as development of “state-private business” partnership in the transport sphere
- Cooperation in the field of market access to inland waterways
- Co-operation in setting up common/interoperable information systems of transport management, development and introduction of new transport technologies

#### **4. Energy**

**Objectives:** To intensify EU-Russia cooperation, in the framework of the EU-Russia Energy Dialogue; with particular emphasis on addressing issues related to the sustainability and continued reliability of the production, distribution, transportation and use of energy, including energy efficiency, energy savings and the use of renewable energies.

In order to reach these objectives, it is important to promote and protect investments in the energy sector, to facilitate the improvement of the investment climate, promote regulatory convergence and a high standard of environmental protection.

**Actions:**

- Convergence of EU and Russia energy strategies, policies and regulatory measures, including with regard to energy efficiency and savings.
- Conclusion of negotiations on an agreement on trade in nuclear materials, to provide a stable framework for long-term trade between Russia and the enlarged EU.
- cooperation on energy infrastructure projects of common interest.
- creation and launch of mechanisms of investments support (reduction of non-commercial risks of energy projects)
- cooperation in the field of safety of transport of energy products, including by pipeline, rail and sea.
- Cooperation in the field of nuclear safety and nuclear security.
- examination of the feasibility of the integration of electricity markets, including ensuring a level playing field in terms of equivalent basic rules with respect to market access, infrastructure and opening, as well as compatible environmental protection and safety standards, including nuclear safety, for electricity production.
- implementation of the work programme of the Russia-EU Energy Technology Centre. Expansion of technological exchanges in the framework of the activities of the Center, carrying out of joint activities on the development and use of new energy technologies may also be considered.
- promoting the use of clean, efficient technologies in energy production, transportation, distribution and use, including the use of renewable energy.
- ensuring that all long-term contracts for deliveries of energy from Russia to all EU Member states are compatible with EC competition rules, including with reference to the exporting entity particularly in the context of the enlargement of the EU.
- the gradual adaptation of Russian internal gas prices to the industrial users, to cover costs, including capital and investment costs, to attract the investments necessary to ensure the security of energy supplies and to promote energy efficiency.
- launch of full-scale business dialogue of energy companies operators of Russia and EU
- convergence of environmental legislation, in particular on air pollution in energy sector
- Cooperation to put in place commercial structures and practices in order to facilitate fair trade of energy products, including the principles guiding the Energy Charter Treaty and its Transit Protocol.

## **5. Environment**

**Objective:** to promote respect of the environment and commitment to international environmental agreements, such as the Kyoto Protocol and United Nations Convention on Biological Diversity and regional conventions, in order to foster sustainable development, with particular emphasis on stepping-up cooperation on climate change and the marine environment. Environmental issues should be integrated into and ‘mainstreamed’ in all sectors. Activities in this area should consider existing programmes, such as the Northern Dimension Action Programme and the Environmental Strategy for Eastern Europe, Caucasus and Central Asia.

#### Actions:

- Cooperation to support the implementation of the United Nations Climate Change Convention and entry into force of the Kyoto protocol, specifically by means of a structured EU-Russia dialogue and expert discussions. Cooperation to ensure ratification and implementation of the Kyoto Protocol.
- the use of clean and modern technology in industrial production.
- Cooperation with a view to conservation of biodiversity
- Cooperate in the field of water policy, taking into account the experience gained in the EU with the Water Framework Directive and the regional component of the EU Water Initiative in the EECAA region (Eastern Europe, Caucasus and Central Asia).
- Cooperation in the field of trans-boundary river basins between the EU and Russia
- Cooperation in the field of protection, conservation and sustainable use of the marine environment and the development of a European Marine Strategy and its regional development and implementation, with special emphasis on the Baltic Sea, including the development of effective joint mechanisms for the prevention and elimination of contingent ecological situations in the Baltic Sea.
- The improvement of the efficient use of water, wood and other natural resources.
- Efforts to reduce risks of accidents and to reduce the effects of pollution, in particular of seas and inland waters, building on experience in relevant international and regional fora.
- Support compliance with the UNECE convention on trans boundary environmental impact assessment
- intensification of cooperation between Russia and the EU to implement the EU initiatives on fight against illegal loggings including development of efficient tracking and verification systems for legality control of timber and derived products.
- convergence of environmental legislation

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