

## UPDATE OF UNICE POSITION ON RUSSIA'S ACCESSION TO THE WTO

Ahead of the forthcoming EU-Russia Summit on 21 May, UNICE, the voice of business in Europe, expresses its strong support for Russia's accession to the WTO, as it has repeatedly<sup>1</sup> stated in the past. Membership in the WTO will be a key stage in Russia's progress towards a well-functioning market economy and further integration into the world economy.

Joining the WTO will send a strong message to the world political and business communities that Russia is firmly committed to continuing important reforms, privatisations and the liberalisation of its economy. WTO membership will contribute to bringing a predictable, stable, non-discriminatory, rules-based system of business relations, which both sides need. Compliance with WTO law and the consolidation of domestic reforms are mutually supportive processes that benefit Russia and the world economy as a whole.

Accession to the WTO must take place under commercially sustainable conditions that commit Russia to significant liberalisation of investment and trade in goods and services. It must be held in synergy with the DDA round of multilateral trade negotiations, considering that upon accession, Russia will have to meet all the requirements which are addressed in the context of this round. The WTO accession negotiations should be considered independently avoiding linking them to other issues without direct relation to the WTO.

Despite the enormous progress made by Russia to liberalise its economy in the last years, European companies still face numerous trade and investment obstacles in this country. UNICE would like to draw the attention of the European Commission on these important issues and call on it to pursue its negotiations with Russia to ensure that persisting competitive barriers and market distortions are effectively addressed and reforms secured in the WTO-framework.

Finally, adequate capacity building and technical cooperation efforts are needed to support Russia's reform process.

UNICE's priorities in the negotiating process are:

### 1. Encourage compliance with market economy conditions / Regulatory reform

Russia's accession to the WTO should be directly related to the acceptance and the effective implementation of market economy principles and practices. In spite of Russian reform progress, the inconsistent implementation of economic laws and regulations, still constitute major impediments to trade and investment in Russia. Experience with economies in transition indicates that it takes time for a new legislation to settle into place and, more importantly, to have it translated into operative reality.

- The EU should make sure that economic, legal and administrative reforms be implemented and EU technical assistance programmes should be increasingly focused on that goal.

<sup>1</sup> "Update of UNICE position on Russia's Accession to the WTO", 6 May 2003.

## 2. Industrial tariff reductions

Russian tariffs have been reduced but remain relatively high, with still excessive rates in the automobile, steel, non-ferrous metals and aircraft sectors.

- The European Commission should request further tariff reductions where the Russian offer remains prohibitive. There should be an standstill for increases of existing tariffs and peak tariffs should not exceed 15%.

## 3. Abolition of export and import restrictions

Permanent institutionalised export restrictions such as those applied on energy (gas), precious metals, and scrap non-ferrous metals, oil seeds, wood, and hides and skins create trade and market distortions at both the national and international level. Equally, import restrictions are also seriously disrupting the operation of some sectors such as for meat products.

- Russia should abolish export and import restrictions without delay as required by WTO rules.

## 4. Improved market access for services

Further market access and national treatment commitments are needed in services sectors, notably in banking, insurance and transport. Particular attention should be paid to the telecommunications sector, where further restrictions might develop.

- Russia must meet all the requirements of the GATS upon acceding to the WTO and grant foreign access and national treatment in most services sectors, including banking, insurance, transport and telecommunications.

## 5. Liberalisation of foreign investment

The lack of appropriate legal protection of economic rights, together with the lack of transparency, and unpredictable as well as inconsistent implementation of economic regulations make that foreign investment in Russia is a fraction of what it could be. Foreign direct investment is in the direct self-interest of Russia to allow it accelerating its economic growth and development. Many key markets remain dominated by state-owned or state-controlled monopolies and some activities can only be carried out by state enterprises.

- Russia should pursue its privatisation process. The EU should continue requesting the establishment of a stable, transparent, reliable and consistent legal and administrative framework for investment and to press for further investment liberalisation in Russia.

## 6. Further commitments on government procurement

The government procurement system eliminates foreign competition from a number of key economic sectors in Russia. There is a general lack of transparency and poorly developed regulations.

- Stronger commitments on transparency in government procurement are needed. Public procurement should be based on most favoured nation and national treatment principles.

#### 7. Liberalisation of the energy sector

Energy is a key issue in EU-Russia relations. European companies meet several difficulties in the Russian energy sector in terms of distorted competition, dual pricing, export duties and access to transport.

- Russia should continue its economic reforms in the field of energy monopolies. Access should be liberalised to energy transportation infrastructure, in particular to oil and gas pipelines. Dual pricing and preferential access for Russian companies to energy (particularly gas) distort competition and constitute subsidies. A shift is needed from export taxation to equivalent energy taxation both for exporters and suppliers to domestic markets.

#### 8. Elimination of technical barriers to trade

Standards and certification requirements and procedures in Russia are a significant non-tariff barrier to trade.

- The EU should press for the certification procedures in Russia to be revised and thoroughly simplified. Russian standards, product safety requirements, testing and certification systems should be brought into line with international and/or EU norms.

#### 9. Reform of the Russian customs system

Customs procedures are a major impediment in doing business with Russia. There is no consistency in the interpretation of customs regulations and procedures, which vary from one customs office to another. The lack of interpretative provisions and the broad discretion left to the Russian Customs Authorities lead to arbitrary and inconsistent decisions.

- Russia must commit to the implementation of WTO provisions on customs procedures and support negotiations of a WTO agreement on trade facilitation.

#### 10. Improved enforcement of intellectual property rights

Despite Russia's progress in enacting WTO-consistent legislation to protect intellectual property and recent efforts on the fight against piracy, effective compliance with TRIPs rules and efficient enforcement of the rights covered by the TRIPs agreement remain highly problematic.

- The EU should require Russia to fully apply all of the provisions of the TRIPs Agreement upon accession and to provide evidence of the enforcement of rules related to the protection of intellectual property.

UNICE will continue to closely monitor the evolution of the EU-Russia trade and investment relations and Russia's WTO accession negotiations. It looks forward to significant additional progress in Russia's commitments so as to allow conclusion of the negotiations as soon as possible.

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