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The Next Steps toward a Common Economic Area

Address by Mr Philippe de Buck,
UNICE's Secretary General

Excellencies,
Ladies, Gentlemen,

It is my pleasure to participate, as the Secretary General of UNICE, in such a distinguished panel of fellow business leaders who are committed to strengthening the EU-Russia partnership. UNICE – the Confederation of European Business – brings together the leading national business associations in all EU Member States, candidate countries and countries such as Switzerland and Norway.

As a leading business organisation in the European Union, UNICE felt that it was important to establish closer links with Russia because of the growing trade and investment relationship.

Trade has been growing exponentially to the extent that Russia is now our third largest trading partner – just behind China. And although the EU has a substantial €50 billion trade deficit with Russia, UNICE sees a huge potential for services and industrial export opportunities for EU companies in the future.

EU companies are also major investors in Russia – around 10 billion euros annually – but there is room for much more investment especially in industrial and services industries in order to create in Russia –with Russian partners- a more international competitive industry.

In spite and because of the challenges, UNICE is committed to achieving results in strengthening EU-Russian economic cooperation. For that reason, it has developed close cooperation with the Cooperation Council of Russian Employers – which includes Delovaya Russia, Opora of Russia and RSPP – our main counterpart in Moscow. In addition, UNICE and RSPP work together in support of the IRT company level dialogue.

I believe that our close cooperation with Russian business/RSPP can serve as a model for moving the EU-Russia relationship forward. Since signing a memorandum of understanding in 2004, we have issued several joint positions on deeper economic integration, and we have developed more open channels of communication to better understand each others' challenges.

Today, UNICE & RSPP and we all feel that business must take the relationship to the next level in order to remove barriers to trade, investment and deeper economic integration – which businesses in both Russia and the EU need to strengthen their competitiveness. Our paper, developed for this conference, calls for a bold business vision to create an integrated market across Greater Europe.

This vision must be pursued rapidly to deliver new business opportunities based on the following steps.

First, the EU and Russia must replace the 1997 Partnership and Cooperation Agreement (PCA) with a more modern bilateral framework agreement to foster cooperation on economic, political and cultural issues. 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 Common Economic Space Roadmap is vital to pave the way for negotiations on an EU-Russia Common Economic Area. It should be a broad-based agreement with extensive provisions on free cross-border trade and investment. Progress on implementing the Common Economic Space Roadmap should also continue in parallel to the negotiations of a binding post-PCA agreement.

Second, Russia's accession to the WTO is an important milestone also for deepening EU-Russia bilateral economic relations. WTO accession should significantly facilitate expeditious progress in preparations for the EU-Russia Common Economic Area based on free trade and national treatment of cross-border investments and is an essential prerequisite for a functioning EU-Russia Common Economic. All outstanding economic issues should therefore be rapidly resolved to enable Russia to take up its responsibilities as a leading partner in the WTO system. UNICE is in favour of Russia's accession to the WTO as rapidly as possible, provided the full implementation of its WTO commitments.

Third, our bold vision is to create a truly strategic partnership based on the negotiation of a Common Economic Area that would promote the free movement of goods and services, capital and people, knowledge and technology between the EU and Russia. This will require strong commitment from the EU and Russia to address a much broader and deeper range of issues than found in traditional free trade agreement – such as:

- national treatment for investments
- elimination of customs duties
- dismantling of non-tariff barriers and regulatory convergence
- mutual recognition of standards and conformity assessment
- trade facilitation and customs
- services and public procurement liberalisation
- sanitary and phytosanitary regulations
- intellectual property rights protection
- dispute settlement
- cooperation on competition
- use of international accounting standards.

This brings me to an important point that concerns all the business people and that we want to stress. Business needs and adequate framework for investments and technology transfers in place. However, there are major concerns in UNICE about how European companies are sometimes treated in Russia. To go forward, European companies need to work under conditions of rule of law which provides for the respect of contracts with transparent and fair dispute resolution. Similarly, UNICE expects Russian government and local authorities to treat EU investors fairly and without politicisation when it comes to applying laws and regulations. Just as the EU Commission should treat Russian investors in Europe fairly, UNICE expects reciprocal treatment by Russian authorities for its companies.

EU and Russian business – through UNICE and RSPP – are working together to jointly 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.

Thank You