

**PROGRESS REPORT
AGREED BY THE COORDINATORS OF
THE EU-RUSSIA PARTNERSHIP FOR MODERNISATION
FOR INFORMATION TO THE EU-RUSSIA SUMMIT
OF 21 DECEMBER 2012**

The EU-Russia Partnership for Modernization (P4M) has made good progress over the last two years. The initiative started after the adoption of the Joint Statement during the EU-Russia summit in Rostov-on-Don of 1 June 2010. A work plan was approved in December 2010 as an informal P4M rolling working tool. P4M is gradually becoming a supporting element in EU-Russia relations and remains a flexible, demand-driven mechanism of substantive cooperation. This progress report describes and takes stock of the work undertaken since the December 2011 Summit in Brussels and gives examples of tangible progress.

The P4M work plan has been updated twice during this period, in December 2011 and in May 2012. New activities in energy, health, maritime policy, financial and macroeconomic policy, fisheries and enterprise development were introduced. A number of ongoing activities were updated.

A dedicated website www.formodernization.com was launched by Russia, providing information on and possibilities to participate in activities of the Partnership in line with the agreement of the 2011 June Summit to make P4M aims and projects better known to the general public.

Both coordinators intend to strengthen the cooperation in the framework of P4M. For this aim a more results-oriented approach should be attributed to the initiative; a more systematic cross-dialogue communication should be established; and on issues where the Customs Union of Russia, Belarus and Kazakhstan has clear competence, Customs Union experts may be invited to contribute technically and informally to the dialogues' work, in view of solving outstanding problems and further regulatory alignment.

The coordinators consider P4M a pragmatic mechanism for solving current problems and working towards long-term strategic goals. Thus the work of the dialogues in the framework of P4M should produce concrete results in order to advance the objectives enshrined in the EU-Russia Partnership and Cooperation Agreement, in particular to promote harmonious economic relations between the Parties based on the principles of market economy, and to provide an appropriate framework for the gradual integration between Russia and a wider area of cooperation in Europe.

The EU and Russia can look back at a successful year in their cooperation. The **main achievements** in the period since December 2011 are:

- Russia's **WTO accession** on 22 August 2012;
- intensified alignment work on **technical regulations and standards**, with 19 technical product and horizontal standards of the Customs Union and the EU to be aligned by the end of 2013, and with a number of P4M-Facility financed projects ongoing; and progress made towards the conclusion of an agreement between CEN/CENELEC and Rosstandard;
- space cooperation and further **launch of Galileo satellites with Soyuz** from Europe's spaceport in Guyana. On 12 October 2012 the third Soyuz-STB rocket was launched, carrying two Galileo GPS satellites into orbit for the European Space Agency;
- agreement in December 2012 on goals and scope of EU-Russia cooperation in the area

of **global satellite navigation systems**, resumption of negotiations on a cooperation agreement;

- conclusion of the negotiations on an agreement on **drug precursors**;
- signature by EIB, EBRD and the EU of a Memorandum of Understanding on the **financing of projects** in December. A first number of such projects were announced.
 - *Long-term financing* (up to 10 years) *for SMEs* through a € 200 million EIB loan to be implemented through Vneshekonombank (VEB) and commercial banks. This project marks the resumption of EIB activities in Russia;
 - *Long-term lending* (up to 10 years) *to small and medium-sized municipalities* for infrastructure and energy efficiency investments through EBRD and a local bank risk sharing of a loan portfolio of RUB 3,9 billion;
 - A € 10 million EBRD loan with a € 2.5 million grant from the Northern Dimension Environmental Partnership for a *district heating* project in the Lomonosov municipal district;
 - Co-financing of EIB and EBRD of a *new gas-fired combined heat power plant* of a total of € 200 million in Vladivostok (Vostochnaya CHP) to facilitate introduction of EU best available techniques standards in Russian thermal generation, improving the carbon footprint, energy efficiency and environmental standards;
 - VEB has issued RUB 3,06 billion for financing of the project “Organisation of industrial production of *composite components and materials*”.
- ongoing implementation of the list of **Common Steps towards visa-free short term travel** and entry into force of the bilateral agreement between Poland and Russia on Local Border Traffic;
- continuation of a joint project in the area of the modernisation of the **judiciary**, for the establishment of the **appeal system**;
- cooperation on implementing the **Hague Conventions on family law** was ratified by Russia;
- a joint project, financed from the P4M Facility, on the **fight against corruption** was agreed in December, to be implemented by the Council of Europe in cooperation with the Russian Business Ombudsman;
- Continued **university cooperation and academic mobility** in particular through the European Union’s TEMPUS and Erasmus programmes, including new Russian initiatives to enhance the internationalisation of their students as of 2013;
- A **P4M Conference** took place in Moscow 11-12 October 2012 in order to discuss the investment climate and projects stimulating modernisation, explore opportunities to improve, align and harmonise the regulatory framework for business, create joint projects in the area of rule of law and to cooperate in the fight against corruption, explore ways to support small and medium-sized enterprises, and foster educational and training programs.

1. In the priority area of **expanding opportunities for investment in key sectors driving growth and innovation**, numerous projects involving companies from the EU and Russia are underway and/or planned in a range of industrial and technological sectors, energy efficiency and energy saving, and transport. The practical experience of investors should help policy makers to identify concrete measures needed to create an enabling environment leading to additional opportunities for investment and trade. The P4M Conference discussed the main positive points, such as the steps already taken to improve the investment climate and the large market opportunities, and main obstacles in this respect, such as red tape and corruption, the difficulty of obtaining permits and licenses, access to finance and to utility infrastructures.

In the area of **energy including energy efficiency**, both sides have agreed on establishing a roadmap on energy cooperation for the period until 2050. Work is ongoing and the roadmap is planned to be finalised soon. With regard to energy efficiency, it was agreed to identify a few concrete energy efficiency projects to be accompanied and regularly reported upon. Energy efficiency projects are being implemented within the Northern Dimension Environmental Partnership in Leningrad and Kaliningrad regions in Russia, notably joint district heating projects, and further projects with climate change mitigation effects are under preparation. The EU awarded grants for projects to non-state actors on education and awareness raising for energy auditors, managers and engineers. Cooperation is continuing to develop further measures to promote energy efficiency and use of renewable energy.

In the sphere of **telecommunications and information technologies** the sides note the progress in deployment of scientific and research networks and data exchange.

In the area of **promoting a low-carbon and resource efficient economy**, a successful conference with the private sector on waste-reduction as a business opportunity was organized in May 2012 in Moscow, leading to concrete industrial projects. Cooperation between the European Environment Agency and the relevant Russian agencies on sharing environmental information is progressing well. Discussions on forestry issues have continued focusing especially on the introduction of the EU's Timber Regulation in 2013.

In the area of **transport**, intensified efforts are needed to remove blockages. The Northern Dimension Partnership on Transport and Logistics contributes to the development of the transport sector cooperation in Northern Europe.

The work of the dialogue on **public health** has intensified work on clinical trials for pharmaceuticals, and on communicable diseases. A study to compare legislation on clinical trials was finished in August 2012 and an expert network on the application of international food standards was created. Both sides agreed on the participation of European Commission experts as observers in medical institution inspections. Russia and the EU continued their discussion on the harmonisation of **sanitary and phytosanitary norms** in 2012, with a focus on food safety standards (on residues of pesticides), on animal health requirements (veterinary certificates) and on audit. Russia and the EU recognise in this regard the importance of harmonising norms with international standards, recommendations and guidelines. The EU experience was considered during the preparation of Russian bill on "Health protection from the consequences of tobacco consumption".

2. In the priority area of **facilitating and liberalising trade in the global economy and enhancing and deepening bilateral trade and economic relations**, intense bilateral cooperation in the appropriate bilateral and multilateral fora led to **Russia's accession to the WTO** on 22 August 2012. The WTO accession gives a boost to Russia's modernisation efforts and is therefore of particular importance for the Partnership for Modernisation. Preparations for **Russia's accession to the OECD** within the established multilateral accession processes have been intensified in 2012.

An exchange of views has taken place on a wide range of issues including future steps in developing the global financial and macroeconomic system is conducted in the work of the dialogue on **financial and macroeconomic policy**.

The dialogue on **trade and investment** contributed to a deeper understanding of the positions of both sides; however, limited progress has been made in the resolution of outstanding issues. In **customs cooperation**, a report ("*Crossing goods at the EU-Russia border*" finalized in July 2012) provides an overview of the situation at the EU-Russia border and draws conclusions for further action. The coordinators jointly agree that substantial further effort is needed to achieve results in this area of **customs cooperation**. In particular the signature of the Early Warning Mechanism, the work

on Risk Management and Authorized Economic Operators, and the efforts on Legislative Convergence should be advanced.

In the context of **regulatory cooperation on the approximation of technical regulations, standards and institution building**, progress could be reached. The work on technical regulations harmonisation has continued, including the areas that had been previously defined in the workplan ¹. Business associations, including AEB and IRT, as well as the Eurasian Economic Commission were involved and have contributed to this work. The IRT has been developing a report on the convergence of technical regulations of the EU and Russia for 14 sectors, which is in its final completion phases and will be published in early 2013. This work has mobilised experts from many industries from both sides during the past two years. The final report and its recommendations will be communicated to the authorities of the EU and Russia for consideration. The association has also carried out a number of seminars on the establishment of a Common Technology Market between the EU and Russia.

Activities of the **regulatory dialogue** focussed also on the need of **institution building**, in particular in the area of market surveillance where an exchange on the legal framework and current practice in EU and Russia took place. A major challenge in the next future consists of setting up a coherent legal framework for market surveillance in Russia. Such a system should reduce the level of third party intervention for low-risk manufactured goods at the stage of entry into the market. In the area of **accreditation**, Russia is preparing, following the EU approach of accreditation, a legal basis for the functioning of the newly created Russian Federal accreditation service "Rosaccreditation". A specific cooperation project to be launched beginning 2013 will contribute to share experience with Russia and foster cooperation between EA (European co-operation for Accreditation) and Rosaccreditation.

The **Fisheries Dialogue** discussed the sustainable management of stocks in the high seas in respect of scientific advice and based on long term management plans agreed by all member countries. Both the Russian Federation and the EU confirmed their commitment to regional cooperation in the Baltic and the Black seas, as the basis for the sustainable exploitation of fishery resources. Whilst achievements on stock management have been limited, there has been some progress in scientific cooperation. In the Baltic, trilateral cooperation is underway between Russia, Finland and Estonia concerning joint projects in the Gulf of Finland.

3. The very good cooperation in the priority area of **enhancing cooperation in innovation and research and development, including space and nuclear research** continued, in particular the increased active role of **Russia in EU Framework Programmes** and of EU researchers in Russian Federal Targeted programmes. 475 Russian research organisations are involved in 302 projects, receiving an EU contribution of around € 60 million. 19 research organisations from Germany, 11 from France, 8 from the UK along with the organisations from other EU member states participate in 64 Russian projects. Agreement was reached to develop a strategic partnership for research and innovation to increase further the scale and scope of cooperation, to be launched with the start of the new EU Framework Programme "*Horizon 2020*".

Two "umbrella tenders" for carrying out the scientific research have been organized, nine projects have been approved in such priority fields as nano-technology and materials, living systems,

¹ This refers also to relevant technical regulations relating to safety of electrical equipment, safety of toys, safety of packaging, safety of pyrotechnical products, safety of machinery, electromagnetic compatibility, construction products; as well as a common framework for the marketing of products (conformity assessment procedures and designation of conformity assessment bodies, use of standards to support conformity with technical regulations), requirements for accreditation and market surveillance relating to the marketing of manufactures goods, radio equipment and telecommunications terminal equipment, medical devices, ecodesign requirements for energy-related products, energy efficiency labeling, measuring instruments, appliances burning gaseous fuels, simple pressure vessels and pressure equipment, agriculture and forestry tractors.

rational use of nature and information and communication technologies.

In the dialogue on **space cooperation** negotiations on a global navigation satellite systems cooperation agreement (Galileo and Glonass) advanced considerable in 2012. The Russian representative authorised to negotiate on Glonass has been appointed. In December 2012 both sides reached a common understanding on the goals and scope of this cooperation. The agreement on emergency response to traffic accidents between the European eCall and the Russian ERA-Glonass was prepared, but not yet signed. Nonetheless, the first cross-border pilots took place in December 2011 between Finland and Russia with successful results and suppliers have shown the first devices combining eCall/ERA-Glonass services. The legislation and consequent implementation of the two projects is now aligned. Deployment will be from 2015 onwards.

Preparations for the launch of the small spacecraft №1 with scientific facilities for radar-location Earth reconnaissance have been completed. In the framework of the integrated informational system a remote observation data processing system has been created. Projects in the area of Earth remote sensing are being realised. Projects of the EU 7th Framework program and the projects on the joint use of the International Space Station are in different stages of implementation.

The coordinators underline the importance of promoting **small and medium-sized enterprises** (SMEs) and involving their representatives in the dialogues. The Working Group on SME's is seen as an excellent platform for interaction between the businesses and the government. Financial support is provided to the Russian SME Agency to further develop the Enterprise Europe Network in Russia. Access to finance for SMEs is being improved, including through the provision of substantial long-term funding by the EIB, EBRD, and VEB.

Both sides have started cooperation to further link European and Russian **technology platforms**. The potential for direct contacts between the platforms will be explored and the coordinators look forward to tangible results from these contacts. The business community overall plays an active part. The coordinators have started to associate representative organizations of SMEs to further work under the Partnership. The Association of European Businesses in Russia has been active in an important number of areas.

4. In the priority area of the **rule of law, strengthening the legal environment, improving investment and the social climate**, a project continued with the Council of Europe to support the setting up in Russia of an **appeal system for criminal and civil court cases**. There is agreement to increase efforts in this area through gap analysis, impact assessment, and provision of international experience, and to enhance the regional coverage. A series of projects to strengthen international cooperation in the field of **family law** with emphasis on the Hague Conventions, financed by the EU, is being implemented. As a result of the first Hague Convention project implemented last year, **Russia ratified the 1980 Convention** and established, with the help of the project, the key Central Authority. As a result of the second Hague Convention project, currently implemented, **Russia ratified the 1996 Convention**. The project develops legal and administrative procedures that will implement the 1980 and 1996 conventions on Child Abduction and Parental Responsibility respectively. Another follow up project will reinforce implementation of the two Hague conventions and analyse **Russia's possible accession to the 2007 Hague Convention on the International Recovery of Child Support and Other Forms of Family Maintenance**.

Coordinators stress the significance of conclusion of an operational agreement between Russia and Europol and a cooperation agreement between Russia and Eurojust. In this context they also underline the importance of making progress on the protection of personal data. The coordinators also agreed to develop cooperation in the area of **anti-corruption** where a project has been agreed, to be implemented by the Council of Europe in close cooperation with Russian authorities and the Russian Business Ombudsman. A number of TAIEX seminars, study visits and expert missions took place

regarding food safety, police cooperation and witness protection programmes. Moreover TAIEX supported Russian participation in multicountry workshops on topics such as fighting tax crime or the forum for public prosecutors on the fight against organised crime.

In the area of **Intellectual Property Rights** both sides exchanged information on: legislative developments, the Customs Union and parallel imports, the enforcement of IPR, and data exclusivity for pharmaceuticals and agro-chemicals. A separate technical meeting was held on internet piracy. The EU extended support funds for closer cooperation of the EU Office for Harmonisation in the Internal Market with Rospatent, including on issues related to trademark and industrial design legislation.

5. In the priority area of **promoting people-to-people links and enhancing dialogue with civil society**, it was agreed to continue existing higher education cooperation and youth exchange programmes including preparation of the next generation of cooperation and mobility programmes as of 2014. The coordinators welcome further contribution of **civil society** of the EU and Russia to the development of the Partnership and note the importance of intensifying joint work on projects and activities that facilitate dialogue with the civil society. They call in particular for a further strengthening of the independent EU-Russia Civil Society Forum, which met so far in Prague, Warsaw, and St. Petersburg, and the regular meetings of the European Economic and Social Committee with the Public Chamber of the Russian Federation. The coordinators look forward to increased exchanges with these fora at senior officials' level.

After the adoption of the list of common steps towards **visa-free short-term travel** of EU and Russian citizens at the December 2011 Summit, the list is now being implemented. A kick-off meeting was organized in March 2012 and extensive exchange of written information took place. Two field expert missions took place on document security (September) and on illegal migration, including readmission (November/December) respectively. Once the implementation of the "*Common Steps towards Visa Free short term travel of Russian and EU citizens*" is completed, the Parties will decide, in accordance with their respective internal procedures, on starting negotiations on a Russia-EU Visa waiver agreement. Meanwhile the coordinators welcome the upgraded EU-Russia Visa Facilitation Agreement and look forward to the rapid conclusion of the negotiations.

Complementary to the EU-Russia Partnership for Modernisation, Russia signed **bilateral modernisation partnerships** with twenty three EU Member States (Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Netherlands, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom), with two more under preparation (Greece, Portugal). Work programmes have been agreed with eight EU Member States (Austria, Hungary, Germany, Denmark, Spain, Slovenia, France, Czech Republic), containing about two hundred projects. The projects are implemented in the spheres of optical fibre production, hi-tech equipment production, solid domestic waste incineration, production of composite accessories for aviation programs, electric locomotive production, metal cutting machines with programmed numerical control, anti-cancer medicine creation, and production of thermal equipment.

Recognizing the importance of **financial support** for private or public sector modernisation projects under the Partnership, the coordinators welcome the signing of a Memorandum of Understanding by the EBRD, the European Investment Bank, and the EU to support Partnership for Modernisation with loans for industrial modernisation projects. The EU has already committed a total of 7 million Euros in grants for projects so far from a dedicated Partnership for Modernisation Facility. Coordinators discussed the possibility for reciprocal Russian grant financing of joint activities in the near future.

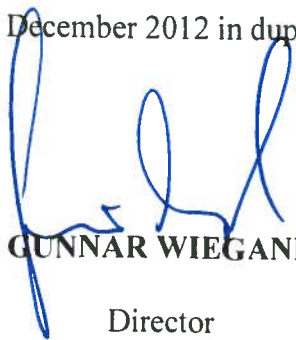
A P4M conference took place in Moscow in October. Administrations from sides, business, as

well as EU Member states representatives explored strategic opportunities and priorities for cooperation. The EU side underlined the importance of creating level-playing fields for business through the rule of law, anti-corruption activities, and fight against red tape, while the Russian side focused as well on large concrete investment projects and technology transfer, with an emphasis on nuclear and on space industrial cooperation. The conference confirmed P4M positive results, such as the alignment to a large extent of a number of technical regulations this year and further ongoing work and joint projects in this area of particular importance for business; the Russian appointment of a business ombudsman and elaboration of roadmaps to improve the business climate; or a new Russian global education scheme which will finance studies abroad (with RUB 4,5 billion project financing). The sides expressed their views on priorities for the development of EU-Russia relations, and referred to the long-term aim of providing for an appropriate framework for the gradual integration between Russia and a wider area of cooperation in Europe, as expressed in Article 1 of the PCA, and the creation of an open and integrated market between the EU and Russia, an objective contained in the Common Economic Space.

Overall, the coordinators note with satisfaction the results achieved and look forward to further acceleration of cooperation based on the Common Spaces and for mutual benefit.

The coordinators will continue to keep EU and Russian leaders informed about progress and results achieved.

Done on 21st December 2012 in duplicate, each in Russian and English languages.



GUNNAR WIEGAND

Director
European External Action Service
European Union



ALEXEY LIKHACHEV

Deputy Minister
Ministry of Economic Development
Russian Federation