

EU-RUSSIA COMMON SPACES

PROGRESS REPORT 2009

Date: March 2010

The attached progress report on the implementation of the EU-Russia Common Spaces for 2009 was prepared by the European Commission services. It covers the Common Spaces on 'Trade and Economic cooperation'; 'Freedom, Security and Justice', and 'Research, Education and Culture'. The Common Space of 'External Security' concerns principally matters related to the Common Foreign Security Policy (CFSP) and is not covered by this progress report.

This report outlines progress made during 2009 on the implementation of the EU/Russia Common Spaces and of the Road Maps adopted in 2005. It also looks forward to the next steps expected in 2010. A detailed section is devoted to each of the four spaces. Where appropriate, reference is made to major EC financial cooperation projects in support of the Common Spaces Road Maps implementation, however, it should be noted that the document does not attempt to provide an exhaustive overview of all financial cooperation. It should also be noted that the report on the Common Space of External Security has been drafted jointly by the Council Secretariat and the Commission. The rest of the work is the sole responsibility of the Commission services.

Negotiations for a New EU/Russia Agreement to replace the existing PCA continued. Russia announced in mid-2009 the creation of a **Customs Union with Belarus and Kazakhstan**, which affected the negotiations for a new agreement and introduced an element of uncertainty as to Russia's intentions towards WTO accession.

Both sides continued to be deeply affected by the **economic crisis**. Russia introduced further or continued applying previously introduced **protectionist measures** (e.g. increased import tariffs, SPS measures, discriminatory road and rail tariffs, export duties for wood and other raw materials, Siberian overflight fees, new barriers to imports of pharmaceutical products). EU-Russia relations were negatively impacted at the beginning of the year by the cutting off of the **gas supplies** to part of the EU due to the Russia/Ukraine gas dispute. In mid-2009, Russia announced her **withdrawal from the Energy Charter Treaty**. In November 2009 an **enhanced early warning mechanism on energy** was agreed. Russia signed the Financing Agreements for 5 **CBC programmes** with neighbouring EU countries, allowing the launch of these programmes in 2010.

On **Georgia**, Russia's failure to comply fully with the agreements of 12 August and 8 September 2008 remained an issue of concern.

Overall, with a number of exceptions though, dialogue under the common spaces has continued as planned. During the year, six Ministerial meetings of the **EU-Russia Permanent Partnership Council** were held: of Foreign Ministers (twice), Energy, Environment, and on Freedom, Security and Justice (twice). Two summits on Head of State level took place.

In general, the overall day to day business was conducted efficiently under all the common spaces and some progress continued to be made. **Dialogue and contacts have continued under all four Common Space Road Maps**. All dialogues have substantially deepened mutual understanding of policies. However, a number of the economic dialogues have slowed or even not met at all in 2009, or produced little tangible results besides exchanges of views on policy or legislative changes. This was *inter alia* due to organisational difficulties or lack of real interest on the Russian side – some co-chairs of the groups were not appointed or important subjects could not be discussed due to the absence of key representatives. A priority for 2010 is to streamline the dialogues and subgroups and make them more result-oriented.

Russia extensively used the **TAIEX** facility financed and offered by the EU. Russian

experts and officials participated in a total of 104 events, seminars, conferences and study visits, of which 41 were organised particularly for Russia, the rest being multi-country events.

Some of the **main achievements** in the EU-Russia dialogue in 2009 included:

General:

- Negotiations for the New EU-Russia Agreement continued (5 negotiation rounds were held in 2009);
- Financing Agreements of 5 Cross Border Cooperation programmes (Kolarctic, Karelia, South East Finland – Russia, Lithuania – Poland – Russia, Estonia-Latvia-Russia) were signed (ratification by Russia pending).

Trade and Economic cooperation:

- The informal trade early warning mechanism was re-activated;
- Two border crossing points (Mamonovo II and Chernyshevskoye) were completed and one was officially opened;
- The implementation of the EU-Russia pilot project on exchanges of pre-arrival transit information began on 1 January 2009;
- It was agreed to launch two new subgroups (on banking and securities; and on exit strategies and sustainable growth) under the Financial services and macro-economic dialogue;
- The co-ordinators of the energy dialogue signed an enhanced early warning mechanism on energy in November 2009;
- At the EU-Russia summit in Stockholm, Russia announced its readiness to put forward a GHG emissions reduction target of 20-25% above 1990 levels by 2020;
- The Memorandum of Understanding on the Northern Dimension Partnership on Transport and Logistics was signed in October 2009;
- The Agriculture Dialogue re-started in December 2009;
- Some progress was made in revising and initialling veterinary export certificates;
- A cooperation programme on large scale vaccination of wild animals against rabies has started in the region of Kaliningrad;
- A bilateral agreement on cooperation in fisheries and the conservation of the living marine resources in the Baltic Sea was signed in April (ratification by Russia still pending);

- The terms of reference of the Dialogue on Public Health were signed in May 2009.

Freedom, Security and Justice

- Negotiations on an EU-Russia agreement on the control of drug precursors were launched in September;
- Frontex and the Russian Border Guard Service have been implementing their cooperation plan;
- The implementation of the Readmission and Visa Facilitation agreements continued;
- The Visa dialogue continued.

External Security

- Russia continued its participation in operation EUFOR Tchad/RCA until the end of the military operation in March 2009;
- Good cooperation continued between EU NAVFOR Atalanta and the Russian naval mission deployed off Somalia, enhancing the protection levels for merchant shipping;
- The dialogue with Russia in the OSCE continued, particularly with regard to Euro-Atlantic security. At the OSCE Ministerial Council meeting in December, a Ministerial declaration and a decision on the Corfu process were adopted.

Research, Education and Culture

- It has been decided to establish a Northern Dimension Partnership on Culture. A Memorandum of Understanding will be concluded in 2010;
- An international seminar on "Russia-EU: signs on the road map of cultural cooperation", co-organised by the European Commission (DG EAC) and the Russian Ministry of Culture took place on the 8th of December 2009 in Moscow;
- The EC-Russia Science and Technology Agreement was renewed for a further five years;
- A roadmap setting out an overview of ongoing and future EU-Russia research actions for the 2009-2011 period was agreed. An compendium setting out information on all the bilateral research programmes between Russia and the EU and the 27 Member States was published in both English and Russian;
- The discussions on Russia's potential association to the 7th EC Framework Programme for Research and Technological Development started in 2009. In line with the negotiating principles adopted by the General Affairs and External Relations Council, this is to be addressed in the context of the New

EU-Russia Agreement.

EU-RUSSIA COMMON ECONOMIC SPACE PROGRESS REPORT 2009

Objective

At the St Petersburg Summit of May 2003, the EU and Russia agreed to establish a 'Common Economic Space' (CES) and a road map agreed in 2005 sets out the objectives for cooperation in this area for the short and medium term. The implementation of this roadmap is taken forward through sectoral dialogues between the EU and Russia covering all economic chapters of the CES. Two ministerial level meetings of the EU-Russia Permanent Partnership Council were held in the course of 2009, on environment in November and on Energy in April. In addition, a number of high level meetings took place between European Commissioners and their counterparts in the Russian government.

EU policy aims

The overall objective of the Common Economic Space 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 many sectors such as energy, transport, information and communication technologies, agriculture, space, aeronautics, fisheries, research and development, macroeconomic policy, financial services, intellectual property rights, procurement, investment, standards and environment;
- reinforce overall economic cooperation and reforms;
- enhance the competitiveness of the EU.

It also aims at reinforcing the integration of EU's and Russia's economies, based on the principles of non-discrimination, transparency and good governance, taking into account the business dialogue conducted so far. At the EU-Russia summit of November 2009, Presidents Barroso and Medvedev agreed to work together on a Partnership for Modernisation. This should give a fresh impetus to the implementation of the Common Spaces.

In the implementation of actions under the Common Economic Space, priorities jointly identified in the framework of regional organisations and initiatives, such as the Northern Dimension, the Council of the Baltic Sea States, the Helsinki Convention, the Black Sea Synergy, are also taken into consideration.

Trade and Economic cooperation has become a key element in creating an enabling environment for the EU-Russia Strategic Partnership through further integration of Russia into the world economy including Russia's accession to the WTO. However, in the course of 2009 the terms of bilateral trade have been affected significantly by a number of protectionist measures by the Russian Government (mostly in the form of tariff increases). The creation of a Customs Union with Belarus and Kazakhstan had a delaying effect on Russia's accession to the WTO. The new circumstances also impact

the technical possibilities for a future bilateral Free Trade Area between the EU and Russia, which is conditional upon Russia's WTO accession.

The scope of Trade and Economic cooperation between the EU and Russia has remained considerable. In the field of energy, communication between the EU and Russia has been maintained at all levels, and there is a growing understanding of respective regulatory environments in numerous areas on both sides. However, that did not prevent the disruption of gas deliveries to European consumers at the beginning of 2009. As a response, an enhanced early warning mechanism was agreed in November 2009, and there was no disruption at the beginning of 2010.

Institutional framework

Sector dialogues are operational in 20 areas¹. The Dialogue on Health will meet for the first time in 2010, while no progress has been made on another dialogue under discussion, namely the Dialogue on Employment and Social Policy. Although employment and health are not formally covered by the CES, the importance of these issues to the creation of a fully functioning Common Economic Space and the overall development of the EU and Russia's economies mean that they should be discussed and addressed in their own right. Progress made in these two areas will therefore be covered in the individual Common Space progress reports too.

In addition to the formalized dialogues, an informal dialogue is ongoing on competition related issues. There is also an ongoing cooperation on Customs and Cross-Border Co-operation, which continues to be discussed within the relevant Sub-Committee under the PCA.

Regarding business and industry participation in the implementation of the CES, there is strong support from business and industry to the institutional framework as well as to the policy objectives of further economic integration between the EU and Russia although more concrete involvement is still needed.

Endorsed by the EU-Russia Summit in July 1997, the EU-Russia Industrialists Round Table (IRT) is a further mechanism to be taken into account in the Road Map. The last advocacy event of the IRT took place on 18 November 2009, on the occasion of the EU-Russia Summit in Stockholm, Sweden. The IRT presented a series of recommendations to the Summit leaders on issues of importance for the Russian and European business communities, supporting deeper economic integration and better market access, an ambitious new EU-Russia partnership agreement, and Russian WTO access. It rejected protectionism and called for joint solutions to fighting climate change against the background of the international financial crisis, especially through a more intensive and regular form of cooperation, designed to consolidate the EU-Russia Common Economic Space. The IRT also called for an EU-Russia Innovation Dialogue.

¹ Transport; Industrial and Enterprise Policy; Regulatory Dialogue on Industrial products; Space; Information Society; Agriculture; Fisheries; Macro-economic Policy; Financial Services; Energy; Procurement; Environment; Trade Facilitation; IPR; Investment; Inter-regional cooperation; Statistics; Investment; Macroeconomic and Financial Issues; Inter-regional Cooperation.

Progress

a. Industry Related Dialogues

i. Regulatory Dialogue on Industrial Products

This dialogue has now been in place for four years. As far as exchange of information is concerned, good progress has been made. The two sides have learned more about each others' positions, thereby reducing likelihood of trade disputes arising in the sectors concerned. This has allowed the EU side to comment on draft Russian legislation on industrial goods, and to explain the EU's industrial and enterprise policies. There is a high level of interest and commitment to the dialogues on the Russian side. Both EU and Russian industry have also been very supportive and have participated in most of the subgroup meetings held.

So far, seven meetings of the Regulatory Dialogue Working Group have taken place, at approximately six-month intervals. The last meeting was held in Brussels on 16 June 2009 and the next one is scheduled for 4 March 2010 in Moscow. The main purpose of these meetings is to monitor the progress of the eight existing subgroups.

Day to day business was conducted efficiently under all the meetings and there are a number of small successes. Approximation of legislation would go a long way towards securing better market access for operators on both sides and would help further market integration. However, although the Russian side has sent a consistent message that they wish to align their technical regulations and standards with the EU system, in practice there has not been much progress over the last 3 years. Recent comments from the Russian political leadership, in particular President Medvedev on the need for Russian standards to be aligned to those of the EU as part of the new modernisation drive in the country, are nonetheless hopeful signs that these dialogues can be infused with a new sense of result-oriented co-operation.

The reinforcement of institutional capacity with respect to technical regulations would be facilitated if Russia would become an affiliate of CEN (Comité Européen de Normalisation) and CENELEC (Comité Européen de Normalisation Electrotechnique). Lack of progress in this area is surprising, given the Russian discourse on wishing to align with EU norms and standards. However, a number of Russian organizations are already members of ETSI (European Telecommunications Standard Institute).

A €2.5m TACIS project "Approximation of EU and RF technical regulation, standardisation and certification systems" aiming at approximating with EU rules and enhancing effectiveness of the Russian technical regulation, standardisation and certification systems started in August 2009. The project will run until December 2011. The Project Partner is the Ministry of Industry and Trade of the Russian Federation.

A TACIS project on support to E-Government with the Ministry of Economic Development and the Ministry of Communication was developed. The overall objective of this €2 Million EU-funded project is to contribute to the efforts of the RF

government to improve transparency, administrative efficiency, and accountability of the Russian public administration due to (a) improved inter- and intra-agency cooperation, and (b) improved state-citizen relations.

The detailed progress in each of the eight working groups is described below.

1. Automobiles:

This subgroup is successful due to the active interest on both sides. There is good cooperation and it discusses issues of practical consequence. Both sides are pleased with the level of information exchange and the cooperation between the EU and Russia in UN-ECE activities.

Two current key issues are:

- **Lack of automatic recognition of EC vehicle certification results as from 2010.** Although Russia and the EU both implement a large number of often the same UN-ECE standards, some vehicle-related subjects do not have UNECE standards (e.g. windshield defrosting, demisting devices). In addition, some technical differences can arise between the EC type-approval certificates compared to UN-ECE and Russian requirements (e.g. noise marking requirements for tyres). The new Russian law will make it difficult to recognise these differences in future, which in turn would require EU manufacturers to do additional testing. In absence of a Mutual Recognition Agreement (MRA), discussions are focused on the possibility to address the issue through a more limited bilateral expression of recognition in the technical legislation. Without a solution to this issue the prospect of double testing of cars for certain technical standards remains a real one. The meetings of the subgroup, although regular and generally considered useful, have not yet managed to bring a solution forward.
- **Cooperation on international rules and standards on automobile tyres.** Russia has proposed the establishment of an international tyre laboratory with a view to testing tyre rolling resistance. The EU side has indicated it is willing to cooperate, but as it is discussing parameters of the limit values with EU Member States and other parties in order to achieve a UN-ECE uniform regulation, it cannot predefine limit values at this stage and cannot intervene directly in the establishment of testing laboratories. However, coordination of EU and Russian positions before UNECE will continue.

Two meetings of the subgroup were held in 2009: on 29 April in Brussels and on 22 October in Moscow. It is expected that the group will meet twice in 2010.

2. Textile Industry:

This subgroup meets as a joint subgroup with the textiles subgroup under the dialogue on industrial and enterprise policy. Good cooperation has been established between the two sides and the work of the subgroup is focusing on

the objective of approximation of legislation and standards, including in particular certification procedures. In particular, there has been a very fruitful exchange on legislation on (safety of) children goods.

The main current issues are:

- Bureaucratic and complicated system of conformity assessment procedures on the Russian side;
- Testing methods are often very different from EU methods; and sometimes incompatible with international ones – even if progress is made on this topic;
- Different interpretation of procedures by different customs offices in the Russian Federation;
- Bureaucracy and hesitation from the Russian side to use EU programmes for the development of common projects with business.

Two meetings of this subgroup were held in 2009: on 27 May in Moscow and on 9 December in Brussels. It is expected that the group will meet twice in 2010.

3. ICT, Radio and Telecom:

The subgroup allows for an exchange of information on EU/Russia legislative projects under way, gives Russia a better understanding of and insight into the respective EU regulatory systems for the ICT, Radio and Telecommunication sector, and is a platform to raise concrete trade barriers in the presence of industry. The subgroup has achieved some concrete results, notably Russian adoption of the EU standards and changes to Russian legislation relating to the identification of mobile telephones. However, on one of the most important issues – encryption – there has not yet been any progress. In general, while the information flow is useful, concrete suggestions from the EU side do not seem to have been taken on board (Russian side in listening mode but not more). There has been a general reluctance to look more favourably at the EU approach to use a light legislative technique that only fixes general requirements in legislation and leaves the specific technical implementation to industry standards. During the last meeting, however, the Russian side indicated interest regarding harmonisation with the EU. Trade irritants are discussed in the working group, but need a more solution-oriented follow-up from the Russian side (for example the encryption issue).

The most recent meeting of the subgroup was held on 10-11 November 2009 in Brussels, the next meeting is planned for autumn 2010.

4. Electrical equipment and machinery:

It was agreed in October 2007 to create this subgroup. However, a first meeting has still not been held because the Russian side has not appointed a co-chair.

5. Pharmaceuticals:

This subgroup has only a rather slow progress to report and EU and Russian policy positions and regulatory practices are still quite different. In the last meeting in June 2009 it has been agreed to foster cooperation on clinical trials and general regulatory issues at expert level.

The EU side has identified three key areas where long-term progress should be achieved:

1. approximation of Russian and EU pharmaceutical legislation
2. TRIPs compatible IPRs
3. ICH¹ compatible pharmaceutical legislation, implementation, and application by Russia

In line with these considerations several follow-up actions have been agreed in the June meeting. However, the minutes of this meeting, which lists the follow-up points, have not yet been endorsed by the Russian side (after 8 months).

With regard to the regulatory cooperation the Russian side will propose a date for a meeting with the EMEA² in London. Furthermore, topics of interest will be identified with regard to regulatory affairs, in particular concerning general quality/safety issues and pharmacovigilance. In addition, the EMEA will invite a Russian delegation to attend the next European GCP³ inspectors meeting which is scheduled in Rome for this autumn. An official letter will be sent to the relevant Russian counterpart by the EMEA.

Despite efforts made by the EMEA to live up to the commitments, the Russian reaction has been rather lukewarm.

6. Forest-based industries:

This subgroup has suffered from a lack of continuity, largely due to successive administrative changes on both sides. For example, after the inaugural meeting in Moscow in September 2006, the second meeting only took place in Moscow in May 2009. However, this was followed by a third meeting the same year in Brussels in December 2009 and subsequent meetings are foreseen, thus re-establishing the rhythm of the subgroup.

Such a small number of meetings has only allowed exploratory discussions on the state of this sector of industry and initial examinations of the regulatory environment. Nonetheless, the exchanges have been open, frank and constructive, with a good commitment from both sides to deepen sectoral co-operation.

¹ ICH is the International Conference on Harmonisation of technical requirements for registration of pharmaceuticals for human use

² EMEA: European Medicines Agency

³ GCP: Good Clinical Practice

In the last meeting, representatives of EU industry federations took part and this was seen as positive by both sides. Accordingly, Russia will seek to have industrial representatives next time and hopefully corporate personnel may also participate.

Two major issues on which discussions have focused are:

- the continuing economic and financial crises which have deeper impacts on the forest-based sector than many others. This is especially the case for Russia, which has historically been very export-oriented.

- the draft EU FLEGT Regulation on "due diligence" (obligations for operators placing forest products on the EU market). Irrespective of its final form, it would apply equally to EU and third-country producers. However, there appear to be concerns on the Russian side that Russian producers would be treated unfavourably and hence would see the measure as a trade barrier for Russian wood exports.

7. Construction Products:

It was agreed to establish this subgroup in October 2007, following the request of the EU-Russia Industrialists Round Table. There has been a long delay in starting the work of the group since the Russian side was not able to appoint a co-chair for a long time. In order to break the deadlock, the EU side organised a TAIEX seminar on Eurocodes, held in Moscow in October 2008, which was well attended by technical experts on both sides, including representatives of the Federal Agency on Technical Regulations and various technical institutes. It was agreed during the event to work on Eurocodes at a number of different levels: between the Joint Research Centre and certain Russian technical institutes, between CEN and the Federal Agency, and between the Commission and the Russian government. It also called for the work of the subgroup to begin, and as a result the Ministry of Industry, Science and Technology (MIT) appointed a co-chair and the first meeting took place on 2 and 3 March 2010.

8. Conformity Assessment and Standardisation:

This horizontal subgroup is important as it is the main forum for discussion of horizontal issues in the field of technical regulations, conformity assessment and standards. It is the core of the regulatory dialogue and the means by which TBT disciplines and, more specifically, the EU New Approach can be discussed. The subgroup last met on 25 September 2009 in Moscow. During these technical sessions, which followed a period of forced inactivity for the group due to successive changes in the Russian composition, an exchange of views took place and the Russian authorities have expressed a keen interest to examine the scope for Russian alignment with the EU regulatory system of conformity assessment and standardisation.

ii. Industrial/Enterprise Policy Dialogue

Since 2005, seven meetings of the Industrial and Enterprise Dialogue Working Group have taken place at approximately six-monthly intervals. The last meeting was held on 16 June 2009 in Brussels.

The situation with the industrial/enterprise dialogue is very much the same as with the regulatory dialogue (see above). As far as exchange of information is concerned, good progress has been made. The communication reduces the likelihood of trade disputes arising in the sectors concerned and the exchange of information allows for European Commission's input on draft Russian legislation (i.e. on industrial goods), and to explain EU industrial and enterprise policies. The EU seeks approximation of legislation in this field, but little has been achieved over the past three years.

Six working groups for different sectoral issues have been established under the dialogue so far. EU and Russian co-chairs have been appointed for each subgroup and relevant industry bodies are fully involved.

1. Automobiles:

This subgroup meets as a joint subgroup with the automobile subgroup under the Regulatory Dialogue on industrial products (see above).

2. Textiles:

This subgroup meets as a joint subgroup with the textiles subgroup under the Regulatory Dialogue on industrial products (see above).

3. Mining and metals:

The last meeting of the group took place in March 2009 in Brussels and the next meeting should normally take place in Moscow in 2010. The discussions have concentrated on an exchange of views in variety of topics relevant to the situation of the mining and metals sectors. As the metals industry is politically and economically very relevant in Russia and as Russia is a resource rich country, the meeting will present an occasion to enhance our dialogue on Raw Materials. A large number of clarifications in different areas of concern for the Russian side have been provided.

In the past, the Russian side has shown particular interest in the application of REACH to metals and a significant number of clarifications have been given. This should now be carried forward within the Chemicals sub-group.

4. Chemicals:

The EU has continuously delivered a high input of a very broad range of information on EU chemicals legislation (REACH), EU CLP legislation (Regulation N°1272/2008), which implements the Globally Harmonised System (GHS) for classification and labelling and status of their implementation. Additionally, the EU has provided the conclusions/recommendations identified by the High-Level Group on the Competitiveness of the European Chemicals Industry, as well as information

on the EU Technology Platform for Sustainable Chemistry (SUSCHEM).

For two of the difficulties identified by the EU industry, progress was achieved under the dialogue:

Russia has apparently improved the Russian framework for registration of plant protection products (pesticides), consequently improving procedures for both Russian and third country companies which intend to register pesticides in Russia. This is based on information from some EU companies but no concrete details have been provided by Russia. (The point was taken off the agenda of the 5th meeting, unilaterally by RU, as no representative of the Ministry of Agriculture, who has the lead, was available).

Furthermore, and probably mainly due to the economic crisis, the delays in completing customs procedures and waiting times for trucks at the border have decreased by more than 30%. However, the point addressing customs procedures has never been discussed in the chemicals subgroup, despite the Commission's repeated requests. No representative of the competent Ministry ever participated in the meetings. Further results are expected from the horizontal EU/RU dialogue on customs.

On the main topic of common interest - i.e. the Chemicals law – it is quite difficult to follow in which direction RU wants to go. Initially, the Russian Minister had committed to revise the Russian legislation on chemicals to align it with the EU REACH legislation and the initial drafts presented by Russia seemed to go in that direction. However, it became clearer towards the end of 2009 that Russia was not willing to give up its current system of "*conformity assessment*" and the latest draft for the new legislation is limited to implementing the GHS. Consequently, it seems that Russia's intention is now to revise the Russian Federal Law on special technical regulations on chemicals to the EU GHS/CLP legislation, with nevertheless some differences that have the potential of creating market access difficulties. Russia seems to have abandoned the original intention to align its legislation with REACH.

Practically no progress has been made in the accession of Russia to the OECD system on Mutual Acceptance of Data and GLP (Good Laboratory Practice) – even though Russia keeps insisting in the dialogue discussions that recognition of test data from Russian laboratories by the EU authorities is of key importance to them. This, however, can only be done if Russian laboratories are inspected and found to be in compliance with GLP. Apparently the co-ordination of the various ministries in Russia to advance this matter in the OECD is not working well. The EU side has repeatedly urged Russia to make progress on this very important point.

On practical issues, the main difficulty is the very slow exchange of information and communication from the Russian authorities.

The last meeting of the group took place on 6 March 2009 in Moscow and the next meeting of the subgroup is planned in Brussels towards the end of March 2010.

5. Aerospace:

Most of the cooperation between the EU and Russia on aerospace and aviation issues has taken place outside the subgroup, which has only met once, on 7 December 2006 in Brussels. Two other working groups exist, one for air transport and another one for aeronautics research cooperation. The Ministry of Industry, Science and Technology (MIT) is mainly interested in concrete cooperation projects which would help boost the competitiveness of the Russian aerospace industry, research and safety standards. This subgroup has failed to lead to any fruitful co-operation and the reasons are fairly diverse: predominance of international standards as opposed to European ones, overlaps with the work of other policy sectors (research, transport) and a marked lack of interest of industry in this group.

The European Commission has proposed to the Russian side that the work of the group should cease.

6. SMEs and enterprise policy:

The exchange of information between the EU and Russia in this subgroup has been constructive and useful. A complication on the Russian side is that responsibility for SME issues is split between the MIT and the Ministry of Economic Development (MED).

The last meeting of the group took place on 23 March 2009 in Brussels, with participation of the main SME organisations on the EU side – UEAPME, Business Europe and Eurochambres.

Whilst topics discussed are interesting and there is an interest on the Russian side in the dialogue, the limited number of participants is a concern – as an indication only three Russian administration officials participated in the last meeting.

SME policy appears much more widely accepted and articulated in more precise manners in the EU, as compared to the Russian Federation, where larger companies working mainly in the raw materials and energy resources sector have a dominant position. However, SME policy is gaining acceptance as discussions on the modernisation and diversification of the Russian economy pick up speed.

The next meeting will take place on 4 March 2010 in Moscow.

The second Phase of the project “Internationalisation of Russian SMEs through the Chambers of Commerce Network was successfully implemented during 2009 in cooperation with EUROCHAMBRES and the Russian Chamber of Commerce and Industry.

iii. Space

Seven working groups, covering all fields of civil space activities, have been established under the EU-Russia Space dialogue since its establishment in 2006. On the European side, the Commission co-chairs the working groups on Earth Observation, Satellite Navigation and Satellite Communication, whereas the European Space Agency (ESA) co-chairs the working groups on Fundamental Space Science, Applied Space Science and Technology, Launch Systems and Future Crew Transportation Systems. All the working groups held meetings in 2009.

The 4th meeting of the trilateral (EC-ESA-RU) Steering Board was held in March 2009 in Moscow, back-to-back with a Seminar on Europe-Russia Space Cooperation and gathering about 180 participants from Russian space organisations, institutes and enterprises as well as from European agencies, institutions, enterprises and embassies. The Steering Board reviewed the progress made since their last meeting in Paris in June 2008. The Parties noted with satisfaction the further progress in conducting and deepening the regular dialogue at working level in the various fields of Space activities between the Russian Federation, the European Union and ESA. The Steering Board received progress reports from the working groups and adopted revised work plans for the period 2009-2010.

The issues that have been identified by the Steering Board as priorities for the period 2009-2010 include joint research projects in four specific areas of Earth Observation (agriculture, forestry, earthquake precursors and Arctic regions), participation of European and Russian research entities in the FP7 Space 3rd call, progress in the Galileo-EGNOS/GLONASS-SDCM negotiations, cooperation in satellite communications with space agencies and other commercial and institutional actors for the development of joint applications and services, cooperation in the fundamental space science and applied space science and technology areas, as well as cooperation on space launchers and on a future crew space transportation system.

The 5th meeting of the Steering Board is to be held in the first half of 2010.

b. Trade Related Dialogues

i. Intellectual Property Rights (IPR) Dialogue

The IPR regulatory dialogue focuses on horizontal issues (institutional issues, legislation, enforcement, and public awareness), sectoral discussions (i.e. copyright, patents etc.) and specific cases. The terms of reference for this dialogue were agreed and signed in March 2006. Participation of competent Russian enforcement authorities is essential and several agencies are involved (Police, General prosecutors office, Patent office, Customs). There is also a broad participation of right holders to discuss specific concerns in their particular sector. Joint conclusions are normally agreed in order to allow progress assessment.

Lately Russia took steps to improve IPR protection. Police conducted a high number of IPR raids, registered crimes of copyright infringement almost tripled in just two years. IPR raids were conducted in most regions of the country, in all federal districts. Legislation was further adjusted with the aim to increase efficiency of IPR protection. IPR infringements were moved into the category of “grave” crimes, which allowed

law enforcement authorities to use a wider spectrum of investigative techniques. The Supreme Court issued a resolution summarizing court practice in this area. Very strong political task was given by the government of Russia to the Ministry of the Interior and prosecution bodies to raise enforcement statistics– IPR enforcement became one of the priorities for the Ministry of the Interior.

There have been eight meetings of this dialogue, the most recent of which took place on 27 November 2009 in Moscow.

Since the second half of 2008 there have been trainings organised on copyright and related rights infringements for judges and enforcement agencies in different regions of Russia.

A project on Approximation of EU and RF IPR Aspects with a budget of Euro 500 000 started in September 2009. The project is implemented by the European Patent Office (EPO). The Project Partner is the RF Federal Service for Intellectual Property, Patents and Trademarks' (Rospatent).

ii. Investment Dialogue

The first meeting in the context of this dialogue took place in October 2007, where the memorandum establishing the dialogue was formally signed. This was followed by another dialogue in April 2008.

The most recent dialogue was held in April 2009 in Brussels. An extensive agenda focused on bilateral irritants/barriers, including Russia's Strategic Sector Law, which establishes an approval procedure for proposed foreign investments in a number of sectors of interest to EU investors, and the EU's 3rd Internal Energy Market Package, which regulates the gas and electricity markets in the EU. The parties also exchanged views on the economic crisis and its impact on FDI, on recent international developments relating to investment in the OECD and G8 context, as well as sharing experiences regarding investing in other partners, notably China and CIS countries. Russia also raised specific investment cases of concern in individual EU Member States.

Members of the European business community are closely involved in identifying issues for discussion and are regularly consulted for their views. A key issue is the cumbersome and bureaucratic procedure for obtaining long-term visas and work permits for European staff working in Russia, combined with overall reductions in the quotas for foreign workers and delays in distributing such quotas amongst the regions.

Russia hosted a follow-up meeting between EU business representatives located in Russia and Russian authorities responsible for immigration and work permit issues to discuss their problems.

iii. Public Procurement Dialogue

The dialogue on public procurement issues aims at promoting a gradual convergence of Russia's public procurement regime with EU directives, increasing transparency and due process and to discuss the regulatory principles of procurement procedures (including the use of e-procurement). The dialogue was launched in 2006 in Moscow

and six meetings have been organized since then. The sixth session took place in Moscow in December 2009. On the Russian side, the meeting was attended by representatives of the Ministry of Trade and Development, together with officials from the Anti-Monopoly Service. The discussions mainly focused on the use of electronic auctions, further to a recent reform of the system in Russia. Both Parties also resumed the discussions on the impact and follow-up of the recent "Buy Russian" measures.

During the last session of the dialogue, it was agreed that the next one will take place in Brussels next May. The topics to be discussed include a further discussion on the use of electronic auctions in procurement, the legal regime applicable to concessions and public-private partnerships, the treatment of state-owned entities or natural monopolies. Also, following usual practice, the EU and Russia will introduce any new developments concerning their respective legal regime.

In March 2009, the EU organized in Brussels with the support of TAIEX a one-day seminar on electronic procurement for the benefit of the Russian government. The workshop was largely attended by representatives of various Ministries as well as from local governments (cities, provinces). A similar initiative may be organized this year or next year. This issue will be discussed during the next session of the dialogue this spring.

iv. Trade Facilitation and Early Warning Mechanism

The terms of reference for an informal trade early warning and consultation mechanism were agreed in 2006. The main objectives are to exchange information and discuss measures having a significant impact on EU-Russia trade; to discuss and agree on possible measures aiming at improving the consultation of the business community; and to discuss and agree possible measures aiming at simplifying the trade related administrative and regulatory environment.

This informal dialogue was reactivated in early 2009 and three meetings took place on senior officials' level in March, April and July exchanging information on a number of trade irritants. In the second half of the year this informal mechanism was also used to clarify with the Russian side the implications of the new trade regime which was put in place from 1 January 2010 under the Customs Union with Belarus and Kazakhstan (meetings at senior official level took place several times between July and November).

c. *Customs cooperation*

EU-Russia Customs Dialogue: During 2009, the dialogue was developed further through close cooperation between the Commission and the Russian Federal Customs Service (FCS) on specific customs related issues.

The EU-Russia Working Group on Customs Border Issues is the main forum for our customs dialogue. It has met, alternately in Moscow and Brussels, on 5 March and 7 July 2009. The Sub-Committee on Customs and Cross-Border Co-operation (CBC) did not meet during 2009; its most recent meeting took place on 27 January 2010 in Brussels.

The Working Group was set up in 2008 and is composed of representatives of the European Commission, 13 EU Member States participating on a voluntary basis, and Russia's Federal Customs Service (FCS). The Working Group continued to execute its mandate by monitoring progress achieved in the implementation of the three priorities defined in the EU-Russia customs cooperation strategy: Russian customs and border reforms, exchanges of pre-arrival customs information and development of customs related infrastructure. Moreover, the Working Group provided an opportunity to discuss all important issues of mutual interest on the EU-Russia customs cooperation and will continue to do so throughout 2010.

In September 2009 Commissioner Kovács visited Moscow, where he had meetings with the Head of the Federal Customs Service and the Minister of Transport. The objective was to reiterate the Commission's commitment to the implementation of the customs cooperation strategy and to confirm that a similar commitment exists on Russia's side.

Progress achieved so far and next steps:

- (i) **Monitoring and evaluation of the EU-Russia cooperation strategy:** The Working Group agreed the terms of reference for a project, financed under the Common Space Facility, to evaluate the strategy's implementation. To this end, it is necessary to establish a timeframe for the project. At the same time, it is crucial to reach an agreement on a date for the "Laufzettel" project on measurement of border-crossing time, for which competence has just been transferred from the Working Group on Customs Cooperation and Border Crossing Aspects of the Council of Baltic States to the Working group on customs border issues.
- (ii) **Customs reforms:** The Commission followed closely the implementation process of Federal Law no. 266 of 30 December 2006, which is aimed, inter alia, at the reduction in the number of agencies conducting controls at Russia's borders. As a high-level political decision on the implementation of the law was finally taken in Russia in 2009, the Law is expected to enter into force on 1 July 2010, while the two-agency concept will become fully applicable on 1 January 2011. Yet, the overall implementation process remained slow. The Commission will continue to stress the importance of timely implementation of reforms by Russia. The state of play and expected developments in regard of the draft decree on the import of containers and of the plans to decentralise customs clearance will also be closely monitored by the Commission.

A project launched in 2006 on the "Modernization of the Customs Transit System"(TACIS AP2004) was completed in 2009. It assisted Russian authorities with developing Russia's computerised transit and render it more similar to the EU's. The analysis of the results is ongoing and the alignment of the Russian legislation with the Convention on a Common Transit has started.

*A project on **Enhancement of Management of the RF Border Checkpoints** financed under the Common Spaces Facility with a budget of Euro 600 000 started in September 2009. The project is implemented by the International*

Organisation for Migration. The Project Partner is the Federal Agency for Border Management of the Russian Federation (Rosgranitsa).

- (iii) **Pilot project on exchanges of pre-arrival customs information:** considerable progress has been achieved in the technical implementation of the pilot project, which started on 1 January 2009 and involves now all 13 participating EU Member States. Its impact on border congestion cannot be fully assessed yet because of the decrease in traffic levels on account of the economic crisis. However, it can already be noticed that the exchanges of information have not yet resulted in shorter clearance times for consignments of goods for which the data was sent in advance. The Commission and Member States will continue to look at ways to step up the functioning of the pilot project, including discussions on the data quality issues raised by Russia.
- (iv) **Infrastructure:** Implementing and developing border-crossing and customs infrastructure remained in the focus of EU-Russia customs cooperation. With regard to EU funding and support to border-crossing infrastructures in Kaliningrad region it is important to highlight that:

The Chernyshevskoye border crossing point (€ 8 million investment), on the Lithuanian border, was officially opened in October 2009.

The EU-financed construction of a border crossing at Mamonovo II (€ 13.3 million investment) was completed in December 2009. The contractor faced serious problems due to the failure of the Russian authorities to implement the exemption of taxes and other duties to which he was entitled.

The EU financed €10 million project (TACIS AP2006) for the construction of the Sovetsk crossing post close to the Lithuanian border, had to be cancelled, after Russia had informed that it was unable to finance the preparatory work.

d. Competition

Russia's competition law dates back to 2006. The Commission had provided significant input, approximating Russian legislation to aspects of the *acquis* on competition (including for example a chapter on State Aid). The law was amended in 2009 expanding its applicability to transactions or agreements outside the Russian Federation whilst increasing the thresholds at which prior clearance of or subsequent notification to the Federal Antimonopoly Service (FAS) is required. The FAS has now also received the powers to carry out surprise inspections or dawn raids in cartel and antitrust investigations. The list of vertical agreements which are prohibited *per se* has been shortened. Finally, the conditions and procedure to grant state aid has been modified whilst the concept of state aid itself has been replaced by "state preferences".

In 2009, regular contacts between the Commission and the FAS took place on technical questions. Although no official direct contact took place, the Commission met with FAS at the BRIC International Competition Conference which was organized in Kazan (Russia) in early September 2009, sharing experience on the formation of an effective anti-cartel enforcement policy.

During 2009, the FAS has enjoyed several co-operation facilities provided by TAIEX, some of which included competition related topics, such as on Effectiveness of Competition Authority Activities (May 2009) or Development of Competition in the Grain Market (November 2009).

Four projects for a total of Euro 800 000 with the FAS were approved for financing under the Common Spaces Facility 2009. The project on State Aid and Corruption Risk management started in December 2009. Projects on technical regulation, self-regulating organisations and legal regulation of natural monopolies are in the preparation stage and will be launched in spring 2010.

e. Financial Services and Macro-Economic Policy Dialogue, Statistics

i. Financial Services and Macro-Economic Policy Dialogue

The terms of reference (Memorandum) for the Dialogue on Macroeconomic and Financial Issues were signed on 2 February 2007. The group held its fourth high-level meeting in Brussels on 13-14 October, 2009. The European Central Bank (ECB) and the Central Bank of Russia (CBR) also participated.

The global financial and economic crisis, its effect on the EU and Russia, and possible crisis mitigating policy responses were the main subjects discussed in the meeting. Apart from general banking framework and insurance issues, the following items were debated: securities and investment funds, company law and corporate governance, and free movement of capital. A technical working group on Accounting and Auditing took place on 14 October. The following issues were covered: Accounting and financial reporting for Small and Medium Enterprises (SMEs), IFRS implementation, auditors' regulation and public oversight issues, transposition of Statutory Audit Directive.

As the Dialogue met a few weeks after the G20 summit in Pittsburgh, the follow-up to G20 decisions also took centre stage in most discussions. An informal high level meeting was organised for the first time in the margin of the Dialogue. The following issues of political importance were discussed: FSB, IFRS, new capital requirements. Both sides agreed to delegate most of the technical work to working groups in future.

The establishment of two new working groups, one on banking and securities and another on "exit strategies and sustainable growth" (subjects linked to EU and Russia's G 20 commitments, and to other EU and Russian policy frameworks) are planned for mid 2010. The next meeting of the Dialogue is foreseen for the second semester of 2010 in Moscow.

Projects in this area:

Transition to IFRS in the Banking Sector (amount € 4.000.000)

The final conference took place in January 2009. The project was well appreciated for its effectiveness and impact on work of the Central Bank of Russia (CBR) and the Ministry of Finance in improving accounting reform in the banking sector. Numerous normative documents have been elaborated and implemented. Training was provided to auditors and chief accountants in the banking sector at large, including CBR and

commercial banks.

Implementation of the best world practice in accounting and preparation of financial reporting for derivatives and hedging transactions (amount: € 200.000)

The project started in October for an 8 months period.

Bank Institution Building programme (amount €4.000.000)

The project finished in December 2009. The framework for a crisis response package for regional banks was put in place, with individual experts helping in areas such portfolio work-out and restructuring with the objective to improve the quality. A platform to discuss on banking supervision matters and initiatives in light of the current financial crisis was initiated.

Development of Financial Markets (amount €3.000.000)

The final conference of this project took place in March 2009. The project was well appreciated by the Ministry of Economic Development in particular for its recommendations on Development Institutions, Cluster Policy, Public Private Partnership, and Regional Financial Centres. A book "Role of Development Institutions in Strengthening the Competitiveness of the Russian Economy" was published in English and Russian. This project has received a wide coverage in the media including regional television.

Development of Insurance Sector (amount €3.000.000)

Project Partners are the Ministry of Finance, Department for Insurance supervision, the All Russia Insurance Association, and the Federal Service for Insurance Supervision. The project is well appreciated by all stakeholders; the guild of actuaries and the auto insurance association are actively participating. Workshops are well attended. The project supports participation in major international conferences on insurance and several study tours to EU Regulators.

Eurosystem Cooperation Program on Banking Supervision and Internal Audit (amount €3.000.000)

The project is ongoing. Regional seminars, workshops, training events are very well attended. A Compendium on Internal Audit is being prepared. Consultation visits to EU national banks are relevant. Important work is done through working groups on the 3 pillars of Basle II (Banking Supervision).

A Comparative Study of Causes and Effects of Financial Stability in EU & Russia (amount: € 200.000)

Project started in October 2009 for an 8 months period.

ii. Statistics

Eurostat-Goskomstat statistical cooperation was agreed in 2002. Since then, the exchange on benchmarking indicators has been refined and cooperation in international fora in the field of statistics has been enforced. A Joint Eurostat-Rosstat publication on statistical comparisons was presented in 2007, the translation into Russian followed in early 2008. Specific publications in the fields of energy and environment are foreseen for 2010.

Cooperation in the field of harmonization of statistics will continue. A joint project on a set of key indicators to monitor progress in EC-Russia relations on a regular basis is foreseen to be presented under the common space facility. A new Eurostat-Rosstat MoU with a revised list of benchmarking indicators on societal and economic cooperation is under preparation. A seminar on Metadata and SDMX was organised in October 2009 in Eurostat with the participation of 14 Rosstat officials. Further seminars on key statistical domains are foreseen between Eurostat and Rosstat in 2010 aiming at further harmonization of statistics. Rosstat has been encouraged to apply for TAIEX and the Common Spaces facility.

f. Energy

The work of the Energy Dialogue is carried out in three Thematic Groups: 1. Energy Strategies, Forecasts and Scenarios, 2. Market Developments, and 3. Energy Efficiency.

Meetings of the three Thematic Groups, their respective sub-groups and related joint EU – Russia conferences/seminars organised in 2009 served as a basis for the EU-Russia Energy Dialogue Progress Report signed by the Minister of Energy Shmatko and Commissioner Piebalgs on 16 November 2009 in Moscow.

An important achievement in 2009 was the setting up of an Early Warning Mechanism in the framework of the EU-Russia Energy Dialogue. The mechanism was signed on 16 November in Moscow by the coordinators of the energy Dialogue and it was endorsed by the EU-Russia Summit in Stockholm on 18 November 2009.

Good results of practical cooperation in concrete terms have been achieved on energy efficiency and renewable energy, particularly in area of legislation and regulations.

The Permanent Partnership Council on Energy met once in Moscow on 30 April.

The Coordinators of the Energy Dialogue, Commissioner Piebalgs and Minister Shmatko met frequently, on 6 February, 20 March, 30 April, 15 October and 16 November.

1. The **Thematic Group on Strategies, Forecasts and Scenarios** did not meet in 2009. However, in accordance with the agreement reached by the members at their third meeting of 3 December 2008, three meetings of the Subgroup on Energy Economics took place in the spring and summer of 2009. These technical meetings have enabled a technical exchange of the ongoing work on energy scenarios in the EU and Russia and have offered the possibility for experts to exchange views, assumptions and future trends.
2. **The Thematic Group on Energy Market Developments** met on 19 March 2009 and on 27 October 2009. On these occasions the European Commission presented the status of the 3rd Energy Package, while the Russian side presented some of the latest regulatory developments on the Strategic Sector Law and its implementation in the energy sector. Russia also outlined its Energy Strategy including forecasts for growth of oil and gas reserves, new pipeline developments, and electricity market liberalization (for all but

consumer market by 2011).

A joint meeting of the Thematic Group on Market Developments and the Thematic Group on Energy Strategies, Forecasts and Scenarios on the evaluation and development of the Early Warning Mechanism took place on 18th March 2009.

An industry-led subgroup on **Investments** was set up in 2007 in order to focus the Dialogue on conditions governing investments (and barriers to investments) in the energy sector. A meeting of the Investments Subgroup took place on 16 October 2009 and relaunched the work in the subgroup after one and a half years without meeting. Five joint priority activity areas were identified for future work.

In addition, a subgroup on **Infrastructure projects and energy resource trading** was established to discuss issues related to implementation of energy infrastructure projects of common interest. The first meeting of the subgroup took place in Brussels on 27 January 2010.

3. **The group on Energy Efficiency** met twice in 2009: on 23 July 2009 in Brussels and on 15 December 2009 in Moscow. Particular focus was given to a new policy and legislation framework for development of a system for promotion of primary energy savings, energy efficiency and renewable energy in Russia, which was finalized in 2008 and 2009. A new Energy Strategy of Russia until 2030 was adopted by the Russian government on 13 November 2009. A new Law on Energy Savings and on Improvement of Energy Efficiency in the Russian Federation, including the amendments to more than 40 legislative acts, was signed by the Russian President on 23 November 2009. A Government Programme for Energy Conservation, including financial support for energy efficiency and renewable energy projects, innovation and technologies, energy efficiency action plans at regional level etc. was finalised end of 2009. Other topics of common interest were also discussed during the meetings of the Thematic Group, including support for implementation of legislation and policy, different formats for international cooperation on Primary Energy Savings, Energy Efficiency and Renewable Energy etc.

In the frame of this Thematic Group a conference "Realizing Russia's Energy Saving Potential, Enhancing the Energy Efficiency of the Russian Economy" took place on 10 – 12 November 2009 in Moscow. It was organized at the margins of the International Forum for Innovative Technologies. In addition, a seminar on EU – Russia cooperation on certification of equipment, approximation of legislation, technologies and education in areas of energy efficiency and renewable energy took place on 15 December in Moscow.

Two joint EU-funded cooperation projects on renewable energy (€ 2 Million) and on energy savings (€ 3 Million) were running in cooperation with the Thematic Group in 2009.

4. In December 2009 the Thematic Group Meetings were for the first time preceded by a **Meeting of all the Co-Chairs and Coordinators** to set the agenda of the working groups, make recommendations on how to improve

their functioning and discuss cross-cutting themes. It agreed to meet in this format at least annually in the future.

g. Environment

The Environmental Dialogue was launched at the Environment PPC in 2006. The second Environment PPC was held on 10 November 2009 in the run-up to the Copenhagen Climate Conference which was a key item on the agenda together with Water, Marine, and Northern issues. The PPC assessed progress in the dialogue positively. Due to differences regarding the references to climate change objectives the PPC did not in the end agree a joint-statement. However at the EU-Russia Summit on 18 November these differences were resolved with the Russian announcement of its readiness to put forward a GHG reduction target of 20-25% by 2020.

The second meeting of the Working Group was held on 10 February 2009 in order to launch preparations for the PPC.

The 5th meeting of the Climate Change sub-group was held on 10 November focusing on preparations for the Copenhagen Climate conference.

A TACIS regional project (2008-11) is ongoing to provide advice and assistance in setting up Kyoto implementation mechanisms. A workshop on climate change adaptation was held in Moscow on 10-11 November (within the framework of EU-Russia cooperation on research).

The Subgroup on **Biodiversity and Nature Protection** did not meet in 2009. Its next meeting and a technical workshop are planned for April 2010.

The third meeting of **Water and Marine Issues** expert subgroup was due to be held in April 2009 but was postponed at the request of the Commission to await progress in separate discussions on the issue of EC accession to the Black Sea Convention and on the establishment with EC participation of river basin management for the Nemunas and Daugava rivers.

The Subgroup on **Forest Law Enforcement, Governance and Conservation** (FLEG) met on 28-29 January 2009 (3rd meeting) and on 29 September (4th meeting) and there were also contacts by videoconference. Russian experts participated in a conference on 'Future forest monitoring in the EU' held in November 2009. Planned activities include a TAIEX visit by Russian experts to the Joint Research Council on remote sensing and the European Forest Fire Information System. *Linked activities are taking place under the ENPI Eastern Regional project on Improving Forest Law Enforcement and Governance.*

The third meeting of the **Convergence of Environmental Policies** sub-group was held on 10 February 2009 and agreed a future work programme focused on Environmental Impact Assessment, environmental instruments and standards. *Linked activities were carried out under the Tacis Harmonisation of Environmental Standards Phase II project (2007-9) including a study visit of Russian experts to the Commission, European Parliament, Germany and the Seville EIPPC Bureau on integrated permitting and Best Available Techniques (November 2009).*

The **Clean Production and Pollution Prevention** sub-group established in 2007, but owing to changes in responsibilities in the Russian administration this sub-group remains inactive.

A major development in 2008 was the launch of the EC funded (€ 6 million) project on Forest Law Enforcement and Governance (FLEG) in the Eastern ENPI region and Russia, managed by the World Bank. Further work will focus on exchange of experience on approaches to regulating illegal logging, and improving compatibility of monitoring and indicators.

The project "Towards Enhanced Protection of the Baltic Sea from Main Land-based Threats: Reducing Agricultural Nutrient Loading and the Risk of Hazardous Wastes" started in February 2009.

The Environmental Dialogue was supported by the Russian Regional Environment Centre that was established in 2001 with support of TACIS programme.

Progress was made on the construction of a waste water treatment plant in Gusev (Kaliningrad region), jointly funded by the Commission (€3 million) and regional authorities in Kaliningrad with an expected total cost of some €6.5 million. The provisional acceptance certificate was granted in December 2009. There are delays in the completion of the project due to the lack of funds on the Russian side. To ensure the overall quality of the works the Commission agreed in December 2008 to prolong the contract with the international supervisor until the end of the maintenance period in 2010 and increase funding for this purpose by some €260,000 to around € 1 Million. A €2.5 million EU-funded project on Harmonisation of Environmental Standards has been successfully implemented. The final conference took place in Moscow in December 2009.

In addition to that, the Commission has provided €70 million in support of a variety of initiatives related to environment in connection with the Baltic sea and North West Russia under the Northern Dimension Environmental Partnership (NDEP).

A new project "Towards Enhanced Protection of the Baltic Sea from Main Land-based Threats: Reducing Agricultural Nutrient Loading and the Risk of Hazardous Wastes" started in February 2009. The overall objective of this project is to promote Baltic Sea protection from hazardous waste as well as from agricultural nutrient loading. The project will aim at reaching this goal by improvement of management of hazardous and agricultural wastes in St. Petersburg, Leningrad and Kaliningrad Oblasts of the Russian Federation

It has been agreed to co-finance a €40 million programme which will upgrade waste water plant facilities in Kaliningrad Oblast. The EC will contribute €9.5 million to the programme. The Kaliningrad Government will contribute €20 million and the balance will be financed under a loan organized through NEFCO (Nordic Environmental Finance Corporation).

h. Transport

The EU-Russia Transport Dialogue opened in 2005 and has been articulated around five permanent working groups focusing on the priority issues of EU-Russia transport

relations. In addition, an ad-hoc sub-group on Transport Logistics Issues was formed at the Transport Permanent Partnership Council in Finland in September 2006 in view of the increasing congestion at EU borders in the direction to Russia.

A high level meeting between Vice-President Tajani, responsible for Transport, and the Russian Minister of Transport took place on 6 February 2009 in Moscow to discuss the state-of-play of the transport dialogue and its future.

1. **Working Group on Transport Strategies, Infrastructure and PPPs:** The objective of this Working Group is to promote cooperation on transport strategies and the implementation of the Northern Axis and Motorways of the Seas, connecting the TEN-T network to neighbouring countries.

The Group has held eight meetings, the most recent one in Moscow on 7 July 2009. This meeting focussed on the implementation of the recommendations of the Ad Hoc group on logistics, the Russian Transport Strategy 2030, Russia's inland waterway reform and the Commission's Communication on the Future of Transport. In 2008 it was agreed to work closer together on financing questions; it was also decided to hold a joint seminar on Public-Private Partnerships in the first half of 2009. However, due to some difficulties met by the Russian partner, this proposal was not implemented in 2009.

- (i) **Connecting the TEN-T to Russia:** The December 2005 report of the High Level Group chaired by Ms. Loyola de Palacio on Networks for Peace and Development laid the basis for extending the concept of the TENs to third countries. The Group identified five major trans-national axes connecting the EU with its neighbours, proposed a series of investment projects, measures to remove horizontal bottlenecks along the axes and to strengthen regional coordination frameworks to ensure effective and synchronised implementation.

Of these Axes two directly concern Russia: the Northern Axis (that involves Russia, Belarus and Norway and Denmark, Finland, Sweden, Estonia, Latvia, Lithuania, Poland and Germany) and the Motorways of the Baltic and Barents Seas. In this context, a Memorandum of Understanding on the Northern Dimension Partnership on Transport and Logistics (NDPTL) was signed in October 2009. This Partnership (which involves the same countries mentioned above) aims inter alia at identifying and facilitating the removal of bottlenecks affecting traffic between and/or transiting the Northern Dimension partners. The NDPTL will have an important role in identifying which projects need to be carried out in order to strengthen the connections between the EU and Russia in particular, as well as which other measures should be implemented to make the transport system in that area more efficient. The Northern Axis and the Motorways of the Seas are key elements of such Partnership. The steering committee of the NDPTL met for the first time in Stockholm on 8 December and it was agreed that a legally binding agreement should be finalised by mid-2010.

- (ii) **Public Private Partnership (PPP):** This area is of great interest to the Russian side who sees cooperation in concrete investment projects as a priority, while the Commission equally emphasises improvements on horizontal measures removing administrative bottlenecks along the Axes, but no major progress at the policy level has taken place in this sector in 2009. *However, a €6 million PPP project in the area of transport (“PPP: Technical Preparation of Transport Investment Projects”) is ongoing and will run until 2011.*
2. **Working Group on Transport Logistics Issues:** The creation of this group in 2006 was largely influenced by transport and logistics problems encountered by trucks crossing the EU border to Russia. The Working Group was mandated to look into the causes of the long queues of trucks at the EU-Russian border and make recommendations for improving the situation. This Working Group under the Transport Dialogue worked in close cooperation with the Working Group on Customs Border Issues under the Customs Dialogue (see above) so as to address the entire range of issues causing the delays at the border. With the adoption of the final report in 2007 the Ad-Hoc group achieved its mandate, while the joint implementation of the joint recommendations has been left to the two permanent working groups under the Transport Dialogue: the Working Group on Transport Strategies, Infrastructure and PPPs and the Working Group on Road and Rail Transport. The Group has held several meetings, the most recent one in Moscow on 10 July 2009.
3. **Working Group on Transport Security:** The objective of this Working Group, established in 2005, is to promote and enhance cooperation to prevent acts of terrorism against transport and infrastructure. The fourth meeting of this group took place on 23 July 2009 in Brussels. Participants in the fourth meeting had again a generally positive impression of Russian commitment to and interest in the dialogue.

The next meeting of the Working Group will take place in the first half of 2010 in Moscow. The meeting will continue to cover, *inter alia*, mutual exchange of information on recent developments, ongoing challenges, work in international organisations (ICAO, IMO) regarding air, maritime and land transport security. An important area for future work is the harmonisation of positions in advance of major international meetings (essentially ICAO and IMO). There is also room for enhanced discussion on land transport security issues.

4. **Working Group on Air Transport:** The objective of this Working Group is to promote and enhance aviation cooperation on the basis of mutual benefit and non-discrimination in all respective aviation sectors. A meeting of the working group took place on 15 July 2009 in Moscow.

Siberian overflights: No progress has been made during 2009 despite considerable efforts on the EU side at all levels to stress the importance of Russia finally signing the so called “Agreed Principles” on Siberian Overflights agreed upon and initialled in the margins of the EU-Russia summit

on 24 November 2006. The Agreed Principles were formally adopted by the EU Council on 7 May 2007, but the Russian side has not proceeded to signature given their position communicated end 2007 that the Agreement would not be signed nor implemented until the negotiations on Russia's accession to WTO are completed.

As a consequence, enhanced aviation cooperation as envisaged in the enhanced Roadmap for Cooperation also agreed in November 2006, is on hold, while some cooperation on safety aspects and on aeronautics research is ongoing.

Bilateral air services agreements: No progress was made with regard to bilateral air services agreements between EU Member states and Russia. These continue to be not in line with Community law. The Russian Federation is one of the few remaining countries in the world not having recognised the EU internal aviation market and is refusing authorisations for Community carriers which are not majority-owned or controlled by nationals of the Member State from which the carrier is operating to Russia.

5. **Working Group on Road and Rail Transport:** The objective of this Working Group is to demonstrate that the enhancement of the efficiency of road and rail transport between the EU and Russia benefits both parties and may be achieved by further harmonization of the legal, technical, regulatory and safety requirements and practices concerning the two transport systems. The Group has held six meetings, including two in 2009.

The main issue discussed has been the need to abolish the discriminatory road charges introduced by Russia in early 2009, without having resolved the question yet. Other important issues include the implementation of the measures proposed by the ad-hoc Working Group on EU-Russia Transport Logistics Issues (see above) to reduce border congestion, namely in the fields of road and rail transport, especially in areas where inefficient practices, often not in line with international standards, necessitate improvements as well as the application of the European Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR). Russia has not been able to discuss in this group the issue of planned prohibition of transport of containers by road from the EU, while such transport may continue from Russian ports and through other land borders. The issue of Russian rail discriminatory tariffs aimed at favouring traffic to Russian ports at the expense of Baltic ports has also been addressed in the working group. Negotiations on this issue are conducted in the framework of the WTO within the negotiations for Russian WTO accession.

6. **WG on Maritime and Inland Waterway Transport:** The objective of this working group is to promote and enhance mutual understanding of current and future legislations and policies in the field of maritime, sea-river and inland waterway transport. So far four meetings of this working group have taken place.

Maritime Transport Cooperation: The Working Group on Maritime, Sea-

river and Inland Waterways Transport of the Russian Federation and the EU met for the fourth time from 10 to 11 December 2009 in Brussels. The delegations of Russia and the European Union discussed and considered a wide range of issues of mutual interest in the field of maritime transport and inland navigation.

Maritime Safety: The EU delegation informed about the adoption of the 3rd Maritime Safety Package in spring 2009 and on the process of its current implementation by Member States. A set of the eight legislative measures that form this package was handed over to the Russian delegation. A number of follow up measures were also in the pipeline in order to introduce a number of implementing measures that accompanied the basic legislation.

Vessel Traffic Monitoring: The sides noted the progress made with regards to the pilot project on maritime data exchange and that the test would start mid December 2009. Russia confirmed that the legal measures were in place regarding the port arrival notification requirements reflecting the relevant provisions of the EU Directive 2002/59.

The EU informed that new training on the SafeSeaNet VTM system was scheduled for March 2010 for which the Russian experts were invited to participate. It was agreed that the European Maritime Safety Agency (EMSA) hosts preparatory discussions on this issue between the EU and Russia at technical level in Lisbon, possibly in spring. Russia underlined that the SafeSeaNet project was closely related to new inspection regime on Port state control of ships and to the related information system THETIS being developed by EMSA.¹ The sides agreed that both projects should be considered in connection of each other.

Safety of navigation in the Baltic Sea: The Sides noted that in the Copenhagen Declaration of the Baltic Marine Environment Protection Commission (HELCOM) several maritime safety measures were introduced, e.g. the Automatic Identification System (AIS), which benefits all Baltic States. The Russian Federation informed on plans to incorporate the AIS data of the inland waters to the national regional safety system with a view to possible distribution of the AIS data to HELCOM and/or SafeSeaNet.

Cooperation in the Black Sea Region: The Russian delegation provided information on the development and operation of the regional AIS data server, composed of 10 AIS stations and 8 local vessel traffic services (VTS) and

¹ EMSA is developing an information system which will support the new port State control inspection regime (PSC). The system will serve both the EU Community and the wider region of the Paris Memorandum of Understanding on PSC which includes the Russian Federation. The working name for the system is THETIS - The Hybrid European Targeting and Inspection System. The new system will link with the Community's SafeSeaNet system which will provide information to inspectors on the ships in, or expected in, their ports. THETIS will indicate those which have priority for inspection and will enable the results of inspections to be recorded and made available to all port State control authorities in the Community and the Paris MOU.

pointed out that this system was capable of data exchange with data servers. Referring to the previous agreement made at the 3rd meeting of the WG, Russia suggested working jointly on the establishment of a regional AIS information system in the Black sea. The EU side agreed to coordinate the issue internally and to come back to Russia in due time.

Cooperation in the framework of the International Maritime Organisation: Both sides agreed that coordination on IMO issues, prior to key meetings would be beneficial to both sides with the respective permanent representatives in London maintaining close contact when appropriate. Coordination at higher level and on the spot during the meetings should be on the agenda, if necessary.

Future activities: Both sides agreed to arrange the next meeting of the working group in summer 2010 in St. Petersburg. Meanwhile the Sides agreed to arrange a working meeting in conjunction with the SafeSeaNet training seminar in Lisbon spring.

Inland Waterway Cooperation was discussed in the framework of the working group meeting mentioned above. The sides discussed the work of the Subgroup on Inland Waterways and Transport and agreed to activate the work of the subgroup. It was agreed that the subgroup would meet preferably in June 2010 in St Petersburg in the context of the main Working Group. The delegation of the Russian Federation made a presentation on the navigation systems in the Inland Waterways and the EU delegation made presentations on the NAIADES Programme and RIS. The delegation of the Russian Federation confirmed that the position of the Russian Federation has not been changed as for its support to the membership of the European Union in the Danube Commission.

Satellite navigation: A meeting on satellite navigation (covering the Galileo-Glonass draft cooperation agreement and compatibility issues) was held in Brussels, December 2007. A further meeting focusing mainly on technical issues was held in Brussels on 16 June 2008. With the end of the uncertainty about the governance of Galileo and the replenishment of the GLONASS constellation contacts with Russia resumed with a view to re-launching the negotiations of this co-operation agreement in the first half of 2010.

i. Agriculture, Forestry, Timber, Fisheries, Sanitary and Phyto-Sanitary Measures

i) Agriculture

After a pause in 2008, closer contacts in agriculture were re-established during 2009. Various meetings took place at Commissioner/Minister level. All opportunities given by multilateral events (G8, international fairs) were used for organizing bilateral meetings. This activity was mirrored by a similar one at senior official level and culminated with a successful restart of the **meetings of the EU/Russia Agricultural Dialogue in December 2009**. During that meeting Russia expressed an interest to focus on exchange of policy views and best practices in the area of rural development,

market policies and research. The debate focussed on the implementation by Russia of the new Doctrine on Food Security that will guide their agricultural policy in the next years. Consequently, the modernisation of the Russian agricultural sector in a sustainable and WTO compatible way was indicated as the main shared priority for the work ahead. Parties also considered to revitalize cooperation on statistics and forecasts which contribution to sectoral policy shaping remains crucial.

ii) Forestry and Timber

There is an EU/Russia dialogue on forestry and timber issues under the Regulatory Dialogue on industrial products – sub group on forest-based industries. A subgroup on Forestry has also been established under the Environmental Dialogue. Please see under “a. industry related dialogues” and “environment”.

The most severe problem that the EU is currently facing in its relations with Russia on forestry issues is the export duties on wood and timber, which is a subject of the Russia WTO accession negotiations.

iii) Sanitary and Phytosanitary issues

The Dialogue on Sanitary and Phytosanitary issues (SPS) remained intensive in 2009. Numerous meetings were held with Mr Dankvert, the head of the Russian Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoznadzor) or his services (January in Berlin in the margin of the Green Week, March in Prague, April in Brussels, May and June in Paris, July in Moscow, July in Grange, November and December in Moscow, three audio-conferences on multiple issues and three video-conferences on residues of pesticides) as well as with Dr Onishchenko, the head of the Russian Federal Service on Surveillance of Consumer Rights Protection and Human Well-Being (Rospotrebnadzor) or his services (July in Moscow, November in Moscow, November in Brussels). Approximately 260 letters have been exchanged in 2009 between the Commission (DG SANCO) and Rosselkhoznadzor as well as Rospotrebnadzor on SPS issues.

On *veterinary issues*, the Member States with the support of the Commission have reached the recognition by the Russian veterinary service of their animal health status for a number of diseases, including Foot-and-Mouth and Avian Influenza for the UK and Bluetongue for Spain, thus opening the possibility of new trade. BSE-linked animal health restrictions (minimum age for BSE testing divergent from EU rules or export ban) have been lifted for a certain number of Member States (AT, BE, DK, EL, LU, NL, SI, FI, SE) but remain for others (UK, PT, IE, ES, DE, FR, IT). On this issue Rosselkhoznadzor stated its readiness to review BSE-linked import conditions based on data provided by the Member States concerned. No restrictions have been imposed on Member States which joined the EU in 2004/2007.

Following the outbreak of the novel flu virus A/H1N1, an intense discussion took place with Rosselkhoznadzor and temporary restrictions introduced by the Russian Federation on pork and pork meat imported from ES and the UK could be lifted after

a few months. However, Russia recently introduced restrictions on animal products linked to the novel flu virus A/H1N1, which is mainly a human disease.

A negotiation on veterinary export certificates has been launched and seven certificates could already be revised and initialled, and will take effect in the first quarter of 2010.

An important work has been carried out by Member States and the Commission to provide in a harmonised way the guarantees requested by Rosselkhoznadzor in the meat sector.

In the dairy sector, a Protocol was signed on 30 April with Rosselkhoznadzor which establishes a transitional period for the implementation of the new Federal Law No 88 of 12 June 2008, which is also under revision in the RF. This could avoid potential disruption of trade. In parallel, a discussion and process on the equivalence of the EU norms with this Federal Law has been engaged with Rospotrebnadzor, with a detailed file submitted by the EU side and an exchange of comments on specific provisions of the law.

However, disproportionate bans are still experienced daily in the meat and dairy sectors at establishment level.

In the fish sector, after signature of a bilateral model Memorandum in December 2008, used by a majority of Member States, no specific problems have been experienced in 2009.

A dialogue on inspection methods with Rosselkhoznadzor took place, with a meeting in July in Grange during which inspection checklists in the meat and dairy sectors were exchanged.

Progress was also made in clarifying Rosselkhoznadzor's establishment listing requirements.

On *phytosanitary issues*, the implementation of the Memorandum of 2008 on residues of pesticides, nitrates and nitrites was intensely discussed with Rosselkhoznadzor. For more than 8 months both sides negotiated a draft model implementing protocol; however the Russian party changed its position in November and renounced to signing any implementing agreement on this issue either with the Commission or with Member States.

New phytosanitary issues have emerged in 2009, as the Russian Federal Service for Veterinary and Phytosanitary Surveillance expressed an interest in negotiating agreements on the inspection of EU nurseries exporting plant propagating material to the Russian Federation as well as on the residues of heavy metals and toxins in cereal grains.

In addition to this ongoing work, cooperation with the Ministry of Health and in particular with Rospotrebnadzor has intensified in 2009, focusing on the scientific rationale and methodology for setting sanitary and phytosanitary standards with the aim to bring them closer to internationally accepted levels. Such cooperation particularly dealt with maximum residue levels for pesticides, with some results

already entering into force in 2009, and maximum residue limits for veterinary medicinal products, with a three-day Study Visit of experts of the Russian Institute of Nutrition and VGNKI (central laboratory) in the European Medicines Agency in London in July. This Study Visit was financed by TAIEX and by EMEA. In addition, at the request of the Russian party, cooperation has been launched in the areas of genetically modified food and feed and of nanotechnologies.

Russia is also kept updated on the animal disease situation in the EU by means of regular notifications, as well as through Rapid alert system notifications. A cooperation programme on large scale vaccination of wild animals against rabies in the region of Kaliningrad has started. Russian experts were also invited to a workshop organised by the EU on food hygiene and control (France, September) in the framework of the Better Training for Safer Food initiative driven by the EU.

The objectives for 2010 are to enhance technical discussions with Rospotrebnadzor, progress in the harmonisation of Russian norms with international standards, in particular Codex Alimentarius standards, maintain trade flows in agricultural products, and extend the rabies eradication programme to other regions of the Russian Federation.

About 150 Russian experts have benefited from training projects in different Member States, in particular focusing on laboratory methods.

iv) Fisheries

The bilateral Agreement on cooperation in fisheries and the conservation of the living marine resources in the Baltic Sea between the EU and Russia was signed on 28 April 2009. The agreement is provisionally fully applied as from this date and will remain in force for an initial period of six years. Following conclusion of the Agreement by the Council, Russia had been notified of ratification by the EU. Ratification by Russia is pending.

Both the Union and the Russian Federation are members of a number of Regional Fisheries Management Organisations, including NEAFC (North-East Atlantic Fisheries Commission), NAFO (Northwest Atlantic Fisheries Commission), NASCO (North Atlantic Salmon Conservation Organisation), CCAMLR (Commission for the Conservation of Antarctic Marine Living Resources) and ICCAT (International Commission for the Conservation of the Atlantic Tunas). In November 2009, following almost 4 years of negotiations, the EU, Russia and other Participants to the international consultations on the establishment of South Pacific Regional Fisheries Management Organisation (SPRFMO) responsible for non-tuna species in the South Pacific agreed on the text of the SPRFMO Convention. The text is open for signature since 1 February 2010. The EU envisages signing the text in late March.

k. *Interregional and Cross-Border Co-operation*

Regional Policy Dialogue: The Dialogue was established in early 2007. Four seminars and high level meetings have taken place, in October 2007 and October 2008 in Brussels and in June 2008 and May 2009 in Moscow, as well as a study visit of Russian representatives to Trieste. These events have brought benefits to both parties, leading to increased mutual understanding and to the consideration of new ways in which their respective policies for regional development might evolve. The

EU and Russia have also agreed that it was appropriate to further develop their co-operation into a second stage and in October 2008 drafted a short-term work programme with targeted policy priorities and actions.

A number of specific issues were identified in which Russia and the EU face similar challenges and/or in which EU experience may be valuable to further develop regional policy making in Russia, as for example: inter-regional and cross-border cooperation, multi-level governance and institutional capacity building and programme management issues, such as major project management.

Accordingly, a TAIEX seminar on multi-level governance and institutional capacity building took place in May 2009 in Moscow.

In May 2009, a concept paper was delivered for information by Russian experts on criteria for the efficient allocation of financial resources under cross-border programmes.

Other region-to-region cooperation: The Committee of the Regions organised a seminar "Northern Dimension sub-state cooperation with a particular emphasis on the Baltic Sea Region" 2009 in Helsingborg, Sweden, on 26-27 November, with participation from the Ministry of Foreign Affairs of the Russian Federation as well as the International Barents Secretariat.

The Committee of the Regions has been conducting its own fact-finding in Russia and participated at various events (the Europe-day debate "20 years after the fall of the Berlin wall", the V Annual Conference "Cross-border Cooperation: the Russian Federation, The European Union and Norway", the Leontief Centre's VIII All Russian Forum in St Petersburg, and the International Forum of the European Regions in Perm.) The Committee of the Regions is planning further research into cooperation at the regional level with Russia and will host an event of the Dutch-Russian International Centre on youth and regional policy in June 2010.

Cross Border Cooperation programmes (under the ENPI legal basis): *The introduction of the European Neighbourhood and Partnership Instrument (ENPI) provided for a continuation of the CBC neighbourhood programmes under the ENPI Cross-Border Cooperation (CBC) programme.*

According to the ENPI Cross-border Cooperation Strategy Paper 2007-2013, the CBC programmes will concentrate on the implementation of actions under 4 objectives: (i) economic and social development of the bordering regions, (ii) dealing with the common challenges vital for both sides of the border (environment, health, energy, etc.), (iii) assuring the efficiency and security of the borders and (iv) allowing and developing "people to people" contacts

The CBC Strategy Paper for 2007-2013, adopted in March 2007, identified the areas eligible for 15 geographical programmes along the EU external border and provided them with indicative financial allocations of approximately €1.1 billion in total. Russia can participate in 7 of these, corresponding to an EU contribution of €307.488 million over the seven year period. At the Mafra Summit (November 2007) Russia announced a contribution of €122m for these Cross Border Cooperation projects bringing the overall amount to €429.488 million (in addition to some additional pledges made by Member States).

The programming documents for the seven programmes were drafted in 2007 and

early 2008 by representatives of the participating countries and regions. They were endorsed and submitted to the Commission before the June 2008 deadline.

The European Commission and Russia (Ministry of Regional Development) negotiated the text of the Financing Agreements throughout 2008 and 2009. The remaining technical obstacles were overcome and the Financing Agreements for five programmes with Russian participation (Kolarctic, Karelia, South-East Finland – Russia, Estonia-Latvia-Russia and Lithuania-Poland-Russia) were signed at the EU-Russia summit in Stockholm (18 November 2009). Russia is expected to ratify the Financing Agreements for those 5 CBC Programmes in March – April 2010, which would allow the CBC programmes to become fully operational (i.e. start funding actions). Russia did not sign the Financing Agreement of the Baltic Sea Programme by 31 December 2008 (the only one of the seven CBC programmes concerning Russia whose FA had to be signed by 31 December 2008) and withdrew as well from the Black Sea programme. The Russian Government confirmed the co-funding of CBC programmes in the amount of €103.722 million in October 2009.

The Interact ENPI project provides assistance at the programme level to institutions and bodies involved in the day-to-day management of the ENPI Cross Border Cooperation programmes, such as the Joint Managing Authorities, Joint Technical Secretariats or their branch offices. In addition to tailor made assistance, in 2009 a series of network and Lab Group meetings were organised to stimulate discussions between different programme authorities on various subjects of common interest. The Russian representatives participated in the Lab Group meeting on Large Scale Projects (October 2009).

The Regional Capacity Building Initiative (RCBI) project focuses on the project level and is organizing training activities and partner search forums for potential applicants. In 2009 such activities were not organised in Russia, as the implementation of the programmes was pending the signature of the Financing Agreements.

1. Public Health

The terms of reference of the Dialogue on Public Health were signed by Commissioner A. Vassiliou and by Health Minister T. Golikova in Moscow on 28 May 2009. The first meeting of the Working Group of this Dialogue, as well as the first meetings of its three Subgroups on Communicable diseases, Health determinants and Food safety was planned for November 2009. It was postponed by the Russian side.

In 2009, the Commission's Directorate General for Health and Consumer Protection and the Russian Ministry of Health participated in several events and conferences on health-related issues (European Platform on Diet, Physical Activity and Health in July in Brussels, Conference on the Health of Young People in July in Brussels, All-Russian Conference on National Health in September in Moscow, Health information Committee in October in Luxembourg).

The Russian Ministry of Health and Social Development showed an interest in collaborating on communicable diseases (inter alia pandemic influenza, HIV/ AIDS)

and Health Determinants (alcohol, nutrition, tobacco). Fruitful exchange of information took place concerning alcohol and in particular on methods to decrease alcohol consumption.

The objectives for 2010 are to enhance the Dialogue on Public Health, and in particular cooperation on communicable and non communicable diseases, and to cooperate with the Russian Federation in the framework of the WHO Regional Committee for Europe. The first meeting of the Working Group of the Public Health Dialogue was take place in Brussels in March 2010, but had to be postponed at the request of the Russian side.

Next Steps:

a. Industry Related Dialogue

- i. Regulatory Dialogue on Industrial Products:
 - Effective launch of the €2,5m technical assistance project to support the Russian programme to develop technical regulations and standards;
 - SG Automotive industry, textile sector – two meetings foreseen in 2010;
 - SG ICT, radio and telecom: next meeting in Autumn 2010;
 - SG Conformity Assessment and Standardisation: meeting planned for Spring 2010;
 - SG Construction: the first meeting is planned for 2-3 March 2010.
- ii. Industrial/Enterprise Policy Dialogue:
 - SG Mining and Metals: next meeting planned in Moscow for 2010;
 - SG SME and Enterprise: meeting planned for 4 March 2010;
 - SG Chemicals: next meetings planned for April 2010 in Brussels.
- iii. Information Society:
 - Next Dialogue will take place in April 2010 in Moscow;
 - An e-government project to be launched in July 2010.
- iv. Space:
 - The 5th meeting of the trilateral (EC-ESA-RU) Steering Board is to be held in the first half of 2010.

b. Trade Related Dialogue

- i. IPR Dialogue
 - Next meeting is planned for 4 June 2010 in Moscow.
- ii. Investment Dialogue:
 - Next meeting of the dialogue is planned for early 2010.
- iii. Early Warning mechanism:
 - EU-Russia Cooperation Committee with a view to conduct consultations requested by Russia on import duties should take

place at the earliest possibility.

c. *Customs and Cross border cooperation*

- The Working Group to implement the Common strategy to address congestion at the EU-Russia border-crossing points will continue to meet throughout 2010 in order to assess the implementation of the strategy and in particular its practical effects in terms of the reduction of border congestion. The next meeting is likely to take place in May 2010 in Moscow;
- The pilot project for exchange of pre-arrival customs information and the strategy in general will need to be evaluated in the course of 2010;
- The implementation of the strategy will also need to take into account the implications of the Customs Union between Russia, Belarus and Kazakhstan;
- The construction works at Mamonovo border crossing point (Russia-Poland), were completed in December 2009. The post should become operational in the course of 2010;
- The Decrees necessary to implement Law 266 in Russia should come into force in 2010, allowing for the implementation of the two-agency setup at the border as of 1 January 2011.

d. *Competition*

- The informal contacts as described for the year 2009 will continue.

e. *Financial Services/Macroeconomic Policy*

- The next meeting, covering macroeconomic issues and financial services, is foreseen for the 2nd semester 2010 in Moscow;
- The next working groups in the area of accounting/auditing and on insurance are planned at the end of the first semester 2010. The first meeting of the banking and securities working group will take place around the same date.

f. *Energy*

The Work Programme 2010 of the Energy Efficiency group foresees following activities:

- 2 regular meetings are foreseen to take place before end of June 2010 in Brussels, and in autumn 2010 in Moscow. A joint meeting of the Thematic Group on Energy Efficiency and the Thematic Group on Strategies, Scenarios and Forecasts is foreseen to take place in May 2010 in Moscow;
- Several seminars/ conferences on best experience sharing and facilitation of practical cooperation are under consideration and preparation;
- A €3-Million EU-funded project will be running in 2010. A Common Spaces Facility project on energy efficiency will be launched in early 2010.

Consultations and information sharing on development of legislation and regulations will stay an important priority area of the cooperation in 2010. Exchange of experience and share of best-practice on the support for and monitoring of implementation of legislation in the fields of primary energy savings, energy efficiency and low carbon energy (especially renewable energy) in very practical terms will also be continued. New areas of cooperation with involvement of regions, municipalities, universities, industry will be further explored.

g. Environment:

- The Dialogue Working Group is planned for May 2010 to review progress in the Dialogue following the PPC held in 2009;
- The 3rd meeting of the Biodiversity sub-group is planned for the first half of 2010 back-to-back with a technical workshop on reporting under the EU habitats directive;
- A joint workshop with the Ministry of Natural Resources & Environment on Environmental Impact Assessment in a transboundary context is proposed for the first half of 2010;
- Planned activities on remote sensing including fire monitoring, diseases and Forest-law enforcement, governance and conservation are planned for the first half of 2010 (study visit to JRC and workshop in Russian state enterprise 'Avialesoohrana');
- Russia is participating in an ENPI Eastern regional project on forest law-enforcement and governance;
- Two EU-funded projects in the field of environment will be launched in 2010.

h. Transport

- WG on Road and Rail Transport: 7th meeting will take place in 2010 in Moscow;
- WG on Transport security will take place in the first half of 2010 in Moscow;
- WG on maritime and inland waterways will meet in summer 2010 in St. Petersburg;
- Negotiations on a Galileo-Glonass cooperation agreement are to resume in 2010;
- Russia to implement the "Agreed Principles" to launch the aviation cooperation agenda agreed in Helsinki 2006;
- A €3 million PPP project in the area of transport ("PPP: Technical Preparation of Transport Investment Projects") is in place. Implementation will run until 2011.

i. Accounting/Auditing and Statistics

- The next working groups in the area of accounting/auditing are planned at the end of the first semester 2010;

- A follow up publication of the Joint Eurostat-Rosstat publication on statistical comparisons (2007) is foreseen for 2010;
- Further seminars on key statistical domains are foreseen between Eurostat and Rosstat in 2010 aiming at further harmonization of statistics.

j. Agriculture, Forestry, Timber, Fisheries, Sanitary and Phyto-Sanitary Measures

- Two meetings of the Agricultural Dialogue have been planned for 2010 (June in Russia and November/December in Brussels). Meetings will focus on ways as and means for sustainable and WTO compatible modernisation efforts in agriculture. The meeting to take place in Russia will probably be decentralized to a region to give emphasis to the rural development policies, the other pillar of the ongoing discussion;
- The first meeting of the Public Health Dialogue, including meetings of its subgroups on Communicable diseases, Health determinants and Food safety was due in March 2010 in Brussels but was postponed at Russian request. A new date is to be announced;
- A new set of discussions including Russia and the WHO will take place during 2010 for the future of the Regional European Office of WHO;
- The dialogue with the Russian sanitary and phytosanitary authorities will continue, notably with a meeting on the veterinary certificate and a more wide-ranging meeting with Rosselkhoznadzor foreseen for the first quarter of 2010;
- A first meeting of the Joint Fisheries Committee provided for in the bilateral agreement on fisheries cooperation in the Baltic Sea took place in Kaliningrad on 11 March 2010. The objective will be to establish general procedures for the implementation of the agreement. A subsequent meeting is intended to take place in summer 2010.

k. Interregional and Cross-border Co-operation

- Three out of five CBC programmes with Russia have launched their first calls for proposals in January – February 2010 with a suspensive clause pending the ratification of the Financing Agreements by Russia;
- Two seminars could take place in 2010 in Russia (date to be suggested by Russian side) and Brussels (October) on some of the policy priorities recently agreed in the short-term work programme: inter-regional and cross-border cooperation, multi-level governance and institutional capacity building, programme management issues (namely implementation and implementation of large projects);
- The Committee of the Regions is planning further research into cooperation at the regional level with Russia and will host an event of the Dutch-Russian International Centre on youth and regional policy in June 2010.

**EU-RUSSIA COMMON SPACE
OF FREEDOM, SECURITY AND JUSTICE
PROGRESS REPORT 2009**

Objective

At the St Petersburg Summit of May 2003, the EU and Russia agreed to establish a Common Space and a road map agreed in 2005 sets out the objectives for cooperation in this area for the short and medium term. Ministers monitor the overall implementation of this Common Space at the biannual meetings of the EU/Russia Permanent Partnership Council (PPC) on Justice and Home Affairs. The regularity of these meetings ensures constant monitoring of progress and allows focused debate on topical issues on our common agenda. Two PPC meetings were convened during the course of 2009. On 14-15 May in Kaliningrad and on 2 December in Stockholm, the Russian side was represented by Mr Alexander Konovalov, Minister of Justice and Presidential Special Envoy for EU-Russia JLS cooperation, and Minister of the Interior Nurgaliev. The EU side was represented by the Ministers of the Interior and Justice of the incumbent Presidency and by the responsible member of the European Commission.

EU Policy Aims

Cooperation in this area has become a key component in the EU's efforts of developing a strategic partnership with Russia. Many of the issues are of direct concern to citizens on both sides of the external border. While in some areas results of cooperation have been positive, the aim must be to ensure a balanced implementation of the Road Map as a whole.

EU/Russia cooperation contributes to the objective of “building a new Europe without dividing lines and facilitating travel between all Europeans while creating conditions for effectively fighting illegal migration” as agreed in the 2005 Road Map. Moreover, the EU has a considerable interest in strengthening cooperation with Russia by jointly addressing common challenges such as organised crime, terrorism and other illegal activities of cross-border nature.

Cooperation shall be carried out on the basis of common commitments to democracy, respect for human rights and fundamental freedoms. As a consequence, the EU aims to ensure that the discussion on these issues is not confined only to the bi-annual Human Rights Consultations but is addressed to the extent possible also in the PPC meetings and other meetings taking place within the Space on Freedom, Security and Justice.

Institutional framework and monitoring mechanism

Monitoring of the process of implementation of the Common Space on Freedom, Security and Justice takes place particularly at the PPC. It is complemented by informal dialogue and expert meetings. In addition, the Joint Monitoring Committees established by the EC-Russia Visa Facilitation and Readmission Agreements meet at regular intervals to discuss implementation and interpretation of the Agreements.

Permanent Partnership declarations

The PPC declarations of May and December 2009 noted the importance of implementing the visa facilitation and readmission agreements as well as encouraged further progress in the visa dialogue. The importance of cooperation on border issues and further operational cooperation between FRONTEX and the Russian Border Guard Service was underlined. The need for further cooperation with EUROPOL and EUROJUST was highlighted. In this context, Russia has been encouraged to ensure adequate standards of data protection. Cooperation against illicit drugs and cybercrime was also emphasised. Parties looked forward to judicial cooperation in civil and commercial matters and strengthening judicial cooperation in criminal matters.

Progress

a. Freedom

The implementation of the agreements on Readmission and Visa Facilitation has been closely monitored by the relevant Joint Committees where the EC is represented by the Commission assisted by the Member States. The Joint Committee on Visa Facilitation met on 12-13 March 2009 and 10-11 December 2009, while the Joint Readmission Committee met on 2 June 2009 and 25 November 2009. The common implementing guidelines for the Visa Facilitation Agreement were formally adopted at the meeting in March 2009.

The expert meeting on external relations (Block 4) took place on 18 June 2009 and senior officials overseeing the visa dialogue, which examines the conditions for visa-free travel as a long-term perspective, convened on 27 October 2009.

The EU and Russia have been looking at possibilities to enhance future dialogue on migration related issues, particularly in the high level technical meeting on 27 October 2009 between the Commission and Russia.

Negotiations on bilateral local border traffic agreements between Russia, on the one hand, and respectively Latvia, Lithuania, Poland and Norway¹, on the other hand, were carried out in 2009. Latvia and Russia made steps towards demarcation of their border. Lithuania and Russia made significant progress towards demarcation of their border and prepared all the necessary documents for the process of demarcation.

Dialogue on border management and cross border cooperation issues has continued intensively. (See also section on Common Economic Space for cooperation on border infrastructure.) On the basis of their working arrangement on operational cooperation, Frontex and the Russian Border Guard Service have been implementing their cooperation plan through mutual visits and participation in trainings and operational activities involving also competent authorities of several Member States.

¹ Norway is a third country associated with the Schengen acquis.

b. Security

Counter terrorism has been pursued by exchanging information and promoting the implementation of international norms through targeted dialogue. Expert level meetings took place on 4 February and 15 October 2009.

Meetings between EU Member State Liaison Officers and representatives of Russian law enforcement agencies took place in Moscow on 24 March and 3 November 2009.

Cooperation between Europol and Russian law enforcement authorities has been outlined on the basis of the existing strategic agreement, including on illegal immigration and trafficking in human beings, money laundering, counterfeiting currencies and documents, drugs. The Council is debating whether to adopt negotiating directives for Europol to negotiate an operational agreement with Russia. A precondition to the further advancement of the Europol-Russia agreement is that Russia adopts and implements a national data protection legislation fully incorporating the standards of the Council of Europe's 1981 Convention for the Protection of Individual with regard to Automatic Processing of Personal Data and of the 2001 Additional Protocol thereto.

Expert consultations on 28-29 April 2009 and the conference on Safer Internet for Children on 12-13 November 2009 consolidated EU-Russia cooperation against illicit material online.

Following the adoption of the related negotiating directives by the Council in March 2009, the negotiations on an EU-Russia agreement on the control of drugs precursors were launched in September 2009. In general, the EU-Russia Troika on Drugs in Brussels on 16 September 2009 discussed the state of cooperation against illicit drugs.

Tacis projects have continued to support the development of Russian legislation on migration and asylum, antimoney laundering and the fight against financing of terrorism as well as fighting trafficking in human beings. Training events are carried out to raise awareness and skills in the area. A project which ensures the access to the Interpol I24/7 network of the regional branches of the Russian National Coordination Bureau (NCM) of Interpol was successfully completed in December 2009. It provided technical equipment, development of software and training for Russian personnel of NCB Interpol in Russia.

A project has been implemented with the Ministry of Justice (Penitentiary) related to the development of alternative sanctions. This project was complimented by a supply contract that procured electronic monitoring and tracking equipment.

A small project (€ 150,000) financed by Tacis and implemented by UNODC conducted a Russia-wide survey that feeds into the annual comparative study of substance abuse among school youth within the framework of the ESPAD (European School Project on Alcohol and other Drugs). It also analysed the impact of drug trafficking in Russia and its implications for the EU.

c. Justice

Eurojust and the Russian Prosecutor's Office have been engaged in talks on a cooperation agreement, and two rounds of negotiations took place in July and October 2009. A precondition to the further advancement of the Eurojust-Russia agreement is that Russia adopts and implements a national data protection legislation fully incorporating the standards of the Council of Europe's 1981 Convention for the Protection of Individual with regard to Automatic Processing of Personal Data and of the 2001 Additional Protocol thereto.

Funded by the Commission and coordinated by Eurojust, an expert seminar on 8-9 October in The Hague looked at practical solutions to existing problems in EU-Russia judicial cooperation in criminal matters.

The EU continued internal reflections on possibilities to enhance EU-Russia judicial cooperation in civil and commercial matters.

Two large scale TACIS projects are supporting the reform of the judiciary system in Russia. The first project focusing on access to justice was launched at the end of 2008. In parallel, a second project on execution and efficiency of justice started in September 2009.

d. Human Rights

Ten rounds of the EU-Russia human rights consultations have taken place to date. Two rounds took place in 2009: on 26 May, in Brussels, and on 5 November, in Stockholm. They provided for a substantial dialogue on a range of human rights issues in Russia, in the European Union, and in international fora. Particular themes highlighted were: the situation of human rights defenders; freedom of media, expression and association; the fight against racism, xenophobia and discrimination; human rights and counter-terrorism; the rights of children; rights of women; rule of law; co-operation on human rights in international fora (UN, Council of Europe, OSCE); the North Caucasus. The EU and Russia also had an opportunity to submit enquiries with respect to specific individual cases. In keeping with the EU's practice of incorporating the voice of civil society into its meetings on human rights with third countries, the EU met representatives of Russian and international NGOs prior to each round of consultations.

There was no change in the Russian position with regard to involving ministries and agencies other than the Ministry of Foreign Affairs, nor about holding the consultations alternately in Russia and the EU, or meeting with Russian and international NGOs. The invitation from the EU to organize joint seminars, including on the issue of racism and xenophobia, is still on the table.

The EU continues to highlight its concerns with regard to Russia's respect for the commitments it has entered into in the UN, the OSCE, and the Council of Europe. Of particular concern have been the further deterioration of the situation of human rights defenders, notably in the North Caucasus, and a number of violent attacks against and murders of prominent activists; limitations on the respect for freedom of expression,

freedom of association, and freedom of assembly. While the security situation in Chechnya improved, that in neighbouring republics, and in Ingushetia and Dagestan in particular, deteriorated. There continued to be numerous reports of arbitrary detention and torture in the North Caucasus region as a whole. The number of attacks linked to racism and ethnic hatred gave rise to concern. The EU continued to raise its concerns about the increase in violent racist crimes in Russia and reminded the Russian authorities of its long-standing proposal for expert exchanges on the issue.

EU statements were issued on the following subjects:

20/01/09	murder of the human rights lawyer Stanislav Markelov and of the journalist Anastasiya Baburova
28/05/09	outcome of the human rights consultations
15/07/09	murder of the journalist Natalia Estemirova
12/08/09	murders of the human rights defender Zarema Sadulayeva and her husband Alik Dzhabrailov
22/10/09	decision by the European Parliament to award the 2009 Sakharov Prize to the Russian NGO Memorial
05/11/09	outcome of the human rights consultations

Next steps

- To continue parallel implementation of the Readmission and Visa Facilitation Agreements, monitor it in the respective joint committees and to update the Visa Facilitation Agreement;
- To continue the visa dialogue to examine the conditions for visa-free travel as a long-term perspective;
- To organise a migration mission and examine possibilities to enhance dialogue on migration issues;
- To conclude bilateral local border traffic agreements between Russia and neighbouring EU Member States;
- Liaison Officers Meeting, spring, Moscow;
- PPC in May in Kazan (tbc);
- Subject to the Council's green light, to start negotiations on a Europol-Russia operational agreement;
- To continue negotiations on an EU-Russia agreement on the control of drugs precursors;
- To follow up on the outcomes of the expert meeting on judicial cooperation in criminal matters;
- Continue exploring possibilities for Russia's accession to and full implementation of the Council of Europe Convention on the Automatic Processing of Personal Data and of the 2001 Additional Protocol thereto;
- To continue talks on a Eurojust – Russia cooperation agreement;
- Two rounds of human rights consultations are planned for 2010;
- A review of the human rights consultations will be carried out in 2010.

EU-RUSSIA COMMON SPACE ON RESEARCH AND EDUCATION, INCLUDING CULTURAL ASPECTS PROGRESS REPORT 2009

a. Research

EU policy aims

- structuring a knowledge-based society in the EU and Russia;
- promoting a high rate of competitiveness and sustainable economic growth by modernisation of the national economies and implementation of advanced scientific achievements for the benefit and well being of citizens;
- strengthening and optimising the links between research and innovation and maintaining small and medium size entrepreneurship in the field of research and innovation;
- addressing global challenges and reinforcing people-to-people contacts.

Institutional framework

- Agreement on Cooperation and Science between the European Community and the Government of the Russian Federation (Joint EC-Russia Steering Committee and Permanent Joint EC-Russia working groups on a number of themes of joint scientific interest).
- Agreement for cooperation between the European Atomic Energy Community and the Government of the Russian Federation in the field of nuclear safety (Joint Euratom-Russia Working Group on nuclear fission energy research).
- Agreement for cooperation between the European Atomic Energy Community and the Government of the Russian Federation in the field of controlled nuclear fusion (EU-Russia Coordinating Committee of the Fusion Agreement).

Progress

Research cooperation covers all scientific disciplines. It ranges from space, aeronautics and energy, including renewables and nuclear fusion, to food quality and safety, environmental research and climate change. It is governed by the **EC-Russia Science and Technology Cooperation Agreement**, which was renewed for a further five-year period during 2009. The Joint EC-Russia S&T Cooperation Steering Committee met in Brussels on 30 June 2009 to discuss and approve a series of new cooperative actions. These were drawn up into a road-map, setting out full information on current and future bilateral research activities (available on the europa website)¹.

The Joint Committee also approved the establishment of a new joint working group in the area of Information and Communication Technologies. This working group joins the six existing working groups in the areas of health, food, agriculture and biotechnology, nanotechnologies and new materials, energy, aeronautics and environment. Additional working groups exist in the area of nuclear fission and nuclear fusion. These working groups met 11 times in 2009, to discuss research challenges of common interest, funding and developing new and innovative ways of implementing common research agenda and activities, such as the coordination of research calls and the twinning of research projects, as well as monitoring and analysing ongoing actions. Recommendations for actions from the working groups are submitted for approval in the Joint Committee. In addition, in the context of the EU-Russia space dialogue, seven working groups have been established with

¹ http://ec.europa.eu/research/iscp/pdf/russia_roadmap_2009-2011.pdf

Roscosmos: three co-chaired by the European Commission, four co-chaired by the European Space Agency, all of which, to some extent, cover issues relating to space research.

Russia enjoys the status of an ICPC (i.e. International Cooperation Partner Country) **in the 7th EC Framework Programme (FP)**. Entities from the Russian Federation have participated in all of the FP7 Specific Programmes, including all of the themes of the Cooperation Programme. By the end of 2009, over 320 Russian Federation participants were selected in FP7 projects, receiving an EU contribution of *ca* 38 million euro.

The 2010 FP7 work programmes, which were adopted by the Commission in July 2009, continue the positive experience of launching co-financed research activities with the Russian Federation through **coordinated calls**, which complement the general openness and bottom-up nature of FP7. A coordinated call in aerospace research was issued in July 2009, covering five research topics in the areas of greening of air transport, improving cost efficiency and ensuring customer satisfaction and safety. The budget of the call was 8 million euro, co-funded equally by the EU and the Russian Ministry of Industry and Trade. The two coordinated calls included in the 2009 work programmes – in nanotechnology and in nuclear fission – were implemented successfully. Discussions are underway for a similar coordinated call in the area of ICT research for the 2011 work programme.

The Russian Federal Targeted S&T Programme for 2007-2012 supports such cooperation and is open to the participation of EU research entities. With these coordinated initiatives, the **EU and Russia have synchronised parts of their research programmes** with a view to defining a more ambitious common research agenda. Importantly, these co-funded activities are in line with the overall trend and the changing attitude towards international co-operation, which is increasingly based on equal sharing of funds and responsibilities.

In addition to the above, there are four projects within the FP7 Capacities, 'Activities of International Cooperation', programme, which specifically target or involve the Russian Federation with the aim to enhance policy dialogue and to support and stimulate S&T cooperation between research organisations and researchers from both the EU and the Russian scientific communities:

- The International Cooperation Network - Eastern Europe and Central Asia (FP7 IncoNet EECA project) aims at strengthening the bi-regional policy dialogue.
- The FP7 BILAT-RUS project, which started in September 2008, has the objective of enhancing bilateral EU-Russian Federation S&T cooperation. The project has also provided assistance and knowledge to the **working groups under the S&T Cooperation Agreement mentioned above**. A workshop gathering 30 experts was held in Moscow in May 2009 to discuss success factors for Russian participation in FP7.
- The FP7 ERA.Net RUS project¹, which started in November 2009, aims at strengthening S&T cooperation between the Russian Federation and EU by the coordination of EU Member States' research programmes towards and with Russia. It is planned to develop a concept for coordinating the activities of S&T programme owners in the EU and Russia, with the goal of piloting a joint call for research projects.
- Started in November 2009, the FP7 ACCESSRU project² aims at helping EU researchers

¹ The FP7 ERA.Net RUS project is entitled "***Linking Russia to the ERA: Coordination of Member States' and Associated Countries' programmes towards and with Russia***".

² The FP7 ACCESSRU project is entitled "***Strengthening EU-Russia Science and Technology cooperation and access to Russian National Funding Programmes***".

and research organisations to accede to the scientific and innovation programmes established within the Russian Federation.

In 2009, the activities of the Russian Gate2RuBIN project consortium were continued and further extended in Russian regions. Gate2RuBIN is a business and innovation network of 27 Russian regional partners operating under the EU Competitiveness and Innovation Programme Enterprise Europe Network. It aims to build partnerships between Russian and European high-tech and research-oriented SMEs, to support the participation of Russian high-tech innovative SMEs in the EU Framework Programmes, and to promote technology- and knowledge-transfer between Europe and Russia.

In early 2008, Russia formally expressed its **interest to become an associate member of the EC and Euratom Research and Technological Development Framework Programmes**. In accordance with the negotiating principles issued by the General Affairs and External Relations Council, Russia's potential association to the FP will be addressed in the context of the New EU-Russia Agreement.

In the Russian Federation in the last year, greater policy emphasis has been placed on the improvement of the regulatory and legal framework for the development of science, including incentives for innovative activities and the technological upgrading of the Russian economy. Federal laws on patent attorneys and on the assignment of rights for integrated technologies were adopted and a mechanism has been proposed for the creation and operation of science-based small innovative businesses, such as spin-offs from scientific or higher education institutions.

In operational terms, the Russian Government focused on the further integration of research and education. Fourteen universities were endowed with the status of national research universities, and considerable public funding was allocated for their ten-year programmes combining research and education curricula. Another area at the centre of the Government's attention was the support of scientific & pedagogical human resources under the corresponding Federal Targeted Programme launched in 2009. Special focus was made on promoting joint research projects with the Russian scientific 'diaspora' – 100 such projects with overall public funding of RUR 200 million were selected in 2009. As part of the Government's plan to set up an advanced multidisciplinary centre for bio-, nano-, and ICT emerging technologies, the institutional autonomy and scientific capacities of the Russian Research Centre 'Kurchatov Institute' were further expanded.

A long-term forecast of S&T development for the Russian Federation for the period up to 2025, based on a comprehensive foresight exercise, has been developed, providing an analysis of the strengths and weaknesses of the Russian S&T system and proposing methods for strategic planning for future developments. Key developments in this regard include the launch of the national research university network, the encouragement of the creation of technology parks, and the creation and expansion of the network of federal universities, all of which could be used actively in furthering bilateral collaborative activities.

In 2009, the country's leadership launched a so-called modernisation initiative bringing research, technological development and innovation to the forefront of the Government's strategic policies. Five R&D areas were identified for priority support through public funds, namely Energy & Energy Efficiency (including nuclear power), Space, ICT and Health.

The numerous bilateral cooperation programmes and activities of the EU Member States with Russia play a major role in the full realisation of the Common Space on Research. During 2009, a compendium documenting these cooperative bilateral relationships was prepared by the Delegation

of the European Commission to Russia, together with the Ministry of Education and Science of the Russian Federation and the EU Member States Embassies in Russia. The publication, available in English and in Russian, presents all of the most important elements of the vast EU-Russia scientific landscape in one place.

Next steps

- Negotiations for potential Association to the 7th EC and Euratom Framework Programme for Research and Technological Development;
- Increase participation in the 7th Framework Programmes, including through the full implementation of the actions foreseen in the roadmap of bilateral activities.

b. Education

EU policy aims

- adopting comparable higher education degrees;
- introducing a credit system in line with the European Credit Transfer System (ECTS);
- promoting academic mobility;
- cooperating in the area of quality assurance;
- updating and modernising curricula at higher education institutions, notably with a view to increasing their relevance to labour market needs;
- promoting lifelong learning;
- reforming university governance;
- increasing the attractiveness of the higher education systems in Russia and in the EU;
- helping young people acquire knowledge, skills and competencies and recognising the value of such experiences;
- promoting intercultural dialogue and enhancing cooperation with partner neighbouring countries.

Institutional framework

- Meetings on educational reform in the framework of Bologna process.
- Governing Board meetings of the European Studies Institute.

Progress

Education cooperation is centred on three broad strategic objectives: university cooperation and modernisation, academic mobility, and the promotion of multidisciplinary EU studies. The EC-funded Tempus, Erasmus Mundus programmes and the EC-Russia co-funded European Studies Institute play a key role to achieve these objectives embedded in the roadmap.

Russia has made significant progress in aligning its higher education system with the requirements of the **Bologna Process**. However there are still obstacles to the development of more ambitious academic relations between Russian and EU universities: difficulties in recognising periods of study abroad, cumbersome administrative and accreditation procedures, which make it almost impossible to develop joint (and even double) degrees with Russian universities, widespread corruption and language barrier. The EC Delegation in Moscow has recently commissioned a study to analyse the benefits deriving from the development of double degrees and the problems faced by universities when working on double degrees programmes, and recommend how to overcome these problems.

A mid-term evaluation of the **contribution of Tempus to the Bologna process** in Russia was carried out in 2008 and many examples of good practice were found. However, negative trends seem to persist in some areas, and Russia is facing a number of challenges in the concrete implementation of the Bologna principles. On an institutional level, measures should be taken to increase the level of involvement of students and awareness-raising among employers: efforts should also be made to create degree programmes and courses with a learning outcome approach, and along the two-tier cycle.

In line with the Bologna process, a new **law introducing a two cycle system bachelor (4 years) and master (2 years) entered into force in September 2009**. The new law foresees a transition period up to 2011. In addition, the Ministry of Education and Science has focused on the preparation of “new educational standards”, which are to entrust higher education institutions with more autonomy and responsibility in terms of curricula development, reducing the “federal component” (i.e. the portion of the curriculum regulated at the federal level).

The Tempus programme continues to promote the reform of higher education through university cooperation. In 2009, a total of 14 projects involving Russian universities were selected. This represents a value of € 10.2 million and includes 5 multi-country projects. Project details can be found at: http://eacea.ec.europa.eu/tempus/results_compendia/results_en.php. To-date, the Russian National Priorities for the Tempus IV programme have been: the modernisation of curricula, the European Credit Transfer System (ECTS) and recognition of degrees, the development of lifelong learning in society at large, and qualification frameworks. These priorities will be maintained for the third call for proposals taking place in 2010.

*University cooperation is supported by the Erasmus Mundus External Cooperation Window. This programme – which will continue in 2010 as Action 2 of the Erasmus Mundus Programme - fosters the adoption of comparable higher education degrees among partner universities and the introduction of a credit system in line with the ECTS. It further supports the cooperation in the area of quality assurance and helps to increase the attractiveness of the higher education systems in Russia and in the EU. In 2009, two consortia were awarded grant contracts for a **total EC funding of € 7.93 million**. As a result, **17 European and 22 Russian universities participate** in this programme with the aim to implement 486 individual mobility flows of students (BA, MA, PhD, Post-PhD) and academic staff. It is expected that such university cooperation will contribute to reach objectives beyond the mobility flows.*

*In addition, as concerns academic mobility, under the **Erasmus Mundus** programme students and academics from Russia benefit from scholarships to participate in Erasmus Mundus master courses in the EU. Russia is typically among the top countries in terms of the number of awarded Erasmus Mundus scholarships. Since 2004, 271 Russian students and 80 academics have benefited from such scholarships. In 2009, **64 students and 21 academics were awarded Erasmus Mundus scholarships**. Under Action 1, in addition to students and academics also Russian universities can participate by becoming members of existing consortia of EU universities: so far 3 Russian universities have seized this opportunity by joining 2 EMMCs (Erasmus Mundus Masters Courses) and IEMJD (Erasmus Mundus Joint Doctorate). In addition, nine **Russian higher educational institutions participate in Erasmus Mundus projects**.*

*In 2009, the **Jean Monnet** call for proposals resulted in the establishment of a Jean Monnet Centre of Excellence in European integration studies at the Moscow State Institute of International Relations (MGIMO). This brings the total number of Jean Monnet projects in Russia to 12.*

*A particularly important project is the **European Studies Institute (ESI)** in Moscow. The project is co-financed by Russia and the EU, which supported it through a € 3 million grant until September 2010. About 200 students, most of whom are young officials, graduated in January 2010, while a further 110 students were selected in September 2009 and are currently pursuing a Master's Programme at the ESI. The purpose of the Institute is to foster the involvement of a broad range of audiences in a wide ranging academic debate on EU-Russia relations.*

A study of the centres, departments, chairs of European studies set up within universities through the Tempus programme started in January 2009. The study will serve as a basis to launch a call for applications to identify three universities or three consortia of universities wishing to establish a **network of three EU centres** on the basis of existing centres, departments, chairs in European studies.

As regards non-formal education for young people, Russian youth and organisations can benefit from some of the opportunities offered by the EU Youth in Action Programme (2007-2013) by establishing partnerships with fellow organisations based in the EU. In the first three years of implementation of the Programme, over 1600 young people and youth workers from Russia have benefited from such opportunities through participation in more than 320 projects.

Next steps

- Increased participation in the Erasmus Mundus, Tempus and Jean Monnet programmes;
- Convergence towards the European Higher Education Area and continued implementation of the Bologna process and the EU higher education modernisation agenda (in particular through Tempus);
- Further promotion of EU multidisciplinary studies for instance through the set up of a network of EU centres, which are funded by the EU;
- Development of a policy dialogue on higher education with the Ministry of Education.

c. Culture

EU aims

- to promote a structured approach to cultural cooperation between the EU and Russia, to foster the creativity and mobility of artists, public access to culture, the dissemination of art and culture, inter-cultural dialogue and knowledge of the history and cultural heritage of the peoples of Europe.
- to strengthen and enhance the European identity on the basis of common values, including freedom of expression, democratic functioning of the media, respect of human rights including the rights of persons belonging to minorities and promotion of cultural and linguistic diversity as a basis of vitality of civil society in Europe without dividing lines.
- to develop cooperation between the cultural industries of the EU and Russia in order to increase both their cultural and economic impact.

Institutional Framework

- Permanent Partnership Council on Culture.
- Joint Working Group on Culture.

Progress

In 2009 there was **no progress towards Russia's ratification of the 2005 UNESCO Convention** on the Protection and Promotion of the Diversity of Cultural Expressions and the Council of Europe Convention on Transfrontier Television. With regard to the UNESCO Convention, a working group had been set up to look into the legislative requirements, but so far there is no decision on the political level. The Governmental re-organisation slowed down the process of ratification of the CoE Convention on Transfrontier Television since the new Ministry of Telecommunications and Mass Media took over some responsibilities from the Ministry of Culture.

The **Joint Working Group on Culture**, which had been established in February 2007 with the aim to draw up a Culture Action Plan, last **met in June 2008 in Moscow**. The Group achieved a set of operational conclusions pertaining to the inclusion of policy and regulatory aspects in the Culture Action Plan and the organisation of a Forum for cultural operators from the EU and Russia in autumn 2009.

An international seminar on "Russia-EU: signs on the road map of cultural cooperation", co-organised by the European Commission (DG EAC) and the Russian Ministry of Culture took place on the 8th of December 2009 in Moscow. It brought together cultural operators from the EU and Russia with the objective of engaging in an exchange on the priorities and modalities of EU-Russia cooperation, as well as on elements of policy environment which could facilitate cultural cooperation.

More than 150 experts from 22 European countries and 20 regions of the Russian Federation have participated to the seminar. The main conclusions of the seminar were linked to the enhancement of EU-Russia cultural cooperation - encompassing all areas of cultural and artistic expressions, engaging cultural stakeholders at all levels, including state and non-state actors, civil society, business and independent actors, fostering the mobility of artists and cultural workers between the EU and Russia, facilitating access to information and networking, etc. The overall objective is to link the outcome of the seminar to the ongoing negotiations on the Culture Action Plan and prepare recommendations from the cultural sector into this process.

With regards to the EU-Russia Action Plan on Culture, the EU proposal was sent to the Russian counterparts on 20 April 2009. The Russian counter-proposal was received on 26 November 2009. It was noted, with satisfaction, that this new counterproposal contains elements in line with the EU proposal. However, some important issues of concern have still to be discussed (policy and regulatory dialogue, UNESCO Convention, etc) and solved in the appropriate way in order to find a balanced common approach.

Concerning the projects and programmes, a third call for proposals was launched in July 2009 by the EC delegation, under the IBPP (Institutional Building Partnership Programme) and its culture window. It focused on the promotion of creativity and innovative artistic projects with a European Dimension. The total budget is 2 million Euros. The call was closed on 12th of October 2009. Proposals are being under assessment and the results are expected for March 2010. This would be the last call in this format.

The 9 projects selected in 2008 with a budget of €2 million are still ongoing.

A contemporary dance project consisting of 5 co-productions between Russian and European choreographers and dancers in five regional cities was launched in the winter 2009. The projects is supported by the Russian authorities and implemented with EUNIC (network of EU Member States cultural institutes).

Under the Northern Dimension policy it has been decided to establish a **Northern Dimension**

Partnership on Culture (NDPC). The main objective is to function as a focal point for networks, projects and other cultural activities in the Northern Dimension area with a view to keeping interested actors informed of plans and activities and for avoiding overlap. A memorandum of understanding on the NDPC will be concluded in 2010.

Next steps

- Follow-up of the ongoing discussions on the Action Plan;
- Exploring the possibility of holding a meeting of the EU-Russia Joint Working Group on Culture, in 2010, if it can allow finalising the Action Plan on Culture.