

# **EU-RUSSIA COMMON SPACES**

## **PROGRESS REPORT 2008**

**Date: March 2009**

The attached progress report on the implementation of the EU-Russia Common Spaces for 2008 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.

## EU-RUSSIA COMMON SPACES PROGRESS REPORT 2008

**Date: March 2009**

This report outlines progress made during 2008 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 2009. 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 Space Road Map 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 as well as the Commission according to their respective mandates and areas of competence. The rest of the work is the sole responsibility of the Commission services.

2008 was a challenging year for EU-Russia relations. On the positive side **negotiations for a New EU/Russia Agreement** to replace the existing PCA were launched. However both sides were affected by the **economic crisis**, which led to an increased number of irritants. A number of existing and new **protectionist measures** introduced by Russia (road charges, increased import tariffs) remain to be addressed in 2009. EU-Russia relations were negatively affected by the **war in Georgia** which led to a postponement of the negotiations of the EU-Russia New Agreement. These were resumed only in November 2008 following a comprehensive review of EU-Russia relations. EU-Russia relations were also negatively impacted at the end of the year by the cutting off of the **gas supplies** to part of the EU due to the Russia/Ukraine gas dispute. However, with a few exceptions, progress under the common spaces has continued as planned. During the year, five Ministerial meetings of the **EU-Russia Permanent Partnership Council** were held: on Foreign Affairs, Energy, Research and on Freedom, Security and Justice (twice).

In general, the overall day to day business was conducted efficiently under all the common spaces and progress continued to be made. It should however be noted that a number of the dialogues have slowed due to the **changes in the Russian Government** – some meetings were postponed until the Russian Government Ministries were reorganized and the co-chairs of the groups were re-appointed.

Implementation was reviewed at the two summits and the meetings of the Permanent Partnership Council. Some issues were advanced but not finalized during 2008. A number of **problems outstanding from 2007** (e.g. the agreement on Siberian overflights, the interruption in oil supply through the Druzhba pipeline) remained unsolved in 2008. The **Energy Early Warning Mechanism**, although formally used for the first time by Russia in December, did not prevent the major gas crisis and interruption of supplies to EU consumers. Completion of Russia's **WTO accession**, which would contribute to progress in a number of areas, was not achieved.

Some of the main achievements in the EU-Russia dialogue in 2008 included:

*General:*

- Negotiations for the New EU-Russia Agreement were launched in June.
- Joint statement on Cross Border Cooperation at the EU-Russia summit in Khanty-Mansiysk.

*Trade and Economic cooperation:*

- During the Northern Dimension Ministerial meeting in October 2008 it was decided to establish the Northern Dimension Partnership on Transport and Logistics.
- Lifting of Russian bans on Polish fruit and vegetable exports following an EC/Russia Memorandum of Understanding on pesticide maximum residue levels; development of model MoUs for meat and fish.
- Discussions started with the Ministry of Health on the scientific rationale for setting phytosanitary standards.
- A Memorandum of Understanding was signed establishing a dialogue in the field of fisheries.
- Russia adopted an Agreement on co-operation in fisheries and the conservation of living marine resources in the Baltic Sea, which had been initialled by the two sides in 2006.
- A pilot project on electronic customs information exchange, which was set up as a part of the jointly agreed strategy to reduce congestion at the EU-Russia borders, was finalised in 2008 and is operational since 1 January 2009.
- Terms of Reference for an EU-Russia Dialogue on Health were finalised during 2008 and are awaiting signature.

*Freedom, Security and Justice*

- Signing of the protocol of intent between the European Police College and Russia on training activities for law enforcement agencies
- Adoption of the common implementing guidelines for the Visa Facilitation Agreement
- Joint operation between Frontex and Russian border guards during the Eurocup 2008 football tournament
- Progress on drugs precursors (technical meeting and preparations for a negotiating mandate)

*External Security*

- Russia has for the first time contributed to an EU operation, EUFOR Chad/RCA, with 4 helicopters and 100 personnel.
- In January 2009, Russia agreed to cooperate closely with the EU naval operation Atalanta in the context of the fight against piracy off the coast of Somalia.

*Research, Education and Culture*

- Renewal of the Science and Technology Cooperation Agreement;
- Agreement at the Research Permanent Partnership Council that Russia's request for association to the EC and Euratom Framework Programme will be examined; this issue will be addressed in the context of the New EU-Russia Agreement.

**Dialogue and contacts have continued** under all four Common Space Road Maps. The launching of a new dialogue on **fisheries** added a new dimension to the institutional framework of the common economic space. Efforts to establish additional dialogues on **employment and social policy** slowed during 2008, while Terms of Reference for the dialogue on **health** matters which have been prepared during the year are awaiting final signature. All dialogues have substantially deepened mutual understanding of policies which should help to underpin the negotiation of the New EU/Russia Agreement.

Financial cooperation with Russia under the TACIS programme, the European Neighbourhood and Partnership Instrument (ENPI) and other Community instruments has been hampered by difficulties related to Russia's insistence on a reciprocal framework for financial cooperation. At the end of 2008, Russia did not sign the Financing Agreements (FA) concerning the ENPI CBC Baltic Sea Programme (the only one of seven CBC programmes concerning Russia whose FA had to be signed by 31 December 2008), the Nuclear Safety Cooperation Annual Programme 2007 and the ENPI National Annual Programme 2007 with the result that the BSP has been launched without Russian participation and the other programmes could not come into effect for the time being.

## **EU-RUSSIA COMMON ECONOMIC SPACE PROGRESS REPORT 2008**

### **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. One ministerial level meeting of the EU-Russia Permanent Partnership Council was held in the course of 2008, on Energy, which took place on 8 October in Paris. In addition to this Council meeting, a number of high level meetings took place between European Commissioners and their counterparts in the Russian government (G. Verheugen/V.Khristenko, P. Mandelson/I. Shuvalov and A.Kudrin and E. Nabiullina, J. Potocnik/A. Fursenko, D. Hubner/D. Kozak, S. Dimas/S. Ananyev).

### **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.

In the implementation of actions under the Common Economic Space, priorities jointly identified in the framework of regional organisations and initiatives, such as the Council of the Baltic Sea States, the Northern Dimension, 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 and in preparation of Russia's accession to WTO and the possible future conclusion of a deep Free Trade Agreement.

The scope of Trade and Economic cooperation between the EU and Russia has remained important. 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.

## **Institutional framework**

Sector dialogues have been launched in 20 areas<sup>1</sup>, with the last one – on fisheries –initialled in 2008. The Memorandum of Understanding for the Dialogue on Health have already been prepared by both sides and are ready to be signed, 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 current PCA.

Regarding business and industry participation in the implementation of the CES, there is strong support 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 tenth EU-Russia Industrialists Round Table (IRT) took place on 12-13 November 2008, on the eve of the EU-Russia Summit. The Conference was dedicated to questions of perspectives of cooperation between Russian and European business people against the background of the international financial crisis and complex official relations, especially through a more intensive and regular form of cooperation, designed to consolidate the EU-Russia Common Economic Space also in light of the launch of negotiations on the New Agreement and Russia's WTO accession.

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<sup>1</sup> 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 three 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 Commission 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.

So far, six meetings of the Regulatory Dialogue Working Group have taken place, at approximately six-month intervals. The last meeting was held in Moscow on 28 October 2008. 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. However, the main objective on the EU side has been to produce some concrete changes to Russian legislation and standards on industrial products. Approximation of legislation would go a long way towards securing a better access to the Russian market for EU operators, and, as such, would be an important deliverable of the Dialogue. 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 any real progress over the last 3 years.

During 2007-2008 both sides agreed to move the dialogues into a more practical phase. Each subgroup was asked to identify the two or three most important issues in their sector and make joint recommendations for their resolution. These recommendations were finally agreed in May 2008 and provide a necessary and previously lacking focus to the work.

The reinforcement of institutional capacity with respect to technical regulations is now well under way since Russia has become a partner member of CEN (Comité Européen de Normalisation) and can apply to become an associate member of CENELEC (Comité Européen de Normalisation Electrotechnique). A number of Russian organizations are already members of ETSI (European Telecommunications Standard Institute).

*Terms of Reference for a proposed €2.5m TACIS project to support Russia in developing its technical regulations and standards are under development with the Ministry of Industry and Trade. It is expected that this project will be launched in summer 2009.*

The detailed progress description in each of the eight working groups is presented below:

#### **1. Automobiles:**

This subgroup meets as a joint subgroup with the automobile subgroup under the dialogue on industrial and enterprise policy and is one of the most 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 after 2009.** Although Russia and the EU both implement the same UN-ECE standards, there are some technical differences in the EC certificates compared to UN-ECE rules and a new Russian law will make it difficult to recognise these differences in future, which in turn would require EU manufacturers to do additional testing. The Russian side seems to have been convinced that a Mutual Recognition Agreement (MRA) is not the solution. At the next meeting, the subgroup will consider the scale of the discrepancies between the two systems and seek a solution through the dialogue.
- **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 it cannot discuss limit values with third countries, and cannot intervene directly in the establishment of testing laboratories. However, coordination of EU and Russian positions before UNECE will continue.

The most recent meeting of this subgroup was held on 16 October 2008 in Moscow.

## **2. Textile Industry:**

This subgroup also 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. The main current issues are:

- Labelling and conformity assessment requirements in Russia. The Russian legislation is extremely complex and very detailed exchanges of information have taken place. Russia is engaged in a major programme of updating its textiles standards in order to harmonise them to the international level.
- Fostering cooperation between EU and Russian test laboratories. A specific project on accreditation of laboratories testing on the basis of international standards for the carpet industry is being pursued through the subgroup.

The most recent meeting of this subgroup took place in Paris on 26 November 2008.

## **3. ICT, Radio and Telecom:**

This subgroup has been very active, and has achieved some concrete success, 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. This is a complex WTO-related issue, in which the driving force in Russia is the FSB (ex-KGB) rather than the Ministry of Telecommunications which represents Russia in the subgroup dialogue. The most recent meeting of the subgroup was held on 19-21 May 2008 in Brussels. A study visit on competition regulation in the telecommunication market also took place in the beginning of September 2008 in Vienna.



#### **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. Following consultations with the EU industry, the EU side has proposed that the work of the subgroup should focus on the revision of Russian technical regulations and standards on machinery and on low voltage equipment and EMC in line with the relevant EU directives.

#### **5. Pharmaceuticals:**

This subgroup has begun to make more progress and the EU side has established three clear and ambitious priorities:

- Approximation of Russia's pharmaceutical legislation with the EU's (particularly regarding registration).
- A level of IPR compatible with the WTO TRIPS Agreement (particularly relating to protection of data submitted for registration purposes). Russia's agreed bilateral commitments with the EU in relation to this point are part of its WTO accession, but these have not yet been fulfilled, despite ongoing revision of the Russian Civil Code since 2005.
- ICH<sup>2</sup>-compatible pharmaceutical legislation, implementation and application
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A range of different activities are underway, including the establishment of closer links between the European Medicines Agency (EMA) and the Russian authorities and training assistance by EU experts on specific issues.

This subgroup held its most recent meeting on 11 April 2008 in Brussels.

#### **6. Forest-based industries:**

This subgroup has barely got off the ground. It met only once in Moscow in September 2006. There has not been much interest on the Russian side in taking the work of this subgroup forward, despite the focus on the issue of Russia's export taxes on round wood during 2008 and Russia's identification of the forestry sector as a key sector for future development. Other issues which could also be discussed are draft Russian technical regulations and Forest Code. There is still no agreement on a date for the second meeting.

#### **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 JRC and certain Russian technical institutes, between CEN and the 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) has appointed a co-chair and the first meeting will take place on 25 March 2009.

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<sup>2</sup> ICH is the International Conference on Harmonisation of technical requirements for registration of pharmaceuticals for human use.

At the beginning of November 2008 a workshop on EU-Russia cooperation on standardization for construction was carried out in Moscow.

## **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 23 May 2008 in Brussels. However, the main event in 2008 was a two-day TAIEX seminar on standardisation and conformity assessment held in Moscow on 16-17 June. This seminar agreed conclusions which were very positive as they reconfirm the desire of Russia to align its technical regulations and standards with the EU.

### ii. Industrial/Enterprise Policy Dialogue

Since 2005, six meetings of the Industrial and Enterprise Dialogue Working Group have taken place at approximately six-month intervals. The last meeting was held on 29 October 2008 in Moscow.

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.

In May 2008, joint recommendations for the resolution of the most pressing issues in each of the sectors were agreed, allowing the dialogues to move into a more practical phase.

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 Russian side is very positive about the work of subgroup and its meetings are always well attended by Russian industry, reflecting the importance that Russia places on the metals sector in its economy. On the EU side, the Commission has struggled to find a real role for the subgroup, and in 2007 it was suggested that it should meet less frequently and that meetings should focus on specific topics such as climate change policies and sectoral agreements. After the first few meetings the EU industry is now uninterested in the dialogue. The Russian side continually brings up REACH and anti-dumping cases in this subgroup, but the EU has not agreed to these issues being discussed in this grouping. The subgroup last met in November 2007 in Moscow. The next meeting will take on 27 March 2009.

#### **4. Chemicals:**

The subgroup is dominated by discussions on REACH. The Russian side is extremely interested in and concerned about the EU's REACH legislation. Russia is planning to introduce its own technical regulation on chemicals, which according to them is based on REACH. The EU side has had the opportunity to comment directly on the detail of this draft legislation at the meetings of the subgroup. The EU has delivered a very broad range of information, replied on numerous occasions to correspondence on REACH as well as on the related issue on classification of nickel compounds. The Commission and ECHA (European Chemicals Agency) also attended a conference on REACH for regulators and industry from a number of CIS states organised by the Agency in Kazan in September 2008. The Commission has suggested that Russia follows a stepwise reform of the chemicals legislation, starting with the introduction of a chemical classification and labeling system in line with the EU system (REACH) and the global system (GHS), which is also being introduced in the EU alongside REACH. The most recent meeting was held on 21 May 2008 in Brussels. The next meeting has taken place on 6 March 2009.

Multilaterally, two TAIEX workshops with Russia's participation took place in 2008: on REACH and Product Stewardship in Sofia on 17 and 18 November 2008, and an international Workshop on REACH in Istanbul at the end of September 2008.

#### **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. Cooperation in the aviation sector, hampered by the Siberian overflights issue, was also the focus of VP Verheugen's visit to Russia in May 2008.

#### **6. SMEs and enterprise policy:**

The exchange of information between the EU and Russia in this subgroup has been constructive and useful. However, there is no clear strategy for work in this area, and the scope of cooperation and roles and responsibilities have yet to be established. There was no Russian co-chair in the group for several months during 2008. A complication on the Russian side is that responsibility for SME issues is split between the MIT and the Ministry of Economic Development (MED). One positive development in 2008 was that Russia joined the Enterprise Europe Network. The next meeting will take place on 23 March 2009.

*Over the last decade a considerable number of projects on private sector development, in particular on SME development, have been implemented in Russia (as private sector development was one of the three priority sectors during the TACIS period). The projects and their impact are currently being evaluated. The initial results of the evaluation were provided at the end of 2008. The results indicate that, in general, smaller projects and projects outside the big agglomerations tend to be more appreciated and have a bigger impact and sustainability.*

*With the support of the project "Support to Russian export-oriented SMEs" Russia has become a member of the European Info Centre (EIC) network and later its successor programme as promoted by the European Commission.*

*A project to network the Russian Chamber of Commerce and Industry is being formulated under the Common Spaces Facility 2006. The application has been fully approved by the Russian government and the EC, and the project is expected to be launched before summer 2009. This project is a follow up to a small successful pilot project on this topic.*

### 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 2008.

The 3<sup>rd</sup> meeting of the trilateral (EC-ESA-RU) Steering Board was held in June 2008 at the ESA Headquarters in Paris. The Steering Board received progress reports from the working groups and adopted revised work plans for the period 2008-2009. The issues that have been identified by the Steering Board as priorities for the period 2008-2009 include common R&D pilot projects in four specific areas of Earth Observation (agriculture, forestry, earthquake precursors and Arctic regions), pilot cases in applied space technology, progress in the Galileo/GLONASS negotiations, cooperation between key science missions of the ESA and the RFSA satellite communications, and cooperation on space launchers, including on research and technology for future launchers, as well as on a future crew space transportation system.

The 4<sup>th</sup> meeting of the Steering Board is to be held on 18 March 2009 in Moscow. It will be preceded by a technical seminar on opportunities for cooperation under the relevant programmes and missions of the three sides, including under the 7<sup>th</sup> Framework Programme (Space, Transport and Information Society).

### iv. Information Society Dialogue

Three meetings have been organized under this Dialogue since its establishment in 2005. The most recent one took place in Brussels in November 2008. The meeting covered research topics and exchange of information on regulatory and policy matters, including the EU Safer Internet programme, which deals with child abuse material on the Internet.

An EU-Russia Information and Brokerage Conference on ICT Research was organised in Moscow in October 2008. The conference was widely attended, especially by the Russian side, and identified a number of items of common interest.

Earlier in the year several meetings took place to discuss, *inter alia*, cooperation in combating spam, the use of the 112 emergency number, RFIDs, e-signatures, and information security.

Despite slow progress, the communication between the two sides remains good. Looking to the future it is important to establish and maintain the appropriate degree of transparency and synergy when it comes to the two contact ministries regarding their respective research interests. The next meeting is planned for April 2009 in Moscow.

*A few projects under the EU-Russia Cooperation Programme are addressing the issue of e-government. In 2007 a small project was implemented, which provided policy advice to the Ministry for Economic Development and Trade MEDT on e-government (Moscow+regions) in particular focusing on an analysis of the technological, legal and administrative preparedness of Russian administration for e-government as well as the provision of European best practices. This project will soon be followed by a larger project on e-government. The project is intended to run in parallel with the Russian programme to set up regional multifunctional centres and set up a network of excellence to provide a forum where experiences within Russia and in the international sphere can be shared. The project builds on the earlier project "Public Sector Institutional Reform", which finished in December 2007 and had a significant e-government component.*

*An administrative capacity building project in Kaliningrad (total budget € 6.7 million) also includes a major component on the development of e-government within the Kaliningrad regional and municipal administrations. The key outputs of the project include the following: ICT household surveys carried out; information on municipal ICT collected from the entire region; e-government indicators prepared; training sessions held at regional and municipal levels; e-government seminars conducted; website established; 6 public e-services under development (including first interactive tool - e-marriage). Supply of equipment to Kaliningrad Regional Administration is in progress.*

## **b. Trade Related Dialogues**

### **i. Intellectual Property Rights (IPR) Dialogue**

The IPR regulatory dialogue focuses on horizontal issues (institutional issues, horizontal legislative issues, enforcement issues, 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.

There have been six meetings of this dialogue, the most recent of which took place on 5 December, 2008 in Moscow.

End of October and mid December 2008 trainings in Moscow on copyright and related rights infringements were performed for Russian district court judges. Training for enforcement agencies was carried out in Moscow at the end of December 2008 on the topic of protection of copyright and related rights.

### **ii. Investment Dialogue**

The first meeting in the context of this dialogue was held in October 2007 and the memorandum establishing the dialogue was formally signed. No further meetings have taken place.

In the meantime, the EC – together with representatives from EU business – has closely followed the implementation of the Russian law on foreign control of companies in strategic sectors. The EC has also liaised with EU business representation and Member States on concrete existing or potential investment barriers identified in Russia.

*In addition to the Dialogue on Investment, the EC is cooperating with Russian authorities on investment issues also through projects. The €6.7 million "Administrative capacity building in Kaliningrad region" project contains a major component on the promotion of the region as an investment location. In addition to developing and maintaining the Kaliningrad Regional Government's website for investment promotion the project contributes to the updating of the Kaliningrad Regional Government's Medium-Term Regional Socio-Economic Strategy. Additional attention to Kaliningrad region as an investment location was drawn by the Forum of Partner Regions held in October 2008. Among other activities the project continues to identify investment opportunities in the priority sectors of the regional economy and promote them to potential investors, supports the KRG in getting an updated picture of the obstacles and barriers to export and carries out research to identify potential companies from non-traditional industries.*

*Another project on "Development of financial markets" started in February 2008. It aims to assist Russian authorities in facilitating investments in selected regions. This project will be running till early 2009.*

*The project on Insurance Sector Development from TACIS Russia Action Programme 2006 (€2.8 million) held its first Steering Committee meeting June 2008.*

*Within the framework of the Insurance project and the project on Banking Supervision in November 2008 timely and topical seminars - within the light of the current Global Financial Crisis - on Solvency II and Basel II were held in the EC Delegation in Moscow.*

### 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 four meetings have been organized since then. The fourth session of the regulatory dialogue took place at the end of March 2008 in Moscow. The two main issues discussed at this meeting were qualification systems for the choice of the supplier and electronic auctions.

The next session took place on 6 March 2009 in Brussels. Items on the agenda include an update from the Russian authorities on the anti crisis plan, as well as presentations by both the EU and Russian delegations on public-private partnerships. In addition, a seminar organized with the support of TAIEX took place in Brussels on 5 March 2009. Its aim is to present, compare and discuss the legal frameworks, practices and challenges ahead in the field of e-procurement both in the EU and in the Russian Federation. Officials from the Ministry of the Economic Development, Foreign Affairs, and Communication will attend, together with various representatives of the regional authorities (cities and regions).

*In addition to the Public Procurement Dialogue the European Commission is working with Russian authorities on public procurement issues also through technical assistance projects. A project on the "Reform of Public Procurement" (€3 million) started in May 2006 and was completed in November 2008. It supported the public procurement department at the Ministry of Economic Development, and also focused on training and regional implementation of the Russian Public Procurement law. The project provided policy advice both in Moscow and in the regions.*

#### 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.

*In addition to the policy dialogue, the European Commission has been working on trade facilitation through projects. A project on the modernization of the transit system and the simplification of customs procedures is ongoing.*

#### c. Customs cooperation

**EU-Russia Customs Dialogue:** During 2008, the Commission remained in close co-operation with the Russian Federal Customs Service (FCS) on specific customs related issues. The Sub-committee on Customs and Cross-Border Co-operation (CBC) is the only Sub-Committee under the current PCA that is active and it last met on 19 June, 2008 in Moscow. The next meeting is due to take place in Brussels in 2009.

Strategy to reduce border congestion: One of the principal areas of cooperation has aimed at resolving the issue of long queues of lorries waiting to cross the EU's land borders towards Russia. The main reasons for this border congestion are the rapid growth in the volume of bilateral EU-Russia trade, insufficient infrastructure at some border crossings and burdensome procedures and inefficient customs clearance on the Russian side. An agreement on the measures that need to be taken was reached in April 2007. The joint strategy agreed on with the Russian counterpart is based on three priorities: (i) Russian domestic measures, in terms of customs reform legislation and procedures that could improve the situation at the border, (ii) A pilot project on exchanges of pre-arrival customs information; and (iii) Development of border crossings infrastructure. It is important to note that the two parties agreed that a sustainable solution to border congestion can be brought about only through the parallel implementation of these three priorities.

A joint Working Group on Customs Border Issues was set up in order to follow up and monitor the implementation of these priorities: it includes representatives of the Commission, 13 Member States and Russia's FCS. The WG meets quarterly, most recently in October 2008. The Working Group will continue to meet throughout 2009 in order to assess the implementation of the strategy and in particular its practical effects in terms of the reduction of border congestion. A workshop on efficient border management system was held in Batumi end of June 2008. In addition a workshop on EC customs legislation took place in Kiev end of June 2008.

Progress so far:

- (i) **Pilot project: The technical implementation of the pilot project for exchange of pre-arrival customs information started on January 2009 and has been successful.** This pilot project is based on the EC's TIR Transit system, data from which is now being transmitted electronically and in advance to the Russian Customs. Consignments of goods for which information is sent in advance should benefit from faster customs clearing. The actual impact of the project on customs clearing efficiency will be closely monitored in 2009.

*A project launched in 2006 on the "Modernization of the Customs Transit System"(TACIS AP2004) is underway. It is assisting Russian authorities with the development of Russian computerised transit system. The project now has the full support of the Russian Federal Customs Service (FCS) and is running until July 2009.*

- (ii) Infrastructure:** There are also several initiatives in Member States and in Russia to upgrade customs and connecting transport infrastructure. With regard to EC funding and support to border-crossing infrastructures in Kaliningrad oblast it is important to highlight that:

*The Chernyshevskoye border crossing point (€ 8 million investment), close to the Lithuanian border, should be officially opened in 2009. It will have the capacity to handle the high volume of traffic on this important trade route.*

*EC financed works to build a border crossing at Mamonovo (€ 13.3 million investment), close to the Polish border, able to handle heavy road traffic, started in July 2007 and are expected to be completed in December 2009. The contractor is facing serious problems due to the failure of the Russian authorities to make effective the application of taxes and other duties exceptions needed for the implementation of the project.*

*The EC has also allocated €10 million (TACIS AP2006) for the construction of the Sovetsk crossing post close to the Lithuanian border. Although a procurement notice concerning this construction was published in December 2008, in order for the project to be implemented an agreement between Lithuania and Russia concerning the funding of the construction of a new bridge over the Neman River has to be reached.*

*In addition, a TAIEX workshop on European experience in building a National Spatial Data Infrastructure framework was held in Chisinau between 15-17 September 2008.*

- (iii) Customs reform:** In terms of Russian law no. 266 of 30.12.06, Russian legislation provides, inter alia, for the reduction in the number of agencies operating controls at the border from seven to two (Customs and Border Guards). This is also expected to have a major positive impact on congestion once implemented. While the implementation process has been slow throughout 2007 and 2008, moderate progress has been registered recently. According to the FCS, the Decrees necessary to implement Law 266 have been finalised, but the set-up of agencies at the border has not changed yet.

### **Multilateral cooperation:**

A conference on Customs Cooperation at the Eastern Border of the EU took place in Vienna in October 2008. The Conference, which was attended by the Directors-General of Customs of EU Member States, Accessing and Candidate Countries and Eastern Neighbours, had as its main objective to identify ways to foster cooperation with all Eastern neighbours and to help them align themselves to international and EU best practices in terms both of legislation and procedures. The general principles of the follow-up actions necessary to achieve this objective were agreed. This Conference was the follow up to another high-level Conference held in Muonio, Finland, in December 2006, which had resulted in concrete action plans regarding in particular the alignment of customs legislation and procedures on the basis of common standards in line with the best international and EU practices with the aim of reconciling safety and security, trade facilitation and the fight against fraud, as well as improving procedures and administrative capacity, and which had been followed by a Working Group meeting at experts' level in Gdansk, Poland, in June 2008.



#### **d. Competition**

A new Russian competition law was adopted in 2006, followed by the entry into force of new, increased penalties for competition infringements in 2007. Though differences still remain, the new law, to which the Commission provided significant input, approximates Russian legislation to aspects of the *acquis* on competition (including for example a chapter on State Aid).

Although regular meetings between the Commission and the Russian Federal Anti-monopoly Service (FAS) took place over 2006 and 2007, there were no official contacts between the EC and the FAS in 2008.

Nevertheless, several TAIEX financed trainings and study tours have been implemented with the FAS in 2008. The expert mission from Russia went to the Office of Fair Trading in London on a study visit on the “leniency programme”, in February 2008, and also on competition regulation in the aviation market in January-February 2008. Another visit took place in March 2008 in Brussels, where the Russian side met with officials at DG Competition and studied the “block exemptions”. Another meeting was held in November 2008 in Moscow and concerned antimonopoly control over financial services.

*The FAS has been informed of the possibilities offered in particular by TAIEX and the Common Spaces facility to continue co-operation. The FAS has already applied for new cooperation projects/actions under the TAIEX and CS facilities, some of which have been approved, and will be carried out in 2009.*

#### **e. 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 third meeting in Moscow on 5-6 November, 2008.. The European Central Bank also participated in the meeting.

The global financial and economic crisis, its effect on the EU and Russia, and possible crisis mitigating policy responses were discussed in both groupings. Other economic subjects discussed in the macroeconomic session included the SME policy in the EU and in Russia, the European Investment Bank (EIB) and Vnesheconombank Bank (VEB) functions in support of economic development, the EU and Russia's fiscal frameworks, and the long term policy frameworks in both areas (respectively, the "Lisbon Strategy" and "Russia 2020"). The ECB participated in two sessions dealing with hard currency reserve management and commodity-related inflation. A separate session was dedicated to the most recent (Commission financed) ECB project with the CBR, about the planned move from Basel I to Basel II and the latter's implementation.

The Financial services grouping discussed Russia's approach on Sovereign Wealth Funds. The Russian side reported on their planned anti-crisis measures for the banking sector. The Commission also raised the issue of discriminatory practices in the Russian banking sector. The debate in the area of securities focused on questions in relation to foreign securities' access to capital markets.

The next meeting of the Dialogue is foreseen for the late autumn of 2009 in Brussels.

A technical working group on Accounting and Auditing was held in parallel on November 6, 2008, and looked at Russia's efforts to make its own standards converge with the International Financial Reporting Standards (IFRS). In the auditing field, the Russian side debriefed on work in the area of public oversight and quality assurance systems.

A technical working group on insurance convened for the first time in the margins of the Macroeconomic meeting. The Commission presented the EC reinsurance and insurance mediation Directives to the Russian side.

*A project, which the EC implemented in cooperation with the Russian Ministry of Finance and for a minor component the Russian Ministry of Agriculture, entitled "Accounting Reform" (with a budget of €3.5 million over 28 months) was completed in January 2008. The final results were presented in a press conference in December 2007 with over 100 participants. The project provided policy advice to the Ministries, trained specialists and carried out surveys on the use of IFRS in Russian companies.*

*The EC is also cooperating with the Bank of Russia on a number of projects, of which the "Transition to IFRS in the banking sector (€4 million)" is ongoing. Also, the contract for a new Central Bank of Russia – European Central Bank (ECB) project was signed in March 2008. The project title is "Euro-system Cooperation Programme on Banking Supervision and Internal Audit". The overall budget is €3 million. It is implemented through joint management with the European Central Bank.*

i. 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. A follow up publication is 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. Seminars on key statistical domains are foreseen between Eurostat and Rosstat in 2009 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 2008 served as a basis for the EU-Russia Energy Dialogue Progress Report signed by the Minister of Energy Shmatko and Commissioner Piebalgs at the third ministerial meeting of the EU-Russia PPC on Energy on 8 October 2008 in Paris.

During the PPC meeting the EU and Russia expressed satisfaction with continued cooperation under the Energy Dialogue as it provides the appropriate framework for frank and objective exchanges on issues of common interest in the field of energy cooperation. Regarding security of supply and demand, Russia confirmed preparedness to provide increased quantities of gas to the EU (200-220bn cubic meters), whereas EU provided information on increasing demand while reiterating its commitment to “20-20-20” policy objectives (20% reduction of greenhouse gas emissions compared to 1990 levels, 20% share of renewables in total energy mix, 20% energy efficiency savings by 2020). The parties noted the progress on the implementation of **infrastructure** projects and confirmed their intention to work on updating the list of projects of common interest. They also assessed the state of play of the **Early Warning Mechanism** and suggested ways to reinforce it to ensure timely identification of potential problems and decrease the risks of issues with energy demand or supply including transit. In this respect, they agreed to consider the possibility of associating transit countries. They underlined the importance of the **New EU-Russia Agreement** and need that the principles agreed upon at the G8 Summit in Saint-Petersburg in 2006 as well as the issues of demand, supply, transportation and transit reliability, energy efficiency, the EWM and nuclear power are reflected.

Finally, they reiterated their commitment to energy efficiency, including Russia’s intention for 40% improvement by 2020.

The next Permanent Partnership Council on Energy is tentatively planned to take place on 30 April in the Russian Federation.

Beginning of January 2009 all supplies of Russian natural gas transiting through the territory of Ukraine for Western Europe were suspended. The unprecedented measure marked the peak in the recurrent New Year gas conflict between Moscow and Kiev concerning the transit of gas through Ukraine, the transit fees to be paid, and the price at which Kiev receives the supplies of natural gas. It meant that the EU lost about 30% of its gas imports, at a time of very low temperatures. Russia provided the EU with a warning in December 2008, but that did not lead to resolution of the situation, which was eventually solved with the involvement of EU monitors.

1. **Thematic Group on Energy Strategies, Forecasts and Scenarios (TG-ESFS)** that looks into mid and long term trends of energy supply and demand, met twice during 2008, last on the 3<sup>rd</sup> of December 2008.

In particular, its Sub-group on **Energy Economics** addresses issues related to energy production and consumption forecasts, and capital investment requirements in Russia. It has provided a good forum for exchange of views on respective scenarios, including on the EU’s Strategic Energy Review that reflects the EU’s new energy policy aiming to strike a balance between competitiveness, sustainable development and energy security, as well as on forecasts made by the Russian authorities and international organizations such as the International Energy Agency and industry. However, both parties recognized the need for improving consistency of data and scenarios. In January 2009, TG- ESFS commissioned a study which will analyse the likely impacts of the 'Financial and Economic Crisis' on investment in the EU-RF energy arena. A report will be due in the autumn.

The next **TG-ESFS** meeting is planned for June-July 2009 during which Russia will present its Energy Strategy until 2030 and proposals will be made on harmonization of EU and Russia energy strategies, forecasting methodologies and legislation. A second meeting is planned for September 2009 to prepare the TG Interim Report and input to the 10<sup>th</sup> Progress Report.

The **Sub-Group on Energy Economics** first met on 17 February 2009 and agreed to undertake a comparative assessment of EU and RU forecasts and scenarios for mid- to long-term taking into account the financial crisis.

**2. Thematic Group on Energy Market Developments (TG-EMD)** that looks into shorter term market developments met twice, most recently on 4<sup>th</sup> December 2008 in Moscow. The European Commission presented the status of the 3<sup>rd</sup> Energy Package, while the Russian side presented 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). In general, the TG provided a good forum for exchanges of information on legal and regulatory developments in the energy market, even if not necessarily regulatory rapprochement, including on issues such as the investment climate, third party access to infrastructure or electricity market liberalization.

In December 2008, a joint feasibility study on the synchronous interconnection of CIS and Baltic States power systems IPS/UPS with the European UCTE power system was finalised. It concluded that this is technically feasible, but conditioned on a series of technical, organizational, legal and financial measures and therefore considered a long term-perspective.

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. However, this group failed to meet since the last PPC in October 2008 due to the departure of the Russian co-chair. A new Russian co-chair was appointed on 24<sup>th</sup> February and next meeting of the Subgroup is now planned on either 18<sup>th</sup> or 19<sup>th</sup> March in Moscow.

In addition, a subgroup on **Infrastructure projects and energy resource trading** was established to update the list of common priority infrastructure projects.

The next meeting of the TG-EMD is planned for March 2009 and is expected to discuss in detail the EU's 3<sup>rd</sup> energy package on the one hand and the Russian Strategic Sector Investment Law's implications on the energy sector on the other hand.

**3. The group on Energy Efficiency** met twice in 2008: on 11 April 2008 in Brussels and on 5 December 2008 in Moscow. A Joint Meeting of the **EU-Russia Energy Efficiency group** and the **EU-Russia Climate Change subgroup** took place 28 February 2008 in Moscow, and was followed by the presentation of the EU Climate Change and Energy package to the public and the mass media of Russia in Moscow on 29 February 2008. In addition to that, a Conference on Energy Efficiency and Renewable Energy Sources was held in June 2008 in Arkhangelsk. Also, a TACIS financed seminar on "Renewable Energy Certification: EU experience and the functioning mechanism in Russia" took place on 4 October 2008. An experience and best practice sharing seminar on Energy Service Companies (ESCO's) was held on 4 December 2008. The next meeting of the Energy Efficiency group is foreseen to take place in May 2009 in Brussels.

The 2008 – 2009 Work Programme of the **Energy Efficiency group** was approved by the PPC on Energy. Priority areas set out for the Group in 2008 and 2009 are legislation, regulations and institutional framework; exchange of experience on promotion of primary energy savings and energy efficiency and the use of renewable energy in very practical terms; financing, removal of barriers and incentives for investments; cooperation at the regional level as well as strengthening cooperation between local and regional energy efficiency centres in the EU and Russia; promotion of the use of the Kyoto Protocol mechanisms for improvement of primary energy savings and efficiency, including use of associated petrol gas; and facilitation of the cooperation of experts and industry. The Work Programme for 2008 – 2009 has been developed and implemented to a large extent. *The implementation of the Work Programme in 2008-2009 was substantially supported by ongoing TACIS projects on Energy efficiency and Renewable energy. Further projects for support of the implementation of the Energy Efficiency Initiative are under discussion and will depend in part on cooperation financing.*

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 WGs, make recommendation on how to improve their functioning and discuss cross-cutting themes. It agreed to meet in this format at least annually in the future.

On cross-cutting themes, it was agreed to hold three meetings/seminars in 2009 on:

- *Evaluation and Further Development on Early Warning Mechanism (EWM) as a tool of solving potential problems related to supply and demand for Russian gas and oil (March-April)*
- *Energy Efficiency and Renewable Energy role assessment in the supply-demand balance (March-June); and*
- *Economic Analysis of the Use of Associated Gas (May-June)*

*A project is running in support of the energy dialogue, and more specifically in the area of energy efficiency, and support to the implementation of, and investment under, the Kyoto protocol.*

*The €2 million EU-funded project dealing with renewable energy and rehabilitation of small scale hydropower plants will continue until August 2009. This project aims at supporting the Russian government in the development of policy proposals connected with the formation of renewable energy sources plans in Russia.*

*A new application for an energy efficiency related project under the Common Spaces was received from the Ministry of Energy in early 2009, and is expected to be launched in summer 2009.*

#### **g. Environment**

The Environmental Dialogue was launched during the Environment PPC in 2006. The second Environment PPC is now foreseen for 2009 under the Swedish Presidency of the EU. The second meeting of the Working Group to review progress of the dialogue was held on 10 February 2009.

A joint workshop on **Energy-Climate Change** was held in Moscow on 28 February 2008 to support the work of the Thematic Group on energy-efficiency under the Energy Dialogue and the Subgroup on Climate Change (CC) under the Environmental Dialogue. A joint workshop on adaptation was organized by Rozhydromet in Murmansk in May 2008. The 4th meeting of the Climate Change Sub-group was held on 6 November 2008 and focused on the international negotiations on a post-2012 agreement and preparations for the Poznan (December 2008) and Copenhagen (November 2009) international negotiation meetings. A 5th meeting of the Climate Change sub-group is planned in the first half of 2009 with a workshop. Possible topics for the workshop include cost and benefit analyses of climate change, including effects on agriculture, and carbon capture and storage. A TACIS project is ongoing to provide advice and assistance in setting up Kyoto implementation mechanisms.

The **Clean Production and Pollution Prevention** sub-group was established in 2007, however, owing to changes in responsibilities in the Russian administration this sub-group was subsequently inactive. However following a request by the Ministry of Natural Resources and Environment (MNRE) to deepen co-operation on integrated permitting and best available techniques, the sub-group has been reactivated and will meet in March 2009.

The Subgroup on **Biodiversity and Nature Protection** met for the second time on 20 October 2008. It was then agreed to hold a technical workshop in 2009 on reporting under the EU Habitats Directive. It was also agreed to undertake a joint examination of common avian flyways including in the Western Palearctic region.

The first meeting of **Water and Marine Issues** expert subgroup was held on 22 February 2008, and the second on 25 September 2008. Discussions focused on cooperation on management of trans-boundary water basins, the protection and sustainable use of the marine environment, and the Baltic and Black Seas. The third meeting of the subgroup is planned for the first half of 2009.

Following a workshop in Moscow (September 2007) on the *UNECE Espoo Convention (Environmental Impact Assessment in a Trans-boundary context): Opportunities and Challenges* to encourage Russian compliance with and ratification of the Convention, the Commission is discussing further activities on Environmental Impact Assessment (EIA) in the Convergence subgroup.

*In addition, a multilateral TAIEX workshop on sustainable coastal management, sea level rise and climate change in the Baltic States and Poland took place in July-September 2008 in Palanga, Lithuania.*

The Subgroup on **Forest Law Enforcement, Governance and Conservation** (FLEG) met twice providing a follow-up to the FLEG Ministerial Conference in St. Petersburg that took place in 2005. There was no meeting in 2008, mostly because the competence for forests in the Russian Government was transferred from the Ministry of Natural Resources to the Ministry of Agriculture, but a third meeting took place on 28-29 January 2009.

The second meeting of the **Convergence** sub-group was held on 29 February 2008. The 3rd meeting of the Convergence Subgroup was held on 10 February 2009 and agreed the future work programme focused on EIA, environmental regulation and standards.

Progress in the environmental dialogue was satisfactory overall but slowed somewhat during 2008 due to the Russian elections and Government reorganization. However, the establishment of the Ministry of Natural Resources and Ecology and the enhanced attention given to environmental issues by the Russian leadership were positive developments. The sub-groups on climate change, water/marine issues, biodiversity/nature, and FLEGC are proceeding well. The main challenge is to strengthen co-operation on industrial pollution and environmental impact assessment issues ahead of the PPC planned for late 2009.

*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.*

*The construction of the Saint Petersburg Sludge Incineration Plant was carried out on the basis of a €29,8 million contract, out of which €24,9 million is financed by the Commission. The provisional acceptance certificate for the construction was granted in December 2007. Final acceptance tests were completed in the first half of 2008. Supervisory services for the 2-year maintenance period are funded by the Commission.*

*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. Civil construction works were completed in late 2008. The plant is expected to start operating in Summer 2009. 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 project on Harmonisation of Environmental Standards started in March 2007, as a follow-up of a previous project, with the State Duma as the main Beneficiary. The new main beneficiary of this project is the Ministry of Natural Resources and Ecology of the Russian Federation.*

*In addition to that, the Commission has provided €70 million in support of a variety of initiatives related to environment in 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 last Transport Permanent Partnership Council in Finland in September 2006 in view of the increasing congestion at EU borders in the direction to Russia as described above.

A high level meeting between the European Commission and the Russian Ministry of Transport took place on 3 December 2008 in Brussels to discuss the state-of-play of the transport dialogue and its future. It was agreed that there was a need to re-launch the transport dialogue, through a series of high level seminars on a number of policy areas.

- 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, extending the TEN-T network to neighbouring countries.

The Group has held seven meetings, the most recent one in Brussels on 3 December 2008. During this meeting 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. A second conference on harmonising of transport strategies should be organised in the course of 2009.

The Working Group will closely follow and monitor the **Northern Dimension Partnership on Transport and Logistics**, which is being set up as of 2010. The Partnership aims at identifying and facilitating the removal of bottlenecks affecting traffic between and/or transiting the ND partners. The Northern Axis and the Motorways of the Seas is a key element of the Partnership.

- (i) **Cooperation on Transport Strategies:** The Commission adopted a Green Paper on TEN-T policy on 4 January 2009, which also looks into the external dimension. In parallel, Russia has prepared its own transport strategy up to 2030. Therefore, it was agreed to coordinate efforts and it is proposed to hold a joint conference in 2009 on harmonisation of transport strategies focusing on the creation of a Common European Water Ring as a follow up to a previous such conference in 2004.
- (ii) **Extension of 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 Finland, Sweden, Estonia, Latvia, Lithuania, Poland and Germany) and the Motorways of the Baltic and Barents Seas.

The main objective of the January 2008 EU-Russia Working Group meeting was to discuss the institutional structure of the Northern Axis strategy. In this respect existing regional cooperation frameworks of interest were considered. It was deemed that most closely linked is the Partnership on Transport and Logistics (NDPTL) on which discussion started in 2008 under the Northern Dimension Policy.<sup>3</sup> Russia agreed on the value of establishing a Working Group under the Northern Dimension to examine the desirability of the NDPTL and to work toward establishing common institutions with the possibility for the NDPTL to provide the functions of the regional Steering Committee and Secretariat for the Northern Axis. In March 2008 the Commission submitted to the Council a progress report on the exploratory talks.

**The Northern Dimension Ministerial meeting, which was held in St. Petersburg on 28 October 2008, established the new ND Partnership on Transport and Logistics on the basis of the final report and recommendations of the working group.** A preparatory committee was convened immediately after the decision of the Ministers. This committee has been tasked to finalize open issues pertaining i.a to the Secretariat of the Partnership with a view to concluding a Memorandum of Understanding by the summer of 2009, thus enabling the Partnership to come fully operational as from 1 January 2010.

(iii) **Public Private Partnership (PPP):** This area is of great interest to the Russian side who see cooperation in concrete investment projects as a priority, while the Commission equally emphasises improvements on horizontal measures removing administrative bottlenecks along the Axes. It is planned to hold a seminar focusing on PPPs in March/April 2009.

*A €6 million PPP project in the area of transport (“PPP: Technical Preparation of Transport Investment Projects”) has been included in the 2007 Action Programme under the European Neighborhood Partnership Instrument. The project is co-financed in equal parts by the Commission and the Russian Federation. The agreement for this project concerning the Commission contribution was signed with the EBRD in December 2008, and the activities will be carried out in 2009 – 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.

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<sup>3</sup> In their meeting in St. Petersburg on the 21 November 2007, the Northern Dimension Senior Officials agreed to set up a WG to examine the possibilities of setting up this new Partnership and to examine the synergies with the Northern Axis.

The participants of the Transport Logistics group unanimously agreed, however, that the group could be recalled for specific tasks, notably technical visits to border crossings. Three such visits have taken place so far: one to the Finnish Russian border on 9 November 2007, the second to the Russian borders with Latvia (Terehova (LV) – Burachki) on 11-12 March 2008, and the third to Estonia (Narva (EE) – Ivangorod) in May of 2008.

- 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 third meeting of this group took place on 28 February 2008 in St Petersburg.

The Russian Ministry of Transport has established a specific department for transport security, and participants in the February 2008 meeting had 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 2009 in Brussels. The meeting will cover, *inter alia*, mutual exchange of information on recent developments, ongoing challenges, work in international organisations (ICAO, IMO) and training. Future meetings should concentrate on comparison of operational matters (methodology, technology, etc.) rather than on harmonisation of legal texts.

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. The Working Group met three times over 2006-2007. The aviation cooperation is on hold until the Russian side signs and implements the Siberian Overflights agreement. Therefore the planned EU-Russia aviation summit scheduled for late 2007 had to be postponed and in 2008, therefore, no meeting of the aviation working group took place.

**Siberian overflights:** No progress has been made during 2008 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 initialed 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 have not proceeded to signature given their position communicated end 2007 that the Agreement would not be signed until the negotiations on Russia's accession to WTO are completed.

As a consequence, overall aviation cooperation, along the enhanced Roadmap for Cooperation agreed in 2006, including on air safety, is on hold.

**Bilateral air services agreements:** EC and Member States authorities are also jointly pursuing the objective to bring current bilateral air services agreements with Russia in line with Community law.

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 four meetings, but has not met since 2007. The Russian side would like to discuss the future role of this group in the next meeting that is planned for in 2009.

The main outstanding 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; ongoing negotiations to update the European Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR) and discriminatory road charges introduced by Russia early 2009.

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 three meetings of this working group have taken place. The 3rd maritime transport dialogue including inland waterway transport was held in Moscow on 11-13 February 2008.

**Maritime Transport Cooperation** The EU has developed an extensive maritime safety policy with three legislative packages. In accordance with the De Palacio High Level Group recommendations, there is a need to explore cooperation with third countries including Russia on further development of the concept of Motorways of the Sea and in particular issues concerning safety of navigation, safety of vessels through port state control and international issues. Concrete cooperation on maritime safety has already started with a pilot project on the exchange of maritime data between the Russian Federation and the EU, focusing on the Baltic Sea area. The second meeting of the expert group in charge of the project is scheduled on the 10 and 11 March 2009.

The EU and Russia are also cooperating under the Helsinki Commission (HELCOM) to protect the marine environment of the Baltic Sea from all sources of pollution.

In the area of Port State Control, discussions on the harmonization of practices of the Black Sea Memorandum of Understanding on Port State Control with those of the Paris MoU to achieve higher safety standards are ongoing. Russia is part of both MoUs.

On international issues, EU and Russia agreed to exchange information on relevant initiatives within the International Maritime Organization (IMO), notably in order to seek mutual support where appropriate.

Furthermore, the EC is investigating a request from the Russian Ministry of Natural Resources to EMSA regarding access to EMSA's satellite image service in order to detect oil spills in the Baltic Sea. The EC is looking to find a pragmatic approach within the current legal framework.

**Inland Waterway Cooperation:** Inland waterways work centres on studying the possibilities and market related aspects of the access of EU vessels to Russian inland waterways as well as the discussion on the technical details of an interoperable river information system. A sub-group on inland waterway transport held its first meeting in parallel to the maritime technical meeting. It was agreed that the subgroup should meet regularly to address in particular the following: (i) Promotion of inland navigation as an alternative to other transport modes; (ii) Consideration of the legal aspects of the mutual access to inland waterways of Russia and EU including rules of navigation, and (iii) a regular exchange of information about technical matters.

**Satellite navigation:** A meeting on satellite navigation (covering the Galileo-Glosnass 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.

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

i) Agriculture

There was no general meeting under the Dialogue in 2008. However, the Working Group on Market Forecast and Statistical Methodology in the agricultural field held its first meeting in May 2008. Also, some good progress was achieved in the area of harmonization of the Russian spirits standards to those of the EU. Parties are currently discussing how to re-launch the process in 2009. The discussion in 2009 should strengthen cooperation in agricultural policies and focus on agricultural support policies, rural development and quality policy. The meetings are useful in terms of information and know-how exchange, also for sharing the best practices that might lead to more modern agricultural policies.

*In April 2008 a TAIEX study visit on use of reference materials and estimation of measurement uncertainties was organized in Geel.*

*A four day study visit to Brussels, Angoulême, Bordeaux and Barcelona on the Harmonisation of Standards for Wines and Spirit Drinks was conducted in December 2008.*

ii) Forestry and Timber

EU/Russia dialogue on forestry and timber issues has started 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.

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, and which could bring to a halt wood exports from Russia to the EU, with very serious consequences for the supply of the EU wood processing industry.

See also under *g. Environment*

iii) Sanitary and Phytosanitary issues

The Dialogue on Sanitary and Phytosanitary issues (SPS) remained intensive in 2008. 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 Green Week, March in Brussels, April in Berlin, May in Paris, also participation of the Russian Chief Veterinary Officer (CVO) at the informal CVO meeting under the Slovenian presidency in June, 2 audioconferences and 2 videoconferences on pesticides in September, October in The Hague, visit of Mr Dankvert to Brussels to sign the MoU on fish issues in December, and January 2009 Green Week in Berlin). More than 200 letters have been exchanged in 2008 between SANCO and Rosselkhoznadzor on SPS issues.

On *veterinary issues*, the Commission developed and agreed with Russia on a model of implementing memorandum that MS can sign with the Federal Service for veterinary and Phytosanitary Surveillance in order to establish formal administrative arrangements of export of meat on the one hand, and on fish and seafood on the other, all in the framework of the EC-Russia veterinary MoU of 2004. **A model of memorandum for the deliveries of meat and raw meat products was signed on 26 March 2008, and for fish, fishery products and seafood on 18 December 2008 in Brussels.** Several MS are in the process of signing such implementing memorandums.

On *phytosanitary issues*, discussions continued on controls of plant products in transit via the EU and moving between Member States prior to their export to Russia. **In January 2008 the Commission facilitated the signing of an implementing MoU between Poland and Russia establishing the administrative measures in the framework of the EU-Russia MoU on phytosanitary certification of 2005. This has led to Russia simultaneously lifting restrictions on Polish plants not for human consumption.** In addition, **an EU-Russia MoU on Pesticides, nitrates and nitrites was signed on 26 March 2008.** After this signature, exports of Polish fruits and vegetables to Russia could also resume. The text also foresees a general mechanism for information exchange and consultation with the aim to guarantee unhindered exports of EU products to the Russian market.

In addition to the ongoing work with the Russian Federal Service for Veterinary and Phytosanitary Surveillance on increasing understanding of and ensuring compliance with Russian SPS standards so as to avoid any trade distortions, work has commenced in 2008 to open a dialogue with the Ministry of Health on the scientific rationale and methodology for setting these standards with the aim to bring them closer to internationally accepted levels. Several meetings took place over 2008 with the Ministry of Health, and with the state sanitary inspector of the Russian Federation (Rospotrebnadzor) in June 2008, and a scientific exchange in EFSA, Parma, in October 2008.

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 is being defined on the prevention of rabies in the region of Kaliningrad. Russian experts were also invited to seminars organized by the EU on rabies (Turkey, December) and traceability in meat (November 2008), and on Hygiene of Fisheries products, Dairy and Meat (May 2008).

In 2009, the EC aims to enhance the dialogue based on international SPS standards set by organisations of which Russia is a member. It is also expected to start a new cooperation project for harmonisation of divergent Russian standards with international standards and to implement the veterinary cooperation in the field of public health (rabies eradication).

In both veterinary and phytosanitary fields, there were frequent exchanges, training activities and study tours. A TAIEX study visit to the Food and Veterinary Office (FVO) in Grange was organised in January 2008 to familiarise Russian officials with the working methods of this inspection body. In addition, between 7-9 of October 2008 a study visit to the European Food Safety Agency in Parma, Italy, was organised for Russian officials in order to exchange views on scientific experience and methodologies for the setting of pesticides MRLs with EU experts. In November 2008 a one day workshop with Russian participation was conducted in Brussels during the European Veterinary week organised by the Commission. The workshop aimed at enhancing information diffusion in the animal health field for the implementation of effective bio-security measures at borders and on-farm.

*A Sanitary and Phytosanitary assistance project of €4 million started in summer of 2007. It was implemented in co-operation with the Ministry of Agriculture and the Federal Service for Veterinary and Phytosanitary Control, aiming at the approximation of legislation between the EU and Russia. The project was terminated in December 2008. Its key output was audit of seven veterinary and phytosanitary laboratories. It also trained more than 500 staff of laboratories, as well as lawyers of the ministry of Agriculture.*

#### iv) Fisheries

**At the end of the year the Russian Federation has adopted an Agreement on co-operation in fisheries and the conservation of the living marine resources in the Baltic Sea, which has been initialled by the two sides in 2006.** A final text has been transmitted which is currently under evaluation by the Commission. This Agreement will remain in force for an initial period of six years after the date of its entry into force. Dropping the changes that they had proposed at the end of 2008 and that were unacceptable to the EU, the Russian side has now agreed to sign the agreement as it was initialled in 2006.

**On 24 April 2008, a Memorandum of Understanding was signed between the Commission's DG MARE and the State Committee for Fisheries of the Russian Federation. It established the principles, objectives and structure of a dialogue in the field of fisheries.** The formalised dialogue will, inter alia, provide a platform for issues such as combating illegal fishing bilaterally and vis-à-vis third parties. The current focus of bilateral cooperation between the Community and the Russian Federation will continue to include sustainable management of fish stocks and the fight against IUU fishing.

Both the Community and the Russian Federation are members of a number of international fishing 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), etc.

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

**Regional Policy Dialogue:** The Dialogue was established in early 2007 and so far cooperation has been successful. Three seminars and high level meetings have taken place, in October 2007 and October 2008 in Brussels and in June 2008 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.

It has been agreed to organise two TAIEX seminars in 2009 on multi-level governance and capacity building, and management of large projects in Russia, and a study visit of Russian representatives to the EC.

It is also been proposed to establish a small network of policy experts to exchange experience and best practice on cross-border programmes. It is planned to hold technical seminars in the second half of 2009 to exchange views with Russian territorial partners and European experts and to encourage the involvement of local and regional key actors such as authorities and civil society, in all aspects of cross-border co-operation.

**Other region-to-region cooperation:** A Round Table between the Committee of the Regions and Russia meets once a year, usually alternating between Moscow and Brussels. However, the meeting in 2008 was cancelled mostly due to the organizational problems on the Russian side. So far, two meetings have been planned for 2009: the regular annual meeting in September in Brussels, and one in November in Sweden, with the focus on the Northern Dimension.

***CBC Neighbourhood Programmes (under Tacis legal basis – AP 2004 and 2005):*** *The Neighbourhood Programmes were fully operational in Russia throughout 2008 and provided a main contribution to the cross-border regions and to the strengthening of economic and people-to-people ties between Russian and EU regions. All the 186 projects approved by the selection committee were ongoing in 2008 (for a budget of around €30 million). Main sectors or fields of activity covered by the projects are environment, development, business and SME promotion, RTD, culture, education & youth and tourism. The projects have been highly successful and made a real impact at the local level. The programme has brought together regions of the EU Member States and Russia sharing a common land or sea border. Several closing conferences have been organized in 2008 (Pskov, Petrozavodsk, Kaliningrad, Murmansk.) The regional authorities attended and actively contributed to these events. The implementation of these programmes was evaluated in 2008. The final results of the evaluation will be available in 2009. The vast majority of these projects will end by the end of 2009.*

***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 a Commission 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). This indicates the importance the Russian side gives to the CBC programme.*

*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. However, no solution could be found. The discussion will continue in 2009 with a view to overcome the remaining technical obstacles by the end of the year. 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).*

*Regional Capacity Building Initiative (RCBI) project is organizing training seminar for the Joint Management authorities staff. The EC delegation in Moscow has been invited to share the experiences of managing the ongoing CBC neighbourhood programmes, which has been highly appreciated.*

## **Next Steps:**

### **a. Industry Related Dialogue**

#### **i. Regulatory Dialogue on Industrial Products:**

- A €3m technical assistance project to support the Russian programme to develop its technical regulations and standards will be running from 2009 to end 2011.
- *SC Conformity Assessment and Standardisation:* meeting planned for Spring 2009.
- *SG Construction:* the first meeting is planned for 25 March 2009.
- TACIS project to support Russia in the developing of its technical regulations and standards is expected to be launched in summer 2009.



- ii. Industrial/Enterprise Policy Dialogue:
  - SG Mining and Metals: next meeting planned for 27 March 2009.
  - SG SME and Enterprise: meeting planned for 23 March 2009.
  - A project to network the Russian Chamber of Commerce and Industry is expected to be launched before summer 2009.
- iii. Information Society:
  - Next Dialogue will take place in April 2009 in Moscow.
  - An e-government project to be launched in July 2009
- iv. Space:
  - The 4th Steering Board meeting to be held on 18 March 2009 in Moscow.
  - It will be preceded by a Seminar on opportunities for cooperation under the relevant Programmes and missions of the European Commission, ESA and Roscosmos, including under the 7th Framework Programme (Space, Transport and Information Society).

***b. Trade Related Dialogue***

- i. Public Procurement Dialogue:
  - Next meeting is foreseen for 6 March 2009.
  - A TAIEX seminar will take place in Brussels on the 5 March 2009.
- ii. Investment Dialogue:
  - Next meeting of the dialogue is planned for early 2009
- iii. Early Warning mechanism:
  - EU-Russia Cooperation Committee with a view to conduct consultations requested by Russia on import duties is provisionally scheduled for 20 April 2009.

***d. 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 2009 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 will take place on March 5, 2009 in Moscow.
- The pilot project for exchange of pre-arrival customs information started operating on 1 January 2009 and will have to be monitored throughout the year.
- The Chernyshevskoye (Lithuania-Russia) border crossing point should be officially opened in 2009.
- Physical implementation of the upgrade of Sovetsk border crossing will start on condition that Lithuania and Russia conclude an agreement on a new bridge over the Neman River and on financing connecting roads.
- Completion of the border crossing at Mamonovo (Russia-Poland), able to handle heavy road traffic, by December 2009.

- The "Modernization of the Customs Transit System" project, assisting Russian authorities with the development of Russian computerised transit system, will run until July 2009.
- The Decrees necessary to implement Law 266 in Russia have been finalised, and the setting-up of agencies at the border should change accordingly.

*e. Financial Services/Macroeconomic Policy*

- The next meeting, covering macroeconomic issues and financial services, is foreseen for autumn 2009 in Brussels.
- The next working groups in the area of accounting/auditing and on insurance are planned for the end of the first semester 2009.

*f. Energy*

- PPC on Energy is planned for 30 April 2009.
- Thematic Group on Energy Strategies, Forecasts and Scenarios planned for June-July in Brussels and September 2009 in Moscow.
- Thematic Group on Energy Market Developments planned for February-March 2009 in Brussels and October 2009 in Moscow.
- Subgroup on Investments should meet on 18 or 19 March 2009 in Moscow.
- Thematic Group on Energy Efficiency is planned for April 2009 in Brussels.
- A joint seminar on Evaluation and Further Development on Early Warning Mechanism is foreseen to take place in March-April 2009.
- A joint seminar on Energy Efficiency and Renewable Energy role assessment in the demand balance
- A joint seminar on Economic Analysis of the Use of Associated Gas is foreseen to take place in May-June 2009.
- Completion of the EU-funded project dealing with renewable energy and rehabilitation of small scale hydropower plants by August 2009.

*g. Environment:*

- The 2<sup>nd</sup> PPC-ENV is planned for November 2009 in Moscow.
- The 5th meeting of the Climate Change sub-group is planned in the first half of 2009 with a workshop. Possible topics for the workshop include cost and benefit analyses of climate change, including effects on agriculture, and carbon capture and storage.
- Clean Production subgroup of Environmental Dialogue should be reactivated during 2009 (awaiting a proposal from the Ministry of Natural Resources and Ecology (MNRE))
- It was agreed to hold a technical workshop on BioDiversity and Nature Protection in 2009 on reporting under the EU Habitats Directive. It was also agreed to undertake a joint examination of common avian flyways including in the Western Palearctic region
- The 3<sup>rd</sup> meeting of the expert subgroup on Water and Marine issues is planned for the first half of 2009.

- A project with NEFCO (Nordic Environmental Finance Corporation) to secure co-financing to upgrade waste water plant facilities in Kaliningrad Oblast will be signed in the summer 2009.
- The 2<sup>nd</sup> meeting of the Clean Production and Pollution Prevention subgroup will be held in March 2009.

#### ***h. Transport***

- Working Group on Transport Security will take place in the first half of 2009 in Brussels
- WG on Road and Rail Transport: 5<sup>th</sup> meeting should take place in 2009 in Moscow.
- A € million PPP project in the area of transport ("PPP: Technical Preparation of Transport Investment Projects) will be in place in 2009 – 2011.
- A joint seminar on Public-Private Partnerships is planned for the first half of 2009.
- A second conference on harmonising transport strategies should be organised in the course of 2009.
- Details of the Northern Dimension Partnership on Transport and Logistics, notably the location of the secretariat and financing, are to be finalised with a view to concluding a Memorandum of Understanding by the summer of 2009, so that the Partnership is fully operational by 2010.
- Russia to implement the "Agreed Principles" to launch the aviation cooperation agenda agreed in Helsinki 2006.

#### ***i. Accounting/Auditing and Statistics***

- The next working group on accounting/auditing is planned for the end of the first semester 2009.
- A follow up publication of the Joint Eurostat-Rosstat publication on statistical comparisons (2007) is foreseen for 2010.
- A new Eurostat-Rosstat MoU with a revised list of benchmarking indicators on societal and economic cooperation should be finalized by the end of 2009. Seminars on key statistical domains are foreseen between Eurostat and Rosstat in 2009 aiming at further harmonization of statistics.

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

- The Agricultural Dialogue 2009 should focus on cooperation in agricultural policies in particular on agricultural support policies, rural development and quality policy.
- The Agreement on co-operation in fisheries and the conservation of the living marine resources in the Baltic Sea is expected to be signed once the text is finalised.
- The modalities of the first dialogue between the Commission's DG MARE and the State Committee for Fisheries of the Russian Federation are being finalised.

***k. Interregional and Cross-border Co-operation:***

- Work out co-financing modalities for the CBC programmes by Russia, agree and sign Financing Agreements with Russia for all programmes.
- ,Numerous seminars, on multi-level governance, on capacity building and on management issues, as well as a study visit of the Russian Delegation to EU will be organised in 2009 (funded by TAIEX), with dates and programme to be proposed by Russia,
- In the first quarter of 2009, a concept paper will be delivered by Russian experts on criteria for the efficient allocation of financial resources under cross-border programmes
- Two meetings of Round Table between Committee of the Regions and Russia have been planned for 2009: the regular annual meeting in September in Brussels, and one in November in Sweden, with the focus on the Northern Dimension.
- It has been agreed to organise two TAIEX seminars in 2009 on multi-level governance and capacity building and management of large projects in Russia. One of the seminars should take place in May-June in St Petersburg, and the other one in the fall of 2009.

**EU-RUSSIA COMMON SPACE  
ON FREEDOM, SECURITY AND JUSTICE  
PROGRESS REPORT 2008**

**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) of 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 2008. On 24-25 April in St. Petersburg, the Russian side was represented by Mr Viktor Ivanov, Aide to the President of the Russian Federation, and Ministers of the Interior and Justice. On 14-15 October in Paris, Mr Alexander Konovalov, Minister of Justice and Presidential Special Envoy for EU-Russia JLS cooperation, led for the first time the Russian delegation which also included Minister of the Interior Nurgaliev. The EU side was represented by the Ministers of the Interior and Justice of the incumbent Presidency and the Vice President of the European Commission Mr. Jacques Barrot.

**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 addressed within the II Space 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 migratio” 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 II Space.

**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 Permanent Partnership Council. It is complemented by informal dialogue and expert meetings. In addition, following the entry into force of the EC-Russia Visa Facilitation and Readmission agreements on 1 June 2007, the Joint Monitoring Committees established by these Agreements meet at regular intervals to discuss implementation and interpretation of the Agreements. The Joint Committee on Visa Facilitation met on 29-30 January 2008 and 10 June 2008, while the Joint Readmission Committee met on 21 May 2008 and 12 November 2008.

## **Other meetings (non exhaustive list)**

- Expert level meetings on Counter Terrorism enabling exchanges of information and best practices on 24 April and 23 September 2008.
- EU-Russia Troika on Drugs in Brussels on 18 December 2008.
- Meetings of the EU-Russia visa dialogue on Block 2 (illegal migration including readmission) in Moscow 28-29 February 2008 and on Block 3 (public order and security) in Moscow on 8-9 April 2008.
- Informal consultations on judicial cooperation in civil matters in Moscow on 29-30 January 2008
- Informal expert meeting on drugs precursors in Brussels on 11 April 2008.
- Meeting between Eurojust and Russia on 9-10 July 2008.
- Visits of Europol and the European Police College (CEPOL) to Moscow.
- Expert meetings between Frontex and the Russian Border Guard Service in the fields of Risk Analysis and Research and Development were held at Frontex HQs in December 2008.

## **Permanent Partnership declarations**

The PPC declarations of April and October 2008 noted the importance of the visa facilitation and readmission agreements as well as the launching of the visa dialogue. The importance of cooperation on border issues and further operational cooperation between FRONTEX and the Russian Border Guard Service was underlined. Counter-terrorism dialogue was highlighted as was the need for further cooperation with CEPOL, EUROPOL and EUROJUST. 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. Common implementing guidelines for the Visa Facilitation Agreement were agreed by the Joint Committee in June 2008 in view of formal adoption at its next meeting in March 2009.

**The first expert meetings on illegal migration including readmission and public order and security took place in February and April 2008. Preparations for a meeting on external relations (Block 4) continued.**

Dialogue on border management and cross border cooperation issues has continued intensively. (See also section on Common Economic Space for cooperation on border infrastructure.)

**Negotiations on bilateral local border traffic agreements between Russia, on the one hand, and respectively Latvia, Lithuania and Poland, on the other hand, started in 2008.**

**On the basis of the working arrangement on operational cooperation between Frontex and the Russian Border Guard Service, the Russian Federation participated in the joint operation that was organised in the context of the Eurocup 2008 football tournament.** The Russian Border Guard Service also took part in the "Eastern Borders Conference" in the framework of the Frontex Risk Analysis Network.

A cooperation plan between Frontex and the Russian Border Guard Service was established in order to further develop the cooperation between 2008 and 2010. It covers the organisation of activities in the fields of risk analysis and information exchange, technical aspects of border control, illegal immigration and joint operations, training and participation in multilateral symposiums linked border guard activities.

## ***b. Security***

Counter terrorism has been pursued by exchanging information and promoting the implementation of international norms through targeted dialogue.

Meetings between EU Member State Liaison Officers and representatives of Russian law enforcement agencies took place in Moscow on 7 April and 15 September 2008.

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.

Europol visited Moscow in April 2008 to evaluate Russia's national legislation implementing the Council of Europe 1981 Convention on Personal Data. Following opinions of its Supervisory Body and Management Board, Europol will request a mandate from the Council to negotiate an operational Europol-Russia agreement. 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 European standards.

In 2008, an informal meeting on critical infrastructure protection took place.

*Tacis projects have continued to support the development of Russian legislation on migration and asylum, anti money 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 is still ongoing. It provides technical equipment, development of software and training for Russian personnel of NCB Interpol in Russia.*

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

*A small project (€ 150,000) financed by Tacis and implemented by UNODC, is conducting 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 analyses 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. 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 European standards.

Informal talks between the Commission and Russia on judicial cooperation in civil and commercial matters continued in Moscow on 29-30 January 2008. The parties discussed the framework of a possible bilateral agreement in this field.

*TACIS projects have supported the reform of the judiciary system in Russia focusing on improving access to justice, internal re-organisation of the courts and training of judges. This project was launched at the end of 2008. In parallel, a second project on execution and efficiency of Justice is in preparatory phase and is expected to be launched during the middle of 2009.*

### **d. Human Rights**

Seven rounds of the EU-Russia human rights consultations have taken place to date. Two rounds took place in 2008: on 17 April, in Ljubljana, and on 21 October, in Paris. 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: freedom of expression; racism and xenophobia; human rights and counter-terrorism; the rights of children; domestic violence; cooperation 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.

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 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. Due to the limitations and restrictions placed on election observation by the Russian Federation, OSCE/ODIHR was unable to fulfil its mandate and observe the Presidential election. 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:

- 17.1.08 closure of the British Council offices in Russia
- 4.3.08 results of Presidential elections in Russia
- 17.4.08 outcome of human rights consultations
- 4.9.08 death in police custody of Mr. Magomed Yevloyev
- 10.12.08 raid by prosecutors on the offices of Memorial in St. Petersburg.

### **Next steps**

- To continue parallel implementation of the Readmission and Visa Facilitation Agreements and monitor it in the respective joint committees.
- To continue the visa dialogue to examine the conditions for visa-free travel as a long-term perspective, including the organisation of a first meeting on Block 4 (external relations).
- Liaison Officers Meeting (LOM), 24 March, Moscow.
- PPC in May in Kaliningrad (tbc)
- Subject to the Council's green light, to start negotiations on a Europol-Russia operational agreement
- To start negotiations on an EU-Russia agreement on the control of drugs precursors subject to the approval of the negotiating directives.
- To hold informal consultations on cooperation against cybercrime.
- To organise an expert meeting on judicial cooperation in civil and commercial matters notably on the ratification/implementation of the Hague Conventions.
- To organise an expert meeting on judicial cooperation in criminal matters.
- Continue efforts to explore possibilities for Russia's accession to and full implementation of the Council of Europe Convention on the Automatic Processing of Personal Data, including possible study visits of Russian representatives to EU Member States on personal data protection.
- To continue talks on a Eurojust – Russia cooperation agreement
- Two rounds of human rights consultations are planned for 2009, the first one scheduled to take place on 31 March, in Brussels.

# EU-RUSSIA COMMON SPACE ON RESEARCH AND EDUCATION, INCLUDING CULTURAL ASPECTS PROGRESS REPORT 2008

## **Objective**

The EU and Russia agreed at the St. Petersburg Summit of May 2003 to establish a ‘Common Space on Research and Education, including cultural aspects’. A road map agreed in 2005 sets out objectives and areas for cooperation for the short and medium-term. The implementation is ensured, most notably, through joint working groups and Permanent Partnership Councils. The overall objective of the Common Space for Research and Education is to deepen science and technology cooperation and to enhance education cooperation in line with the Bologna process.

### *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 modernization of the national economies and implementation of advanced scientific achievements for the benefit and well being of citizens;
- strengthening and optimizing 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 & safety, environmental research and climate change. It is governed by the **EC-Russia Science and Technology Cooperation agreement** whose renewal is underway. The Joint EC-Russia S&T Cooperation Steering Committee met in Moscow on 22-24 June 2008.

**Russia enjoys the status of an ICPC** (i.e. International Cooperation Partner Country) **in the EC and Euratom Framework Programme (FP)**. Meetings of FP7 National Contact Points and of Russian Federation entities in FP7 took place regularly in the course of the year. Entities from the Russian Federation participate in all thematic areas and sub-programmes of the FP7. Until now, 218 Russian Federation participants have been selected in FP7 projects, with a requested Community contribution of some €29 million. Russia's keen interest is reflected in the level of Russian co-financing, which has amounted so far to €20 million for the FP7.

The EC & Euratom FP7 Work Programmes for 2009 and 2010 foresee several **coordinated calls** with Russia: four in the thematic area of Nano-Technologies & New Materials, two in Health Research, and one in Nuclear Energy (Fission). The first coordinated call on Health was launched in September 2008. A similar coordinated call is under discussion for the WP 2010 in the area of Aeronautics research.

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 synchronized 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, the **joint permanent working groups** on key thematic priorities such as health, food agriculture & biotechnology, nanotechnologies, energy, aeronautics, mobility, space research and nuclear fission energy research met on a regular basis. A working group on environment has been launched on 16 February 2009. Furthermore, a working group on Information and Communication Technology is under preparation. These working groups ensure that Russia is associated to the consultative process surrounding the preparation of the FP activities.

In 2008, **three new FP7-funded projects were started** whose activities will, in a complementary manner, support EU-Russia S&T cooperation and the underlying policy processes: "BILAT-RUS" focuses on enhancing the bilateral S&T Partnership between the Russian Federation and the EU Member States, Candidate Countries and other Associated Countries; "ERA-NET.RUS" aims to develop the coordination of joint S&T programmes of funding institutions in EU-Member States (MS) & Associated Countries (AC) with Russian programme owners and subsequently to implement a pilot joint call for research projects of interested programme owners including Russia; and "IncoNet-EECA" aims to support a sustainable, knowledge-based, bi-regional S&T dialogue between stakeholders from the EU Member States & Associated Countries, and the EECA countries, including Russia.

Against this backdrop of intense EU-Russia research cooperation, Russia on 10 April 2008 formally expressed its **interest to become an associate member of the EC and Euratom Research Framework Programmes (FP)**. At the Permanent Partnership Council (PPC) on Research on 26 May, the EU committed to take all the necessary steps to examine Russia's request and "*expressed the hope that a satisfactory outcome will be achieved as soon as possible*". Russia's potential association to the FP will be addressed in the context of the New EU-Russia Agreement.

The Russian Government initiated an **internal re-structuring of the Ministry of Education & Science** in order to effectively implement its ambitious reform agenda. A new Department will focus on creating linkages & synergies between science and education, elaborating long-term development forecasts and strategies, and on raising public awareness of R&D achievements.

It will include a separate unit dedicated to "European matters" (European large-scale research infrastructures, EU Research Framework Programme, OECD, etc.), with other backbone departments to follow new concepts and initiatives. Furthermore, the international cooperation dimension has been **structurally reinforced at the Federal Agency for Science & Innovation (Rosnauka)**, hitherto the EC's main counterpart for joint EC-Russia calls for co-funded research proposals.

The Russian Government supported ten major FP7 related events (including meetings of joint EC-Russia WGs, information days on EC-Russia coordinated calls, RU FP7 initiatives in ICT, SSH, Research Infrastructures, and NCPs networking & capacity building events) and **reinforced its organisational and financial commitments towards ITER and FAIR projects**. It also implemented a few joint research & innovation activities with some of the EU Members States.

In 2008, **the Russian Government has been particularly active in space** making more funding available for space programmes (such as the Global Navigation Satellite System - Glonass) and enhancing the institutional & legal framework (in order to regulate Glonass) as well as its commitments within European-Russian space cooperation initiatives. Experts believe the recent windfall of allocations to space programmes is mainly due to Russia's enhanced defence and security priorities.

The Russian Parliament is expected to adopt the draft budget law for 2009 and for 2010-2011. The financial provisions for 2009 are to take into account the national "strategic priorities" outlined in the President's Budget Address which embrace (i) establishing national innovation system through the development of fundamental & applied research, the support to large-scale S&T projects and advanced technologies, and the creation of incentives for innovative activities; (ii) increasingly investing into nation's human capital development including education and health; (iii) developing transport, telecommunication, energy and other infrastructure; (iv) improving the performance of public institutions. However, **R&D allocations in 2010-2011 could remain flat** and even negative in some cases.

**Russia is a recipient party of the International Science and Technology Centre (ISTC)**, which is an intergovernmental organization established in 1992 through an agreement signed by the European Community and the European Atomic Energy Community (acting as one party), the USA, Canada, Japan, and the Russian Federation. However, the Russian Parliament has never ratified the agreement establishing the ISTC and the Russian authorities consider that the ISTC has fulfilled its nonproliferation task. Today the ISTC **essentially acts as a match-making and implementing agency of research projects**.

A major element in the full realisation of the Common Space on Research are the numerous bilateral cooperation programmes and activities of the EU Member States with Russia. A compendium documenting these cooperative bilateral relationships has been prepared by the Delegation of the European Commission to Russia; its publication (in English and Russian) is planned for early 2009.

### Next steps

- Potential Association to the EC and Euratom Framework Programme for Research and Technological Development.
- Closer Russian participation in the European Research Area.

## ***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, 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.

In line with the Bologna process, a new law introducing a two cycle system bachelor (4 years) and master (2 years) is expected to enter into force in September 2009. 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 freedom and responsibility in terms of curricula development, reducing the “federal component” (i.e. the portion of the curriculum regulated at the federal level).

*In 2008, the **Tempus programme** continued to promote the reform of higher education through university cooperation. In 2008, a total of 20 projects with participation of Russian universities worth € 12.5 million have started. These include 12 multi-country projects. Project details can be found: [http://ec.europa.eu/education/programmes/tempus/countries/russia\\_en.html](http://ec.europa.eu/education/programmes/tempus/countries/russia_en.html). The Tempus IV programme priorities were: 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 second call for proposals scheduled to take place in 2009.*

*University cooperation is supported by the Erasmus Mundus External Cooperation Window. This 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 2008, three consortia were awarded grant contracts for a **total EC funding of € 12 million**. As a result, **25 European and 34 Russian universities participate** in this programme with the aim to implement 730 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, 207 Russian students and 60 academics have benefited from such scholarships. In 2008, **81 students and 19 academics were awarded Erasmus Mundus scholarships**.*

*In addition, Erasmus Mundus supports partnerships between the EU and Russian universities. In 2008, **four Russian educational institutions have participated in partnership projects** supporting the promotion and visibility of European higher education in the world.*

*In 2008, two new projects were selected under the Jean Monnet Programme. This brings the total number of Jean Monnet projects in Russia to 11. Furthermore, in 2008 **6 scholarships were granted to Russian students to study at the College of Europe** both in Bruges, Belgium and in Natolin, Poland.*

*A particularly important project is the European Studies Institute (ESI) in Moscow. The project is co-financed by Russia and the EC, which will be supporting it through a € 3 million grant until September 2009. About 129 students, most of whom are young officials, graduated in December 2008, while a new cohort of 108 students were selected in September 2008 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.*

**An evaluation of the Institute was carried out in June-December 2008.** The evaluation showed that the ESI had been successfully launched and had broadly achieved its initial aim (i.e. “promoting studies and training in Russia in the field of European Union law, EU economy, EU general and interdisciplinary studies, including training and retraining for government officials and post-graduate students, in accordance with the best practices in the EU”). The evaluation produced an extensive list of recommendations pertaining to the Master's programme, the Institute's research activities, the visibility and profile of the Institute as well as its management and administrative practices.

Based on these recommendations, the ESI has prepared concrete proposals for the period 2010-2013 aimed at transforming itself in an outstanding education, training and research institute in the field of European Studies. The findings of the evaluation, as well as proposals to further develop the ESI (2010-2013), will be discussed at the ESI Board meeting of 26 February 2009.

A study of the centers, 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 centers** on the basis of existing centers, 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 two years of implementation of the Programme, over 1000 young people and youth workers from Russia have benefited from such opportunities through participation in more than 220 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.
- Further promotion of EU multidisciplinary studies for instance through the set up of a network of EU centres, which are funded by the EU.

### *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 2008 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. Russia is still analysing the implications of a possible ratification of the 2005 UNESCO Convention. A working group had been set up to look into the legislative requirements in terms of cultural heritage and cultural diversity. However, the political decision to seek ratification has not been taken. 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, **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.

Progress had been slow since the last Working Group meeting of September 2007 due to Russia's resistance to include policy and regulatory aspects in the Culture Action Plan, envisaged in the roadmap. At the June working group meeting, Russia committed to find an appropriate formulation which would reflect the common understanding that there is shared interest to have a technical level policy dialogue. The importance of policies and standards (e.g. broadcasting) in an "open space for cultural cooperation" was highlighted at the meeting. A non paper on the relation between WTO trade commitments and cultural cooperation was sent to the Russian side as a follow up to the meeting. Furthermore, the meeting served to highlight the need to preserve the **necessary balance between policy dialogue and concrete initiatives furthering cultural cooperation**.

The working group had made some progress on the **high level conference/Forum for cultural operators** to which the EU and Russia committed at the Culture Permanent Partnership Council in Lisbon on 25 October 2007. The Ministry mentioned explicitly the need to include civil society and cultural operators to foster the people-to-people dimension of the Culture Action Plan and of the Fourth Common Space. There was a good understanding of its purpose (case showing of cultural cooperation, consultation of cultural operators and input on programmatic documents, discussion on the environment - mobility, cooperation between cultural industries).

The Russian side reacted in December 2008 to an initial proposal for the Culture Action Plan, made by the EU in October 2007, setting forth a revised counterproposal for a possible Action Plan, reflecting a certain number of conclusions of the June 2008 meeting of the Joint Working Group.

At the same time, a number of cultural projects and initiatives have taken place. In 2008, the EC launched a second call for proposals to support partnerships between cultural operators of Russia and the EU. A **total of 9 projects were selected with a budget of € 2 million**. An additional 8 projects from the previous 2007 call are on-going. The priorities for these calls were innovative and creative artistic projects, cultural mobility, networking of cultural organizations and cooperation between museums.

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

### **Next steps**

- Adoption and implementation of the Culture Action Plan.
  - New EC funded culture call for proposal expected to be launched in autumn 2009.
  - Contemporary dance festival in winter 2009.
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