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EU-RUSSIA COMMON SPACES PROGRESS REPORT 2010

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This report outlines progress made during 2010 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 2011. A detailed section is devoted to each of the four spaces. Where appropriate, reference is made to major EC financial cooperation projects in support of the Common Spaces Road Maps implementation, however, it should be noted that the document does not attempt to provide an exhaustive overview of all financial cooperation.

Russia advanced on the path to **WTO accession**. A memorandum of understanding was signed at the EU-Russia Summit of December, reflecting the finalised negotiation on the remaining bilateral issues of particular concern to the EU. **Negotiations for a New EU/Russia Agreement** to replace the existing Partnership and Cooperation Agreement continued. Russia's **Customs Union with Belarus and Kazakhstan** entered into force on 1 January 2010.

Both sides started to recover from the **economic crisis**. Russia continued applying previously introduced **protectionist measures** also under the customs union (e.g. increased import tariffs, SPS measures, discriminatory road and rail tariffs, export duties for wood and other raw materials, Siberian overflight fees, barriers to imports of pharmaceutical products).

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

Dialogue and contacts have continued under all four Common Space Road Maps, including on Commissioner/Minister level. During the year, three Ministerial meetings of the **EU-Russia Permanent Partnership Council** were held: Energy (once), and Freedom, Security and Justice (twice). Two summits at presidential level took place.

The June Summit launched the **Partnership for Modernisation** with a joint statement. The Partnership has helped to streamline the dialogues and subgroups and should continue to make them more results-oriented. A first joint progress report was delivered to the Summit in December and a joint rolling work plan was agreed. A number of EU Member States likewise concluded modernisation partnerships with Russia.

Russia continued using the **TAIEX** facility financed and offered by the EU. Russian experts and officials participated in 33 events, seminars, conferences and study visits.

The **main achievements** of the EU-Russia dialogue in 2010 included:

General:

- Launch of the Partnership for Modernisation and agreement on a joint rolling work plan;
- Negotiations for the New EU-Russia Agreement continued (5 negotiation rounds)

were held in 2010);

- An agreement was reached on outstanding bilateral issues with regard to WTO accession, and a memorandum of understanding signed in December.

Trade and Economic cooperation:

- Joint statement by Vice President Tajani and Russian Minister for Trade and Industry Khristenko in October which recognises the need for acceleration in the field of regulatory alignment. Progress on reaching an agreement on a list with priority regulations to be aligned was made at a follow-up meeting in December;
- Large Russian participation in the space work programme 2010 under Framework Programme 7;
- Endorsement of a Strategic Framework for Customs Cooperation on the basis of three priorities (fluid and safe trade lanes; risk management and the fight against fraud; investment in customs modernisation);
- The Border Crossing Point Mamonovo II, on the Polish border, was officially opened in December 2010;
- The 10th anniversary of the EU-Russia Energy Dialogue was marked with an agreement to enhance and widen the scope of the Dialogue, inter alia, a long-term road map with the aim to discuss the role of Russian energy resources for the EU energy mix until 2050, to improve the functioning of the Early Warning Mechanism, to cooperate on electricity issues and to work towards the reduction of investment barriers;
- A joint statement by Commission Vice President Kallas and Russian Transport Minister Levitin identifying the priority areas for which more cooperation could be pursued;
- Harmonisation of Russian phytosanitary norms with international and EU standards in the field of pesticide residues for 20 combinations of substances and commodities, based on EU requests.

Freedom, Security and Justice:

- Declaration by the Permanent Partnership Council in November to launch the joint elaboration of an exhaustive list of common steps of which the implementation will open the possibility for engaging in negotiations on an EU-Russia visa waiver agreement;

- Launch of negotiations between Europol and Russian law enforcement authorities in May on an operational agreement;
- Extension of the Russian moratorium on the death penalty and Russian ratification of Protocol 14 of the European Convention on Human Rights;
- Launching of a number of reforms in the area of judiciary, penitentiary and law enforcement, with particular EU support to the reform of the appeal procedure in Russia.

External Security:

- Agreement on the protection of classified information, which will allow for the exchange of classified information in the context of EU-Russia cooperation on any matter of common interest. Negotiations on technical arrangements are still ongoing;
- Good cooperation continued between EU NAVFOR Atalanta and the Russian naval mission deployed off the Somali coast, enhancing the levels of protection provided to merchant shipping;
- Russian readiness to move forward on a framework agreement in the field of crisis management operations. First expert talks have taken place and will continue in 2011.

Research, Education and Culture:

- Set-up of 2 new joint working groups by the EU-Russia S&T Cooperation Steering Committee in the areas of Research Infrastructures and Researcher Mobility;
- Enhancement of the S&T policy dialogue and stimulation of S&T cooperation between research organisations and researchers from both the EU and the Russian scientific communities through four projects within the FP 7 Capacities programme;
- Establishment of the Northern Dimension Partnership on Culture. A Memorandum of Understanding was concluded between the participating countries and institutions in May formally setting the objectives for this partnership.

EU-RUSSIA COMMON ECONOMIC SPACE

PROGRESS REPORT 2010

Progress

a. Industry Related Dialogues

i. Regulatory Dialogue on Industrial Products

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

Since 2005, nine plenary meetings of the co-chairs of the Industrial and Enterprise Dialogue have taken place at approximately six-monthly intervals. The meetings of last year were held on 4 March in Moscow and 11 November in Brussels.

The main purpose of these meetings is to monitor the progress of the eight existing subgroups. The meeting of 4 March in Moscow was preceded by a meeting on 3 March of the working group for the construction sector. In this field, Russian interest in the so-called "Eurocodes" for construction appears to be very strong.

Day to day business was conducted efficiently under all the meetings. Approximation of legislation would secure better market access for operators on both sides and would help further market integration. However, although the Russian side has sent a consistent message that they wish to align their technical regulations and standards with the EU system, in practice there has not been much progress over the last 4 years. The EU-Russia Partnership for Modernisation, launched in 2010, emphasises that progress on regulatory alignment needs to be given more importance and more concrete results need to be achieved. Policy statements of the Russian president referred to the possibility for Russia to align itself more closely to EU technical regulations and standards. When Commission Vice-President Tajani met his Russian counterpart Viktor Khristenko, Minister for Trade and Industry, in Rome on 22 October 2010, a Joint Statement was signed which also recognised the need for acceleration in the field of regulatory alignment. The Joint Statement also indicates that a list with priority regulations, where alignment will be realised before the end of 2011, will be agreed. The next year will therefore be critical in demonstrating first clear results in the process of regulatory co-operation between the EU and Russia.

The work plan of the Partnership for Modernisation also mentions the importance of associating Russia closer to European standards organisations. This would in turn

eventually make the standards which these organisations adopt much more recognisable and acceptable within Russian industrial circles. A number of Russian organisations are already members of the European Telecommunications Standards Institute (ETSI), but it is vital that Russia also gets more closely involved with organisations such as CEN (Comité Européen de Normalisation), CENELEC (Comité Européen de Normalisation Electrotechnique), and others.

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

A TACIS project on support to E-Government with the Ministry of Economic Development and the Ministry of Communication is ongoing. The overall objective of this € 2 million EU-funded project is to contribute to the efforts of the Russian government to improve transparency, administrative efficiency, and accountability of the Russian public administration due to (a) improved inter- and intra-agency cooperation, and (b) improved state-citizen relations. Overall, the theme of the project is most relevant to current policy priorities in the Russian Federation. There is considerable pressure on the government to increase the roll-out of e-services at federal, regional and municipal level and the project is in a good position to help them.

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

1. Automotive industry:

This subgroup is successful due to the active interest on both sides. There is open and constructive cooperation and issues of practical nature in relation to both sectoral policy orientations and specific technical regulation subjects are discussed. Both sides are pleased with the level of information exchange and the cooperation between the EU and Russia in UNECE activities in Geneva.

Two current key issues are:

- **Lack of automatic recognition of EC vehicle certification results.** Although Russia and the EU both implement a very large number of often the same UNECE regulations, some vehicle-related subjects do not have UNECE standards (e.g. statutory plates, windshield defrosting, demisting devices, spray suppression systems). In addition, some technical differences can arise between the EC type-approval certificates compared to UNECE and Russian requirements (e.g. noise marking requirements for tyres). The new Russian law (Technical Regulation concerning the safety of wheeled vehicles, which entered into force on 23 September 2010) makes it difficult to recognise these differences in the future, which in turn would require EU manufacturers to carry out additional testing. In the

absence of a Mutual Recognition Agreement (MRA), discussions are focused on the possibility to address the issue through a more limited bilateral expression of recognition in the technical legislation. The meetings of the subgroup are ongoing on this subject, but have not yet managed to produce a solution.

- **Cooperation on international rules and standards as regards international whole vehicle type approval (IWVTA).** An informal UNECE working group has been set up to specifically cover this item. It will also have to deal with the ambitious task of revising the UNECE Agreement of 1958. Close involvement of all interested parties is necessary if this long term and ambitious item is to be successful. Cooperation with the Russian Federation is particularly important as the EU and Russia share a long tradition and experience in type-approval. Russia announced that it will actively participate in the informal working group for IWVTA.

Two meetings of the subgroup were held in 2010: in June in Brussels and in November in Moscow. It is expected that the group will meet twice in 2011, starting with a first meeting on in April in Moscow.

2. **Textile Industry:**

The regulatory and industrial dialogue in the textile, clothing and footwear sectors has started in 2006. The aim of the dialogue is a) to achieve more compatibility between legislations from both sides, in order to build an open and integrated market in the longer run between the two economic areas, b) to put in place conditions to increase opportunities for businesses on both sides, c) to promote trade and investments and, d) to strengthen economic cooperation.

The dialogue focused on conformity assessment of technical regulations and standards as well as on the launching of common projects between EU and Russian industrial associations.

Main progress achieved by this group:

- Improvement in the cooperation between EU and Russian administration in the area of the legislation. In particular, the Russian side has taken into consideration EU comments on some technical regulations related to children goods (clothing, footwear, toys) in the direction of EU related legislation. The Russian side announced a relaxation of conformity procedures for an important part of the textile, clothing, footwear and leather products.
- Regular exchange of information on the process of internationalisation of GOST standards in the light also of the Customs Union created between Russia, Kazakhstan and Belarus. The Russian side is cooperative and the exchange of information is fluent.
- One specific project of cooperation between the European Carpets

Association and St. Petersburg University was signed in 2010 and will be executed in 2011. The project refers to cooperation on standards and testing methods for carpets (to be financed by TAIEX).

- Introduction of the furs sector within the scope of the group.
- Positive evolution on the development of other cooperative projects to be initiated by the leather and textile associations.

Two meetings of the subgroup were held in 2010: in June in Moscow and in December 2010 in Brussels. It is expected that the group will meet twice in 2011.

3. ICT, Radio and Telecom:

The EU-Russia Dialogue on Information Society held its 5th meeting in April in Brussels. The Dialogue has allowed the EU and Russia to identify areas for information sharing or cooperation. In the meeting both sides provided updates on the regulatory environment for electronic communications. The status regarding the ICT Working Group and regarding the e-Infrastructures Working Group was discussed, as well as issues on internet governance, spectrum policy, safer internet/protecting children, and spam.

The Dialogue meeting on Information Society was preceded by an expert meeting the day before where the modernisation of the regulation of the telecommunications sector in the EU and Russia, as well as emergency number 112 and eCall were discussed.

Prior to the EU-Russia Summit in December 2010 both sides agreed on a substantial contribution of the Dialogue on Information Society to the work plan of the Partnership for Modernisation. Activities will focus on regulation and governance, radio-frequency spectrum and e-infrastructures.

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. At the moment it is not necessary to activate the working group, as some of the potentially relevant issues are already discussed in the working group on conformity assessment and accreditation (low voltage, electromagnetic compatibility).

5. Pharmaceuticals:

This subgroup has very limited progress to report and EU and Russian policy positions and regulatory practices are still quite different. In the meeting of June 2009 it had been agreed to foster cooperation on clinical trials and general regulatory issues at expert level.

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

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

In line with these considerations several follow-up actions have been agreed in the June 2010 meeting. However, the minutes of this meeting, which lists the follow-up points, have not yet been endorsed by the Russian side. In 2010 there has been an extensive effort on the side of the European Commission to work in the subgroups on the new Russian law on pharmaceuticals/medicine, particularly on issues of intellectual property protection and recognition of prior clinical trials, which were considered contradictory to WTO requirements and producing access barriers for European industry to the Russian markets. These efforts had very limited effects and this has had a negative impact on the credibility of the subgroup.

6. Forest-based industries:

This Subgroup has now firmly re-established itself, both in terms of the periodicity of its meetings (twice in each of 2009 and 2010) and working relations.

Recent meetings have seen the participation of representatives of sectoral industry federations from both the EU and Russia. This has already enriched discussions.

There is thus now a good platform for exchanges of information, mostly on the respective economic situations and policy and legislative developments affecting the sector. These should be continued and deepened through concrete cooperation. The impact of the economic and financial crises on the forest-based industries has increased the need for this. Accordingly, in addition to continuing existing work, exchanges are foreseen on good and best practices for firms to address their sectoral and other challenges.

The Russian wood export duties have become a somewhat less pressing issue, due to the conclusion in late 2010 of bilateral conditions for Russia's WTO accession. In October 2010 Regulation 995/2010, also encompassing a ban on the placing on the EU market of wood and wood-based products from illegal sources, was adopted. In the December 2010 encounter of the Subgroup, the Russian side criticised the regulation, seeing the measure as a trade barrier for Russian wood

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

exports.

The next meeting is foreseen in Russia in the first half of 2011.

7. Construction Products:

It was agreed to establish this subgroup in October 2007, following the request of the EU-Russia Industrialists' Round Table. There has been a long delay in starting the work of the group since the Russian side was not able to appoint a co-chair for a long time. In order to break the deadlock, the EU side organised a TAIEX seminar on Eurocodes, held in Moscow in October 2008, which was well attended by technical experts on both sides, including representatives of the Federal Agency on Technical Regulations and various technical institutes. It was agreed during the event to work on Eurocodes at a number of different levels: between the Joint Research Centre and certain Russian technical institutes, between CEN and the Federal Agency, and between the Commission and the Russian government. It also called for the work of the subgroup to begin, and as a result the Ministry of Industry, Science and Technology (MIT) appointed a co-chair. The first meeting took place in March 2010. This meeting was attended by policy makers and standards organisations, and discussions were driven forward by a clear commitment (and perceived urgency) from the Russian side, in particular in view of the infrastructure works required for the Sochi 2014 Sochi Olympic Winter Games and renewed discussions in Russia on energy efficiency requirements for buildings. Nevertheless, the activities of this working group were again suspended when the position of co-chairman on the Russian side was vacated after the March meeting, a situation which persisted during the rest of the year, until a new Russian co-chair was appointed in December.

8. Conformity Assessment and Standardisation:

This horizontal subgroup 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 technical barriers to trade (TBT) disciplines and, more specifically, the EU New Approach can be discussed. In line with the aspirations of the Partnership for Modernisation in the field of alignment of technical regulations and standards, this group has been given a lot of attention in 2010 by both the Commission and the Russian side. Two meetings were organised with intensive agendas and broad participation of both officials as well as standards organisations.

On the Russian side, Deputy Minister Salamatov participated in both meetings in June and December. Horizontal topics relating to the systems of technical regulations were discussed, in particular the accreditation systems, and the meetings were also used to look more closely at specific pieces of Russian technical regulations/legislation, where alignment to the EU acquis is on the agenda. This concerned in particular the EU Low Voltage Directive and the

relevant Russian law relating to low voltage electrical equipment; and the EU Directive on Electromagnetic Compatibility and the related draft law in Russia. The discussions allowed deviations in regulatory techniques to be analysed, followed by requests to the Russian regulatory authorities to amend certain aspects of law, particularly on issues of mandatory third party conformity assessment in the Russian case, vis-à-vis the European practice of conformity declarations under the manufacturer's own responsibility.

At the December meeting, and as a follow-up to the October meeting in Rome between Vice President Tajani and Minister Khristenko, further progress was made in reaching an agreement in principle on the priority areas where the Russian Federation would strive for alignment of its technical regulations to the EU's. Such items had also been included in the development plan of the Customs Union of Russia, Belarus and Kazakhstan and include, apart from the Low Voltage and Electromagnetic Compatibility regulations, regulations relating to safety of toys and packaging, safety of pyrotechnical products, safety of machinery, chemicals and food, as well as construction. A first discussion on the safety of machinery legislation already took place at the meeting of December. During 2011 it will be determined to which extent the discussions will lead to concrete results. The TACIS supported project on regulatory alignment is now closely associated to the dialogue in the working group, as well as standards organisations.

At the November meeting of the plenary co-chairs of the regulatory dialogue an agreement in principle was reached to accelerate the work of the group further, with a view of reaching a tempo of meetings of 3-4 per year (rather than the previous 1-2 meetings per year), at least for the 2011-2012 period. At the December meeting first discussions were also introduced on the need to formalise cooperation between the standards bodies on both sides and there are now perspectives to have a cooperation agreement signed in 2011.

ii. Industrial/Enterprise Policy Dialogue

Since 2005, nine plenary meetings of the co-chairs of the Industrial and Enterprise Dialogue have taken place at approximately six-monthly intervals. The meetings of last year were held in March in Moscow and in November in Brussels.

The situation with the industrial/enterprise dialogue is very much the same as with the regulatory dialogue (see above). As far as exchange of information is concerned, good progress has been made. The communication reduces the likelihood of trade disputes arising in the sectors concerned and the exchange of information allows for European Commission's input on draft Russian legislation (i.e. on industrial goods), and to explain EU industrial and enterprise policies. Within the different sectoral working groups, information is also exchanged on industrial statistical data, technology developments in the sector, and the developments in foreign markets. Last year, within a number of sectoral working groups, measures taken as "crisis response" were also discussed,

following the unfolding of the economic and financial crisis by which both the EU and Russia have been affected. The EU seeks approximation of legislation in this field, but little has been achieved over the past three years.

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

1. Automobiles:

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

2. Textiles:

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

3. Mining and metals:

The last meeting of the group took place in November in Brussels and the next meeting should normally take place in Moscow in 2011. The discussions have concentrated on an exchange of views on a variety of topics relevant to the situation of the mining and metals sectors. As the metals industry is politically and economically very relevant in Russia and as Russia is a resource rich country, the subgroup meetings present an occasion to enhance our dialogue on raw materials. The meeting in November was a promising starting point for possible cooperation within the EU-Russia Partnership for Modernisation, looking into possibilities of joint projects in the area of efficient exploration and exploitation of raw materials, in particular the Barents region. At the October meeting of Vice President Tajani and Minister Khristenko in Rome, a first exploratory discussion on the strategic issues of access and energy efficient exploitation has taken place.

On other issues, a large number of clarifications in different areas of concern for the Russian side have been provided. The meetings have on occasion also been an opportunity to present foreign investment opportunities, business fairs and others.

4. Chemicals:

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

the EU Technology Platform for Sustainable Chemistry (SUSCHEM).

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

- Improved Russian framework for registration of plant protection products (pesticides), that should in principle facilitate for both Russian and third countries' companies the registration of pesticides in Russia. A more thorough reform of the relevant legislation in Russia seems to be ongoing now.

- Decreased delays in completing customs procedures and waiting times for trucks at the border by more than 30 %, although most probably due to the effect of the economic crisis. However, the point addressing customs procedures has never been discussed in the dialogue on chemicals, despite repeated requests from the European side, as no representative of the competent Ministry participated in the meetings. Further results are rather expected from the horizontal EU-Russian dialogue on customs. In particular the emerging customs union with Belarus and Kazakhstan raises new concerns among EU industry, as well as the re-organisation of customs clearing points in Russia.

On the main topic of common interest - i.e. the Chemicals law – it has become clearer in 2010 that instead of earlier commitments between the Russian minister and former VP Verheugen to revise the Russian legislation on chemicals by aligning it with the EU REACH legislation, Russia is not willing to give up its current system of "conformity assessment" and that Russia seems to have abandoned the original intention to align its legislation with REACH. The latest draft for the new legislation is indeed limited to implementing the GHS, while maintaining the existing conformity assessment procedures. Consequently, it seems that Russia's intention is now to revise the Russian Federal law on special technical regulations on chemicals to approach the EU CLP Regulation, with nevertheless some differences that have the potential to create difficulties for EU chemical businesses exporting to Russia. The draft law has been submitted to the Duma in Russia at the end of 2009, but no progress has been made with its adoption. Delays are, at least in part, due to the emergence of the customs union with Belarus and Kazakhstan, which has a direct impact on that legislation.

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

and found to be in compliance with GLP through the so-called Mutual Joint Visit Programme of the OECD. At the last meeting, Russia announced that inspections of Russian laboratories would start soon.

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

The last meeting of the group took place in July in Brussels and the next meeting of the subgroup is planned in Moscow towards the end of May/mid-June 2011.

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

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

6. SMEs and enterprise policy:

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

The latest meeting of the group took place in March 2010 in Moscow with the objective to exchange information on recent SME policy developments in the EU and in the Russian Federation, focusing on two main topics: innovation policy and stakeholder consultation/SME Test. The Russian side recognised the key role of SMEs in achieving sustained and more equitable growth as well as their role in the modernisation of the economy, a key item of the EU-Russia Partnership for Modernisation. Russia is taking an increasing number of initiatives to improve the framework conditions for businesses, including tackling a complex, non-transparent and often unpredictable administrative and regulatory environment, which creates a disproportionate burden for SMEs. The Russian side showed a genuine interest in EU policies, programmes and good practice presented in the meeting.

The next meeting should take place in the first half of 2011.

iii. Space

The EU-Russia dialogue on space is governed by a trilateral Steering Board with participation of the Russian Federal Space Agency, the European Space Agency and the European Commission. 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.

The latest meeting of the Steering Board of the EU-Russia Dialogue on Space Cooperation took place in June 2010 in Berlin. This meeting identified priority activities for the 2010/2011 period of the seven working groups set up under the space dialogue, namely Earth observation, satellite navigation, satellite communication, (the latter three groups are co-chaired by the Commission), fundamental space science, applied space science and technology, launch systems, human spaceflight programme (the latter four groups are co-chaired by ESA). A number of highlights of mutually beneficial EU-Russia space cooperation include:

- Satellite navigation - it is expected that before the end of 2011, the EU and Russia will sign a cooperation agreement on Global Navigation Satellite Systems.
- Launch systems - The launch infrastructure at the European space port in French Guyana is now close to completion with the first launch of Russian Soyuz rockets anticipated for the second quarter of 2011.
- Earth observation - cooperation is underway addressing global issues such as the more effective monitoring of greenhouse gas.
- Two specific research topics with Russia were included in the 2010 space work programme under FP7. The participation from Russia exceeded all expectations: six projects were selected for funding in GMES areas like: arctic land and sea, monitoring forest resources, earth quake precursors, data processing. Another 6 projects will be funded in Space Technologies. There were 71 Russian partners in evaluated proposals, 36 of them are in the successful projects. These are supposed to receive €2.8 million funding from the Commission.

The sector contributes an important range of activities to the work plan for the EU-Russia Partnership for Modernisation.

b. Trade Related Dialogues

i. Intellectual Property Rights (IPR) Dialogue

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

There have been nine meetings of this dialogue, the most recent of which took place in June 2010 in Moscow. The following topics were discussed: latest legislative developments concerning IPR in Russia, functioning of the customs union, parallel imports. The Commission also received an update on the enforcement activities undertaken by the Russian authorities. During the meeting both sides recognised that while the enforcement of IPR legislation has improved in the past years, it requires a continuous effort.

Since the second half of 2008 there have been trainings organised on copyright and related rights infringements for judges and enforcement agencies in different regions of Russia. Since the launch of these trainings approximately 850 Russian officials (judges, prosecutors and other enforcement officials) participated. From the reviews received from the participants and the Russian co-organisers this program has largely contributed to deepen the knowledge of the importance on the protection and enforcement of IPR.

ii. Investment Dialogue

The first meeting in the context of this dialogue took place in October 2007, where the memorandum establishing the dialogue was formally signed. This was followed by another dialogue in April 2008 and in April 2009.

The Dialogue did not meet in 2010.

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 seven meetings have been organised since then. The seventh session took place in Brussels in October 2010. On the Russian side, the meeting was attended by representatives of the Ministry of Trade and Development, together with officials from the Anti-Monopoly Service. The discussions mainly focused on e-procurement, with a detailed presentation by the EU of the current system together with an assessment of the performance of the system and the possible improvements which could be made. Also, the EU informed about its future initiative on the external dimension of procurement, which aims at clarifying the conditions of access of foreign suppliers to the EU procurement market.

The EU explained that this initiative may have an impact on Russia in the absence of any agreement with the EU on procurement.

At the end of the meeting, it was agreed that the next session will, in addition to the usual update on the respective procurement legislation, include a more detailed discussion on access of EU suppliers to the Russian procurement market and of Russian suppliers to the EU procurement market.

iv. Trade Facilitation and Early Warning Mechanism

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

This informal dialogue was reactivated in early 2009. Since then three meetings have taken place at senior official level in the first half of 2009 exchanging information on a number of trade irritants. Informal meetings at senior official level have also taken place several times during 2010 in order to clarify with the Russian side the implications of the new trade regime which was put in place from 1 January 2010 under the Customs Union with Belarus and Kazakhstan.

c. *Customs and Cross-border cooperation*

In 2010, the Commission and the Russian Federal Customs Service (FCS) agreed to recast EU-Russia customs cooperation. In view of the mutual interest of the EU and Russia in economic integration, customs modernisation and convergence in line with international standards, a broader "Strategic Framework for Customs Cooperation" was proposed by the Commission in order to step up EU-Russia customs cooperation.

The Strategic Framework was endorsed by Commissioner Šemeta and the Head of the FCS Belyaninov during the visit of the Commissioner to Moscow in November 2010. The current customs cooperation strategy launched in 2007 has achieved some results and played a useful role in developing EU-Russia customs cooperation, but there is the potential to do more. The new Framework will be built on the basis of three broad priorities: fluid and safe trade lanes; risk management and the fight against fraud; and investment in customs modernisation. The discussions in Moscow confirmed the commitment of the parties to deploy all necessary efforts to implement the Framework and to deliver results. Both sides agreed on a number of activities under the Partnership for Modernisation, in line with the customs cooperation strategy of 2007.

The EU-Russia Sub-Committee on Customs and Cross-Border Co-operation and the EU-Russia Working Group on Customs Border Issues continued to monitor the progress achieved in the implementation of the three priorities defined in the EU-Russia customs

cooperation strategy in 2007: customs and border reforms by Russia, exchanges of information, and development of infrastructure. The meeting of the Sub-Committee took place in January in Brussels. The Working Group composed of representatives of the European Commission, 13 EU Member States participating on a voluntary basis, and the FCS met in Moscow in March and July.

Progress achieved so far:

- (i) **Monitoring and evaluation of the EU-Russia cooperation strategy:** The EU and Russia have agreed to evaluate jointly progress in the implementation of the customs cooperation strategy. However, the reluctance of the FCS to include the Narva-Ivangorod border-crossing point in the evaluation despite earlier commitments was a reason for delays. A relaunch of the "Laufzettel" project on measurement of border-crossing time has been postponed for a number of times. A more complete evaluation project to monitor the practical effects of the strategy under the Common Space Facility has been endorsed by Russian Customs, but a practical follow-up has yet to be ensured by the Russian side.
- (ii) **Customs reforms:** The overall implementation process remained slow despite some positive developments at the end of the year. The Commission followed closely the implementation process of Federal Law no. 266 of 30 December 2006, which is aimed, inter alia, at the reduction of the number of agencies conducting controls at Russia's borders. The draft law authorising Customs to carry out transport controls and documentary controls in the sanitary, phytosanitary and veterinary area passed the first reading in the State Duma on 1 November 2010. Consequently, the two-agency concept could not become fully applicable on 1 January 2011 as it had been expected.
- (iii) **Pilot project on exchanges of pre-arrival customs information:** The pilot project has been successfully implemented as of 1 January 2009. Information is sent on a daily basis by the 13 participating Member States, with an average number of 3000 messages per working day. Although its IT implementation has been a success, the project's full potential in terms of trade facilitation has not been realised. The exchanges of information have not yet resulted in shorter clearance times for consignments of goods for which the data was sent in advance. Russia has questioned the quality of data and the scope of the information provided, but has not so far substantiated these complaints by concrete examples.
- (iv) **Early Warning Mechanism:** the Commission launched the idea to establish an EU-Russia Early Warning Mechanism, which will allow for advance notification of cases, which could lead to significant disruption of trade flows at the EU-Russia border. Initial discussion with the FCS took place in March 2010 and the draft document was submitted to the Russian side in July 2010. Inter-agency consultations on the document are currently taking place in Russia.
- (v) **Infrastructure:** Implementing and developing border-crossing and customs

infrastructure remained an important focus of EU-Russia customs cooperation.

With regard to EU funding and support to border-crossing infrastructures it is important to highlight that:

*The **Mamonovo II** border crossing point (€ 13.3 million investment), on the Polish border, was officially opened in December 2010. However, the Russian authorities failed to implement the exemption of taxes and other duties to the contractor, who is now considering to bring an action against the FCS to international arbitration.*

*The implementation of the project on **Enhancement of Management of the Russian Border Checkpoints** financed under the Common Space Facility with a budget of € 600 000 continued in 2010. The project is implemented by the International Organisation for Migration. The Project Partner is the Federal Agency for Border Management of the Russian Federation (Rosgranitsa).*

d. Competition

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

In 2010, regular contacts between the Commission and the FAS took place on technical questions. Although no official meeting took place, the Commission attended in June a conference organised by the Russian Federal Anti-Monopoly Service (FAS) in Suzdal (Russia) celebrating the 20th Anniversary of FAS.

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

i. Financial Services and Macro-Economic Policy Dialogue

The fifth Dialogue on Macroeconomic and Financial Issues took place in Moscow in October. Russia's Finance Minister Kudrin and Commissioner Rehn had an intensive bilateral meeting and hosted a joint press conference. The first Deputy Chairman of Russia's Central Bank (CBR) also participated in this year's high-level dialogue. In their bilateral meeting, Russia's Economy Minister Nabiullina and Commissioner Rehn agreed to have a substantial dialogue on structural reforms, which could take place at services

level during the first half of 2011.

The dialogue took place prior to the G20 summit in Seoul. The Russian side underlined that it plans to implement all G20, FSB and Basel recommendations. The macroeconomic prospects for the EU and Russia were discussed in great detail. The planned IMF reform was also addressed. On the regulatory front, discussions on the future implementation of Basel III took centre stage. The Russian side gave an update on the country's most recent initiatives in the securities area, including the anti-market abuse and anti-insider law. Corporate governance for financial institutions was also addressed.

Several working groups were organised at technical level in Moscow in the months prior to the dialogue. The working group on "Exit Strategies and Sustainable Growth" held its first meeting in May. The banking and securities group also met for the first time in May. The insurance working group met in parallel. The accounting and auditing working group took place in June. In the margin of the latter, the Commission also participated in a roundtable discussion for Russia's auditing community.

The next meeting of the Dialogue is foreseen for the second semester of 2011 in Brussels. In the run-up to this main Dialogue, working group level activities will take place.

Projects in this area:

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

*The project started in October 2009 and **finished in June 2010**. It included a Report on Derivatives accounting and a Report on hedging transactions accounting. These materials were used in preparation of the new normative act – “The accounting of derivatives” by the Bank of Russia.*

Development of Insurance Sector (amount €3.000.000)

*Project **finished in March 2010**. Partners are the Ministry of Finance, Department for Insurance supervision, the All Russia Insurance Association, and the Federal Service for Insurance Supervision. The project is well appreciated by all stakeholders; the guild of actuaries and the auto insurance association are actively participating. Workshops are well attended. The project supports participation in major international conferences on insurance and several study tours to EU Regulators. The Russian Project partners have expressed interest in future cooperation.*

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

The project is implemented by ECB and it is ongoing for almost three years. Regional seminars, workshops, training events are very well attended. A Compendium on Internal Audit is being prepared. Consultation visits to EU national banks are relevant. Important

work is done through working groups on the 3 pillars of Basle II (Banking Supervision). IRB consultative document is published. Closing event is taking place on 30 March 2011. The Project partner - the Bank of Russia (BoR) attaches great importance to the project and perceives it as a good tool for improving knowledge and professional capacity of its staff. Federal authorities (National Banking Council) and BoR top management are regularly informed about the project's progress thus, enhancing the political support and application of the project proposals. There is expression of interest from the ECB and the BoR for future cooperation in various fields including supervision.

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

Project started in October 2009 and finished in August 2010. The main aim of this study was to perform a comparative review of the impact that the global economic crisis had on the economies of Russia, Ukraine and Belarus, and of crisis response and post-crisis recovery measures implemented by the governments of those three countries. To that end, following tasks were completed: Review of crisis dynamics in the countries under analysis, including channels of transmission of the global economic crisis to national economies; Analysis of state crisis response policies, comparison of such policies in the countries under analysis; Development of recommendations regarding post-crisis state economic policies subject to the aftermath of the crisis and specific problems faced by the economic system of the countries under analysis; Review of long-term public economic policy challenges faced by the countries under analysis, development of recommendations regarding improvement of sustainability and dynamism of economic development. Presentation and open discussion on the results at workshop and conference in Moscow in July 2010.

Job Creation and Income Generation in the North Caucasus, North Caucasus Micro, Small and Medium Enterprise Development Initiative (AMOUNT: € 5m under TACIS Russia Action Programme 2005 (Part II): Special Programme for the Northern Caucasus)

This project implemented by EBRD comprises: 1) the expansion to Republic of North Ossetia Alanya (RNOA) of EBRD's successful technical assistance to Partner Banks with respect to Micro, Small and Medium Enterprises/Businesses (MSME) financing activities; and 2) assistance to economic and social reform through the development of a thriving SME sector, using a TurnAround Management (TAM) approach which transfers management and technical know-how from senior managers from economically-developed countries.

Micro, Small and Medium Enterprises component:

EBRD initially approved the participation of two state banks operating in RNOA: Sberbank and VTB 24. EBRD discussed the proposed assignment with the management of both banks and received a confirmed statement of interest in the programme in 2009. A consultant has started work with each of these two institutions on behalf of the EBRD, including on cooperation agreements and work plans. In addition, EBRD has been

negotiating with Rosselkhozbank (Russian Agriculture Bank or RAB), a state bank with considerable presence in the Northern Caucasus. Technical support to RAB and dedicated funding by EBRD has been welcomed by the Bank. The inclusion of RAB in the programme should give a new impetus to the project, considerably expanding its outreach.

The Delegation has been encouraging the expansion of the EBRD Project from RNOA to include other regions of the North Caucasus. The Bank is expanding the MSME component into three additional regions: Kabardino Balkaria, Karachai-Cherkassia and Stavropol through 3 additional commercial banks. The project office would move from Vladikavkaz to Pyatigorsk. EBRD will hold a dissemination event to draw attention to its commitment to the region in Stavropol on 13-15 April 2011.

TurnAround Management component:

Under the TAM Component, at least four mainly medium-sized enterprises in RNOA are to be restructured and reformed in line with standard TAM procedures. Expected results include: improvements in productivity, turnover, market share, exports (where relevant), product quality and employment opportunities; enhanced management skills and practices relevant to market economies; increased attention to improvements for health and safety of employees and reduction in environmental pollution. TAM projects have commenced successfully. The Minister of Economy of the Republic of North Ossetia has been contacted and offered introductions to new enterprises for screening. In addition, EBRD is examining the possibility to extend the TAM activities to the three additional regions mentioned here above.

ii. Statistics

Eurostat-Goskomstat statistical cooperation was agreed in 2002. Since then, the exchange on benchmarking indicators has been refined and cooperation in international fora in the field of statistics has been enforced. A Joint Eurostat-Rosstat publication on statistical comparisons was presented in 2007, the translation into Russian followed in early 2008. A specific publication in the fields of energy and/or environment is foreseen for 2011.

Cooperation in the field of harmonisation of statistics will continue. 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 in the future aiming at further harmonisation of statistics. Rosstat has been encouraged to apply for TAIEX and the Common Spaces facility.

f. Energy

The EU-Russia Energy Dialogue marked its 10th anniversary with a high-level conference in November in Brussels. On the same date, the EU-Russia Permanent Partnership Council on Energy took place. Both sides agreed to enhance and widen the scope of the Dialogue and adopted a Joint Report "EU-Russia Energy Dialogue 2000-2010:

Opportunities for our future Energy Partnership". Inter alia, both sides agreed to start work on a long-term roadmap with the aim to discuss the role of Russian energy resources for the EU energy mix until 2050, to improve the functioning of the Early Warning Mechanism, to cooperate on electricity issues and to work towards the reduction of investment barriers.

In the framework of the Partnership for Modernisation, both sides agreed on a detailed energy part for the work plan notably in the field of energy efficiency, but also on regulatory issues.

The Early Warning Mechanism was formally triggered by the Russian side during the June gas transit crisis with Belarus. The transit cuts had a limited impact on EU Member States. Moreover, the Mechanism was used in early 2010 during an oil dispute between the Russian side and Belarus. The Russian side also issued an early warning in the context of the negotiations on the Intergovernmental Agreement between Poland and the Russian Federation on the Yamal pipeline. The latter two cases could be solved without any impact on supplies to EU Member States.

The Coordinators of the Dialogue, Commissioner for Energy Oettinger and the Russian Minister Shmatko met in April and November to set out the main objectives for the cooperation.

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. Overall, 17 meetings or seminars were organised in 2010.

In May 2010, a meeting of the EU Co-chairs took place in Brussels to coordinate the further work of the Thematic Groups.

In July and September 2010, Director General P. Lowe had meetings in Moscow with his Russian counterpart, Deputy Minister A. Yanovski. Among other subjects, they discussed security of supply, with a special emphasis on the consequences of the June gas transit dispute, and the application of the EU internal market legislation and its impact on Russian companies. Both sides agreed to set up an ad-hoc group on electricity in the framework of the Market Developments Group to discuss the technical and regulatory state of play of the EU and Russian electricity markets, including new projects, and the possible perspectives for interconnection of the power systems.

1) The Thematic **Group Energy Strategies, Forecasts and Scenarios**, set up to exchange views on the EU and Russian strategies, policies and forecasts in energy, had meetings in January, April (Subgroup on Economics) and in September 2010. Discussions focused on the Russian Energy Strategy until 2030, and the latest energy scenarios of the European Commission until 2030.

2) The Thematic **Group Market Developments** aims to promote trust and transparency in the EU-Russia energy relationship through exchange of information on current and

planned legal, regulatory and policy developments impacting energy markets, trade and investment in the EU and Russia. The Group met in June and November. Detailed discussions took place in particular on the Early Warning Mechanism, the investment situation in the Russian energy sector, and the legislative developments in the EU.

The **Subgroup on Investments** met in April and September 2010, with the main aim to prepare industry recommendations for the 10th anniversary event in November 2010.

The **Subgroup on Infrastructure** had its first two meetings in January and September 2010 and exchanged information about EU and Russian infrastructure projects, including the energy projects of the European Recovery Plan, and on the Russian side the Kaliningrad Nuclear Power plant.

The newly established **Ad-hoc Group on Electricity** had a first meeting in October 2010.

3) The Thematic **Group Energy Efficiency** aims to exchange information on legislative and regulatory frameworks, sharing the experiences, knowledge and cooperation on projects in energy efficiency, energy savings, renewable energy sources, gas flaring, etc. The group plays a major role in preparing the input of the EU-Russia Energy Dialogue to the Partnership for Modernisation.

The group met in July 2010 in Brussels. The meeting was attended by experts from EU Member States, European Commission and Russia, as well as by representatives of industry and IFIs. The Group discussed the contribution of the Thematic Group to the EU-Russia Partnership for Modernisation and to the preparation of the 10th anniversary conference of the EU-Russia Energy Dialogue, including cooperation proposals on energy efficiency for products, renewable energy, clean energy technology cooperation and capacity building. It also decided to reactivate cooperation on clean coal technologies.

In addition to the meetings of the Thematic Group and its Co-Chairs, the group closely followed and supported the development of strategy and legislation documents in the EU and in Russia with significant importance for energy efficiency cooperation, particularly: (1) setting up and improvement of an energy management and energy efficiency monitoring system in Russia, (2) development of financial and non-financial support tools for promotion of energy efficiency and renewable energy in Russia, both at federal level and the level of regions, (3) energy efficiency standardisation and certification, in cooperation with the EU-Russia Regulatory Dialogue.

The Work Programme of the Thematic Group for 2011 was developed based on the results of previous work as well as on the suggestions and information received from the EU Member States and IFIs in the course of preparation of a joint EU-Russia workshop on EU Member States' bilateral cooperation on energy efficiency and renewable energy with Russia, which took place in October.

A number of EU-Russia joint projects and workshops were organised:

- Study on the impact of the financial crisis on the EU-Russia energy cooperation (2009 – 2010, Common Space Facility);
- Study on Renewable Energy Policy and the Rehabilitation of Small Scale Hydropower Plants (2007 -September 2009, TACIS programme);
- Support to the creation of an energy efficiency management system in the Russian Federation (until December 2009, Common Space Facility);
- Energy efficiency investment projects in Russian regions (2008-2010, TACIS);
- Project "EU-Russia cooperation on energy efficiency indicators in the Russia Federation" (February 2010 – February 2011, Common Space Facility);
- Rehabilitation of District heating in Kaliningrad (Northern Dimension Environmental Partnership Project) to support investments of the EBRD;
- Seminar on energy efficiency indicators, 21 September 2010, Moscow, in cooperation with IEA and the Russian Energy Agency, with support of the UK government;
- Seminar on effective energy efficiency policies in buildings and new financing instruments, 2 – 3 September in Moscow (organised by the Joint Research Centre in cooperation with the Russian Energy Agency, DG Energy and the EU Delegation in Moscow).

g. Environment

The Environmental Dialogue was launched at the Environment PPC in 2006. The second Environment PPC was held on 10 November 2009. It is expected that the next PPC will be held in 2012.

The EU and Russian Directors overseeing the dialogue met in June together with the Executive Director of the European Environment Agency in order to discuss priorities for cooperation in the light of the EU-Russia Partnership for Modernisation. It was agreed to refocus activity particularly on modernisation and environmental monitoring issues.

The Subgroup on **Biodiversity and Nature Protection** had a very constructive meeting in Moscow in July. Preparations for the Nagoya Biodiversity Summit and the development of the post-2010 biodiversity strategy were discussed. A workshop on the protection of wildlife habitats and their species was held back-to-back with the meeting.

The **Water and Marine Issues** expert subgroup did not meet in 2010 pending progress in separate discussions on the issue of EU accession to the Black Sea Convention and on the establishment with EU participation of river basin management for the Nemunas and Daugava rivers. A meeting is proposed for the first half of 2011.

The Subgroup on **Forest Law Enforcement, Governance and Conservation** (FLEG)C

continued intensive collaboration with the Federal Forest Agency (FFA). A meeting of the Subgroup planned for September was postponed until February 2011 as a result of the reorganisation of the FFA and the transfer of its supervision from the Ministry of Agriculture to the Prime Minister following the summer forest fires. A joint workshop on how to improve forest legislation in the light of EU initiatives to combat trade in illegally harvested timber and its processing products was held in Moscow in March. Russian experts made a study tour to the Joint Research Centre (JRC) in Ispra in March and JRC experts held a joint seminar in Moscow in September on remote sensing and forests. The EU gave presentations at Duma hearings in May on certification of timber and in September on forest fire protection. Russia has proposed to the EU the negotiation of a Voluntary Agreement on Timber Certification.

Linked activities are taking place under the ENPI Eastern Regional project on Improving Forest Law Enforcement and Governance, see www.enpi-fleg.org. The overall objective of the European Commission funded (€ 6 million) project on Forest Law Enforcement and Governance (FLEG) in the Eastern ENPI region and Russia is to contribute to legal and sustainable forest management and utilization practices and improved local livelihoods focussing on exchange of experience on approaches to regulating illegal logging, and improving compatibility of monitoring and indicators. The project, started in 2008, is managed by the World Bank and is due to run till 2011.

It was agreed in June that in the future the **Convergence of Environmental Policies** subgroup would focus on monitoring, reporting and the effectiveness of environmental policies. The Executive Director of the European Environment Agency will lead this work for the EU, together with the Russian Ministries of Economic Development and Natural Resources & Environment. The EEA hosted a high-level seminar to develop joint activities to support the Environmental Dialogue and Partnership for Modernisation in these areas. The meeting identified six areas of cooperation in 2011-12:

- Forest and land cover monitoring
- Shared environmental information systems
- Long-range transport of pollutants
- Improved waste and hazardous chemicals management
- Mobile environmental monitoring and control instrumentation
- Space technologies and training for sustainable development

Linked activities are taking place under the ENPI Eastern Regional project 'Towards a Shared Environmental Information System', launched in December. See: <http://enpi-seis.ew.eea.europa.eu/meetings/2010-11-11-12-brussels-enpi-shared-environmental-information-system-consultation/>. Also a Common Space Facility project "Introducing Environmental Monitoring Results into the Russian Economic Processes" started in May 2010 (duration – 16 months, budget – € 1 million). The overall objective of the project is to develop and implement the results of environmental monitoring to improve the country's economy, including the information on climate change.

The **Clean Production and Pollution Prevention** sub-group was established in 2007,

but owing to changes in responsibilities in the Russian administration this sub-group has not met regularly. It was agreed in June 2010 that this subgroup will be reactivated and focused on modernisation and green economy issues. The EU participated in a Duma hearing held in June on revision of Russian environmental legislation, in particular for the introduction of a BAT based permitting system for industrial installations. *Linked activities are taking place under the ENPI Eastern Regional projects on Waste Governance and Air Quality Governance.*

A joint seminar on assessing the environmental impact of large-scale projects in the light of the experience of Nord Stream is planned to be held in Moscow in May 2011.

Progress was made on the construction of a waste water treatment plant in Gusev (Kaliningrad region), jointly funded by the Commission (€ 3 million) and regional authorities in Kaliningrad with an expected total cost of some € 6.5 million. The provisional acceptance certificate was granted in December 2009. There are delays in the completion of the project due to the lack of funds on the Russian side. To ensure the overall quality of the works the Commission had 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.

In 2010, the Commission made a further contribution of € 14 million to the Support Fund of the Northern Dimension Environmental Partnership (NDEP), of which a minimum of € 12 million will be spent on concrete projects related to environment protection in North West Russia. This increases the overall contribution by the European Union to € 84 million, making it the largest contributor.

A 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 aims at reaching this goal by improvement of management of hazardous and agricultural wastes in St. Petersburg, Leningrad and Kaliningrad Oblasts of the Russian Federation. The project's first phase is due to finish in March 2011. The second phase will start in April 2011 (duration 12 months).

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. Climate action

During 2010 the EU endeavoured to strengthen cooperation with Russia in addressing the challenge of climate change and to secure Russia as a constructive partner for preparing and concluding a global and comprehensive post-2012 agreement.

In June 2010 at a round table organised in the State Duma by the Duma Environment Committee, the European Environment Agency and the Directorate General for Environment of the European Commission made presentations on potential areas of further EU-Russia cooperation mentioning the green economy, environmental monitoring and best available techniques as well as touching upon significant environmental and health benefits from emission reductions.

The 6th meeting of the Climate Change sub-group was held in November in Brussels focusing on the latest developments in the EU and Russian climate policy and discussing a more ambitious greenhouse gas emission reduction target than the current commitment of 15-25% reduction by 2020, which in practice would enable Russia to increase its greenhouse gas emissions substantially or create new emission allowance surpluses.

A TACIS regional project (2008-11) is ongoing to provide advice and assistance in setting up Kyoto implementation mechanisms.

A seminar on Climate Change was held under the Eastern Partnership (EaP) Platform 2, Panel on Environment and Climate Change, in November in Brussels.

A Common Space Facility project “Support to the development of new generation models to estimate and forecast GHG emissions and efficiency of Russian climate change mitigation measures and policy” started in August aimed at the development of comprehensive projections of GHG emissions by sources and their sequestration by sinks for the period up to 2050 with and without climate policies to assist the Russian authorities with negotiating new climate change international agreements and taking steps towards low carbon society in Russia (project duration – 17months, budget – € 1 million).

i. Transport

The EU-Russia Transport Dialogue opened in 2005 and has been articulated around five permanent working groups focusing on the priority issues of EU-Russia transport relations. In addition, an ad-hoc sub-group on Transport Logistics Issues was formed at the Transport Permanent Partnership Council in Finland in September 2006 in view of the increasing congestion at EU borders in the direction of Russia.

A high level meeting between Vice President Kallas, responsible for Transport, and the Russian Minister of Transport Levitin took place in November in Moscow to discuss the state-of-play of the transport dialogue and its future. The two parties signed a joint statement in which they agreed the way to proceed and identified the priority areas for which a stronger cooperation could be set.

Regarding the specific dialogues that took place during the year 2010, the following points were raised:

1. **Working Group on Infrastructure and Logistics:** The objective of this Working Group is to promote cooperation on transport strategies with a particular emphasis on the integration of the EU and Russian transport networks.

The Group met for the third time in Brussels in October and the discussion focussed on TEN-T revision, financing infrastructure projects and possible development of the Motorway of the Seas (MoS) concept in the Baltic Sea area. The group agreed to meet in the early days of 2011 to make the point on the last development relating to the TEN-T revision.

Following the signature of the Memorandum of Understanding on the Northern Dimension Partnership on Transport and Logistics (NDPTL) that took place in October 2009, positive developments regarding this partnership - in which Russia is a key partner - took place in 2010. In particular an agreement on the secretariat (including budget) was reached in 2010 and the appointment of the dedicated staff that will work in the secretariat started in December 2010. In 2011, Russia will succeed the Commission as chair of the High Level Meeting (HLM).

In this context, the interest shown by Russia to develop infrastructure projects in the framework of the Partnership for Modernisation should be noted. A list of priorities in this area has been set before the EU-Russia Summit of December.

2. **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 fifth meeting took place in Moscow in November. All modes of transport were covered, with a particular emphasis on general and land transport issues. There was an open discussion on all issues.

Fighting terrorism was identified as a main goal of both sides. Russia explained the legislative framework covering this issue and described how the Ministry of Transport cooperates with other institutions in the occurrence. The main body involved in that case is the Ministry of Emergency Situations (EMERCOM) having direct contact with special forces (intelligence) and the police. Russia is in the process of adopting an integrated security programme which should be provided to the Commission for information. Russia is interested in establishing close cooperation with EU experts. This issue as well as concrete progress in the area will be monitored during the next dialogue meeting that is supposed to take place in the second half of 2011 in Brussels.

3. **Working Group on Air Transport:**

The EU-Russia Aviation Working Group met in Brussels in May and in Moscow in December. More political discussions on aviation issues took place during the visit of Vice-President Kallas in Moscow in November. During the discussions in December, the following issues were discussed:

3.1 - Safety/SAFA

Discussions continued which resulted from ramp inspections revealing problems with Russian aircraft flying into the EU that did not have the obligatory ICAO equipment. It was concluded that this showed the need to significantly improve the overall cooperation to provide for reliable information on surveillance activities and enforcement actions. The EU proposed to prepare a Memorandum of Cooperation that could eventually be signed at an aviation summit in 2011, covering mutual access to safety information, including possible access to the SAFA Programme and any Russian inspection programmes, joint inspections and technical assistance.

3.2. Aviation Summit

It was agreed to aim at organising an aviation summit in October 2011. Both sides agreed on the importance of making it a high level event with strong political participation on either side, including also the aircraft manufacturing industry, airlines and airports. The Commission insisted that such a summit only made sense if important agreements could be signed. Various subjects for such agreements were discussed (safety, horizontal agreement, ATM). It was also made clear that without progress on key outstanding issues, including EU designation and Siberian overflight charges, the summit could not take place. Both sides will meet early in 2011 to further discuss prospects for organising the summit.

3.3. EU Designation

The Commission insisted on the need to introduce the European carrier clause in order to re-establish legal certainty given the fact that more than 100 countries and more than 900 bilateral agreements have been modified, and that Russia is virtually the only remaining country that refuses EU designation. Russia proposed the following approach to solve this problem: they would negotiate with Finland a draft clause which would thereafter be submitted to the Commission for approval. After the Commission's agreement, Russia would include this clause in all bilateral agreements with EU Member States. The Commission informed the Russian Federation that it was urgent and imperative to comply with EU law. This was not negotiable. The European Commission insisted that this had to be solved at the latest by the envisaged aviation summit.

4. 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 harmonisation of the legal, technical, regulatory and safety requirements and practices concerning the two transport systems. The Group has held six meetings, including two in 2009, and met again in October in Moscow. Despite good intention, little progress was made on the most critical issues, such as the need to abolish the discriminatory road charges introduced by Russia in early 2009. During the subsequent meeting that took place in November at high level, Russia stated that road charges will apply to all trucks (irrespective of their nationality) as from 1 January 2012.

5. Working Group 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. In October, a constructive meeting of this Working Group took place in St. Petersburg in which the following subjects (among others) were tackled:

5.1. Maritime transport policy and legislative developments in the EU and Russia

The parties exchanged views on the latest legislative developments in the European Union and Russia.

The Russian delegation informed the Commission that a Law amending the Merchant Shipping Code has already been approved by the Russian Government and is currently being examined by the Executive Office of the President of the Russian Federation. The principal objectives of the Law are to establish an integrated approach to the development of Russian shipping and shipbuilding industry and to support these sectors through additional economic and legal measures.

The Russian delegation also reported on the changes to be introduced into Russian law concerning state border controls, with the aim of a similar simplification of shipping formalities.

The EU delegation provided an update on the state of preparation for the entry into force of the 3rd Maritime Safety Package, in particular the Port State Control and Vessel Traffic Monitoring (VTM) Directives.

The EU delegation also provided information on the adoption of a new Directive on port formalities and of a pilot project following the concept of "maritime transport without barriers" - "Blue Belt". The objective of the Directive and of the pilot project is the facilitation of maritime transport and the reduction of administrative burdens for shipping companies, particularly customs requirements.

5.2. Cooperation in the framework of Port State Control

The parties had a fruitful discussion on the results of the last MoU Advisory Board meeting in September in the context of the Paris MoU and expressed satisfaction on the agreement reached on the issue of the Draft Interim Agreement setting out the Conditions of Use for and Level of Access to the THETIS Information System for Port State Control. They also emphasised that with the finalisation of the above, the amended MoU would enter into force as foreseen on 1 November 2010.

5.3. Cooperation in the exchange of maritime data: update of the pilot project on maritime data exchange

The parties discussed short-term and long-term expectations for this project that is to cover, as a first stage, the Baltic sea region and they have noted that the technical specifications for launching the pilot data exchange project are in place and the MoU is to be signed between the two parties in due course on the basis of the draft tabled at the meeting. The draft MoU highlights the political dimension of the project and its technical specifications. The project will start as soon as possible after the signature of the MoU. Potential extension of the project to the Black Sea will be further studied following the launch of the project in the Baltic, with the aim of an early start. The parties also agreed to further discuss the possible extension of the "Blue Belt" project with the participation of the Russian Federation in the Baltic Sea.

5.4. IMO related issues, in particular greenhouse gas (GHG) emissions from ships

Regarding the reduction of GHG emissions from ships, the parties agreed to support the adoption of the Energy Efficiency Design Index (EEDI) at the next Marine Environment Protection Committee and to coordinate their effort in promoting such an outcome. They also agreed on the principle that the EEDI should cover all type of ships, including those excluded in the first phase of application, such as the ro-ro ships. Furthermore, they agreed to work constructively towards the adoption by the International Maritime Organisation (IMO) of relevant market-based measures. The Russian delegation provided information on progress with the ratification of Annex VI to the MARPOL Convention to be expected before the end of 2010.

5.5 ILO related issues, in particular ratification of ILO 185 Convention

The parties had an exchange of views about the implementation of the IMO Maritime Labour Convention (MLC). The EU delegation informed the meeting about a possible legislative proposal in 2011 in relation to the enforcement of MLC, particularly through Port State Control. The parties also discussed matters relating to the validity of seafarers ID cards (ILO 185 Convention) during the 5-year transition period. The EU party said that EU Member States were free to apply

ILO C185 or not, as there was no harmonisation on the subject covered by the Convention at EU level.

The parties underlined the need for similar control procedures in the context of implementation of this ILO Convention.

5.6. Inland waterways

The delegations exchanged information about recent policy developments. The Russian delegation presented information on current activities relating to the establishment of the Russian river information system and on the status of planned Russian internal waterways opening for vessels flying foreign flags. The text of the proposed law is in the Duma. The parties noted that both sides should make more efforts to guarantee the presence of qualified personnel employed in the inland waterways sector. The parties agreed to continue cooperation in the field of seafarers' training for the inland waterways sector. The parties further considered the question of the established specific subgroup on inland water transport and agreed on the possibility of reactivating it.

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

i) Agriculture

The EU-Russia Agricultural Dialogue meeting took place in Saransk in July. Russia expressed an interest to attract investments and new technologies and to better intervene in the market to reduce imbalances and improve profitability for producers. The discussion focused on exchange of policy views and best practices in the area of rural development, market policies and research as well as on the implementation by Russia of the new Doctrine on Food Security, which will guide their agricultural policy in the next years. Such discussions should contribute to improve the coherence and the transparency of the implementation of the Russian Food Security doctrine and, thus, mitigate the negative effects over bilateral trade relations in agriculture products.

ii) Forestry and Timber

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

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

iii) Sanitary and Phytosanitary issues

The Dialogue on Sanitary and Phytosanitary issues (SPS) remained intensive in 2010. 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, April in Moscow, May in Paris, July and November in Brussels, one audio-conference on multiple issues) as well as with Dr Onishchenko, the head of the Russian Federal Service on Surveillance of Consumer Rights Protection and Human Well-Being (Rospotrebnadzor) or his services (May, June, September and November in Moscow, 4 audio-conferences). A meeting between Commissioner Dalli and the Russian Minister of Health, Ms Golikova, was the occasion to discuss SPS matters and in particular the issue of frozen poultry. Five inspection missions of the Food and Veterinary Office took place in the Russian Federation (on dairy products in June, on game meat in December, and on poultry, pigs, cattle and their products in Kaliningrad in October). Cooperation on SPS border control started with a visit of Russian experts in Frankfurt and Paris international airports in May. Three meetings on SPS issues took place in the framework of negotiations on Russia's accession to the WTO and two meetings in the framework of negotiations on a New Agreement between the EU and Russia. Approximately 250 letters have been exchanged in 2010 between the Commission (DG SANCO) and Rosselkhoznadzor as well as Rospotrebnadzor on SPS issues.

In 2010, the development of the *Customs Union* between Russia, Belarus and Kazakhstan and the rapid harmonisation of their SPS standards within the Customs Union was a major development for EU-Russia SPS relations, which brought a lot of uncertainty as regards the currently existing agreements.

On *veterinary issues*, the Commission and the Russian authorities have agreed on 12 new or revised EU-Russian certificates for export of animals and animal products from the EU to the Russian Federation. However, since April 2010, no new meetings could be organised to discuss outstanding draft certificates, due to the development of new veterinary norms at the level of the Customs Union. Thanks to a transitional period which maintains the validity of existing bilateral certificates until 1 January 2012, the trade disruptions caused by this development could be overall limited. Nevertheless the Customs Union partners announced their intention to develop before 2012 multilateral certificates for import into the Customs Union, which would invalidate existing certificates. The Commission and Member States are therefore currently studying the Customs Union veterinary norms in order to assess feasibility of this exercise and to make progress on remaining certificates.

Still in the veterinary sector, Rosselkhoznadzor has taken the initiative to trigger cooperation between EU exporters and Russian importers of meat, focusing on the respect of Russian requirements. A first seminar was organised by the industry in July to launch this cooperation. The Commission still has questions on this arrangement due to the involvement of the Russian competent authority and the privileged status granted to participants. It would favour a purely business-to-business approach.

The Commission discussed with Rospotrebnadzor, the agency of the Ministry of Health, the scientific basis for the ban on frozen poultry meat for further processing, which was foreseen to enter into force on 1/1/2011 and would have had a negative impact on trade. The measure was subsequently revised and restrictions on the use of frozen poultry meat should be limited to specific categories of products.

In the dairy sector, the discussions on the equivalence of EU norms with the Russian Federal Law No. 88 on milk and milk products were used by the competent Russian service to amend this Federal Law in June, which partly removes certain EU concerns. However, discussions on equivalence could not be pursued and disproportionate bans were still experienced daily in the meat and dairy sectors at establishment level.

In the fish sector, after signature of a bilateral model Memorandum in December 2008, used by a majority of Member States, no specific problems have been experienced in 2010.

On *phytosanitary issues*, an important achievement in 2010 was the harmonisation of Russian norms with international and EU standards in the field of pesticides residues for 20 combinations of substances and commodities, based on EU requests. The entry into force of the harmonised maximum residue limits (MRLs) was delayed by the adoption of Customs Union norms, but finally came into effect early November. However, Rosselkhoznadzor has continued taking disproportionate measures, which burden exports of fruits and vegetables to Russia and the implementation of the Memorandum of 2008 on residues of pesticides, nitrates and nitrites continued to be a source of disagreement with Rosselkhoznadzor.

Progress on harmonisation of norms with Rospotrebnadzor was also made as regards cadmium levels, and technical cooperation on maximum levels for nitrates was initiated.

On nursery products, the proposal for a Memorandum of Understanding submitted by Rosselkhoznadzor in January was discussed with Member States and finally rejected, reference being made to international norms. However, a meeting of phytosanitary experts made it clear that the Russian proposal aimed at opening trade opportunities for plants with soil attached, and discussions on this issue will continue in 2011.

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. The cooperation programme on large scale vaccination of wild animals against rabies in the region of Kaliningrad has continued. In the framework of the Better Training for Safer Food initiative driven by the EU, 45 Russian experts benefited from a 2 weeks training course in Moscow on control of Highly Pathogenic Avian Influenza and 2 Russian experts participated in a workshop on “Epidemiological Situation and Control Strategy of Rabies” that took place in Kiev.

The objectives for 2011 are to obtain the adaptation of the Customs Union veterinary

norms, to continue technical discussions with Rospotrebnadzor, to progress in the harmonisation of Russian norms with international standards, in particular in the field of antibiotics residues and nitrates maximum limits, to maintain trade flows in agricultural products, and to extend the rabies eradication programme to other bordering regions of the Russian Federation through the creation of vaccination belts.

About 60 Russian experts have benefited from training projects in different Member States, in particular focusing on laboratory methods for animal diseases, phytosanitary controls, and analysis of chemical substances. The Russian control service carried out about 10 inspections in Member States to check exports of animal products to Russia.

iv) Fisheries

Two meetings took place in 2010 under the framework of the EU-Russia bilateral Agreement on cooperation in fisheries and the conservation of the living marine resources in the Baltic Sea (signed 2009). The first meeting took place in Kaliningrad in March, and the second in Brussels in June. The meetings focused on developing terms of reference for the Joint Baltic Sea Fisheries Committee (JBSFC), the governing body of the Agreement, on identifying areas of cooperation and ongoing management of fishing resources.

In the autumn, both the Russian Federation State Committee for Fisheries and DG MARE appointed co-Chairs to the dialogue established under the 2008 Memorandum of Understanding between the parties.

In October, Commissioner Damanaki visited Moscow and met with Deputy Prime Minister Viktor Zubkov and Head of the Fisheries Agency Andrei Krainy to discuss bilateral fisheries issues, including the Memorandum of Understanding between the EU and Russia signed in 2008 and the article on fisheries in the New EU-Russia Agreement under negotiation.

During the Commissioner's visit, an agreement was made to establish a working group in the framework of the Memorandum of Understanding that would look into all outstanding EU – Russian fisheries related questions that are not presently covered by existing agreements. The working group will focus on issues such as cooperation in fisheries management and related scientific research in the Black Sea.

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

procedures for its ratification are ongoing. Russia has yet to sign and ratify the Convention.

k. Interregional and Cross-Border Co-operation

Regional Policy Dialogue: The Dialogue was established in early 2007. Four seminars and high level meetings have taken place, in October 2007, October 2008 and October 2010 in Brussels and in June 2008 and May 2009 in Moscow, as well as a study visit of Russian representatives to Trieste in 2008 and a study visit of a Russian Delegation to Northern Ireland on the topic of cross-border cooperation and PEACE programme in May 2010. 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 topic of "mono-sector cities" or company-towns (cities depending almost exclusively on a sector or single large employer) which have gone through or are facing restructuring and diversification has been identified as of particular interest for both sides (in particular, in the framework of the Partnership for Modernisation). Accordingly, a Seminar "Challenges facing mono-sector cities" took place in Brussels in October.

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

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

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

The programming documents for the seven programmes were drafted in 2007 and early 2008 by representatives of the participating countries and regions. They were endorsed and submitted to the Commission before the June 2008 deadline.

The European Commission and Russia (Ministry of Regional Development) negotiated

the text of the Financing Agreements throughout 2008 and 2009. The Russian Government confirmed the co-funding of CBC programmes in the amount of € 103.722 million in October 2009. The remaining technical obstacles were overcome and the Financing Agreements for five programmes with Russian participation (Kolarctic, Karelia, South-East Finland – Russia, Estonia-Latvia-Russia and Lithuania-Poland-Russia) were signed at the EU-Russia summit in Stockholm (18 November 2009). Russia ratified the Financing Agreements for those 5 CBC Programmes in July 2010.

The European Commission and Russia exchanged letters in September 2010, thus, allowing the CBC programmes to become fully operational (i.e. start funding actions). Russia did not sign the Financing Agreement of the Baltic Sea Programme by 31 December 2008 (the only one of the seven CBC programmes concerning Russia whose FA had to be signed by 31 December 2008) and withdrew as well from the Black Sea programme.

1. Public Health

The terms of reference of the Dialogue on Public Health were signed by Commissioner Vassiliou and Health Minister Golikova in Moscow in May 2009. The first meeting of the Working Group of this Dialogue was planned in 2009 and 2010, but was cancelled twice by the Russian side.

During the Regional Committee of WHO-EURO, held in Moscow in September 2010, Commissioner Dalli and Minister Golikova met, setting the agenda for next steps in cooperation. Several meetings were held at technical level.

The Russian Ministry of Health and Social Development showed an interest in collaborating on communicable diseases (inter alia pandemic influenza, HIV/ AIDS), Health Determinants (alcohol, nutrition, and tobacco), rare diseases and pharmaceuticals.

The objectives for 2011 are to enhance the Dialogue on Public Health. The Regulatory Dialogue on Pharmaceuticals will be attached to the Dialogue on Public Health and could be the priority area for cooperation for 2011, also under the Partnership for Modernisation.

Next Steps:

a. Industry Related Dialogue

i. Regulatory Dialogue on Industrial Products:

- SG Automotive industry: two meetings foreseen in 2011, first planned for April 2011 in Moscow;
- SG Textile: Moscow (or St. Petersburg) 1st quarter 2011;
- SG Forest based industries: Moscow (or St. Petersburg) 1st quarter 2011;
- SG ICT, radio and telecom: a new meeting is not yet planned pending the reprisal of contacts with the new Russian co-chair of this working group;
- SG Conformity Assessment and Standardisation: meeting planned for April 2011 and intention to organise another two meetings in 2011;
- SG Construction: a new meeting is not yet planned pending the reprisal of contacts with the new Russian co-chair of this working group;
- Plenary meetings of all the co-chairs of this dialogue most likely in May 2011 in Moscow.

ii. Industrial/Enterprise Policy Dialogue:

- SG Mining and Metals: next meeting planned in Moscow for 2011, exact date to be confirmed;
- SG SME and Enterprise: meeting planned for first half of 2011;
- SG Chemicals: next meetings planned for May/June 2011 in Moscow (tbc);
- Plenary meeting of all the co-chairs of this dialogue most likely in May 2011 in Moscow.

iii. Information Society:

- Meeting between Vice President Kroes and Minister Shchegolev planned during the visit of the Russian government on 24 February 2011;
- Meetings at Dialogue level and at expert and working group level are expected to take place in April-May 2011.

iv. Space:

- The next meeting of the trilateral EC/ESA/Russia space co-operation steering board will take place in May 2010 and will be hosted by ESA.

b. Trade Related Dialogue

i. IPR Dialogue

- Next meeting is planned for May 2011 in Moscow.

ii. Investment Dialogue:

- No dates fixed for the next meeting.//Next meeting of the Dialogue should take place at the earliest possible.

iii. Early Warning mechanism:

- EU-Russia early warning mechanism should meet and agree on working methods to address efficiently (identify, monitor, facilitate the elimination) trade barriers at the earliest possibility.

iv. PP Dialogue:

- Next meeting is planned for the second semester 2011 in Moscow.

c. Customs and Cross-border cooperation

- Under the authority of the Sub-Committee, the EU-Russia Working Group on Customs Border Issues will see to the implementation of the specific objectives and activities under the "Strategic Framework for Customs Cooperation". Additional expert groups may be established by the Working Group depending on needs and available resources.
- The implementation of the Framework will require a number of concrete steps to be taken in the near future. Action plans for all priority areas will need to be discussed and elaborated with the Russian side. The next meeting of the Working Group is likely to take place at the beginning of 2011. Annual high-level meetings will enhance the accountability in delivery of results.
- The Commission will work to reach an agreement with Russian Customs on the Early Warning Mechanism as quickly as possible.
- The Commission will urge Russian Customs to proceed as soon as possible with the monitoring ("Laufzettel") and evaluation projects that were jointly agreed in 2008 in the context of the customs cooperation strategy. The agreed evaluation will contribute to the full use of the ongoing pilot project on exchanges of advance customs information.
- The Commission will continue to monitor the development of the Customs Union between Russia, Belarus and Kazakhstan and its implications for the EU-Russia customs cooperation.

d. Competition

- The informal contacts as described for the year 2010 will continue. DG Competition and the Federal Antimonopoly Service (FAS) are considering signing a Memorandum of Understanding to promote development and strengthen cooperation between them in the area of competition policy and enforcement.

e. Financial Services/Macroeconomic Policy

- The next meeting, covering macroeconomic issues and financial services, is foreseen in autumn 2011 in Brussels;
- The next working group on accounting/auditing is planned for 31 May in Brussels and the working group on insurance will take place on the same date. The banking and securities working group will meet on 21 June in Brussels;
- The dialogue on structural reforms and a meeting of the working group on exit strategies and sustainable growth will be organised in the first half of 2011.
- A Statistics in Focus joint publication is foreseen for 2011;
- Further seminars on key statistical domains are foreseen between Eurostat and Rosstat in 2011 aiming at further harmonisation of statistics.

f. Energy

The provisional schedule of the Dialogue foresees the following meetings:

18 February, Brussels	Meeting of the Thematic Group Energy Strategies
24 February, Brussels	Meeting Commissioner Oettinger – Minister Shmatko/ DPM Sechin in the framework of the visit of the Russian Government to the Commission
March, Moscow	Seminar on the alternative use of gas, including in the transport sector
9 March, Brussels	Meeting of Infrastructure Sub-group
23 March, Moscow	TAIEX seminar TG I and TG III on energy statistics and energy efficiency indicators
April, Brussels	Meeting of Internal Market Group on electricity
March or April, Moscow	Meeting of the Thematic Group Market Developments
	Meeting of Industry Committee / Investment Sub-group
13 April, Brussels	EU-Russia roundtable in the framework of the EU Sustainable Energy Week

End of April	Meeting of the Thematic Group on Energy Efficiency Meeting of Thematic Group Scenarios, Strategies and Forecasts
First quarter, Russia	Conference on energetic use of associated petrol gas (gas flaring conference)
First quarter (tbc)	Seminar or videoconference on cooperation on clean coal (EU proposal for agenda sent to the Russian side in 2010)
Second half 2011 (tbc)	Permanent Partnership Council Energy

g. Environment:

- Implementation of Russian components of the ENPI Eastern Regional projects on Forest Law Enforcement and Governance, Waste Governance, Air Quality and a Shared Environmental Management System.
- Follow-up actions to implement the work programme on environmental monitoring agreed between the European Environment Agency and the Russian authorities.
- A joint seminar to review the experiences in the application of the Espoo Convention to the Nord Stream project for other transboundary projects is planned for May 2011 (Moscow).
- Meetings of the Forestry, Water/Marine Issues, Modernisation/Clean Production and Biodiversity sub-groups are planned for the first half of 2011.
- The next meeting of the PPC-Environment is foreseen in 2012.

h. Climate Action

- EU-Russia Climate Change Subgroup (CCSG): 7th meeting will take place in the first half of 2011 in Moscow;
- Carbon Capture & Storage Workshop is proposed for the first half of 2011;
- The National Plan for the Observation of Climate of the Russian Federation foresees setting up a single Russia's Climate Observation Centre in 2011.

i. Transport

- Following Vice President Kallas' and Minister Levitin's joint statement of November it has been decided to strengthen the sectoral transport dialogues with the aim to reach, as from 2011, tangible results in terms of improvement of the cooperation in the field of transport between the EU and Russia.
- WG on Road and Rail Transport: 8th meeting will take place in 2011 in

Brussels;

- WG on Infrastructure and Logistics 3rd meeting will take place in Brussels on 26 January 2011; *[Took place as foreseen]*
- WG on Transport security will take place in the first half of 2011 in Brussels;
- Following the meeting of the WG on maritime and inland waterways in October 2010 in St. Petersburg, implementation on the agreed Memorandum of Understanding regarding cooperation in exchange of data and pilot project on maritime data exchange should take place in the course of 2011;
- Russia to implement the "Agreed Principles" to launch the aviation cooperation agenda agreed in Helsinki 2006 before joining WTO;
- An EU-Russia aviation summit might take place on 12-13 October 2011 (in Russia).

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

- One meeting of the Agricultural Dialogue has been planned for June 2011 (in Belgium, followed by the field visit in Hungary). The meeting will focus on ways as and means for sustainable and WTO compatible modernisation efforts in agriculture policies (especially stable market regulation instruments) and rural development (in particular promoting quality in agriculture). The field visit to take place in Hungary will probably be decentralised to a region, which will allow for an insight into practical implementation of the EU agriculture policy;
- The dialogue with the Russian sanitary and phytosanitary authorities will continue, notably with meetings with Rosselkhoznadzor in January in Berlin, a visit of EU experts to Russian border inspection posts of the Moscow and Saint Petersburg international airports, a meeting of the food safety subgroup in the framework of the EU-RF Public Health Dialogue, meetings planned in the framework of Russia's accession to the WTO, and possible meetings between Commissioner Dalli and the Russian Ministers of Health and Agriculture; the dialogue will also focus on cooperation with Russia to tackle the African swine fever outbreak;
- Another two meetings of the Joint Baltic Sea Fisheries Committee (JBSFC), under the EU-Russia Agreement on Fisheries Cooperation, are expected to take place in 2011, the first around March-April. A first meeting is also expected under the Memorandum of Understanding of 2008;
- Following the agreement made in 2010, bilateral working groups will be established under the MoU for fisheries to discuss outstanding EU – Russian fisheries related questions that are not presently covered by existing agreements. Issues will include cooperation in fisheries management and related scientific research in the Black Sea.

k. Interregional and Cross-border Co-operation

- All five CBC programmes with Russia have launched their first calls for proposals.
- In the framework of the Partnership for Modernisation, DG REGIO made a proposal to carry out a study on the topic of mono-sector cities (cities depending almost exclusively on a sector or single large employer, which have gone through or are facing restructuring and diversification) as well as a study visit on the same topic. This should go ahead in 2011.

l. Public Health

- The first meeting of the Public Health Dialogue is scheduled to take place on 18 February;
- Follow up of the results of the first meeting of the Dialogue on public health. Working groups will be established in the areas of communicable diseases and lifestyles (mainly tobacco and alcohol);
- Focus on work on pharmaceuticals, mainly in Good Manufacturing Practices and Clinical Trials.

**EU-RUSSIA COMMON SPACE
OF FREEDOM, SECURITY AND JUSTICE
PROGRESS REPORT 2010**

Objective

At the St. Petersburg Summit of May 2003, the EU and Russia agreed to establish a Common Space of Freedom, Security and Justice. A road map agreed in 2005 sets out the objectives for cooperation in this area for the short and medium term. Ministers monitor the overall implementation of this Common Space at the biannual meetings of the EU/Russia Permanent Partnership Council (PPC) on Justice and Home Affairs. The regularity of these meetings ensures constant monitoring of progress and allows focused debate on topical issues on our common agenda. Two PPC meetings were convened during the course of 2010. On 25-26 May in Kazan and on 18-19 November in Brussels, the Russian side was represented by Mr Alexander Kononov, Minister of Justice and Presidential Special Envoy for EU-Russia JLS cooperation, and Minister of the Interior Nurgaliev. The EU side was represented by the responsible member of the European Commission as well as Ministers of the Interior and Justice of the incumbent Presidency and representatives of the forthcoming Presidencies.

EU Policy Aims

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

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

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

Institutional framework and monitoring mechanism

Monitoring of the process of implementation of the Common Space on Freedom,

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

Permanent Partnership declarations

The PPC declarations of May and November 2010 noted the importance of effectively implementing the visa facilitation and readmission agreements as well as agreed on the methodology of common steps to be followed during the next phase 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. The need of progress in the negotiations on the local border traffic agreements between interested neighbouring EU Member States and the Russian Federation, in line with the relevant legislation of both Parties was noted. The joint commitment to establish an enhanced dialogue on migration related matters was underlined. The need for further cooperation with EUROPOL and EUROJUST and swift conclusion of the relevant negotiations on the operational agreements was highlighted. 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 EU is represented by the Commission assisted by the Member States. The Joint Committee on Visa Facilitation met in May, while the Joint Readmission Committee met in June and December. There have been discussions with the Russian side on possible modifications and additions to the Visa Facilitation Agreement which stem from the Commission's evaluation of the implementation of the Agreement in 2009 and the need to bring the Agreement in line with the changes in the internal EU acquis (Visa Code which became applicable on 5 April 2010). The last meeting of the Joint Visa Facilitation Committee agreed on suggestions for issues to be addressed in the renegotiation. The Commission adopted on 29 October 2010 a recommendation to the Council for authorising the opening of such negotiation.

Senior officials overseeing the visa dialogue, which examines the conditions for visa-free travel as a long-term perspective, convened in September and November. They recommended to the PPC to launch the work to elaborate jointly an exhaustive list of common steps the implementation of which will open possibility for engaging in negotiations on an EU-Russia visa waiver agreement. The recommendation was endorsed by the November PPC.

The EU and Russia have been further exploring the possibilities to launch a dialogue on migration related issues.

Negotiations on bilateral local border traffic agreements between Russia, on the one hand, and respectively Latvia, Lithuania, Poland and Norway², on the other hand, were carried out in 2010. Latvia and Russia made steps towards demarcation of their common border. Lithuania and Russia made significant progress towards demarcation of their common border - in the first half of 2010 the main instructions on demarcation were signed and the schedule for physical demarcation on the ground was adopted.

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

b. Security

Counter-terrorism has been pursued by exchanging information and promoting the implementation of international norms through targeted dialogue. An expert level meeting took place on 18 March 2010.

A meeting between EU Member State Liaison Officers and representatives of Russian law enforcement agencies took place in Moscow on 14 September 2010.

Cooperation between Europol and Russian law enforcement authorities has been further outlined on the basis of the existing strategic agreement, including on illegal immigration and trafficking in human beings, money laundering, counterfeiting currencies and documents as well as drugs. Regarding the operational agreement between Russia and Europol, the Europol Management Board authorised the Director of Europol to start negotiations with Russia on 19-20 May under the strict conditions expressed by Joint Supervisory Body and Member States. A conference on data protection aiming at clarifications on several points important for the Joint Supervisory Body took place on 19-20 October. It provided very important clarifications on the respective systems of data protection of both Russia and the EU. The launch of the negotiations on the operational agreement took place immediately after the conference. The standards of the Council of Europe's 1981 Convention for the Protection of Individual with regard to Automatic Processing of Personal Data and of the 2001 Additional Protocol thereto remain important factors for the conclusion of those negotiations.

In 2010, good progress was achieved in the negotiations on an EU-Russia agreement on the control of drugs precursors. In general, the EU-Russia Troika on Drugs in Brussels on

² Norway is a third country associated with the Schengen acquis.

15 September 2010 discussed the state of cooperation against illicit drugs.

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.

Regarding the fight against money laundering and terrorist financing co-operation with Russia also takes place in international bodies, in particular in the Financial Action Task Force to which the European Commission and Russia are both members.

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

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

c. Justice

Eurojust and the Russian Prosecutor's Office have been engaged in talks on a cooperation agreement, and these negotiations continued in 2010. Difficulties in the further advancement of the Eurojust-Russia agreement are related to the implementation by Russia of a national data protection legislation fully incorporating the standards of the Council of Europe's 1981 Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data and of the 2001 Additional Protocol thereto.

Experts from Eurojust participated also in the abovementioned data protection conference in October.

As regards judicial cooperation in civil and commercial matters, the EU continued highlighting the benefits for Russia's accession to the multilateral conventions on the protection of children (concluded in the Hague Conference's framework).

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

d. Human Rights

Twelve rounds of the EU-Russia human rights consultations have taken place. Two of them in 2010: in April and in November, both in Brussels. 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, freedom of assembly and association, the situation of human rights defenders, protection of human rights while countering terrorism and extremism, rule of law, functioning of the judiciary, racism, xenophobia and fight against discrimination (including based on sexual orientation), women's rights, co-operation on human rights in international fora (UN, Council of Europe, OSCE), and the Northern Caucasus. The EU and Russia also had an opportunity to submit enquiries with respect to specific individual cases. In keeping with the EU's practice of incorporating the voice of civil society into its meetings on human rights with third countries, the EU met representatives of Russian and international NGOs prior to each round of consultations.

Russia continued to oppose the involvement of ministries and agencies other than the Ministry of Foreign Affairs, the holding of the consultations alternately in Russia and the EU, and meeting with Russian and international NGOs. At the 11th round of human rights consultations in April, it was agreed for the first time to hold an expert seminar on "responsible parenthood" (domestic violence and/or adoption of children) as a follow-up to the consultations.

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 has been a very difficult situation for human rights defenders and a number of violent attacks against journalists and prominent activists as well as limitations on the respect for freedom of expression, freedom of association, and freedom of assembly. There have been no results of investigations into the murders of human rights defenders such as Politkovskaya and Estemirova, nor the deaths in pre-trial detention of Magnitsky and Trifonova. The human rights situation in the Northern Caucasus has not improved, and there continued to be numerous reports of torture, abductions, arbitrary detentions, and violations of women's rights, including "honour killings" and domestic violence. The impunity for these crimes remained pervasive. In neighbouring republics, in Ingushetia and Dagestan in particular, the situation further deteriorated and new potential hotspots have emerged in Karachaevo-Cherkessia and Kabardino-Balkaria. The number of attacks linked to racism and ethnic hatred are still a matter of concern. The verdict in the second trial of Khodorkovsky and Lebedev raised numerous concerns about the irregularities of a fair trial. HR/VP Ashton issued a statement in this regard.

The important positive developments included the extension of the moratorium on the death penalty and ratification of Protocol 14 of the European Convention on Human Rights, and some modernisation efforts, in particular those related to the rule of law (launching of a number of reforms in the area of judiciary, penitentiary and law enforcement). The Action Plan under the aegis of the Partnership for Modernisation includes EU support to the reform of the appeals' court system in Russia.

Declarations and statements were issued by the EU High Representative Catherine Ashton on the following subjects:

28/01/2010	The deaths of Konstantin Popov and Sergei Magnitsky and the need to accelerate reform of the criminal justice system in Russia
04/02/2010	Ratification of Protocol 14 to the European Convention on Human Rights by the Russian Federation
16/07/2010	Situation of human rights defenders in the North Caucasus
17/11/2010	Violence against journalists in the Russian Federation
18/11/2010	Outcome of the human rights consultations
30/12/2010	On the Khodorkovsky/Lebedev case

Next steps

- To continue parallel implementation of the Readmission and Visa Facilitation Agreements, monitor it in the respective joint committees and to revise the Visa Facilitation Agreement once the relevant authorisation for the Commission is adopted by the Council;
- To agree on the list of common steps in the context of visa dialogue;
- To further discuss and possibly launch the dialogue on migration issues;
- To conclude bilateral local border traffic agreements between Russia and neighbouring EU Member States;
- Liaison Officers Meeting, spring, Moscow;
- PPC in May in St Petersburg (tbc);
- To continue negotiations on a Europol-Russia operational agreement;
- To continue negotiations on an EU-Russia agreement on the control of drugs precursors;
- Continue exploring possibilities for Russia's accession to relevant Hague Conventions;
- Continue exploring possibilities for Russia's accession to and full implementation of the Council of Europe Convention on the Automatic Processing of Personal Data and of the 2001 Additional Protocol thereto;
- To continue negotiations on a Eurojust-Russia cooperation agreement;
- Two rounds of human rights consultations are planned for 2011;
- To take appropriate action on the basis of the review of the human rights consultations which was carried out in 2010.

EU-RUSSIA COMMON SPACE ON RESEARCH AND EDUCATION, INCLUDING CULTURAL ASPECTS PROGRESS REPORT 2010

Progress

a. Research

Research cooperation covers all scientific disciplines. It ranges from space, aeronautics and energy, including renewables and nuclear fusion, to health, food quality and safety, ICT, environmental research and climate change. It is governed by the **EU-Russia Science and Technology Cooperation** Agreement, which was renewed for a further five-year period in 2009. The Joint EU-Russia S&T Cooperation Steering Committee met in Moscow in July to discuss and approve a series of new cooperative actions. These were drawn up into a road map, setting out full information on current, planned and potential future bilateral research activities (the roadmap is available on the europa website)³.

The Joint Committee also approved the establishment of two new joint working groups in the areas of Research Infrastructures and Researcher Mobility and noted plans to establish a joint working group in the area of *e*Infrastructures. These working groups join the seven existing working groups in the areas of health; food, agriculture and biotechnology; information and communication technologies; nanotechnologies and new materials; energy; aeronautics and environment. Additional working groups exist in the area of nuclear fission and nuclear fusion. These working groups met nine times in 2010, to discuss a range of issues relating to research and innovation policy and programmes, including research and innovation policy, research challenges of common interest, funding and developing new and innovative ways of implementing common research agenda and activities, such as the coordination of research calls and the twinning of research projects, as well as monitoring and analysing ongoing actions. Recommendations for actions from the working groups are submitted for approval in the Joint Committee. In addition, in the context of the EU-Russia space dialogue, seven working groups have been established with Roscosmos: three co-chaired by the European Commission, four co-chaired by the European Space Agency, all of which, to some extent, cover issues relating to space research.

Russia enjoys the status of an ICPC (i.e. International Cooperation Partner Country) **in the 7th EU Framework Programme (FP)**. Entities from the Russian Federation have participated in all of the FP7 Specific Programmes, including all of the themes of the Cooperation Programme. By the end of 2010, over 450 Russian Federation participants were selected in FP7 projects, receiving an EU contribution of *ca* 50.5 million euro.

³ http://ec.europa.eu/research/iscp/pdf/russia_roadmap_2010-2012.pdf

The 2011 FP7 work programme, which was adopted by the Commission in July 2010, continues the positive experience of launching co-financed research activities with the Russian Federation through **coordinated calls**, which complement the general openness and bottom-up nature of FP7. Coordinated calls in the area of 'multi-scale modelling as a tool for virtual nanotechnology experimentation' and in high performance computing were issued in July 2009, with EU budgets of €4.5 and €4 million respectively, and budgets of €4.5 million and €2 million from the Russian side. The coordinated call in aerospace research, included in the 2010 work programme, was implemented successfully. In total, some eight coordinated calls have been launched with Russia to date under FP7, more than for any other third country, with a budgetary contribution of about €31 million on both sides.

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

In 2010, four projects within the FP7 Capacities, 'Activities of International Cooperation', programme, which specifically target or involve the Russian Federation, have continued to enhance the S&T policy dialogue and stimulate S&T cooperation between research organisations and researchers from both the EU and the Russian scientific communities.

The FP7 BILAT-RUS project (www.bilat-rus.eu) which aims to enhance bilateral EU-Russian Federation S&T cooperation has continuously provided assistance and knowledge to the **working groups under the S&T Cooperation Agreement as set out above**. A key project deliverable is the web portal www.st-gaterus.eu which offers information about the Russian S&T landscape and funding opportunities from the EU and Russia for the implementation of joint scientific activities.

The FP7 ERA.Net RUS project (www.era.net-rus.eu) aims to strengthen S&T cooperation between the Russian Federation and EU by the coordination of EU Member States' research programmes towards and with Russia. It has developed a concept for coordinating the activities of S&T programme owners in the EU and Russia. Based on this, all interested research and innovation funding organisations from the EU MS/AC and Russia met on 25-26 November 2010 in Moscow for discussing the detailed concept of pilot joint calls on collaborative research and innovation, and to plan the implementation of these calls in 2011.

The FP7 ACCESSRU project (www.access4.eu/russia) aims to help EU researchers and research organisations to access the scientific and innovation programmes established within the Russian Federation. On 15 October 2010 in Moscow, a round table 'Development of mechanisms facilitating access for EU R&D organisations to Russian

research and innovation programmes' was held to present and discuss the first findings from the project. Opportunities and practical barriers to EU researchers' participation in Russian domestic R&D programmes were better identified and analysed.

The International Cooperation Network - Eastern Europe and Central Asia (FP7 IncoNet EECA project, www.inco_eeca.net) objective is to strengthen the bi-regional policy dialogue between stakeholders from the EU and the EECA countries on S&T cooperation. On 7-8 April 2010 in Moscow, the Network organised a Policy Stakeholders Conference on Best Practices in Science, Technology and Innovation Policies, the conclusions from which are available on the [project website](#).

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

The EU-Russia Partnership for Modernisation has provided additional focus on the central role that research cooperation plays in many areas of EU-Russia relations. The Partnership for Modernisation work plan foresees full implementation of the actions foreseen in the cooperation road map, as well as reciprocal access to the research programmes of both sides, and increasing cooperation in the area of research infrastructures.

Next steps

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

b. Education

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

Russia has made significant progress in aligning its higher education system with the requirements of the **Bologna Process**. However there are still obstacles to the development of more ambitious academic relations between Russian and EU universities: difficulties in recognising periods of study abroad, cumbersome administrative and accreditation procedures which make it almost impossible to develop joint (and even

double) degrees with Russian universities, widespread corruption, weak quality and governance, and a language barrier.

On an institutional level, measures should be taken to increase the level of involvement of students and awareness-raising among employers: efforts should also be made to create degree programmes and courses with a learning outcome approach, and along the two-tier cycle. Three recent Commission publications provide updated information on the current state of development of higher education in Russia, in comparison with other European and neighbouring countries and in particular with regard to the Bologna Process action lines.

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

There remain unresolved issues related to the differences in quality assurance systems, recognition of periods of study abroad, administrative and accreditation procedures that hamper progress in this area together with the fact that the PhD level is not yet concerned by the implementation of the Bologna process in Russia.

To enhance the European Area of Higher Education, universities have taken themselves a number of initiatives that reflect their growing awareness of the new role they want to play in the emerging knowledge-based economy. For example a "Bologna Club" was established at the Technical University in Rostov-Don and the "Tuning Association" was initiated by the academic community through the establishment of “Tuning Centres” in Russia to ensure compatibility and comparability of degrees and diplomas in a number of areas of study. Both initiatives are a testimony of the enhanced role that universities want to play in higher education reforms, as active civil society actors.

Orientation towards European integration is at the centre of the strategies of the most important universities, including the new ones that have recently emerged from the higher education modernisation process, namely, the network of National Research universities and the Federal Universities. The latter group promotes both fundamental and applied research, while the former aims at enhancing the relevance of universities for the implementation of regional socio-economic policies.

Tempus and Erasmus Mundus have continued to play a central role in the internationalisation processes. Erasmus Mundus has been instrumental in enhancing the academic mobility and mutual learning amongst academic staff and students. Tempus continues to effectively contribute to the implementation of the Bologna process in Russia. However, the reduced funding and number of projects involving Russian universities in Tempus in the past two years has limited the scope of its impact, while at the same time bringing to the fore the need to enhance dissemination, networking and

communication within the higher education community, to maximise the impact of individual Tempus projects.

There is growing interest both at federal policy level and university level for **double degrees and joint programmes**. The EU Delegation in Moscow has recently completed a study analysing the benefits deriving from the development of double degrees and the problems faced by universities when working on double degrees programmes. The report suggests that currently there are 239 double degree programmes between EU and Russia universities. 65% are double degree programmes at Masters' level; 20% are at Bachelors' and 9% at Specialists (five year programmes) level. Only 6% are related to PhD degree. Clearly the work seems to be quite advanced at Masters' degree while there is a need to put more efforts at Bachelors and PhD levels.

The report was discussed in two seminars: one was organised by the Ministry of Education and Science of Russia in October 2010 and the second one was run by the EU Delegation and National Tempus Office (NTO) in November 2010.

Recommendations from the seminars were incorporated into the final report, which is due to be translated and published early this year. The report suggests introducing clear definitions of double and joint degrees programmes into the bill of law on education currently being discussed at the State Duma. The report also calls for Russia to make available funds for students' mobility to study to EU countries and for EU students to come to Russia through a programme of organised mobility similar to Erasmus Mundus (Action 2). Eventually, the Report highlights the need of a regular Institutional dialogue at Commissioner-Minister level to discuss problems faced by universities on both sides when developing double degree programmes.

Clearly, universities are making more and more use of international cooperation, including their participation in Tempus and Erasmus Mundus, to develop double degree programmes. International cooperation is more to be understood as an opportunity to develop double degree programmes rather than simply working on modernising curricula and updating courses material.

To underline even more the importance of double degree programmes, in April 2011, a regional seminar will be organised in Moscow - within the framework of the accompanying measures of the Tempus programme - entitled 'Diploma and Degree Comparability; Designing Double Diploma Programmes'.

With regard to the Common Space on Research and Education, including Cultural Aspects, the development of double degree programmes allows measuring the progress made year by year. It tells us to what extent university programmes are compatible and the corresponding degrees are comparable. Only in 2009-2010, more than 7,300 students have been studying in double degree programmes: more than 6,800 went from Russia to the EU and more than 500 to Russia from EU countries. More than 1,000 academic staff members have been involved in teaching in such programmes, moving from Russia to the EU and vice-versa. These figures are clear evidence that the construction of a common

space in higher education is already underway.

2010 has also been characterised by a growing cooperation between universities and enterprises that is accompanied by a system of independent assessment of curricula by employers.

In 2010, a total of 8 Tempus projects involving Russian universities were selected. This represents a value of €5.8 million and includes 4 multi-country projects. Project details can be found at:

http://eacea.ec.europa.eu/tempus/results_compendia/results_en.php

http://eacea.ec.europa.eu/tempus/results_compendia/projects_description_en.php

To date, the Russian national priorities for the Tempus IV programme have been the modernisation of curricula, the European Credit Transfer System (ECTS) and recognition of degrees, the development of lifelong learning in society at large, and qualification frameworks. These priorities will be maintained for the fourth call for proposals launched in October 2010, with the addition of certain new disciplines for curricular reform projects.

In March 2010, the first of four Tempus regional seminars on university governance was held in Kiev with the aim of presenting the results of the Tempus study entitled: 'Changing rules: A Review of Tempus support to University Governance'. This seminar gathered around 80 participants from the 7 Eastern European Tempus Partner Countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, the Russian Federation and Ukraine). The participants, invited by the Commission services and EACEA, represented universities, ministries, higher education agencies, EU Delegations, National Tempus Offices, and National Contact Points. The seminar presented a good opportunity for stakeholders to meet and exchange experiences about the ongoing developments in their countries and at regional level.

Russian Higher Education Reform Experts (HEREs) attended international seminars on recognition (Tallinn, June 2010) and the social dimension of education (Nicosia, November 2010), organised to the attention of Tempus HEREs and Bologna experts.

University cooperation - with a focus on mobility - is supported by the Erasmus Mundus programme.

Under Action 2 of the programme, Erasmus Mundus Partnerships bring together universities from the European Union on the one hand and from a particular region in the world on the other. Together the partnerships manage mobility flows for a range of academic levels - undergraduate, masters, doctorate, post-doctorate - and for academic staff.

In 2010, three partnerships were awarded grant contracts for a **total EC funding of € 11.99 million. As a result, 25 European and 34 Russian universities participate** in

this programme with the aim to implement 581 individual mobility flows of Russian 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 Action 1 of **Erasmus Mundus**, students and academics from Russia benefit from scholarships to participate in Erasmus Mundus master courses and joint doctorates in the EU. Russia is typically among the top countries in terms of the number of awarded Erasmus Mundus scholarships. Since 2004, 346 Russian students and 80 academics have benefited from such scholarships. In 2010, **75 students were awarded Erasmus Mundus scholarships**. This year also the first selection of doctoral candidates took place. Under Action 1, in addition to students and academics, Russian universities can also participate by becoming members of existing consortia of EU universities: so far 3 Russian universities have seized this opportunity by joining 2 Erasmus Mundus Master's Courses and 1 Erasmus Mundus Joint Doctorate. In addition, nine **Russian higher education institutions participate in Erasmus Mundus projects**.

In 2010, the **Jean Monnet** call for proposals resulted in the selection of a Jean Monnet Chair on "Theory and Practice of EU Law" at the State Educational Establishment of Higher Professional Education – Moscow State Academy of Law. This brings the total number of Jean Monnet projects in Russia to 13.

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

A study of the centres, departments, and chairs of European studies set up within universities through Tempus and Jean Monnet programmes started in January 2009. Overall, between 1994 and 2006, about 20 Russian Universities received EU funding to implement Tempus and Jean Monnet projects in fields related to European Studies and/or to establish European Documentation Centres, now called EU-Information Centres.

The study served as a basis to launch a Call for Proposals in 2010 which helped identify three universities wishing to establish EU Centres on the basis of existing centres, departments, and chairs. As a result the following universities were selected: Immanuel Kant University of Russia (IKSUR) in Kaliningrad, the European University at St. Petersburg (EUSP) and Tomsk State University (TSU).

A new call will be launched in 2011 to identify three more universities. Applicants must have proven experience in teaching, research and outreach activities related to the EU. For reasons of sustainability European Integration Studies should be a relevant area of interest at the applicant university and adequate funds should be allocated by the

universities to finance the EU Centres beyond the project life time.

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. During the period 2007-2010, over 2300 young people and youth workers from Russia have benefited from such opportunities through participation in more than 700 projects.

Next steps

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

c. Culture

In 2010 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. The **Joint Working Group on Culture**, which had been established in February 2007 with the aim to draw up a Culture Action Plan, last met in June 2008 in Moscow. The next meeting of the Group should take place in 2011.

In 2010 both sides continued negotiations of an ambitious culture cooperation provision to be included in the New Agreement between the EU and Russia.

Discussions on the EU-Russia Action Plan on Culture continued in 2010. The EU now awaits the Russian response to its proposal.

In 2010, eight joint EU-Russia projects with a total budget of € 2 million were selected under an open call for proposals in the framework of the EU-funded programme aimed at strengthening the EU-Russia cooperation in the field of culture. These projects cover different areas of culture - visual arts and contemporary music, wooden architecture, documentary cinema, modern culture management, innovative museum practices; and will be implemented in various regions of Russia (Arkhangelsk, Kostroma, Moscow, Nakhodka, Perm, Pskov, Tula, etc.) and the EU. All projects include capacity-building components (master classes, training modules, seminars, art residencies, internships, etc.) and public cultural events (festivals, exhibitions, co-productions). Most of the projects will start in the beginning of 2011 and have a maximum duration of 18 months.

Since 2007, the Delegation of the European Union to Russia has been launching annual thematic calls for proposals specifically focused on culture. The purpose is to support the EU-Russia cultural initiatives implemented through partnerships between non-governmental organizations, local and regional authorities, artistic universities, museums and other cultural institutions from the EU and Russia. In 2007-2010, 25 joint cultural projects for a total grant amount of 6 million euro were supported involving approximately 100 cultural institutions from Russian and 18 EU member states.

A **Northern Dimension Partnership on Culture (NDPC)** was established in 2010. A Memorandum of Understanding was concluded between the participating countries and institutions in May formally setting the objectives for this partnership. The running of the Partnership is also guided by an Action Plan, developed by the Steering Committee. The secretariat of the partnership is based at the Nordic Council of Ministers in Copenhagen, which will have a permanent staff member, a senior adviser, heading the secretariat as of April 2011 (the person selected by the Steering Committee is the Russian national Elena Khoroshkina). The European Union actively participates at the work of the Steering Committee of the partnership and has made available funds (€ 300.000 in 2011) for projects to support the work of the partnership.

Next steps

- Follow-up of the ongoing discussions on the Action Plan;
- Explore the possibility of holding a meeting of the EU-Russia Joint Working Group on Culture, in 2011, if this initiative would allow for the finalisation of the Action Plan on Culture.