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From : General Secretariat
To : COREPER

Subject : EU-Russia Common Spaces - 2007 Progress Report

As background material for the discussion on preparation of the forthcoming EU-Russia Summit, the 2007 Progress Report on the EU-Russia Common Spaces, as prepared by the Commission and the General Secretariat, is submitted to the attention of COREPER.

EU-RUSSIA COMMON SPACES PROGRESS REPORT 2007

Date: March 2008

This report describes progress made during 2007 on the implementation of the EU/Russia Common Spaces agreed at the St. Petersburg Summit of May 2003 in the light of the Road Maps adopted in 2005. It also looks forward to the next steps expected in the coming year. A detailed section is devoted to each space. Where appropriate, reference is made to major EC financial cooperation projects in support of Common Space Road Map implementation, but the document does not attempt to provide an exhaustive overview of financial cooperation. The report on the Common Space of External Security has been drafted jointly by the Council Secretariat and the Presidency, as well as the Commission according to their respective areas of competence. The rest of the work is the sole responsibility of the Commission services.

In summary the report shows that although there were no major breakthroughs, day to day business was conducted efficiently under all the common spaces; progress continued to be made but much remains to be done and some important points agreed in principle are yet to be implemented in practice (Siberian overflights, energy early warning mechanism). Implementation was reviewed at the two summits and four meetings of the Permanent Partnership Council which took place. A number of the issues which were advanced but not finalized during 2007 may become soluble when the new Russian President and Government are in place. Completion of Russia's WTO accession would contribute to progress in a number of areas.

Among the main achievements were:

General

- Adaptation of the EU/Russia Partnership and Cooperation Agreement to take account of Bulgarian and Romanian accession, including the annex to the Veterinary Memorandum;
- Announcement of EU and Russian contributions to Cross-Border Cooperation amounting to €429 million for 2007-13 (Kolarctic/Russia, Karelia/Russia, SE Finland/Russia, Estonia/Latvia/Russia, Lithuania/Poland/Russia, Black Sea and Baltic Sea Region programmes);

Trade and Economic cooperation

- Agreement on the gradual abolition of Siberian overflight payments approved by EU and by Russian Government but not signed;
- Agreement to set up energy early warning mechanism with terms of reference to be finalized;
- Lifting of Russian ban on Polish meat exports through bilateral implementing agreement on meat inspections; resumption of recognition of plant certification should take place after signing of EU/Russia Memorandum of Understanding on pesticide maximum residue levels;

- Entry into force of harmonized certificates for EU meat exports to Russia;
- Agreement on measures to be taken to reduce congestion at EU/Russia borders comprising pilot project on electronic customs information exchange, simplification of Russian procedures and upgrading of border infrastructure;
- Agreement on the Northern Axis strategy for transport links;
- Publication of joint document on statistical comparisons;

Freedom, Security and Justice

- Entry into force of Readmission and Visa Facilitation Agreements;
- Launch of the Visa Dialogue;
- Signature and ratification of Russia/Latvia Border Agreement;
- Signature of Memorandum of Understanding between European Monitoring Centre on Drugs and Drug Addiction and the Russian Federal Drugs Control Service;
- Agreement on joint cooperation plan between FRONTEX and Russian Border Guard Service;

External Security

- EU Joint Action in support of chemical weapons destruction in Russia;

Research, Education and Culture

- First PPC on Culture held on 25 October;
- New priorities agreed for Tempus and Erasmus Mundus education cooperation programmes;
- Four coordinated calls issued for co-funded research projects under the 7th Framework Programme;
- Introduction by Russia of the two cycle system of higher and postgraduate education in line with the Bologna Process.

Dialogue structures and contacts have continued under all four Common Space Road Maps as well as the implementation of EU cooperation under TACIS and the European Neighbourhood and Partnership Instrument and other Community instruments. The launching of three new dialogues on investment, macroeconomic/financial cooperation and inter-regional cooperation has completed the institutional framework of the common economic space. Efforts have begun to establish additional dialogues on employment and social policy and on health matters. All dialogues have substantially deepened mutual understanding of policies and rules thus providing the underpinning of the future negotiations of the New EU/Russia Agreement.

EU-RUSSIA COMMON ECONOMIC SPACE**PROGRESS REPORT 2007****Objective**

The EU and Russia agreed at the St. Petersburg Summit of May 2003 to establish a 'Common Economic Space'. A road map agreed in 2005 sets out objectives and areas for cooperation for the short and medium-term. The implementation is notably ensured through sector dialogues between the EU and Russia covering all economic chapters of the CES. However, no meeting of EU-Russia Permanent Partnership Councils at ministerial level was held on trade and economic matters during the course of 2007 but high level meetings took place notably between Commissioners and their Russian counterparts (Mr. Mandelson/Minister Gref and Ms. Nabullina; Mr Piebalgs and Mr. Verheugen / Minister Krishtenko).

EU policy aims

The overall objective of the Common Economic Space is the creation of an open and integrated market between the EU and Russia. The aim is to put in place conditions which will:

- increase opportunities for economic operators;
- promote trade and investment;
- facilitate the establishment and operation of companies on a reciprocal basis;
- strengthen cooperation in many sectors such as energy, transport, information and communication technologies, agriculture, space, aeronautics, research and development, macroeconomic policy, financial services, intellectual property rights, procurement, investment, standards and environment;
- reinforce overall economic cooperation and reforms;
- enhance the competitiveness of the EU.

It also aims at reinforcing the EU and Russian economies, based on the principles of non-discrimination, transparency and good governance, taking into account the business dialogue conducted within the EU-Russia Industrialists' Round Table (IRT).

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

Trade and Economic cooperation has become a key component aimed at creating an enabling environment for the EU-Russia Strategic Partnership through further integration of Russia into the world economy in preparation of Russia's accession to WTO and the possible conclusion of a deep Free Trade Agreement.

The scope of Trade and Economic cooperation between the EU and Russia has gained tremendous importance notably in the field of energy. Communication between the EU and Russia has improved at all levels, and there is a better understanding of respective regulatory environments in numerous sectors on both sides. Concrete outcomes can reasonably be expected in the medium or long term as far as regulatory convergence is concerned.

Institutional framework

Sector dialogues have been launched in 16 areas where Terms of Reference have already been signed¹, while **signature of those for the Dialogues on Investment, on Macroeconomic and Financial Issues and on Inter-regional Cooperation were completed in 2007**. The feasibility of establishing two new free standing Dialogues on both Health and Employment is also currently being pursued. Moreover, the possibility to further modernize existing EU-Russia cooperation in the field of statistics is also being pursued. In addition to such formalized dialogues, an informal dialogue is ongoing on competition related aspects. Sub-committees under the current Partnership and Cooperation Agreement (PCA) are not held any more in practice. The Sub-committee on Customs and Cross-Border Co-operation (CBC) remains the only active Sub-Committee under the current PCA. It last met in Brussels on 26 April 2007.

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

Endorsed by the EU-Russia Summit in July 1997, the EU-Russia Industrialists Round Table (IRT) is mentioned as a further mechanism to be taken into account in the Road Map. The ninth EU-Russia Industrialists Round Table (IRT) took place on the eve of the EU-Russia summit in October 2007 in Mafra. This year's IRT conference focused on successful businesses seizing the opportunities in Russia and Europe, looking at pragmatic ways of strengthening EU-Russia business relations, especially through a more intensive and regular form of cooperation – stronger cooperation designed to consolidate the EU-Russia Common Economic Space but also in light of the launch of negotiations on the New Agreement and Russia's WTO accession.

The EU-Russia Business Cooperation Council (BCC), created by the IRT in 2005, is a high level advisory body made up of 6 CEO level representatives of the key business sectors from both sides that aims to provide substantive strategic advice on EU-Russian business co-operation and act as an interface in high level contacts with the Commission and Russian authorities. Representatives of the BCC met EU and Russian leaders at the summit in Mafra last October.

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

Progress

a. Industry Related Dialogues

i. Regulatory Dialogue on Industrial Products

The terms of reference were signed by VP Verheugen and Minister Khristenko on 7.12.05. 6 subgroups have been established so far (see below). Four meetings of the Regulatory Dialogue Working Group (i.e. the main plenary group) have taken place, at approximately 6 month intervals. The last meeting was held in Moscow on 9 October 2007. The main purpose of these meetings is to monitor the progress of the subgroups.

Overall, there continues to be good cooperation between the two sides, and the level of activity is relatively high, with sectoral subgroup meetings taking place every few weeks. Business from both sides is fully involved in these meetings. Mr. Khristenko and Mr. Verheugen met on 16 July 2007 in Moscow and concluded that although the Dialogue had started positively, it could more effectively support Russia's programme to develop its technical regulations and that priority in this programme should be given to regulations in the sectors covered by the dialogues.

They also considered that it would be necessary to make the dialogue more operational, by seeking some practical results. As a result, all subgroups have been asked to identify the 2 or 3 most important problems facing their industrial sector and to make joint recommendations for their resolution. The joint recommendations will be forwarded to Mr. Verheugen and Mr. Khristenko for their review.

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

A proposed €3m TACIS project to support the Russian programme to develop its technical regulations and standards, has not yet been signed by the Ministry of Industry, despite continued insistence from the EU side. This assistance risks being lost.

Eight working groups have been established under the dialogue so far to discuss sectoral issues and relevant industry bodies on both sides are fully involved.

1. **Automobiles:** This subgroup meets as a joint subgroup with the automobile subgroup under the dialogue on industrial and enterprise policy. Five meetings have been held, the last of which was on 30/31 October 2007 in Moscow. Recent changes in Russian and European legislation in the field of automobiles were considered. Both sides have expressed their satisfaction regarding the high level of cooperation they have managed to achieve, both in the subgroup itself, and at UNECE meetings in Geneva. Russia and the EU are moving in the same direction concerning new regulation, for example in relation to new technologies such as Electronic Stability Control. The subgroup has also considered questions about handling end of life vehicles in the Russian Federation, protection of intellectual property rights in the Russian Federation and measures taken to prevent counterfeit spare parts for the automobile industry. The European side provided information about the tariffs for different types of motor transport in the EU. The next meeting will be held in Brussels in April 2008.

2. Textile Industry: This subgroup also meets as a joint subgroup with the textiles subgroup under the dialogue on industrial and enterprise policy. Seven meetings have been held, the last of which was in Brussels on 21 November 2007. A great deal of information has been exchanged on the technical regulations and standards in place; for example, from the EU side - on chemicals in textiles and labelling, and from the Russian side – on the law on consumer textiles and safety of clothes, footwear and goods for children and teenagers. The scope of the group is extending beyond textiles to footwear, leather and fur goods and toys. The next meeting will be held in Moscow on 3-4 April 2008.

3. ICT, Radio and Telecom: This subgroup has met four times, most recently on 31 May and 1 June 2007 in St Petersburg, in combination with a seminar on electromagnetic fields. The subgroup has been successful in providing a means for monitoring the bilateral EU-Russia WTO accession agreement in this sector, both in relation to conformity assessment issues, which have largely been addressed, and the legislation on encrypted products, where major discussions continue. The subgroup is focusing on the harmonisation of legislation on technical equipment and measures aimed at protection of health from exposure to electromagnetic fields. The next meeting is planned for Spring 2008.

4. Electrical equipment and machinery: It was agreed in October 2007 to create this subgroup. Co-chairs have been appointed but a first meeting has not yet been held. Following consultation with EU industry, the EU side proposes to focus the work of the subgroup on the potential for harmonization of Russian technical regulations and standards on machinery, low voltage equipment and EMC with the relevant EU directives.

5. Pharmaceuticals: The subgroup has met twice: in May 2006 in Brussels and July 2007 in Moscow. A major issue discussed by the subgroup is protection of the intellectual property rights relating to the data submitted for registration of pharmaceuticals in the Russian Federation. Other practical issues relating to the Russian registration and enforcement system, including measures taken to tackle counterfeits, have been discussed. The EU side has provided detailed information on the operation of the EU pharmaceuticals legislation and discussions have also covered the new Russian draft law on medicines. It has proven particularly difficult to engage with the Russian side in this area, as the EU counterpart, the Ministry of Health, does not seem very committed to the dialogue process.

6. Forest-based industries: The subgroup has only met once, in September 2006 in Moscow. A second meeting is planned to be held in Moscow in April 2008, at which phytosanitary issues and EU legislation on paper and packaging will be discussed, plus the drafts of 7 new technical regulations in the forestry sector, and the Forest Plan currently in force in Russia. The Russian side has asked to discuss accreditation issues in the forestry sector (mutual recognition of certificates granted by Russian laboratories).

7. Conformity Assessment and Standardisation: This subgroup has met several times in different formations. The last meeting was held on 10 October 2007 in Moscow. Both the Russian framework legislation and the EU New Approach legislative framework are going through significant changes and cooperation in terms of understanding these changes has been extremely positive. The main output of the subgroup will be to develop recommendations and examine possibilities for closer alignment of the two systems based on a detailed table to be drawn up comparing the EU and Russian systems for developing and implementing technical regulations and standards.. The section on accreditation is completed and the sections on market surveillance and standardisation are well underway. Two seminars are planned for Spring 2008: one on standardisation issues, involving standardisers and stakeholders from both sides; and one on conformity assessment and market surveillance issues. At its last meeting, the subgroup discussed its ultimate objective which could be to consider the possibilities for mutual recognition agreements between the EU and Russia, but agreed that it would need to approach this step by step.

8. Construction Products: It was agreed to establish this subgroup in October 2007, following the request of the EU-Russia Industrialists Round Table. However, it has not yet been possible to hold any meetings as the Russian side has not been able to appoint a co-chair, following internal disagreements between the Ministry of Industry and Energy and the Ministry of Regional Policy on responsibilities. In order to make progress, the EU side may propose an event/seminar on the key issues, without the need to formally kick-off the work of the subgroup. The subgroup will focus on questions relating to the possible harmonisation of regulations and standards in the field of construction products.

9. Medical devices: A subgroup on medical devices has not yet been established due to the fact that neither side has identified any urgent issues.

ii. Industrial/Enterprise Policy Dialogue

Terms of reference were signed by VP Verheugen and Minister Khristenko on 7.12.05. Four meetings of the Industrial and Enterprise Dialogue Working Group (i.e. the main plenary group) have taken place at approximately 6 month intervals. The last meeting was held on 10 October 2007 in Moscow. 6 working groups have been established under the dialogue and relevant industry bodies are fully involved.

Mr. Khristenko and Mr. Verheugen met on 16 July 2007 in Moscow and concluded (as for the regulatory dialogue on industrial products) that the Dialogue had started positively, its level of activity had been high, and both parties had been well represented in the meetings of all subgroups. However, they considered that it would be necessary to make the dialogue more operational, by seeking some practical results. As a result, all subgroups have been asked to identify the 2 or 3 most important problems facing their industrial sector and to make joint recommendations for their resolution. These actions will focus each subgroup's activity and make it more concrete. The joint recommendations will be forwarded to Mr. Verheugen and Mr. Khristenko for their review.

1. Automobiles: This subgroup meets as a joint subgroup with the automobile subgroup under the Regulatory Dialogue on industrial products.

2. Textiles: This subgroup meets as a joint subgroup with the textiles subgroup under the Regulatory Dialogue on industrial products.

3. Mining and metals: This subgroup has met four times, most recently in Moscow on 14 November. This sector accounts for a very high proportion of EU-Russia trade and is therefore important. A wide range of issues have been discussed, including EU legislation in the field of chemicals (REACH), which also covers metals; climate change issues; the realization of the TACIS project on steel industry restructuring, and anti-dumping cases. In future, the subgroup will consider the creation of an early-warning mechanism to prevent trade problems from occurring. At the last meeting it was agreed that for 2008, only one meeting would be held (in the second semester) in connection with a seminar focusing on one subject: sustainable development and climate change.

4. Chemicals: The subgroup has met three times, most recently on 6 September 2007 in Moscow. In connection with the work of the Subgroup, a European-Russian Seminar on the EU's REACH legislation was held in Moscow on 5 September, under the EU TAIEX Programme. About 150 representatives of Russian trades unions and associations, business structures, federal bodies of the Executive Branch and the European Commission attended the event, which was agreed by both sides to be a success. A lot of detailed explanatory material about REACH was provided, and has been made available on the Ministry of Industry website. The subgroup has discussed the possible harmonisation of draft new Russian legislation in the field of chemicals with REACH and the Globally Harmonised System (GHS) for classification and labelling of chemicals. Practical problems related to pesticide registration in Russia have also been discussed.

5. Aerospace: This subgroup has only met once, on 7 December 2006 in Brussels. There are a number of EU and Russian initiatives covering this sector, in particular the Transport Dialogue. There has been no development in 2007 since neither side has found it necessary to press for a further meeting.

6. SMEs and enterprise policy: This subgroup has met three times, most recently in Brussels on 20 April 2007. There has been a good and open exchange of information on both sides regarding current policies, regulatory aspects and practice. The meetings have revealed the extent of the similarities between the EU and Russia approaches to SME policy. The subgroup has discussed the matters of competitiveness of crafts and small businesses, the tourism sector, and the EU's «think small first» initiative. Both sides agree that the potential for SME development in Russia is high, and there is plenty of scope for further cooperation and exchange of experience. However, now that the two sides have largely completed their exchanges of information, it will be necessary to consider carefully the direction for the work of this subgroup. The next meeting is planned for May 2008.

Over the last decade a considerable number of projects on private sector development, in particular on SME development, have been implemented in Russia (as private sector development was one of the three priority sectors during the Tacis phase). The projects and their impact are currently being evaluated. The results of the evaluation are expected to be available at the end of 2008. With the support of the presently running project "Support to Russian export-oriented SMEs" Russia has become a member of the European Info Centre (EIC) network.

iii. Space

In the context of the preparation and launch of the European Space Policy (EU together with the European Space Agency – ESA - in the Space Council May 2007), a more structured EU-Russia Space dialogue was established in March 2006 by a Joint Statement co-signed on the EU side by Vice President Verheugen. Terms of Reference have been adopted together by the Commission, ESA and the Russian Federal Space Agency and a trilateral Steering Board has been established. The 2nd meeting of the trilateral Steering Board was held on 21 March 2007 in Moscow.

Seven working groups have been established, covering all fields of civil space activities (On the European side, Commission co-chairs the WGs on Earth Observation, Satellite Navigation and Satellite Communication, whereas ESA co-chairs the WGs on Fundamental Space Science, Applied Space Science and Technology, Launch systems and Future crew transportation systems.)

The WGs have started their more substantial dialogue in 2007 with the definition of objectives and the goal to identify concrete projects for cooperation as of 2008/2009. First progress reports should reflect the concrete potential for the future and give recommendations to the next Steering Board meeting, to be held in May or June 2008 at the ESA Headquarters in Paris.

Issues for potential cooperation are for example: the inclusion of Russian satellite capabilities to enhance the coverage of GMES Earth observation data; the compatibility and interoperability of Galileo with the Russian Glonass; future space launch systems; and, possibly, joint development of a crew transportation system to serve the ISS after the expected phasing out of the U.S. Space Shuttle; but also joint projects on fundamental and applied space science and technologies, possibly co-funded under future FP7 calls.

iv. Information Society Dialogue

The Terms of Reference for the establishment of an Information Society and Media Dialogue were signed in December 2005 in Brussels by Commissioner Reding and Minister of Information Technology and Communication Reiman.

A meeting between Commission officials and the Russian Ministry of Communications took place in mid-May 2006. Topics on the agenda included: regulation of electronic communications, “spam” and network security, media policy (including television without frontiers) and research.

A second meeting took place in Moscow in April 2007. There was broad participation on the Russian side including representation from several ministries, agencies, research centres and the private sector. There was a correspondingly wide range of topics introduced. This meeting was combined with a series of meetings related to research networks.

Progress remains complex and slow. The next meeting is expected to take place in Brussels in 2008.

A few projects under the EU-Russia Cooperation Programme are addressing the issue of e-government. In 2007 a small project was implemented, which provided policy advice to the MEDT on e-government (Moscow+regions) in particular focusing on an analysis of the technological, legal and administrative preparedness of Russian administration for e-government as well as the provision of European best practices. This project will soon be followed by a larger project on e-government.. This larger project will also have the MEDT as well as the Ministry for Information Technology and Communications (MINSVYAZ) as project partners at the Russian side. The tender is expected to be launched (with the publication of the Procurement Notice) in the first half of March 2008. The project is intended to run in parallel with the Russian programme to set up regional multifunctional centres and set up a network of excellence to provide a forum where experiences within Russia and in the international sphere can be shared. The project builds on the earlier project "Public Sector Institutional Reform", which finished in December 2007 and had a significant e-government component.

An administrative capacity building project in Kaliningrad (€7 million) also includes a major component on the development of e-government within the Kaliningrad regional and municipal administrations

b. Trade Related Dialogues

i. Intellectual Property Rights (IPR) Dialogue

The IPR regulatory dialogue focuses on horizontal issues (institutional issues, horizontal legislative issues, enforcement issues, public awareness), sectoral discussions (i.e. copyright, patents etc.) and specific cases. The terms of reference 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 four meetings of this dialogue (27 April 2006, 30/31 October 2006, 13 April 2007, 7 December 2007). Next meetings are expected to be held in June and November 2008.

Discussions have been held on a wide range of topics:

- Pending and current legislation: IPR legislation (Civil Code Chapter IV); Customs code; Criminal codes; data exclusivity (pharmaceuticals).
- Enforcement: counterfeited goods and pirated goods (optical disc plants, street markets, piracy in the interactive media sector, pharmaceutical sector); .
- Internet piracy: operating of illegal websites /downloading.
- Border measures: insufficient border controls, lack of ex-officio actions.

ii. Investment Dialogue

The first meeting was held in October 2007 and the memorandum establishing the dialogue was formally signed. The discussion, which showed interest and commitment on both sides took place in a good atmosphere, focused on broad issues (e.g. investment environment, general approach to investment in FTAs). Russia was particularly interested in the EU investment regime and competences, in the energy unbundling proposal and possible impact on Russian companies and in the European debate on sovereign wealth funds. The EC took the opportunity to discuss the draft Russian law on investment in strategic sectors, highlighted the importance of reciprocity in the current debate and raised the importance of cooperation in international *fora* on issues of common interest.

The main objectives set out in the terms of reference are:

- to improve and simplify the administrative and regulatory environment for investments;
- to develop mechanisms in order to enhance transparency and predictability,
- to discuss barriers to investment flows and concrete problems experienced by investors;
- to identify means for closer cooperation on policy aspects related to promotion, liberalisation and protection of investments
- to discuss dynamics of investment flows
- identify means to enhance cooperation including with relevant financial institutions

The next meeting of the dialogue is foreseen in spring 2008.

In addition to the Dialogue on Investment, the EC is cooperating with Russian authorities on investment issues also through projects. In Kaliningrad, a new project, with a budget of € 6.7 million and duration of 3-years entitled “Administrative capacity building in Kaliningrad region” started in December 2006, and contains a major component on the promotion of the region as an investment location. In addition to providing support to running investment-promotion activities the project promotes the creation of an independent, dedicated Investment Promotion Agency (hereinafter IPA) for these tasks. The position of the incumbent Minister of Economy in the region is currently critical towards an independent IPA, nevertheless the project will further proactively seek opportunities to raise the issue. Additional attention to Kaliningrad region as an investment location will be drawn by a large international investors’ conference that the project plans to organise jointly with the Regional Government in autumn 2008.

Another project on “Development of financial markets” started in February 2008. It aims to assist Russian authorities in facilitating investments in selected regions.

iii. Public Procurement Dialogue

The establishment of the dialogue on public procurement issues aims at promoting 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 on 25-26 July 2006 in Moscow where terms of reference were agreed. Second meeting took place in Brussels on 24.-25.1.2007, concentrating on newly developed procedures in the EU directives, the use of electronic means in procurement policy, system of appeals and remedies, Common Procurement Vocabulary and ways to exchange statistical information.

The dialogue's third meeting in Moscow on 16-17 July 2007 studied a range of developments in procurement policy of both sides, including statistics, electronic auctions and also returned to the issues of remedies. Next meeting is foreseen for 27 March 2008 in Moscow.

In addition to the Public Procurement Dialogue the European Commission is working with Russian authorities on public procurement issues also through technical assistance projects. A project on the "Reform of Public Procurement" (€3 million) started in May 2006. It supports the public procurement department at MEDT, and also focuses on training and regional implementation of the Russian Public Procurement law. The project provides policy advice both in Moscow and in the regions. While the Russian reform process in the area of procurement is positive (confirmed also by representatives of the association of small and medium sized businesses - OPORA), and while access to state tenders is improving, there are still many amendments to the new law, which makes it difficult for the project to adjust the first component (monitoring and barometer) to the changes. Here, methodology and survey character have to undergo revision.

iv. Trade Facilitation and Early Warning Mechanism

Terms of reference have been established regarding an informal early warning and consultation mechanism and were sent to the Russians in August 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. The terms of reference were signed in March 2007 with the aim to improve communication between the respective administrations. The parameters for the use of the mechanism have not been given their final format, but a range of bilateral trade issues are continuously being discussed in the framework of the mechanism between DG Trade and MEDT.

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

c. *Customs cooperation*

EU-Russia Customs Dialogue: During 2007, the Commission remained in close co-operation with the Russian Federal Customs Service (FCS) on specific customs related issues. The Sub-committee of Customs and Cross-Border Co-operation (CBC) remains the only active Sub-Committee under the current PCA and it last met 26 April 2007.

Strategy to reduce border congestion: One of the principal areas of cooperation has aimed at resolving the issue of long queues of lorries waiting to cross the EU's land borders towards Russia. The main reasons for this border congestion are the rapid growth in the volume of bilateral EU-Russia trade, insufficient infrastructure at some of our border crossings and burdensome procedures and inefficient customs clearance on the Russian side. An agreement on the measures that need to be taken was reached in April 2007 on the basis of the Commission's strategy paper "*Problems at the EU-Russia border: proposal for a Community approach*".

The joint strategy agreed on with the Russian counterpart is based on three priorities: (1) Russian domestic measures, in terms of customs reform legislation and procedures, that could improve the situation at the border, (2) A pilot project on exchanges of pre-arrival customs information; and (3) Development of border crossings infrastructure. It is important to note that the two parties agreed that a sustainable solution to border congestion can be brought about only through the parallel implementation of these three priorities.

A joint Working Group on Customs Border Issues was set up in order to follow up and monitor the implementation of these priorities: it includes representatives of the Commission, 12 Member States and Russia's FCS. The WG has already met three times, in July and September 2007 and on 22 January 2008. Progress so far includes:

(i) Pilot project: Substantial progress has already taken place in respect of the pilot project between Russia and 12 Member States for exchange of pre-arrival customs information, which will be implemented as of January 2009 with testing starting during the autumn of 2008. This pilot project is based on the EC's TIR Transit system that will transmit data to the Russian Customs. Consignments of goods for which information is sent in advance will benefit from faster customs clearing. *A project launched in 2006 on the "Modernization of the Customs Transit System" (TACIS AP2004) will assist Russian authorities to connect to the system. The project now has the full support of the Russian Federal Customs Service (FCS).*

(ii) Infrastructure: There are also several initiatives in Member States and in Russia to upgrade customs and connecting transport infrastructure. *With regard to EC funding, support to border-crossing infrastructures is being provided at the Lithuania-Russian (Kaliningrad oblast) border. The Chernyshevskoye border crossing point (€ 8 million investment, TACIS AP2001) is scheduled to be officially opened in March 2008 and it will have the capacity to handle the high volume of traffic on this important trade route. EC financed works have now also started to build a second border crossing at Mamonovo (€ 13.3 million investment, TACIS AP2004) on the Polish-Russian border able to handle heavy road traffic. The EC has also allocated € 10 million (TACIS AP2006) for the construction of the Sovetsk crossing post on the Lithuanian-Russian border, but the project cannot be launched until an agreement between the Lithuania and Russia concerning the funding of the construction of a new bridge over the Neman river is reached.*

(iii) Customs reform: In terms of Russian domestic measures, Law no. 266 of 30.12.06 provides, inter alia, for the reduction in the number of agencies operating controls at the border from 7 to 2 (Customs and Border Guards). This is also expected to have a major positive impact on congestion once implemented. While the implementation process has been slow throughout 2007, moderate progress has been registered recently. According to the FCS, the Decrees necessary to implement Law 266 will be submitted to the Government by March 2008. Decree 930 "On establishing general rules of constructing, renovating, organizing and technically equipping buildings, premises and installations for conducting border or custom control or other forms of control at passage points on the state border of RF" was adopted in 25.12.2007.

At the end of 2007 the projects "Simplification and harmonization of customs procedures" (TACIS AP2003) implemented by Eurocustoms and "Customs control of goods containing intellectual property" (TACIS AP2003) implemented as a twinning between the Federal Customs Service and Germany finished. A new project on "EU-Russia cooperation on border management" has been included in the ENPI national AP 2007. Russia still needs to endorse the AP 2007 in order for this project to be implemented.

Multilateral cooperation: At the multilateral level, a conference on Customs Cooperation at the Eastern Border of the EU took place in Muonio, Finland, in December 2006. The Conference, which was attended by the Directors-General of Customs of the EU, Acceding and Candidate Countries and Eastern Neighbours, endorsed action plans regarding in particular the alignment of customs legislation and procedures on the basis of common standards in line with the best international and EU practices with the aim of reconciling safety and security, trade facilitation and the fight against fraud, as well as improving procedures and administrative capacity. The Muonio Conference will be followed up by Working Group meetings in Poland in May-June 2008 and by a Conference in Austria in October 2008.)

d. Competition

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

Regular meetings and dialogue between the Commission and the Russian Federal Anti-monopoly Service (FAS) continued. After a visit by Igor Artemyev, Head of FAS to Brussels end 2006, Commission officials visited FAS in Moscow in December 2006 and November 2007.

FAS also hosted the 2007 annual conference of the International Competition Network in Moscow at which the Commission assisted.

Several projects have been implemented with the FAS in the framework of the EU-Russia cooperation programme over the year. The project "Approximation of competition rules", which ended in December 2007, supported inter alia the above mentioned visit and offered traineeships of FAS officials in DG Competition. Also, a twinning project with Italy entitled "Fair competition in the financial sector" finished in December 2007.

The FAS has been informed of the possibilities offered by TAIEX in particular to continue co-operation.

e. Financial Services and Macro-Economic Policy Dialogue

Terms of reference (Memorandum) for the Dialogue on Macroeconomic and Financial Issues were signed on 2 February 2007. 1st meeting of the Dialogue on Financial Services took place on 13 June 2006 in Moscow, while macroeconomic issues were discussed in a separate meeting on 29 November 2006. Second meeting of the joint Dialogue, covering macroeconomic issues and financial services, took place on 2-3 October 2007 in Brussels and endorsed the setting-up of a technical working group on accounting and auditing issues, which first met on 3 October 2007 in Brussels. Next meeting of the Dialogue is foreseen for mid-2008 in Moscow.

The second meeting which took place in October 2007 was led by Commissioner Almunia and Commissioner McCreevy for each of the respective parts. The European Central Bank also participated in the meeting of the dialogue on macroeconomic policy. The large and high-level Russian Delegation was led by Deputy Minister of Finance Sergei Shatalov, Deputy Minister of Economic Development and Trade Anna Popova and First Deputy Governor of the Central Bank of Russia (CBR) Alexei Uliukaev. Subjects discussed during the macroeconomic session included economic prospects for both the EU and Russia, the worldwide financial instability initiated by the collapse of the sub-prime mortgage market in the US during the summer of 2007, FDI trends in the EU and Russia and also the fiscal framework in both areas. The afternoon of 2 October included several sessions organised on Financial services with technical subjects of mutual cooperation (banking and insurance regulation and supervision, securities and capital markets, corporate governance). A brief discussion about future subjects for work within the framework of the Dialogue was held. The next meeting will be in Russia in 2008.

A specific technical working group on Accounting and Auditing issues was created in the framework of the dialogue and held its first meeting on 3 October 2007.

A project, which the EC implemented in cooperation with the Russian Ministry of Finance and for a minor component the Russian Ministry of Agriculture, entitled "Accounting Reform" (with a budget of € 3.5 million over 28 months) was completed January 2008. The final results were presented in a press conference in December 2007 with over 100 participants. The project provided policy advice to the Ministries, trained specialists and carried out surveys on the use of IFRS in Russian companies. The EC is also cooperating with the Bank of Russia on a number of projects, of which the "Transition to IFRS in the banking sector (€ 4 million)" is ongoing.

Statistics: A Eurostat-Goskomstat Memorandum of Understanding on statistical cooperation was agreed in 2002. In the following years the exchange on benchmarking indicators was refined and cooperation in international fora in the field of statistics was enforced.

A Joint Eurostat-Rosstat publication on statistical comparisons was presented in October 2007, the translation into Russian followed in early 2008.

Cooperation in the field of harmonization of statistics will continue in 2008. End of 2007 Commission services started planning for a joint project on a set of key indicators to monitor progress in EC-Russian relations on a regular basis. A new Eurostat-Rosstat MoU with a revised list of benchmarking indicators on societal and economic cooperation is in preparation.

f. Energy

The EU-Russia Energy Dialogue was reorganized by the establishment of three Thematic Groups: 1) Energy Strategies, Forecasts and Scenarios 2) Market Developments, 3) Energy Efficiency.

The meeting of the first group provided the opportunity to present to the Russian side the Action Plan on energy policy for Europe and discuss issues of energy security. The Russian side shared elements of Russia's energy strategy until 2030 that is currently under preparation. Both sides agreed to set up a subgroup on energy economic issues that will deal with forecasts for energy production and demand, share information on strategic priorities, agree on details of data exchange.

The meeting of the second group gave the opportunity to the EU side to present the main elements of the third legislative package. This issue over the following weeks generated high level interest in Russia which was addressed by extensive briefing in October given in Moscow by Commissioner Piebalgs and experts. The group also agreed to come up with a list of possible new infrastructure projects of common interest and agreed to establish a subgroup on investments actively led by industry, which held an interesting seminar on new investment in energy sector. The question of electricity connection featured high on the agenda, and will be discussed in the framework of the investments subgroup.

The EU presented the project for setting up a Platform for International Cooperation on Energy Efficiency during the meeting of Thematic Group on Energy Efficiency. A follow-up seminar on investment projects was organized in December.

Following a last minute deal between Russia and Belarus averting the danger of disruption of gas supplies on 31.12.2006 and actual disruption of oil supplies through the Druzhba pipeline in January, the Russian proposed an early warning mechanism. The idea was in principle agreed during the Samara Summit. A meeting between Minister Khristenko and Commissioner Piebalgs in October concluding the first round of thematic groups brought agreement on ways of implementing (Terms of reference and details of operation) the mechanism which was confirmed at the EU-Russia Summit in Mafra in October.

In addition to the Energy Dialogue, the EC works with Russian authorities on energy issues also through joint projects. A € 2.8 million EU-funded project on energy efficiency in Arkhangelsk, Astrakhan and Kaliningrad regions in support of the Ministry of Industry and Energy started in September 2006 and was successfully completed in December 2007.

Another € 2 million EU-funded project dealing with renewable energy and rehabilitation of small scale hydropower plants started in September 2007. This project aims at supporting the Russian government in the development of policy proposals connected with the formation of renewable energy sources plans in Russia.

The issue of the interruption of oil supply through the Druzhba pipeline was raised on a number of occasions by the EU side with Russian counterparts.

g. Environment

The Environmental Dialogue which was launched during the Environment PPC held on 10.10.06 in Helsinki continued throughout 2007. All (except one) of the planned seven expert Subgroups (SG) met throughout 2007 in some areas bringing real progress.

The Subgroup on Climate Change met twice in 2007 as well as experts met on several occasions informally. The meeting in April was held jointly with the EU-Russia seminar on post-2012 action adaptation co-organised with the Commission and the German Presidency. Another meeting on adaptation was organized in September with the Russian regions. The second meeting in November was combined with a workshop on the EU Emissions Trading Scheme. All of this prepared the ground well for a constructive Russian position during the international conference in Bali on a post-2012 Agreement on climate change.

The expert subgroup discussing issues of cleaner production and pollution prevention met for the first time in January. A related project on harmonization of environmental standards including environmental permitting for industrial activities is implemented in the framework of the EU-Russia Cooperation Programme

The Subgroup on Biodiversity and Nature Protection met in March and agreed on fast-track exchange of information on urgent issues as well as translation into Russian of key EU documents.

The Commission pursued its efforts to have Russia ratify the Espoo Convention concerning Environmental Impact Assessment (EIA) in a Trans-boundary context. It organised a workshop in Moscow addressing the benefits and challenges related to the implementation of this Convention with the participation of Russian authorities, Member States, business and NGOs. The issues of EIA were also covered at the meeting of the Subgroup on Convergence that met in May, along with the seminar on economic instruments in environmental policy and harmful substances.

The Subgroup on Forest Law Enforcement, Governance and Conservation met twice providing a follow-up to the FLEG Ministerial Conference in St. Petersburg that took place in 2005.

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

In this context the construction of the Saint Petersburg Sludge Incineration Plant is worth mentioning. The construction was carried out on the basis of a € 29,8 million contract, out of which € 24,9 million is financed by the Commission. The provisional acceptance certificate for the construction was granted in December 2007. This is the largest and the most expensive project funded under the TACIS programme in the Russian Federation

The construction of a waste water treatment plant in Gusev (Kaliningrad region) is a jointly funded project by the Commission (€3 million) and regional authorities in Kaliningrad with an expected total cost of some EUR 6.5 million progressed. Construction works are expected to be completed in late 2008.

Under the Northern Dimension environmental Partnership (NDEP) the Commission has provided 70 million EUR in support of a variety of initiatives related to environment in North West Russia.

h. Transport

The functioning of the EU-Russia Transport Dialogue is based on the Memorandum of Understanding signed by Minister Levitin and Commissioner Barrot on 3 October 2005 and has been articulated around five permanent working groups focusing on the priority issues of EU-Russia transport relations. In addition, an ad-hoc sub-group on Transport Logistics Issues was formed at the last Transport Permanent Partnership Council in Finland in September 2006 in view of the increasing congestion at EU borders in the direction to Russia as described above.

1. WG on Transport Logistics Issues: This group was created during the EU-Russia Transport PPC meeting in Finland in September 2006. Its creation was largely influenced by transport and logistics problems encountered by trucks crossing the EU border to Russia. Therefore the WG was mandated to look into the causes of the long queues of trucks at the EU-Russian border and make recommendations for improving the situation.

This WG under the Transport Dialogue worked in close cooperation with the WG on Customs Border Issues under the Customs Dialogue so as to address the entire range of issues causing the delays at the border.

The first meeting of the Group was held in Brussels in December.2006, a second meeting was held in Moscow in February 2007, with the participation of Russian Transport Minister Levitin, a third in Kaliningrad in April 2007 The draft final report was adopted in Munich on 13 June 2007. It should be noted that its findings and recommendations are a result of joint EU-RU efforts and were submitted to both VP Barrot and Minister Levitin for follow up.

The report clearly demonstrate that problems are multifaceted and require actions of the (i) transport, (ii) customs and (iii) administrative nature, both at the border and in terms of long-distance multi modal links that pass through the territory of the EU and Russia. The joint implementation of the joint recommendations will be left to the two permanent working groups under the Transport Dialogue: the WG on Transport Strategies, Infrastructure and PPPs and the WG on Road and Rail Transport. In addition, the WG on Border Issues under the Customs Dialogue will to ensure close coordination between the customs and transport side of the recommendations (see also section on customs cooperation, above).

The Ad-Hoc group has therefore achieved its mandate but the participants unanimously agreed that it could be recalled for specific tasks, notably technical visits to border crossings. A first such visit was made to the Finnish Russian border (Vaalimaa (FL) –Torpjanovka) on 9 November 2007. Visits are planned to the Russian borders with Latvia (Terehova (LV) – Burachki) in March 2008 and Estonia (Navra (EE) – Ivangorod) in April/May 2008. These three border crossings have been selected where procedural and infrastructure improvements could be piloted.

2. WG on Transport Strategies, Infrastructure and PPPs: The objective of this Working Group is to promote (i) cooperation on transport strategies, (ii) the implementation of the recommendations of the De Palacio High Level Group report on the extensions of the Trans European Networks on Transport (TEN-T) to neighboring countries and regions and (iii) public-private partnerships. The Group has held five meetings (14.02.06, 18.05.06, 15.12.2006, 23.10.2007), the last in Brussels on 17.01.2008. The following are the most recent outcomes of the cooperation:

(i) Cooperation on Transport Strategies: The Commission is planning to issue a Green Paper on TEN-T policy that will also look into the external dimension and in this respect has undertaken a study on traffic flow projections up to 2030 (expected to be finalised by autumn 2008). In parallel, Russia is preparing its own transport strategy up to 2030. Therefore, it was agreed to coordinate efforts and it is proposed to hold a joint conference in 2008 on harmonisation of transport strategies focusing e.g. on the creation of a Common European Water Ring as a follow up to a previous such conference in 2004.

(ii) Extension of TEN-T to Russia: The December 2005 report of the High Level Group chaired by Ms. Loyola de Palacio on Networks for Peace and Development laid the basis for extending the concept of the TENs to third countries. The Group identified 5 major trans-national axes connecting the EU with its neighbours, proposed a series of investment projects, measures to remove horizontal bottlenecks along the axes and to strengthen regional coordination frameworks to ensure effective and synchronised implementation.

Of these Axes two directly concern Russia: the Northern Axis (that involves Russia, Belarus and Norway and Finland, Sweden, Estonia, Latvia, Lithuania, Poland and Germany) and the Motorways of the Seas. In this context, a meeting between Ms. De Palacio and Mr. Levitin, Ministry of Transport, took place on 07.04.06.

In January 2007 the Commission issued a Communication on Guidelines for Transport in Europe and Neighbouring Regions, in which it endorsed the High Level Group's recommendations; and in June 2007 the EU Council of Transport Ministers requested the Commission to put forward concrete proposals for strengthening the organizational structure and the coordination framework for the Axes. Therefore, in spring 2007 the Commission launched exploratory talks with the neighbouring countries with the aim of assessing their interest and commitment. Exploratory talks with Russia took place in November 2007 during which the objectives of promoting investment projects and horizontal measures was confirmed, however institutional questions were referred to later discussions. **A Commission study, to analyze the condition of infrastructure, to identify different bottlenecks and to prepare traffic forecasts along the Northern axis was also finalized in 2007.**

The main objective of the January 2008 EU-Russia WG meeting was to discuss the institutional structure of the Northern Axis strategy. In this respect existing regional cooperation frameworks of interest were considered. It was deemed that most closely linked is the Partnership on Transport and Logistics (NDPTL) currently under discussion under the Northern Dimension Policy.¹ **Russia agreed on the value of establishing a WG under the Northern Dimension to examine the modalities of the NDPTL and to work toward establishing common institutions with the possibility for the NDPTL to provide the functions of the regional Steering Committee and Secretariat for the Northern Axis.**

The Commission is in the process of reporting back to the Council on these exploratory talks by submitting a first progress report in March 2008 and a second one in September 2008.

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

A € 6 million PPP project in the area of transport ("PPP: Technical Preparation of Transport Investment Projects") has been included in the 2007 Action Programme under the European Neighborhood Partnership Instrument. The project is co-financed in equal parts by the Commission and the Russian Federation.

3. WG 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 first meeting of the Group was in December 2005, the second in September 2006 in Brussels during which Russia took a pragmatic line, emphasizing multilateral solutions and training. The 3rd meeting originally planned for September 2007 will now take place on 28-29 of February 2008 in St. Petersburg.

4. WG on Air Transport: The objective of this Working Group is to promote and enhance aviation cooperation on the basis of mutual benefit and non-discrimination in all respective aviation sectors. The WG met on 2 October 2006 in Saint-Petersburg, on 13 November 2006 in Moscow, and on 19 March 2007 in Brussels.

¹ In their meeting in St. Petersburg on the 21 November 2007, the Northern Dimension Senior Officials agreed to set up a WG to examine the possibilities of setting up this new Partnership and to examine the synergies with the Northern Axis.

(i) **Aviation safety:** Cooperation is being established in the field of aviation safety following the Commission's and Member States' concern on safety standards of a number of Russian airlines. In that context, the Russian side agreed to take the necessary measures to improve the safety standards of their carriers. In January and June 2007 Russian authorities banned from European airspace certain Russian operators and imposed operating restrictions on others (that can still fly into the EU but with specific equipment) until the affected airlines can provide evidence that all major deficiencies had been removed. Corrective actions are being closely monitored and inspected by both Russian and EU authorities. At the same time, discussions are ongoing on further cooperation in air safety standards to strengthen safety oversight and resolve deficiencies in a systematic way thus prevent recurrence, including in view of a possible participation of Russia in the Safety Assessment of Foreign Aircraft (SAFA) programme.

(ii) **Siberian overflights:** The WG also provides a forum for direct negotiations with the Russians on the question of Siberian over-flights. **A meeting between Vice President Barrot and Transport Minister Levitin took place in the margins of the EU-Russia summit on 24 November 2006 where both sides initialled the agreement on Siberian over-flight fees (so called "Agreed Principles"). They also agreed on an enhanced Roadmap for Cooperation including air safety. The "Agreed Principles" were politically approved by Member States in the Transport Council on 22 March and formally adopted on 7 May 2007. It was agreed with Russia in Helsinki that the agreement should be signed through exchange of letters. On 4/12/2007, the EC received a letter from Ambassador of Russia to the EU Chizhov stating that "the Russian Government has approved the work of the Ministry of Transport on the so called Agreement Principles". Discussions are ongoing on the practical implementation and the start of the transition period as of 1/1/2008 as earlier agreed between VP Barrot and Minister Levitin. The EU has made clear that further strengthening of aviation relations will depend on the progress made in the implementation of the agreement.**

(iii) An **Aviation Summit** was planned for 16-17 November in Moscow to mark a new era of EU-Russia aviation cooperation. The Commission had earlier insisted that aviation relations should have normalised, before holding such an event. It was therefore decided jointly with the Russian side to postpone the event to allow for more time for preparation.

(iv) EC and Member States authorities are jointly pursuing the objective to bring current bilateral air services agreements with Russia in line with Community law.

The next meeting of the EU-Russia Aviation Working Group may take place in March 2008 in Brussels. It should allow for a review of the situation and could possibly decide to re-launch the preparations for the EU-Russia Aviation Summit, depending on progress on Siberian overflights.

5. WG on Road and Rail Transport: The objective of this WG is to demonstrate that the enhancement of the efficiency of road and rail transport between the EU and Russia benefits both parties and may be achieved by further harmonization of the legal, technical, regulatory and safety requirements and practices concerning the two transport systems. The Group has held four meetings (10/02/06, 28/04/06, 08/12/06 and 21/11/07). Issues discussed included in particular:

(i) **Problems related to border crossing:** This is one of the permanent WGs mandated to follow up to the joint recommendations of the Ad-Hoc Working Group on EU-Russia Transport Logistics Problems (see above), namely in the fields of road and rail transport, especially in areas where inefficient practices, often not in line with international standards, necessitate improvements. The aim is to agree on a joint work plan and timetable to implement the respective recommendations so as to increase the efficiency of the EU-Russia transport operations and to lessen border congestion.

(ii) **Road transport social rules:** Discussions are ongoing on the status of the negotiations to update the European Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR) under the United Nations Economic Commission for Europe (UNECE) in line with new EU social rules that aim at reducing the rate of traffic accidents and improving the protection of drivers (e.g. rules regarding working hours, rest periods etc.).

(iii) **Restructuring of the European and the Russian rail transport markets:** Exchange of experiences related to rail market opening, ensuring a non-discriminatory access to rail infrastructure and maintaining a high level of railway safety.

(iv) **Technical interoperability between the EU and non-EU rail networks:** The Russian side has been briefed on European Railway Agency's efforts in the field of improving interaction of the 1435-mm and the 1520-mm rail systems and on the collaboration between the Agency and the Organization for the Cooperation of Railways (OSJD) on the technical interoperability of the EU and non-EU broad gauge rail systems.

5. WG on Maritime and Inland Waterway Transport: The objective of this WG is to promote and enhance mutual understanding of current and future legislations and policies in the field of maritime, sea-river and inland waterway transport. So far two meetings have taken place in February and October 2006. The WG did not meet in 2007. The next meeting is scheduled for February 2008 in Moscow.

Maritime Cooperation: The EU has extensive maritime safety policy with ERIKA I and II legislative packages and more in the making with a Third Maritime Safety Package currently under discussion within the European Parliament and the Council. In accordance with the De Palacio High Level Group recommendations, there is a need to explore cooperation with third countries including Russia on further development of the concept of Motorways of the Sea and in particular issues concerning (i) safety of navigation, (ii) safety of vessels through port state control and (iii) social issues.

(i) Safety of navigation:

- There is an ongoing technical consultation process under a specific subgroup on the technical aspects of a potential co-operation between the European maritime vessel traffic information system (SafeSeaNet) and that of the Russian Federation (VICTORIA), while discussions will have to take place at appropriate level on the security and political implications of such possible future data exchange.
- There are also discussions on closer cooperation under the Helsinki Commission (HELCOM) that works to protect the marine environment of the Baltic Sea from all sources of pollution through intergovernmental co-operation between Denmark, Estonia, the European Community, Finland, Germany, Latvia, Lithuania, Poland, Russia and Sweden. Russia was granted access to HELCOM's short range radio system for vessels.
- Russia is also keen to examine possible cooperation on issues related to the Long Range Identification and Tracking (LRIT) of ships, as required by the SOLAS Convention on safety of life at sea. The EU is in the process of establishing its own regional system, including all Member States, as well as Norway and Iceland, whilst Russia is setting up its own national data center.

(ii) Safety of vessels port state control (PSC):

- With EU legislation evolving in this area and the setting up of the European Maritime Safety Agency (EMSA), Russia raised the issue of equal partnership between EU and non EU members in the framework of the Paris Memorandum of Understanding on Port State Control to which EU MS, Canada, Croatia and Russia are signatories. The Parties agreed to establish a sub-group on Port State Control to address relevant issues of mutual interest but without interfering in the decision-making on issues covered by Paris MoU.
- Several Russian PSC officers will benefit from training at EMSA
- There are also ongoing discussions on the harmonization of practices of the Black Sea Memorandum of Understanding on Port State Control with those of the Paris MoU to achieve higher safety standards.
- Finally, following a letter from Mr Barrot to Mr Levitin, the Commission and Russia exchanged views over the recent Kerch strait incidents between the Sea of Azov and the Black Sea that have raised some concerns within the EU. Following these incidents, Russia is in the process of adopting a number of measures in order to improve maritime safety in the area.

(iii) Maritime social issues

- Views have been exchanged on the Maritime Labour Convention (MLC) of the International Labour Organization (ILO) and the IMO convention on standards for training and watchkeeping (STCW) notably on the issue of seafarers' hours of work and hours of rest.

(iv) IMO-related issues

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

Inland Waterway Cooperation: Inland waterways work centres on studying the possibilities and market related aspects of the access of EU vessels to Russian inland waterways as well as the discussion on the technical details of an interoperable river information system.

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

i) Agriculture

The 2nd meeting of the EU-Russia Agricultural Dialogue took place in Moscow in October 2007. An exchange of views took place on policy in the area of market forecast and statistics, quality policy including geographical indications, crops monitoring, new technologies in particular GMOs and strategic rural development needs. Operational conclusions included the establishment of a Working Group on Market Forecast and Statistical Methodology in the agricultural field and initial steps to favour the participation of Russia in the EU crop remote space monitoring system (MARS) and steps to improve the dialogue on quality policy.

ii) Forestry and Timber

EU/Russia dialogue on forestry and timber issues has started under the Regulatory Dialogue on industrial products – sub group on forest-based industries. A subgroup on Forestry has also been established under the Environmental Dialogue.

The most severe problem that the EU is currently facing in its relations with Russia on forestry issues is the announced increase by the Russian government of export duties for wood and timber which could bring to a halt wood exports from RF to the EU, with very serious consequences for the supply of the EU wood processing industry.

See also under Environment.

iii) Sanitary and Phytosanitary issues

- **On veterinary issues, new models for harmonized veterinary certificates for EU exports of animals and animal products to Russia took effect on 1 January 2007 facilitating EU exports. In addition, with the accession of Bulgaria and Romania, a new supplementary annex was negotiated to the EU-Russia Veterinary Memorandum of Sept 2004. This Annex 2 was signed on 19 January 2007. Finally, EU-Russia exchanges on fraud prevention in trade of animal products continued throughout 2007. The Commission also developed and agreed on with Russia a model implementing memorandum that MS can sign with the Federal Service for veterinary and Phytosanitary Surveillance in order to establish the administrative arrangements of their meat exports in the framework of the EU-Russia veterinary MoU of 2004. The signing of a bilateral implementing MoU between Poland and Russia resulted in Russian lifting of a long standing meat ban on Polish meat exports. Several other MS are in the process of signing such implementing memorandums.**
- **On phytosanitary issues, discussions continued on controls of plant products in transit via the EU and moving between Member States prior to their export to Russia. In January 2008 the Commission facilitated the signing of an implementing MoU between Poland and Russia establishing the administrative measures in the framework of the EU-Russia MoU on phytosanitary certification of 2005. This has led to Russia simultaneously lifting restrictions on Polish plants not for human consumption. Negotiations were also launched on pesticide residues, nitrates and nitrites in plant products for human consumption and an EU-Russia MoU was signed in March 2008. This should pave the way for removing the remaining restrictions on Polish fruits and vegetables and help avoid future barriers to EU exports.**
- **In both veterinary and phytosanitary fields, there were frequent exchanges, training activities and study tours. The Russian side visited the EC's Food and Veterinary Office in Ireland in June 2007 and January 2008 aiming to familiarise themselves with the working methods of this European agency. In addition, Russian experts carried out a two week study tour in November/December 2007 in several large EU ports to learn about the controls on transshipments and transit of animal products applied in the EU. There were also exchanges in the other direction. A seminar on the Russian pesticide control was organised on 27 November 2007 in Brussels where several Member States were acquainted with Russian requirements.**

A Sanitary and Phytosanitary assistance project of €4 million was launched in the summer of 2007 in co-operation with the Ministry of Agriculture and the Federal Service for Veterinary and Phytosanitary Control, aiming at the approximation of legislation between the EU and Russia. It addresses SPS/WTO requirements, improves evaluation and control systems for product quality and safety in Russia and upgrades skills of staff working in veterinary and phytosanitary laboratories and administrations. Three Russian laboratories are being fully equipped to allow being accredited in accordance with EU standards. The project will also finance a pre-accreditation audit for an additional 4 laboratories.

iv) Fisheries

The European Community and the Russian Federation concluded negotiations on 10 – 12 July 2006 of an Agreement on co-operation in fisheries and the conservation of the living marine resources in the Baltic Sea, which was initialled on 28 July 2006 by the Community and on 7 August 2006 by the Russian Federation. The finalization of the procedures for the formal conclusion of the Agreement, including the adoption of the proposal for a Council Regulation on the conclusion of the Agreement between the European Community and the Government of the Russian Federation on co-operation in fisheries and the conservation of the living marine resources in the Baltic Sea (COM(2006) 868 final), is currently awaiting the finalisation of the internal consultation procedures taking place in the Russian administration, which have been delayed by the restructuring of the federal executive bodies that took place in September 2007. This Agreement will remain in force for an initial period of six years after the date of its entry into force. EU/Russia high level meetings on fisheries are now being held. IUU (illegal, unreported and unregulated fishing) remains a big concern and tri-partite consultation (EU/RUS/NOR) will take place on illegal fisheries within NEAFC (North Atlantic Commission).

High level meetings between the European Commission and the Russian Federation on fisheries are now being held on a more regular basis, particularly in respect of NEAFC (North-East Atlantic Fisheries Commission) issues. Both Parties remain concerned at IUU (illegal, unreported and unregulated) fishing activities and cooperate on this issue within the framework of NEAFC and other regional fisheries management organisations.

Contacts have already taken place on establishing a formal dialogue on fisheries between the European Commission's Directorate General for Fisheries and the Russian State Committee for Fisheries, which has taken over responsibility for fisheries from the Ministry of Agriculture. Based on the preliminary positive Russian response, this avenue of generally improved bilateral cooperation will be further explored during 2008. However, there have been a number of delays due to the recent restructuring of the Russian administration. The current focus of bilateral cooperation between the Community and the Russian Federation will continue to include sustainable management of fish stocks and the fight against IUU fishing.

Both the Community and the Russian Federation are members of a number of international fishing organisations, including NEAFC (North-East Atlantic Fisheries Commission), NAFO (Northwest Atlantic Fisheries Commission), NASCO (North Atlantic Salmon Conservation Organisation), CCAMLR (Commission for the Conservation of Antarctic Marine Living Resources), etc.

k. Interregional and Cross-Border Co-operation

Regional Policy Dialogue: in early 2007 a new formal Dialogue on Regional Policy cooperation was established with the Ministry of Regional Development to exchange information and best practices on experiences in setting up and implementing regional policy. The two sides met again in the margins of the Open Days for Regions in Brussels to which apart from EU regions, regions from Brazil, China and Russia were also invited.

A number of specific issues were identified in which Russia and the EU face similar challenges and/or in which EU experience may be valuable to further develop regional policy making in Russia, as for example: EU experience in devising instruments in support of innovation-driven regional development; territorial cohesion and spatial planning, preparation of regional development strategies and implementation programmes; information exchange on financing foreseen from structural funds in 2007-2013 for EU regions bordering Russia as well as projects foreseen for funding on both sides; classification and definition of regions and multi-level governance. It was agreed to hold a series of seminars during 2008 on these issues also involving sub-regional representation and civil society.

Other region-to-region cooperation: There is also an ongoing Round Table between the Committee of the Regions and Russia that meets once a year alternating between Moscow and Brussels, the last meeting of which took place September 2007 in Brussels.

Neighborhood Programmes: The Neighbourhood Programmes are now fully operational in Russia and provide a main contribution to the cross-border regions and to the strengthening of economic and people-to-people ties between Russian and EU regions. From the 186 projects approved by the selection committee, 171 projects were contracted or started in NW Russia (for a budget of around €30 million) by the end of 2007. As a result, a total of 227 projects were running at the end of 2007.

Cross Border Cooperation programmes: The introduction of the European Neighbourhood and Partnership Instrument (ENPI) provided a specific and innovative feature of the Cross-Border Cooperation (CBC). This component aims at financing “joint operational programmes” bringing together regions of the EU Member States and partner countries sharing a common land or sea border. The CBC Strategy Paper for 2007 - 2013, adopted in March 2007, identified the areas eligible for 15 geographical programmes along the EU external border and provided them with indicative financial allocations of approximately €1.1 billion in total. Russia can participate in 7 of these, corresponding to a Commission contribution of €307.488 million over the seven year period. **At the Mafra Summit Russia announced a contribution of €122m for these Cross Border Cooperation projects bringing the overall amount to €429.488 million in addition to some additional pledges made by Member States.** The exact breakdown of the Russian contribution and the financing modalities are currently under discussion.

According to the Cross-border Cooperation Strategy Paper, 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 drafting of the programmes is ongoing by the representatives of the participating countries and regions. They are to be submitted to the Commission by June 2008.

Next Steps:

a. Industry Related Dialogue:

i. Regulatory Dialogue on Industrial Products:

- *SG ICT, Radio and Telecom*: next meeting planned for Spring 2008.
- *SG Forest-based Industries*: meeting planned to be held in Moscow in April 2008
- *Automotive Industries*: meeting planned to be held in Brussels in April 2008
- *SC Conformity Assessment and Standardisation*: Two seminars are planned for Spring 2008: one on standardisation and one on conformity assessment and market surveillance issues
- *SC Textiles*: meeting planned in Moscow on 3-4 April 2008.

ii. Industrial/Enterprise Policy Dialogue:

- *SG Mining and Metals*: meeting planned for the second semester 2008 in connection with a seminar on: sustainable development and climate change
- *SG Textile Industry*: meeting planned in Moscow, on 3-4 April 2008
- *SG SME and Enterprise*: meeting planned in Moscow in May 2008

iii. Information Society:

- Next Dialogue to take place in Brussels 2008 (date not yet fixed).

iv. Space:

- Steering Board meeting to be held in April or May 2008

b. Trade Related Dialogue:

i. Public Procurement Dialogue: Next meeting is foreseen for 25-26 March 2008 in Moscow

ii. Investment Dialogue: Next meeting of the dialogue is foreseen in spring 2008

c. Competition:

- During 2008 a series of training programmes and study tours for Russian Federal Antimonopoly Service are being organised by the Commission and MS.

d. Customs and Cross border cooperation

- The next meeting of the PCA Sub-Committee on Customs and Cross-Border Cooperation is expected to take place in the second half of 2008.
- The next meeting of Working Group on Customs Border Issues is scheduled for

17 April 2008.

- The pilot project for exchange of pre-arrival customs information should be tested by autumn 2008 and start fully operating by 1 January 2009.
- The implementing decrees of Russian Law 266 reducing the number of agencies operating at the border should be adopted by March 2008.
- Physical implementation of the upgrade of Sovetsk (Lithuania-Russia) border crossing should start during 2008.
- The Muonio Conference on Customs Cooperation at the Eastern Border of the EU will be followed up by Working Group meetings in Poland in May-June 2008 and by a Conference in Austria in October 2008.

e. Financial Services/Macroeconomic Policy:

- The next meeting, covering macroeconomic issues and financial services, is scheduled to take place in Russia mid-2008

f. Energy:

- Implementation of Early Warning Mechanism
- PPC on Energy/Climate Change (October)

g. Environment:

- Climate Change subgroup of Environmental Dialogue and workshop on adaptation
- Clean Production subgroup (May/June)
- Water/Marine subgroup and workshop on trans-boundary river basin management, droughts and water scarcity (September, St Petersburg)
- Workshop on EU/RU approaches to combating illegal logging
- PPC on Energy/Climate Change (October)

h. Transport

- Visits are planned to the Russian borders with Estonia (Navra (EE) – Ivangorod in March) and Latvia (Terehova (LV) – Burachki) in April/May 2008 so as to prepare a pilot on procedural and infrastructure improvements.
- Commission Communication with preliminary findings of exploratory talks on Northern Axis to be submitted to Council March 2008, a second report with final conclusions by September 2008.
- Continue exploratory talks on Northern Axis by joint meeting COM/RU/Norway/Belarus in April/May 2008.
- A joint conference on harmonisation of transport strategy focusing e.g. on the creation of a Common European Water Ring in 2008.
- EU-Russia PPP seminar March/April 2009.
- EU-RU Transport Strategies, Infrastructure and PPP WG in mid 2008.
- WG on Transport Security is foreseen 27-28 February 2008.
- EU-Russia Aviation Working Group scheduled for April 2008 where the Siberian Overflight situation will be reviewed, as well as the possible re-launch

- of preparation for Aviation Summit.
- WG on Road and Rail Transport: 5th meeting of the WG in spring 2008. One of the aims for 2008 is to jointly agree on a concrete work plan and timetable to implement road and rail related recommendations of the Ad-Hoc WG on the EU-Russia Transport Logistics Problems.
 - WG on Maritime and Inland Waterway Transport 11-13 February 2008 Moscow.

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

- Hold the first meeting of the Working Group on Market Forecasts and Statistical Methodology.
- Invite Russian experts to the next training session on the Remote Control Systems on Crops (MARS) – (this is done by the Joint Research Center in Ispra).
- Launch explorative talks on quality policy cooperation.
- Held the 3rd Meeting of the Agricultural Dialogue in Brussels before June 2008.
- Sign the EU-RU MoU on plants for human consumption with regard to pesticides and contaminants control.
- Open negotiations on a Phytosanitary and Veterinary Agreement as foreseen under the Common Economic Space.

j. Interregional and Cross-border Co-operation:

- Commission to draft concept paper on multi-annual programme of regional cooperation with Russia to establish a more comprehensive approach to planning and funding our cooperation in this area.
- A study visit of a Russian delegation to Trieste (Italy) in February 2008.
- A seminar in Moscow on regional development strategies and governance in April-May 2008.
- A seminar in St Petersburg on territorial cohesion and spatial planning in June 2008.
- A visit of Commissioner Hübner to Russia is planned the spring of 2008.
- The next meeting of Round Table between Committee of the Regions and Russia in autumn 2008.
- Explore participation of Russian regions (in particular, border regions) in the Regions for Economic Change network (at their own expense) or other regional networks to which the Commission can be associated.
- Finalize programming documents for Cross Border Cooperation Programmes and officially submit them for Commission approval before June 2008 for adoption by the end of the year.
- Work out co-financing modalities for these CBC programmes by Russia.

**EU-RUSSIA COMMON SPACE ON
FREEDOM, SECURITY AND JUSTICE
PROGRESS REPORT 2007**

Objective

The gradual development of the Road Map of the Common Space on Freedom, Security and Justice takes place in the framework of the Partnership and Cooperation Agreement and will form an integral part of the new EU-Russia Agreement. Ministers monitor the overall implementation of this Common Space at the biannual meetings of the EU/Russia Permanent Partnership Council (PPC) of Justice and Home Affairs. The regularity of these meetings will ensure constant monitoring of progress and will allow focused debate on topical issues on our common agenda. Two PPC meetings were convened during the course of 2007. In these meetings the Russian side was represented by Mr Viktor Ivanov, Aide to the President of the Russian Federation, and Ministers of the Interior and Justice. EU side was represented by the Ministers of the Interior and Justice of the incumbent Presidency and the Vice President of the European Commission Mr. Franco Frattini.

EU Policy Aims

Cooperation in this area has become a key component in the EU's efforts of developing a strategic partnership with Russia. The scope of cooperation has gained increasing importance with the expansion of common borders after the last enlargement of the EU. Many of the issues addressed within the II Space are of direct concern to citizens on both sides of the external border. While in some areas results of cooperation have been remarkably 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. Moreover, the EU has a considerable interest in strengthening cooperation with Russia by jointly addressing common challenges such as organised crime, terrorism and other illegal activities of cross-border nature.

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

Institutional framework and monitoring mechanism

Monitoring of the process of implementation of the Common Space on Freedom, Security and Justice takes place particularly at the Permanent Partnership Council. It is complemented by informal dialogue and expert meetings. In addition, following the entry into force of the EC-Russia Visa Facilitation and Readmission agreements on 1 June 2007, the Joint Monitoring Committees established by these Agreements meet at regular intervals to discuss implementation and interpretation of the Agreements.

Seven Permanent Partnership Councils have been held, the most recent on 23-24 April 2007 in Moscow and 22-23 November 2007 in Brussels. The Commission is currently reflecting on ways to further streamline and focus the debates in the PPCs, in order to make them increasingly result-oriented.

Other meetings (non exhaustive list)

- Expert level meetings on Counter Terrorism enable exchanges of information and best practices.
- The first meeting of the EU-Russia visa dialogue to examine the conditions for visa-free travel as a long-term perspective, 27 September 2007, Moscow.
- EU-Russia Troika on Drugs in Brussels on 10 October 2007.
- First meeting of the EU-Russia visa dialogue meeting on block 1 (document security, including biometrics) in Moscow 12-13 December 2007.
- Expert meeting on registration procedures in Moscow 12 December 2007.
- Informal consultations on judicial cooperation in civil matters in Brussels 29 March 2007
- Expert meeting to discuss fight against online child abuse material in Luxembourg 10-11 December 2007

Permanent Partnership declarations

The PPC declarations of April and November 2007 noted the importance of visa facilitation and readmission agreements as well as the launching of the visa dialogue. The importance of cooperation on border issues and further operational cooperation between FRONTEX and the Russian Border Guard Service was underlined. Many ongoing mechanisms contributing to the counter-terrorism dialogue were highlighted as was the key role of the United Nations in this regard. The need for further cooperation with CEPOL, EUROPOL and EUROJUST was underlined. In this context, Russia has been encouraged to ensure adequate standards of data protection. Parties looked forward to continuing information discussion on judicial cooperation in civil and commercial matters and emphasized the importance of strengthening judicial cooperation in criminal matters.

Progress

Freedom

The most tangible achievement in this sector has been the entry into force of the agreements on Readmission and Visa Facilitation on 1 June 2007. Ensuring their parallel and full implementation is of great importance to the European Union. This process is closely monitored by the relevant Joint Committees where the EC is represented by the Commission assisted by the Member States.

The JHA PPC on 23-24 April 2007 agreed on the definition of the procedure to examine the conditions for visa-free travel as a long term perspective. After the 27 September senior official meeting, the first expert meeting on document security, including biometrics, took place on 12-13 December 2007 in Moscow back-to-back with a meeting on registration procedures for foreigners.

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

Latvia and Russia exchanged the ratification letters of their border treaty on 18 December 2007 and practical arrangements have started on border demarcation.

On the basis of the working arrangement on coordination of operational measures for improving border management and controls, the European Agency for the Management of Operational Cooperation at the EU's External Borders (Frontex) and Russia's Border Guard Service have agreed on a joint cooperation plan for 2007-2010.

In the field of security of external borders, the envisaged Tacis project (€ 4 Mio) on Integrated Border Management in Kaliningrad is expected to start in 2008. Member States were informed and invited to participate, since bilateral cooperation on individual spheres is foreseen.

Security

A Memorandum of Understanding between the European Monitoring Centre on Drugs and Drugs Addiction (EMCDDA) and the Russian Federal Drugs Control Service was signed in the margins of the EU-Russia Summit on 26 October 2007.

Counter terrorism has been pursued by exchanging information and promoting the implementation of international norms through targeted dialogue. Radicalisation and recruitment of terrorists, protection of critical infrastructure, public/private partnerships and terrorist financing have also been discussed in the context of PPCs in 2007.

Liaison Officers Meetings have convened in Moscow on 15 March and 14 September 2007.

Cooperation between Europol and Russian law enforcement authorities has been outlined on the basis of the existing cooperation agreement, including on illegal immigration and trafficking in human beings, money laundering, counterfeiting currencies and documents, drugs.

Europol is in the process of evaluating Russia's national legislation to implement the Council of Europe 1981 Convention on the Automatic Processing of Personal Data. Satisfactory progress in this is a prerequisite for a possible operational agreement between Russia and Europol.

In 2007, three informal meetings on critical infrastructure protection took place.

Tacis projects have continued to support the development of Russian legislation on migration and asylum, anti money laundering and financing of terrorism as well as fighting trafficking in human beings. Training events are carried out to raise awareness and skills in the area. A project which ensures the access to the Interpol I24/7 network of the regional branches of the Russian National Coordination Bureau (NCM) of Interpol is still ongoing. It provides technical equipment, development of software and training for Russian personnel of NCB Interpol in Russia. TAIEX supports the efforts of the Federal Migration Service in introducing biometric passports and document security.

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

Justice

Eurojust and the Russian Prosecutor's Office have been engaged in negotiations on a cooperation agreement.

On judicial cooperation in civil and commercial matters, an expert meeting took place in March 2007. These informal talks between the Commission and Russia continued in Moscow on 29-30 January 2008. The parties discussed the framework of a possible bilateral agreement on judicial cooperation in civil matters.

TACIS projects have supported the reform of the judiciary system in Russia focusing on improving access to justice, internal re-organisation of the courts and training of judges. Twinning projects have complemented these efforts by improving cooperation between Member States and the Russian state institutions in the area of justice.

Human Rights

Six rounds of the EU-Russia human rights consultations have taken place to date. They have provided for a substantial dialogue on human rights issues in Russia and in international fora. The EU has also been ready to respond to issues raised by Russia relating to the situation in the EU. The EU has attempted to enhance the effectiveness of the consultations by inviting Russia to involve Ministries other than the MFA (e.g. Interior, Justice), by requesting the Russian authorities to participate in a side-meeting with Russian and international NGOs and by inviting Russia to agree to hold the consultations alternately in the EU and Russia. To date, Russia has refused to agree to any of these proposals. The EU has also proposed holding an expert seminar on racism and xenophobia but Russia has not yet agreed.

In general terms the EU has increasing concerns over the deteriorating human rights situation in Russia. While there is some evidence to suggest that the security situation in Chechnya has improved, the situation in the Northern Caucasus as a whole remains of serious concern, with numerous reports of arbitrary detention and torture. There are increasing constraints on civil

society, notably through the introduction of the recent NGO and anti-extremism laws. Media pluralism has been seriously reduced with very few independent voices in the mass media left. The murder of Anna Politovskaya has had a chilling effect on the media. Racism, xenophobia and religious intolerance are becoming significant problems. Police brutality and torture remain widespread problems. Russia continues to refuse to ratify Protocol No 14 (Amending the control system of the Convention) to the European Convention on Human Rights, thereby single-handedly blocking reform of the Court.

Due to the limitations and restrictions placed on election observation by the Russian Federation, OSCE/ODIHR was unable to fulfil its mandate and observe December 2007 elections to the Duma.

Next steps

- To continue parallel implementation of the Readmission and Visa Facilitation Agreements and monitor it in the respective joint committees.
- To continue the visa dialogue to examine the conditions for visa-free travel as a long-term perspective. The initial results of the dialogue will be reported to a JHA PPC in 2008.
- To hold further TAIEX seminars on document security and illegal migration.
- Liaison Officers Meeting (LOM), 7 April, Moscow.
- Experts meeting on precursors, 11 April, Brussels (date TBC)
- PPC 24-25 April in St. Petersburg
- to explore possibility of Eurojust-Russia and CEPOL-Russia cooperation agreements as well as of a Europol-Russia operational agreement
- Continue efforts to explore possibilities for Russia's accession to and full implementation of the Council of Europe Convention on the Automatic Processing of Personal Data.
- Hold 8th round of human rights consultations 17 April in Ljubljana

EU-RUSSIA COMMON SPACE OF EXTERNAL SECURITY

PROGRESS REPORT 2007

Introduction

In the framework of the common space of external security, the Road Map identifies 5 priority areas for enhancing EU-Russia cooperation:

- Strengthening dialogue and cooperation on the international scene
- Fight against terrorism
- Non-proliferation of weapons of mass destruction and their means of delivery, strengthening export control regimes and disarmament
- Cooperation in crisis management
- Cooperation in the field of civil protection

Work on implementing the five priority areas is primarily taken forward in the existing formats for EU-Russia political dialogue:

- EU-Russia Summits
- Foreign Ministers Troika meetings and Permanent Partnership Council (PPC)
- Political Directors consultations
- Political and Security Committee (PSC) Troika meetings
- Expert-level Troika meetings*

Since the adoption of the Road Map, consultations on external security have intensified in the existing frameworks for EU-Russia political dialogue and have been complemented by increased contacts on specific subjects.

However, on the common neighbourhood, there is still room for further progress on substance, although useful contacts of EUSRs with Moscow interlocutors have continued.

On the positive side, we have seen developments in the cooperation in the fight against terrorism, notably through the Global Initiative to Combat Nuclear Terrorism, and in the field of non-proliferation of weapons of mass destruction and disarmament.

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* Around 10 annual or bi-annual meetings covering common issues of concern of a regional (Eastern Europe and Central Asia, Western Balkans, Asia, North Africa and Middle East, Asia and the EU candidate countries) and sectoral (OSCE and Council of Europe, UN, Terrorism, Disarmament and Non-proliferation) nature

Progress

1. Strengthening dialogue and cooperation on the international scene

Since the adoption of the Roadmap, EU-Russia dialogue has been considerably strengthened on international issues both in the bilateral context and in international fora. Of all the political dialogues the EU has set up with third countries, the one we have with Russia is the most intense. Both the EU and Russia recognise each other as key partners on the international scene. Specific mention should be made of the cooperation on Iran, the Balkans and on the Middle East. Despite specific differences of opinion, such as over Kosovo, EU-Russia cooperation on these international issues remains intensive and broadly constructive.

Russia is a central player in the UN framework, and the annual experts meeting the EU has with Russia on UN matters, such as the one of 22 May 2007, is generally useful. There are also contacts on an ad hoc basis in New York (e.g. between HoMs and the Russian Permanent Representative) and in Moscow (e.g. between Deputy HoMs and the Director for International Organizations of the Russian MFA in July 2007).

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2. Fight against terrorism

The focus of this priority is to enhance cooperation at the international level to prevent and combat terrorism, in full respect of human rights. Work under the Common Space on External Security complements that undertaken under the Common Space on Freedom, Security and Justice.

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The EU is participating in the new Global Initiative to Combat Nuclear Terrorism (GICNT). Following the Heiligendamm G8 Statement, the EU has now been accepted as an observer and will contribute actively to the various activities under the GICNT work plan through the competent services.

There is room for improvement of consultation and cooperation in all relevant international and regional fora, including GICNT, and in subjects such as the fight against the financing of terrorism.

The protection of critical infrastructures is part of the European Counter Terrorism Strategy as well as of the European Action Plan on combating terrorism. In this context, the Commission presented in 2006 a Proposal for a European Programme for the protection of such critical infrastructures. This Proposal is currently under examination by the competent Council Working Party.

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3. Non-proliferation of weapons of mass destruction and their means of delivery, strengthening export control regimes and disarmament

Cooperation between the EU and the Russian Federation continues to be necessary to ensure a successful global fight against proliferation. The focus of this cooperation is to enhance joint efforts to assure the universalisation, and when necessary, the strengthening and greater effectiveness of the treaties, agreements and verification arrangements on disarmament and non-proliferation and other international obligations (such as UN Security Council Resolution 1540), as well as the strengthening of export controls.

Regular consultations between the relevant Council working parties, in Troika format, and Russian counterparts are organised bi-annually, while ad-hoc consultations at the appropriate level take place before and in the margins of multilateral meetings.

The European Union continues to support the Russian Federation in her pursuit of a safe and environmentally sound dismantlement or reconversion of infrastructure, equipment and scientific capabilities linked to weapons of mass destruction. The G8 Global Partnership (GP), launched in Kananaskis in 2002, defines four priority concerns: destruction of chemical weapons, the dismantlement of decommissioned nuclear submarines, the disposal of fissile materials and the redirection of former weapon scientists, all of them relevant today.

The EU continues to support the aim and principles of the GP and continues to promote cooperative threat reduction activities and the safe and secure dismantlement of WMD-related resources in the Russian Federation. On 19 March 2007 the Council adopted a new Joint Action in support of chemical weapons (CW) destruction in the Russian Federation, by contributing financially (€ 3.145 million) to the construction of the CW destruction site in Shchuch'ye. The EU contribution is channelled through the UK bilateral programme, and contributes to the destruction of 1.9 million artillery and rocket ammunition containing 5,500 tons of nerve agents. The project is being successfully implemented, on cost and schedule. In particular all equipment has been completed and delivered to the site. The final delivery took place on 26 October 2007. Important progress has also been made between Russian and German authorities on the project to support the physical protection of a nuclear site in the Russian Federation (Bochvar Institute), the implementation of which has now been launched. Both projects will be financed by CFSP funds. In the past CFSP funds have been committed for the destruction of chemical weapons (€7 million), the disposal of fissile material (€5.5 million) and the protection of radiological sources (€8 million).

The European Commission has pledged €1 billion over 10 years to the G8 Global Partnership. To date over €500 million have been spent out of a total of more than €800 million so far committed, including for nuclear safety efforts as well as the reconversion of weapons experts through the International Science and Technology Centre (ISTC) in Moscow. The ISTC, whose administrative and operational budget is dependent on contributions by the Funding Parties, has reflected on its strategy for the forthcoming years and sought ways to attract new sources of funding. Following the consultative process that has been carried out for one year until March 2007, a Working Group was set up to draft the ISTC "Vision statement and Strategic Plan". **DELETED**

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The accession of all its Member States to the relevant export control regimes, in line with the EU WMD Strategy, remains a major priority for the EU. **DELETED**

The EU continues its successful export control outreach programme with Russia, which in the future will be financed under the Stability Instrument. This instrument aims at supporting, as appropriate, EU policy in the area of non-proliferation.

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The EU wishes to continue to cooperate with Russia in enhancing security in outer space.

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4. Cooperation in crisis management

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5. Cooperation in the field of civil protection

The objective is to strengthen dialogue and cooperation to promote a common EU-Russian ability to respond to disasters and other emergencies.

Work on this priority has primarily been taken forward through the implementation of the Administrative arrangement signed between the European Commission's civil protection Monitoring and Information Centre (MIC, based in DG Environment) and the Operations Centre of the Russian Ministry for Emergency Situations (EMERCOM) in 2004.

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**EU-RUSSIA COMMON SPACE ON
RESEARCH AND EDUCATION, INCLUDING CULTURAL ASPECTS
PROGRESS REPORT 2007**

Objective

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

Research

EU policy aims

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

Institutional framework

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

Progress

Russia was the most successful non-associated country to the 6th Framework Programme for Research and Technological Development (FP) participating in some 280 projects worth almost € 2.8 billion. The total volume of Russia’s share was close to € 120 million. The prospects for Russia’s participation to the 7th FP, which started in 2007, are most promising. **In fact Russia has expressed an interest to become an associated country to the FP.**

The scope of EU-Russia research cooperation is broad. It ranges from space, aeronautics and energy, including renewables and nuclear fusion, to food quality and safety and climate change. The keen interest of Russia is reflected in the level of co-financing, which amounted to € 20 million for the 6th FP. The Russian Science Federal Targeted Programme for 2007-2012 supports such cooperation and is also open to the participation of EU research entities.

Most significantly, for the first time the EC and Russia launched in the work programme of 2008 four coordinated calls for co-funded research project proposals (in the areas of Food, Agriculture and Biotechnology as well as Energy) and prepared the ground for another two coordinated calls in the priority Health and one in the priority Nanotechnologies and New Materials for the work programme of 2009. Discussions are ongoing on possible co-ordinated and/or similar co-funded initiatives in the areas of aeronautics, nuclear fission energy research and space research. In concrete terms, the EC and Russia have started synchronizing their research programmes and activities with a view to defining a more common and ambitious research agenda.

These co-funded activities are in line with the overall trend and the changing attitude towards international cooperation, which is one of moving towards a partnership between equals based on sharing funds and responsibilities. In this sense, research cooperation with Russia would allow moving towards a new, more mature and more equitable partnership and is acquiring an important further-reaching political significance.

The Steering Committee of the Science and Technology Agreement, which will expire in February 2009, took place on 28 June 2007. In addition to this high level dialogue, joint permanent working groups on key thematic priorities such as health, food agriculture & biotechnology, nanotechnologies, energy, aeronautics, mobility, space research and nuclear fission energy research have been meeting on a regular basis. Efforts are also being made to launch a working group on environment. These working groups ensure Russian participation in the consultative process surrounding the preparation of the FP activities. A separate Euratom-Russia Coordinating Committee has been meeting regularly under the Euratom-Russia Agreement in the field of controlled nuclear fusion.

Project-led research cooperation and expert level interaction clearly have an impact on the implementation of the other Common Spaces, particularly the Common Economic Space. However, much remains to be done to ensure that important research projects are effectively geared towards the implementation of the Common Economic Space (e.g. aeronautics, space, information technologies, etc.). Similarly, the potential of such schemes to the benefit of SMEs still needs to be fully exploited. Furthermore, efforts still need to be made to increase the mobility of researchers and students. The Marie Curie Fellowship scheme is a prime example.

A major element in the full realisation of the Common Space on Research are the numerous bilateral cooperation programmes and activities of the EU Member States with Russia. A compendium documenting these bilateral cooperative relationships is currently under preparation by the Delegation of the European Commission to Russia.

Next steps

- Examination of the possibility of Association to the EC Framework Programme for Research and Technological Development.
- Possible Research PPC.
- Extension of the Science and Technology Agreement.
- Exploring opportunities for enhanced synergies with bilateral cooperative activities with Russia of the EU Member States.
- Convergence towards the European Research Area.

Education

EU policy aims

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

Institutional framework

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

Progress

In line with the Bologna process, amendments to the current Russian law on higher and postgraduate education introducing the two cycle system - bachelor (4 years) and master (2 years) entered into force in October 2007. Under the new law, universities have a two year transition period up to 1 September 2009 to introduce the two cycle system. The third level (i.e. PhD level) is not yet concerned by the law. This is an important step towards the common space on education and training as it will further facilitate university cooperation within the European Higher Education Area.

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

Russia has been participating in the Tempus programme since 1994 with a budget of approximately € 10 million per year. Tempus projects have improved cooperation between universities and ministries, and have mobilised universities, public institutions, NGOs and businesses to analyse the Russian higher education system and universities. A total of 300 cooperation and reform projects have been implemented (see <http://ec.europa.eu/education/programmes/tempus/countries/projects/russia.pdf> for project descriptions). These pertain to the development of new curricula, the introduction of credit systems, and the improvement of the quality of education in line with the Bologna process. Moreover, on average more than 1300 academics and students benefited every year from short-term mobility opportunities.

An evaluation launched by the EC in cooperation with the Ministry of Education and Science to assess the impact of Tempus on the implementation of the Bologna process indicates most progress was made in adopting comparable higher education degrees; introducing a credit system, cooperating in the provisions of learning quality.

The Tempus IV programme will continue to promote the reform of higher education through cooperation between universities. In 2007, the allocation for Russia was maintained at € 10 million (ENPI 2007). **The new priorities for the Tempus IV programme, agreed in October 2007 with the Russian authorities, comprise the modernisation of curricula, the European Credit Transfer System (ECTS) and recognition of degrees and the development of lifelong learning in society at large and qualification frameworks.**

Russia participates actively in the Erasmus Mundus (EM) programme, which enhances the quality, visibility and attractiveness of European higher education in third countries. Under this programme, students and scholars from Russia receive scholarships to participate in Erasmus Mundus master courses inside the EU. In Erasmus Mundus Russia typically places among the top countries as regards awards of EM scholarships: 130 Russian students and 41 academics have benefited so far. In the academic year 2007-8, Russia ranks 4th (after India, China and Brazil) with 50 participating students and 6th with 16 academic staff. There is a positive trend of growing Russian participation. Erasmus Mundus may also support partnerships between the master courses and Russian institutions. About 15 Russian education institutions have been involved so far.

Russian universities showed high interest in the Erasmus Mundus External Cooperation Window programme focussing on academic and student mobility at undergraduate, postgraduate, PhD and post-PhD level. In June 2007, a partnership of 20 universities (8 EU and 12 Russian) led by the University of Hohenheim in Germany was awarded a project worth € 5 million (ENPI 2007) supporting the mobility of 262 Russian students to the EU and 48 students and teachers to Russia. From September to December 2007 an information campaign on Erasmus Mundus Master's Programmes was carried out, including the publication and distribution of a leaflet. A new call of Erasmus Mundus External Cooperation Window was published in December and Russia's allocation amounted to € 12.35 million (ENPI 2008) and foresees the selection of three partnerships. This translates into at least 435 scholarships and three new partnerships of EU-Russia universities.

In 2007, one new project was selected under the **Jean Monnet Programme**. This brings the total number of Jean Monnet projects in Russia to 9. Furthermore, in 2007, 6 scholarships were granted to Russian students to study at the College of Europe both in Bruges, Belgium and in Natolin, Poland.

A particularly important project is the **European Studies Institute (ESI)** in Moscow. The project is co-financed by Russia and the EC, which is supporting it through a € 3 million grant. As the only institution with the competence and capacity to provide a one-year postgraduate Master's programme in EU studies, the Institute aims mainly at developing a cadre of officials conversant in EU integration issues. Over 50 young officials enrolled in the 2006-2007 academic year and 100 were enrolled in 2007-2008. In September 2007, the new Master's Programme in EU studies started. The curriculum was enriched and a new area of specialisation (EU politics) was introduced thanks to the Tempus project with the participation of the College of Europe and MGIMO. Yet the purpose of the Institute is much wider: to foster the involvement of a broad range of audiences in a wide ranging academic debate on EU-Russia relations.

As regards non-formal education for young people, Russian youth NGOs and young people participated actively in the EC-funded Youth in Action Programme launched in 2007. More than 130 projects involving Russian partners were granted involving over 400 young people and some 130 youth organisations from Russia. In the course of 2007, there have been also some discussions concerning a possible EU-Russia agreement on youth.

In addition, in the area of life skills education programmes for youth (smoking, physical exercise, drugs, alcohol, HIV/AIDS, etc) a final conference on the project on HIV/AIDS phase II (focusing mainly on the treatment of HIV positive patients but also on awareness raising), took place in December 2007. This is considered the starting point for dialogue based closer cooperation and it will help to implement the EU HIV/AIDS action plan. Moreover, two Russian NGOs are members of the EU HIV/AIDS Civil Society Forum. In addition, a new EU-Russia dialogue on public health is under preparation. The first experts meeting took place in February 2008. Another forum related to health issues is the Northern Dimension Partnership on Health and Social Well Being (NDHSW).

Next steps

- Increased participation in the Erasmus Mundus, Tempus and Jean Monnet programmes.
- Convergence towards the European Higher Education Area and continued implementation of the Bologna process.
- Further promotion of EU multidisciplinary studies for instance through the set up of a network of EU centres.
- Set up of a dialogue on public health.

Culture

EU aims

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

Institutional Framework

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

Progress

Cultural cooperation gained significant impetus in 2007 and culminated in the first ever Permanent Partnership Council (PPC) on culture, which took place in Lisbon on 25 October.

While the EC through its Moscow Delegation has been involved in a number of cultural projects and initiatives, not much progress has taken place on the Culture Action Plan envisaged in the roadmap.

The EU-Russia joint working group met for the first time in February in Moscow and was later tasked to draw up a Culture Action Plan focusing on the following areas:

- The promotion of artistic and cultural projects with a European dimension (festivals, master classes, exhibitions, new productions, tours, translations and conferences, etc.);
- The promotion of short-, medium-, and long-term cooperation between cultural institutions to enhance cultural ties, conservation and research of common European heritage;
- The promotion of the links between artistic universities and institutions in order to create new cultural resources;
- The training of professionals in the audiovisual sector, promotion and distribution of cinematographic works and audiovisual programmes and support for film festivals;
- Consultation and cooperation in relevant international *fora*, such as UNESCO, in order to defend common objectives and promote cultural diversity especially in the course of the ratification and implementation phase regarding the UNESCO Convention on the protection and promotion of the diversity of cultural expressions.;
- Fostering convergence with European standards in the broadcasting field

A second meeting of the joint working group took place in September with the aim to advance work on the Culture Action Plan. The joint working group decided to proceed with the preparation of a joint declaration and the Culture Action Plan. However, due to Russia's opposition to the inclusion of regulatory and policy dialogue in the Culture Action Plan, eventually only a joint statement was adopted at the PPC which took place on 25 October in Lisbon. In the joint statement the EU and Russia stressed their commitment to “*intensify cultural cooperation through a Culture Action Plan*” which will “*serve as a tool to foster the regular exchange of information on issues that may have an impact on cultural and audiovisual cooperation*”. Moreover, in the joint statement the EU and Russia committed to hold a high level conference in Russia to promote contacts between cultural operators in 2008.

At the same time, a number of joint cultural projects and initiatives took place for the first time in 2007. The EC funded Europe-Russia-Europe exhibition ran at the Tretyakov Gallery from May to July (66.000 visitors). The exhibition brought together masterpieces from 46 EU museums and galleries, with the aim to show some of the major developments in Russian and European art and to highlight how different movements have influenced one another over the years. All 27 Member States participated. Moreover, the EU Film Festival took place in Kaliningrad in October and master classes for young Russian film professionals were organised to build bridges between the two communities. In addition, a special culture call for proposals worth € 2 million was launched in 2007 along priorities such as the promotion of innovative and cultural projects with a European dimension, mobility of artists and cultural heritage. A guide (“Moving Art”) to the export and import of cultural goods between Russia and the EU was published in cooperation with all Member States.

Next steps

- Adoption and implementation of the Culture Action Plan.
- Possible PPC provided that the Culture Action Plan is finalised and adopted.