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Committee on Economic and Monetary Affairs

2006/2237(INI)

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OPINION

of the Committee on Economic and Monetary Affairs

for the Committee on International Trade

on economic and trade relations between the EU and Russia
(2006/2237(INI))

Draftsman: Robert Goebbels

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SUGGESTIONS

The Committee on Economic and Monetary Affairs calls on the Committee on International Trade, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas the implosion of the USSR, the achievement of independence by many former republics of the Soviet empire and the dismantling of the former Communist bloc have utterly transformed the political geography of Europe and Asia and, to quote Umberto Eco, 'it will take decades for the collapse of the Soviet system to be completed',
- B. whereas the Russian Federation, which replaced the Russian Soviet Federated Socialist Republic in December 1991, is still, at 17 million km², the largest state in the world; whereas just over 80% of its 150 million inhabitants are ethnic Russians; whereas almost 30 million Russian citizens belong to a multiplicity of different ethnic groups, a situation which sometimes causes bloody conflict, as in Chechnya,
- C. whereas the Russian Federation's domestic political problems have been compounded by major economic and social problems arising from the necessary, but ill-managed, liberalisation of a planned and ossified economy,
- D. whereas the privatisation policy pursued during the years when President Yeltsin was in office resulted, all too often, in national assets being carved up for the benefit of a few thousand oligarchs and kleptocrats,
- E. whereas the 1990s were marked by hyperinflation and a 75% devaluation of the rouble in August 1998, which nearly bankrupted the Federation,
- F. whereas, since President Vladimir Putin's election and subsequent re-election, and given the surge in energy prices, the economic situation has substantially recovered and, between 1999 and 2005, Russia's GDP achieved an average annual growth rate of 6.7%,
- G. whereas the Russian Federation is the E U's geographical neighbour and is, and will continue to be, an important partner for the Union, and whereas the two entities consequently have certain shared responsibilities and opportunities which should lead to increasingly close economic cooperation and mutually beneficial partnership,
- H. whereas both Russia and the E U would find it difficult to dispense with various kinds of trade and exchanges and it is in the interest of both partners to establish a balanced framework for cooperation in order to ensure the harmonious development of trade between them,
- I. whereas, in 2005, Russia's share of the E U's overall trade was €263 billion, or 7.3%, making Russia the EU's third partner after the United States and China, though before Japan,
- J. whereas Russia's economic recovery has enabled it not only to pay all its debts to the IMF and the Paris Club, but also to establish a reserve fund which has accumulated over 100 billion dollars since 2004,

- K. whereas, at the same time, Russia has increased its imports from the EU and the EU accounts for some 52% of the value of Russia's external trade,
- L. whereas, since February 2005, the Russian monetary authorities have pegged the rouble to a basket of currencies in which the euro has a growing share (40% in mid-2006, likely to become 52% by the end of 2007) and currently have more than 100 billion of reserves in euro,
- M. whereas Russia holds 6.1% of known world crude oil reserves and 26.7% of natural gas reserves; whereas it supplies over 25% of the EU's gas and oil consumption and, despite the growing use of alternative energies, European demand for fossil fuels will continue to increase, if gradually, over the next twenty years; whereas the level of dependency on Russian resources is even higher in the new Member States, as 60% to 100% of their energy demands are met by Russia; moreover these countries rely, to a large extent, on Russia for the supply of nuclear fuel,
- N. whereas the E U aims to accelerate its transition to a low-carbon economy through increased use of renewable energies, while promoting more economical and cleaner ways of using hydrocarbons and carbon; whereas, in accordance with the subsidiarity principle, some Member States will have recourse to third- or fourth-generation nuclear reactors,
- O. whereas the EU's energy efficiency is ten times greater than Russia's (145.9 tonnes of oil equivalent [TOE] per million dollars of GDP in the EU against 1 316.5 TOE per million dollars of GDP in Russia); whereas CO₂ emissions per inhabitant were 8.4 tonnes/year in the EU and 10.4 tonnes/year in Russia,
- P. whereas intelligent self-interest requires the E U to help Russia transform its energy sector in pursuit of the same energy-saving and energy-efficiency objectives and replace nuclear facilities of the 'Chernobyl' type with safer reactors,
- Q. whereas a recent study by the Russian Federation's Ministry for Energy concluded that Russia's domestic primary energy demand will increase by around 25% by 2020, but that final energy demand could be reduced by 40 to 45% by economic restructuring of the energy sector using the best available technology in terms of energy efficiency and energy saving,
- R. whereas the European Union's sustainable development strategy requires it to help the countries which supply it with energy, and in particular Russia, to reform their energy market by means of price mechanisms which encourage the saving of energy, the use of the most efficient technology possible and the use of those technologies which are the most environmentally sound and emit the smallest quantity of greenhouse gases,
- S. whereas it is to be seen as an improvement that Russia- a great polluter- has signed the Kyoto Protocol, and a positive development that, in 2004, the EU closed the bilateral negotiations on WTO membership with Russia; it is nevertheless of concern that it has failed to apply competition rules, for instance, by permitting the existence of dual energy prices and the infringement of intellectual property rights (IPRs),
- T. whereas Russia has signed, but not yet ratified, the Energy Charter Treaty, which

provides a comprehensive international legal framework on issues such as trade, investor protection, transit, energy efficiency and dispute resolution in the energy sector,

- U. whereas the Transit Protocol to the Energy Charter Treaty is aimed at strengthening mutually beneficial legal principles covering transit flows of energy resources,
- V. (Compromise A including am 21 and 34, AM/650528)whereas the supply of Russian gas could suffer because of a lack of investment in the reparation of existing infrastructures and the construction of new interconnections; whereas creating a regime of investment based on international law would be in both Russia's and the EU's economic interest;

Cooperation with Russia and solidarity among EU members

1. Acknowledges the importance of Russia as a trading partner- a role that is being strengthened by virtue of EU enlargement - and emphasises the importance of trade relations becoming stronger in the future; notes that the EU and Russia have an interdependent relationship and both parties would benefit from a well-functioning partnership;
2. Advocates more extensive cooperation between Russia and the EU in all economic fields, based on the principles of mutual benefit, non-discrimination, transparency and reciprocity in terms of market access and investment climate; believes that those principles should be properly reflected in the mandate for a new EU-Russia Partnership and Cooperation Agreement;
3. Takes the view that solidarity amongst Member States in the field of policies pursued with Russia should be reinforced in view of the situation in which the more vulnerable new Member States find themselves, on the one hand, and in view of increased Russian investments in strategic sectors of these new Member States on the other; considers that such solidarity must take account of the interests of the countries situated near Russia, with regard to their oil and gas consumption and the location of pipelines, the export of agrarian products, and the different aspects of environmental protection,
4. Stresses that an agreed common position on the part of all Member States is a necessary prerequisite for effective negotiation with Russia, and that bilateral contacts should not undermine the common EU strategy vis-à-vis Russia,

Energy

5. Emphasises the need to further develop and implement a common energy strategy for Europe, incorporating procedures, distributors and consumers, aimed at creating a transparent and sustainable energy system, and to enhance the regional diversity of energy supplies; notes that the development of such a strategy is of common interest to the EU and Russia and that it is hazardous for the EU to become too dependent on natural gas; emphasises that the EU should continue using other sources of energy with nuclear power being one such source,
6. Reiterates its support for the opening of the EU market to Russian electricity exports, on condition that relevant Russian safety standards, in particular in relation to nuclear power plants and the safe processing and disposal of nuclear waste, are brought up to EU level, so that the risk of environmental dumping is avoided,

7. Observes that reducing the share of nuclear power in the EU's energy mix directly increases the EU's dependance on external suppliers, notably Russia for gas;
8. Takes the view that it is necessary for Russia to ratify the Energy Charter and the Transit Protocol to the Energy Charter ; believes that, failing that it would, at the very least, be desirable to conclude a strategic partnership agreement with Russia in that area;

Business climate

9. Is of the opinion that efficient and extensive economic cooperation between Russia and the EU should be based on free-market principles, and calls on Russia to continue with market reforms, to refrain from politicising the economy and to respect the independence of public and private institutions,
10. Takes the view that Russia should ensure, in the spirit of reciprocity, that businesses can operate within a climate of free and open competition, and in the absence of state intervention; underlines that Russian companies must be subject to EU competition legislation under the same conditions as other international operators active on the internal market of the EU,
11. Urges the Commission to negotiate with Russia a regional free-trade agreement in compliance with WTO rules,
12. Notes that the business climate in Russia is currently insecure given the failures of the judicial system, but also notes that WTO membership will send an important signal to foreign investors, thereby helping to strengthen and diversify trade links,
13. Calls on the Commission to continue and strengthen dialogue with the Russian authorities and with economic partners on issues of trade and economic co-operation, covering in particular technical regulation and standardisation of customs procedures, the liberalisation of services, the abolition of monopolies , the openingup of the banking system and mutual guarantees for direct and portfolio investment, and to ensure that Russia puts in place intellectual property enforcement measures resulting in a substantial reduction in IPR piracy prior to Russia's accession to the WTO,

Currency

14. Considers that it is now appropriate, in view of Russia's current economic position, to move from a currency based on a basket of currencies to a free-floating and self-standing rouble,

Transportation

15. Urges the Commission to negotiate, with Russia, agreements on frontier transit arrangements in order to facilitate the free flow of trade and people; considers that it is to be seen as an improvement that the Helsinki agreement of 24 November 2006 has been reached on the abolition, until 2013, of non cost-related fees for European airline companies in relation to flights over Siberia, which discriminated against those companies.

PROCEDURE

Title	Economic and trade relations between the EU and Russia
Procedure number	2006/2237(INI)
Committee responsible	INTA
Opinion by Date announced in plenary	ECON 28.9.2006
Enhanced cooperation – date announced in plenary	
Drafts(wo)man Date appointed	Robert Goebbels 25.9.2006
Previous drafts(wo)man	
Discussed in committee	23.1.2007 28.2.2007
Date adopted	10.4.2007
Result of final vote	+: 41 –: 1 0: 0
Members present for the final vote	Zsolt László Becsey, Pervenche Berès, Udo Bullmann, Ieke van den Burg, David Casa, Jonathan Evans, Elisa Ferreira, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Robert Goebbels, Donata Gottardi, Gunnar Hökmark, Karsten Friedrich Hoppenstedt, Sophia in 't Veld, Othmar Karas, Piia-Noora Kauppi, Christoph Konrad, Astrid Lulling, Gay Mitchell, Cristobal Montoro Romero, Lapo Pistelli, Post Joop, John Purvis, Alexander Radwan, Dariusz Rosati, Heide Rühle, Eoin Ryan, Antolín Sánchez Presedo, Manuel António dos Santos, Olle Schmidt, Lydia Shouleva, Peter Skinner, Margarita Starkevičiūtė, Ivo Strejček, Gianluca Susta
Substitute(s) present for the final vote	Jorgo Chatzimarkakis, Mia De Vits, Harald Ettl, Zbigniew Krzysztof Kuźmiuk, Thomas Mann, Maria Petre, Gianni Pittella
Substitute(s) under Rule 178(2) present for the final vote	
Comments (available in one language only)	