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Briefing

**DOING BUSINESS IN RUSSIA: WHAT IS THE COMMON ECONOMIC SPACE
OF RUSSIA, KAZAKHSTAN AND BELARUS?**

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The regulatory framework has been drawn up for the Customs Union and the Common Economic Space of Russia, Belarus and Kazakhstan. The Common Economic Space is a unified market on which equal development opportunities are provided for business.

Moderator:

Alexei Likhachev, Deputy Minister of Economic Development of the Russian Federation

Panelists:

Vladimir Salamatov, Deputy Minister of Industry and Trade of the Russian Federation

Alexander Shokhin, President, Russian Union of Industrialists and Entrepreneurs

Tatiana Valovaya, Head of the Department of the International Cooperation of the Government of the Russian Federation

A. Likhachev:

Colleagues, esteemed SPIEF guests and all the participants in this briefing, good afternoon. We have called this briefing 'Doing Business in Russia: What is the Common Economic Space (CES)?' I invite all our many guests to take their seats and request that the doors be closed; we do not want to be disturbed by noise from the corridor.

On behalf of the Ministry of Economic Development, we are glad to welcome all SPIEF participants and partners today. We would like to thank you all for gathering together in this conference hall to discuss the development of the Common Economic Space. Exactly one year ago, in this very place, we discussed, at SPIEF, the beginning of the CES. There are now only a few days left until the launch of the common code of the Customs Union. A great deal of work has been done and now there are only a few days until all forms of control are removed from our common borders (although passports will, naturally, still be needed). We are in the very final stages of creating a common customs territory between Russia, Belarus and Kazakhstan. However, apart from this, over the past year a great many issues have been ironed out and documents signed; indeed, even as we speak, the ratification of 17 CES agreements is progressing apace. These agreements will be discussed by our participants and panellists. We are ready to answer questions today from journalists and anyone else present regarding the implementation of these agreements. We truly are on the front line today as regards integration, economic scholarship and administrative reforms. I can say with absolute sincerity that each and every person on this stage, each of today's speakers and panellists is a living legend, a true leader both in name and in deed in his or her area, and a senior national expert in his or her respective field. It is a pleasure to introduce all the panellists here today, although I am sure they are all familiar to you. Firstly, Tatiana Valovaya, Head of the Department of International Cooperation of the Government of the Russian Federation, who over the last 18 months to two years, both organizationally and

at the philosophical level, has truly taken the integration work being done in the country to a whole new level. Continuing along the row: Vladimir Salamatov, Deputy Minister of Industry and Trade of the Russian Federation and our leader in matters of technical regulation – now even on an international scale – a subject which we hope to hear about in his presentation today. Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs (RUIE). We are hoping he will not be too angry with us for not working hand-in-hand with businesses; although we do work with them, no doubt our esteemed entrepreneurs would like the dialogue to be even closer. On the far side of Tatiana Valovaya, we have Gennady Onishchenko, Head of Rospotrebnadzor, the Russian consumer protection oversight agency; the monitoring of the common customs territory of Russia, Belarus and Kazakhstan in this area also falls under his remit. Specifically, his work and public discussion on the regulatory principles that are to be introduced in the industry in the three participant nations. And finally, Andrey Tochin, Director of the Department of Economic Cooperation with the CIS Countries at the Ministry of Economic Development of the Russian Federation. We actually have with us today several representatives from the Ministry of Economic Development, not only Mr Tochin, but also Filipp Gabunia, Director of the EU Department, and Alexander Pirozhenko, Head of the Department for Competition Development. We are all up to speed with the ministry's work and in a position to supplement the panellists' presentations and, if necessary, answer your questions. We do not have a lot of time – SPIEF is very strict in this regard. Indeed, we have, from now, exactly one hour and five minutes. We will start with an initial report from Ms Valovaya, which we will give the maximum time to, 15 minutes. Unfortunately, I fear that is all we can spare. Beyond that, I will leave the timings to you. We will cover three main issues: sanitary control, technical regulation and the participation of businesses in the process. We will listen to our esteemed speakers, share our views and if necessary, answer questions. How does that sound? Excellent. I now hand over

to Tatiana Valovaya, Head of the Department of International Cooperation of the Government of the Russian Federation.

T. Valovaya:

Good afternoon, esteemed colleagues. As Mr Likhachev has already said, from January 1, 2012 the Common Economic Space will be launched. I would like to start not by analysing the legal basis of the CES documents, nor even by explaining the things we will be doing come 2012. Rather, I would like to begin with something else that has already been mentioned: ideology. I would like to explain the ideology behind the CES, in order to show how it fits in with our broader goals of economic integration. We cannot talk about this ideology, however, without highlighting certain parallels with the European Union. The press often write about how quickly and successfully the process of integration has been progressing in recent times: the Customs Union came in on January 1, 2010; on the same date in 2012 the CES will be introduced. Therefore, people say, we have achieved in two years what took Europe, in establishing their equivalent, the Single Market, 18. The reality, however, is rather different. In those 18 years the European Union realized that although they had a CES on paper, it did not exist in reality. Therefore, learning from the experience of the EU, we need to understand how one falls into such a trap, that is, when you appear to have a common space on paper, but in practice you have nothing of the kind. In Europe's case, the Treaty of Rome in theory contained all the principles of a CES and was immediately hailed as the beginning of a single market. A Customs Union was quickly created—not as quickly as in our case, for Europe's circumstances were different—but nevertheless still in under 10 years. Then in 1968 they began, 18 months ahead of schedule, to move on to apparently bigger and better things. All this time they think they already have a common space, for that is what is written in the Treaty of Rome. They then, instead of concentrating on their CES, start to think about a single currency,

which they then promise to introduce in 1980. Around the same time, the Soviet Union is preparing to introduce communism by the same year. However, 1980 came and went, and neither of these things happened. The 60s and 70s proved very hard for Europe, because it found itself in a difficult situation: there was a Customs Union and an open trading space which was very easy to enter into by various methods, all perfectly legal, for instance by dumping currency (which was not officially prohibited), while simultaneously using everything in your legal power, for example, your technical, sanitary and phytosanitary regulations, as well as other tactics, to try to stop others trading in your own backyard. The 70s was therefore a period of europessimism, with everyone engaging in a political game of 'Beggars-Thy-Neighbour'. It was only after almost 20 years that Europe realized that it needed to get to the bottom of how they could apparently have a single market on paper, yet in practice have nothing of the kind. It was then that they actually understood that one cannot create a CES without setting up the certain specific mechanisms. In the mid-80s, they began the very difficult task of identifying what was still hindering progress. They split what they found into three sections: physical barriers, technical obstacles and issues of tax. They then drew up a plan of action, set a date (December 31, 1992), began their task and eventually completed it successfully. However, clearly this task, just like repair and maintenance, is a never-ending process. Indeed, Europe is even now continuing to develop things. Using the example of Europe was a key part of the preparation for our own CES, for we were able to glean important lessons from their experience and not repeat their mistakes. So, what were the systemically key principles which we felt should form the foundations of our CES project? The first principle was supranationalism. This is because, if national barriers are to be lifted, without supranationalism and the transfer of authority on to a supranational level, it is impossible to regulate economic policy effectively. This is the number one issue and one we have very much been aware of when setting up the Customs Union and CES. We have a supranational Customs Union Commission,

where decisions are made by vote—we have unequally weighted voting, the amounts of votes are different—and in this regard we have the same structure as Europe. Why am I drawing your attention to this now? We are now carrying out talks regarding possible changes to the Agreement on the Customs Union Commission. We plan to establish a permanent, professional authority designed to make decisions on behalf of the Customs Union and the CES. During these negotiations, sometimes our partners say, “Why don’t we decide these issues by consensus, even if it is only on a temporary basis?” I however have no doubt that if we do not adhere to both an unequally weighted voting system and our principle of supranationalism, we run the risk of ruining the whole project. The case of Europe bears witness to this. Therefore we very much respect the views of our partners and are endeavouring to make every effort to compromise over existing issues, but nevertheless we also maintain, bearing in mind the example of Europe, that the principle of supranationalism is the bedrock on which the CES is founded. In addition, supranationalism is crucial not only on an executive level, but also in the area of law. We need to have a supranational legal system which overrides national ones. This is also being worked on. From January 1, 2012 EurAsEC will change its modus operandi completely. This high-level organization is being set up now not only to resolve disputes between nations, but also to listen to the issues and complaints of companies working within the Customs Union.

The second principle which we, after much research, think should form the basis of our project is that of mutual recognition. Everything legally produced on the territory of one of the members of the CES must be permitted to circulate across the entire area of the three nations. This refers not only to goods, services and the workforce, but also to certificates, diplomas, licences etc. Naturally, this cannot be achieved instantaneously. This is a step-by-step process very much linked with on-going efforts to harmonize and homogenize national standards. Indeed, if we want to be able to accept certain documents, for example

certificates, licences etc., from another country readily (and with a clean conscience), then the requirements for such documents must be the same across the three nations. This also forms one of the key principles of our project. The next principle is that national treatment should be established. No matter what kind of treatment there is over the territory of these nations, be it good or bad, there can be no discrimination. Everything we have in Russia must be made available to our Belarusian and Kazakhstani partners. In turn, they must do the same for us. Naturally, again this principle is, in the interests of balance and fairness, also very closely linked with the unification and harmonization of each nation's regulations. The final principle is that of entirety—what the Europeans call the *acquis communautaire*, or 'community acquis'. Any steps taken towards the formation of the CES are so interconnected and interdependent that one cannot simply pick and choose, saying, "Now that I will do, that's interesting, but I won't do that other thing and I won't sign that particular agreement." In other words, as I always say, the CES is a set menu, not à la carte. You either sign up for everything or for nothing at all. These principles I have just enumerated—supranationalism, mutual recognition, national treatment, harmonization and entirety—form the basis of this project. We want to create a single market for 164 million consumers with free movement of goods, services, capital and workforce, with a unified policy in terms of both competition and technical regulation, as well as a standardized macroeconomic policy and so on. I am not going to list the contents of all our documents and agreements, for not only would that take a long time and be very tedious, but also you no doubt have all the information already. I will merely draw your attention to a few clauses included in the 17 agreements which make up the CES project. One must bear in mind, however, that there are still several documents we must get through: in this year alone there will be 30 more, 10 of which are international treaties. Taking as an example the agreement regarding a coordinated macroeconomic policy, starting on January 1, 2013, we will try to identify appropriate quantitative

markers, for example, a yearly state budget deficit of no more than 3% GDP, a national debt no higher than 50% GDP and an inflation level which does not exceed the best economic indicator among member states by more than 5%. Incidentally, during negotiations over this agreement, several people said, "We shouldn't rush ahead, these are master criteria, we need them to introduce new currency. Why do you need them now?" We insisted and subsequent events have proven that we were right to do so. The devaluation of currency in Belarus is a good example of why it is very important for us to understand how macroeconomic policy in all our nations is developing, for we truly are opening our markets to each other: even if one of the three nations enjoys a competitive advantage as a result of currency devaluation, we cannot shut them off from the market. Accordingly, we, as a trio, cannot have a macroeconomic policy that allows these conditions to form. This event thus confirmed that signing the agreement was the correct move. Let us now move on to the agreement on competition. Through this agreement there have been established common principles and regulations for competition across all parties, a set of pricing regulations for goods have been formed and a supranational antimonopoly organization, the Customs Union Commission, has been given the power to deal with violation of these regulations in trans-border markets. This will come into force in 2013. The agreement on industry subsidies proved very substantive. We recognized that subsidies may be divided into those that are prohibited, those that are specific and those that are permitted. The final word in this area was given to the Customs Union Commission. The agreement on agricultural subsidies was equally substantive. On state support which distorts mutual trade, we imposed a limit of 10% of the gross value of the agricultural goods in question. This proved to be a very important issue, over which there was a great deal of argument. The agreement on state purchases included the following: from January 1, 2014, national treatment will be introduced for state procurement on CES territory, and from as early as January 1, 2012, all procurement contracts

will be made electronically. Next, the agreements on natural monopolies and their development, for example the agreement on rail transport. This deals with an issue that has long been discussed: the unification of export, import and internal tariffs. This is to take place before the end of 2012. There are many clauses in the agreements which relate to financial markets, but even so there are a number of issues still to be cleared up in this area before 2013–2015. This gives you all an idea of the issues we have been dealing with and working out.

You will immediately recognize that many of these issues are ones that Russia has in fact been pondering for a long time, yet has not been able to act decisively on. Even, for example, such a thorny issue as pricing parity when exporting gas and when supplying it domestically. This was all agreed upon in theory, but external factors—and the economic crisis—rendered decisive action impossible. We have however now ratified a document on the issue, and from January 1, 2015, pricing parity will become the norm and we will no longer be able to change it. Therefore I would really like to emphasize that the CES is, above all, designed to reform the internal economies of the three nations. If the Customs Union is, at the most fundamental level, concerned with external economics, then the CES is concerned with all economic areas; it truly affects all aspects of our internal economies. For this project we therefore, of course, need a great deal of public support. We need the support of businesses; indeed, Mr Shokhin's presence at this briefing is very pleasing. We also need the support of the media, for when the Customs Union was being set up, no one actually believed we would manage it. We talked and talked for 15 years about the imminent Customs Union and eventually everyone lost faith in it. Now that we have actually created it, people have barely noticed. Everyone does now understand that the CES project is a serious one and therefore, of course, certain companies are starting to worry, understanding that in many fields, such as agricultural business, the strength of our new partners will mean that competition will be much fiercer. Naturally, we will not impose the CES on anyone. This is not our intention at all.

Our task is very different. We need to demonstrate the advantages of the CES for businesses so that they are themselves inspired to develop the project further. The situation was exactly the same for the EU Single Market: the CES will really take off when both businesses and the public see the advantages of it. In our view our project dovetails very nicely with the more general strategic aims of the Russian Federation. We do not intend to isolate ourselves from anyone in any way. When the Single Market was being created in the late 80s and early 90s, heated debate raged that the Europeans were building 'Fortress Europe'. Later, people saw that such accusations were unfounded. Yes, in some areas things became more difficult, but as rule things were easier. We too do not intend to create some sort of 'CES Fortress'. We hope that this project will allow Russia to become a serious player on the world stage and allow us gradually to complete mutually beneficial, preferential agreements with the EU itself. These are ambitions we already harbour. Naturally, the project will, it is hoped, both widen and deepen its scope, moving into other areas of integration, but what is most important for us today is the support of businesses, for it is through their encouragement that we will progress further. I hope I have not taken up too much time. Thank you for your attention.

A. Likhachev:

Yes, thank you very much, Ms Valovaya! So, this Customs Union is the real deal, with a real legislative base, I must emphasize, and it is not far off being implemented. As it develops, it will come to fruition gradually, but intensively. We will therefore work, as it were, as a trio both within the CES and on a trilateral basis, building relations with our external partners. The state will take on two main functions. It will be responsible for forward planning and the building of a regulatory base over the long term, as well as for ensuring the necessary conditions for business development. Before the world of business has its say, I would like to ask our two regulators to say a few words. I suggest we begin with

Vladimir Salamatov. Technical regulation and the adoption of these regulations are now the responsibility of the Customs Union Commission. Will this improve things, or make them worse? Will this improve efficiency, or actually just create more obstacles? Perhaps it will, on the contrary, allow us to work under laws standardized not for just 144 million consumers, but for at least 170 million? What is the main issue here? I will now hand over to Mr Salamatov.

V. Salamatov:

Thank you. The first slide in my short presentation shows that the role of technical regulation is to set up technical barriers in trade. By this I mean goods and commodities should not be allowed onto the territory of either the Russian Federation or the Customs Union unless they meet the requirements established by the Russian Federation or the Customs Union. Almost all the measures that the state can take to ensure this are listed on this slide, these include not only setting requirements, not only promoting the development of science, technology and forward-looking standardization, but also establishing a system of accountability and implementing national controls and oversight. The business aspect is also represented on this slide. I would like to praise the work of the Russian Union of Industrialists and Entrepreneurs, which has actually set up a round table for negotiations over technical regulations. Nevertheless, naturally, it is the state which has the last word in this area, under the proviso that it, taking the concerns of businesses into account, makes the appropriate decision in the interests of society as a whole. Indeed, on November 18 last year, the first CES agreement was signed (a few hours before the other three). In it, it was agreed that a single system of technical regulation was to be set up across the three nations of Belarus, Kazakhstan and Russia. Under the terms of this agreement—here I reaffirm what Mr Likhachev was saying—a whole series of responsibilities are removed from national governments and moved to an intergovernmental level, and subsequently on to the supranational Customs

Union Commission. These responsibilities include not only the adoption of technical regulations, but also the coordination and implementation of many other documents. I do not reject the possibility that soon the question of whether to transfer even more authority from national to supranational bodies will be raised. Indeed, it would be a logical progression from the current proposed system of Customs Union technical regulation. In my view, in the next month or two such suggestions will be put forward. If a consensus is reached, then these suggestions will be implemented. The next slide shows what our general focus has been with the Customs Union Commission, which has already adopted around 60 new documents dealing with technical regulation and the implementation of sanitary and phytosanitary controls. The Customs Union Commission must decide on a uniform sign for all the goods in market circulation. This sign, which will mark all output conforming to the Customs Union's requirements, will freely circulate on the market. I will be using this sign on the next slide as well to demonstrate the strategic goal of the nascent system of technical regulation. We think that as part of creating a free-trade zone all the way from Petropavlovsk-Kamchatsky to Lisbon, across the huge territory of Eurasia, we must, first of all, make the EU and Customs Union signs similar. The EU and Eurasian signs for product safety should not, however, be the same or equivalent: this is important because we of course must not forget how unique the territory we are setting up is, both geographically and otherwise. Strategically, we aim to bring the European and Eurasian conceptualizations of technical regulation as close together as possible, ensuring they are seen as parts of a larger whole. Our second task is to create a model of technical regulation in the Customs Union which will be attractive for other nations and members of the CIS. What is our basis for doing these things? On the next slide, one can see that although our technical regulations are fundamentally based on international standards, we nevertheless have kept our main trade partner, the EU, at the forefront of our thinking. Our technical regulations are largely reworked,

supplemented and slightly altered versions of the European directives analogous to our technical regulations. In addition, we are also using international guidelines as a basis for our standards and are playing an active role in International Organization for Standardization technical committee meetings. Belarus has already become an affiliate of both the European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC). The Russian Federation is also close to completing that very important step. However, I must say at once that our technical regulations as regards standardization are, as is shown on the next slide, rather different, for our point of reference in terms of both product usage and safety has been CIS standards. In 1992 a regional organization was set up for CIS standardization. It now has at its disposal a huge array of standards which may be used by any country belonging to the Community of Independent States... I do apologize, I mean the Commonwealth of Independent States. However, from a political perspective, that slip of the tongue, although very silly of me, is actually rather appropriate; it must have been, as they say, Freudian. It lies at the heart of what we are aiming to achieve, for issues pulling us together as a community far outweigh those pushing us apart. We, that is Russia, Belarus, Ukraine, Azerbaijan and Armenia, can thus most definitely use the same standards while at the same time endeavouring to bring them closer to international standards. Also, at the same time the technical regulations of our Customs Union are formed in such a way that they only contain norms of direct effect. As there is no reference to other legislation, such documents are easily implemented into the legislation of other countries, on the basis of CIS standards. I think I should stop there, although I could of course, continue for much longer.

A. Likhachev:

It would, no doubt, be most interesting. Thank you very much for delivering everything so efficiently and informatively and thank you for keeping to our

schedule. I believe our colleagues have questions and I do not wish to tread on their toes. We will, of course, hear more from you during the course of today's briefing. I would like to ask Gennady Onishchenko to make his short presentation now. Mr Onishchenko, our health is effectively in your hands, and no matter how roughly you are buffeted by the political winds that swirl around every decision you make, I would just like to say that, in the opinion of my family and I, you and your service are definitely to be believed in. We as a (large) family try to adhere to your recommendations as much as we can. Are there any new risks we should be aware of? Should we continue to believe you? What bacteria, and, God forbid, what new illnesses are seeping through over the borders into our system? Please, reassure us, direct us, fortify us and tell us how your work, which is so important and on which so much hinges—and which is for three countries now—is now organized.

A. Shokhin:

It is always safer in threes.

A. Likhachev:

Opinions differ about that, it depends on the industry in which you're trying to do something for three.

G. Onishchenko:

First of all, I would like to thank our moderator for lending such an emotional and formal tone to proceedings, which has been reinforced by the two speakers we have already had. As far as my own work is concerned, however, I would like to start off by quibbling a couple of the points that have just been put forward. Firstly, you just announced that your health is in my hands. Your health is in fact absolutely, totally in your hands. We are merely occasional, quiet, peaceful, meek providers of information and recommendations, working entirely at your

service. My second point is that the EU and the Customs Union are quite different. Our rationale for joining a Customs Union cannot be compared to the formation of the EU. Still fresh in the memory of our generation is a single country, living under one law, and, try as one might to destroy it, the wide range of labour, economy, and specializations among regions in this huge country we used to have still endures. Therefore, everything that is happening today with the Customs Union is, above all, dictated by the economy and by business. And business is a tool for making economics happen. Therefore we are not uniting under a Customs Union, but, rather, recalling the system we used not very long ago at all. Today the CIS has already been spoken about. Indeed, it was this wise mechanism, set up in Minsk, that allowed us to preserve all that needed to be preserved and even from an objective point of view, needed to be protected over the vast expanses of Eurasia. Through this Commonwealth, the Healthcare Council and the Council of Ministers and Chief State Sanitary Inspectors, we have preserved for all these years a united approach to organizational norms for healthcare safety by means of the 'Road Map', or 'Logistics'. Therefore even now everything that has been achieved on a political level is merely a reflection of the economies of the three nations, and as a result I view all this a little differently: we are recalling what we used to have in such countries as Kazakhstan and Belarus. Unfortunately, other nations have as yet decided not to join us for certain reasons, even though objectively- and economically-speaking they really should be here. We are all products of an antitheist society, are we not? As this antitheist society was fading away, we began to speak of the trinity which forms the fundamental basis of spiritual life. I would say, however, that our hygiene regulations stem from four fundamental things on which we agree. The first is how we organize our inspections. The second is the documentation of goods, the third is the sanitary-epidemiological requirements, and the final one is the format of the documents which allow issues to be raised between nations with the minimum of fuss. Nevertheless, some big gains have been made. We are now

evaluating the situation and can see that on an organizational level Russia has made much more progress as regards sanitary-epidemiology and consumer rights than Kazakhstan, whose achievements are nonetheless not inconsiderable, and Belarus, which has maintained a primordial, primitive, virginal situation of near-Soviet oversight. We are already planning and discussing the next stage. Apart from the fundamental necessity of a single set of basic requirements—ignore for the moment the fact that we are speaking here of technical regulation, which does not actually reflect all the problems that we have—we are now discussing a uniform method of inspection. Indeed, this is also a crucial issue which must be discussed today. I would like to emphasize to any business representatives present today that, according to Customs Union laws already agreed upon, as of January 1, 2012, we will need to have received newly-unified, re-registered documents. Registration is especially important for some types of goods. I have spoken with Mr Shokhin and Igor Shuvalov about the delays we are experiencing and have made clear to them that we are now creating artificial barriers for ourselves which may, come January 1, 2012, seriously complicate the circulation of goods on the Russian, Kazakhstani and Belarusian single market. Although these delays and barriers are mere formalities, they are in danger of becoming a truly serious hindrance, making life more difficult for the economies of our nations this year. Also I should just briefly mention the European Union, with whom we truly are, as Mr Salamatov has already said, actively cooperating and collaborating. In this regard Russia is of course the standard-bearer, for one simple reason. Not so long ago, the entire scientific community was concentrated in Russia and, of course, our colleagues in Belarus, Kazakhstan and other countries who might join first our Customs Union and then even perhaps the CES, also lived within this framework, under this approach, according to this ideology, and under the scientific rationale for the requirements which were and are being dictated today by Russia. These are not arrogant statements, rather an objective reflection of reality. Thank you.

A. Likhachev:

Thank you very much. If I could just have your attention for literally 30 seconds... There was among the basic Customs Union documents a plan outlining the possible coordination of various border inspection authorities and the transfer of control from borders between the three countries to the outer edge of the Union. Four organizations—the Rospotrebnadzor, the Federal Service for Veterinary and Phytosanitary Surveillance, Transport Control, and the Federal Customs Service of Russia—have been dealing with this, and are in fact now in the process of completing their work. I would just like to express my personal view. Despite the fact that the Rospotrebnadzor is one of the most uncompromising, conservative (I mean that in a positive sense) and cautious Russian government organizations, it was Mr Onishchenko who was, in my view, the instigator, moderator and driving force behind the whole process. As a result of his input, his organization was the first of the four to set up an effective and efficient system for consumer protection. Some of them are still in discussions over it even now, strange as it may seem. This is, however, only my personal view. So, I suggest we now hear the remaining departmental reports. There are not a huge number of government officials here today, but there are a few. We have people who are working on the Customs Union and the CES, people, like, for example, Alexander Pirozhenko here, whose job it is to set up antimonopoly authorities on a supranational level and come up with totally new ways of developing competition. We all remain in the wings, ready to answer your questions when the time comes. Alexander Shokhin, I now hand over to you. Let me be frank with you all. In the 90s I was a businessman—I was even a member of the RUIE—but throughout the 2000s I was a government official: I sometimes like what we do, and sometimes I don't. I really cannot work it out: do I dislike it as a former businessman, or as a serving government official? We write our documents we need to write, sometimes slowly, sometimes, perhaps, in secret, sometimes,

perhaps, too generally. But, believe me, at the Ministry for Economic Development of the Russian Federation and other governmental departments they are always glad of a challenge. Indeed, Andrey Kuznetsov, the Managing Director for International Cooperation in the RUIE, has also, and I mean this in a positive sense, learnt how to manage us. Mr Shokhin, we are here, after all, to share our views, and we would now like to hear your take on the present state of affairs, your hopes and your recommendations.

A. Shokhin:

Thank you, Mr Likhachev. Well, I believe I can actually answer the question of whether you like what we are doing or not. Indeed, with Pavel Borodin looking straight at me now, I can only say you shouldn't worry too much about whether you like it, because we already have enough on our plate. The coordination of business and the governing powers, especially in the context of the on-going creation of the Customs Union and CES, is a constant, on-going dialogue, and therefore there really is no time for introspection and doubt. What is more, I would like to highlight that although national mechanisms promoting the coordination of businesses and the authorities in preparing, monitoring, adjusting etc. regulatory documents are indeed being transferred over to the Customs Union and the nascent CES, in my view there still remain some areas where the emphasis is still on national, rather than supranational, bodies. Nevertheless, the success of supranational technical regulatory bodies shows that it can be done. When our office met with the Prime Minister in April, the following point was raised: although the world of Russian business is, one may say, totally committed to dealing with issues of technical regulation on a national level, in view of the fact that supranational authorities are taking on a great deal of power not only as regards technical regulation, but also in other areas, it would also like the business sectors of the three nations to cooperate on a trilateral level with the Customs Union Commission, or, as it may come to be known, the 'CES

Commission'. At the moment there is no such cooperation: in my view, this is clearly an area where there is work to be done. To this end we have, incidentally, set up a business dialogue between the three Customs Union countries founded by the RUIE, the Belarusian Confederation of Industrialists and Entrepreneurs, and the Kazakhstan National Economic Chamber Atakemen. By the by, in April this year we set aside one of these meetings to discuss technical regulation in the CES. I thought we worked very productively; in fact, not only did we highlight any problems we had, we also set up various lines of cooperation. In my opinion, The Council of Experts from the Ministry of Industry and Trade, headed by a representative of the RUIE, particularly effectively. Our next meeting will be in July. Although this is, it must be said, primarily a governmental initiative, we are now nevertheless preparing together with our Belarusian and Kazakhstani colleagues a business forum provisionally named 'From the Customs Union to the Common Economic Space: The Views and the Interests of Businesses'. We hope leading companies and government representatives from the three nations will be taking part in it. I therefore view today's session as a kind of preparatory warm-up for the forum, which will be slightly wider in scope. I do hope leading agencies and regulators from all three nations, as well as the Customs Union Commission, will be taking part. Oh, Mr Glazev was just sitting here; it seems he has decided to go off into the next room. In my view the Customs Union Commission and EurAsEC should both take part in this forum. There are a few other things I would like to add. First of all, I must pick up on Mr Onishchenko's contention that we are recalling what we used to have. If that were the case, if we were simply rebuilding what we lost, then it would, of course, only remain for us to take our cues from Belarus and stop worrying. Although truth be told, business behaviour would also be affected by situations where entrepreneurs are forcibly threatened to stay in line. I on the other hand believe we are creating a new framework in which to do business, although, of course, many of our old industrial, spiritual and cultural ties have not been broken. We can still all speak

the same language, for example. This all helps us to set up all the more quickly the CES and Customs Union, despite the fact that these organizations are like nothing we have ever had before. As the President said today, we do not intend to return to state capitalism, even less to a rigid system of Soviet-style five-year plans, although, of course, the State Duma has terms of five years and presidents are elected every six, making five- and six-year strategies, in actual fact, a necessary evil. Nevertheless, any new lines of cooperation in areas such as, for example, competition policy, technical regulation, phytosanitary control etc., even if they are to be dominated by EU mechanisms, are still exactly that: new. When we speak of harmonization, as Ms Valovaya has done already, we must bear in mind that not only does this include the creation of trilateral cooperative bodies and the standardization of regulations: we must also keep at the forefront of our thinking what was a couple of years ago called the 'free-trade zone plus' with the EU. Indeed, Mr Barroso and Mr Medvedev have said as much. Given that the new agreement will not just be on continued partnership and cooperation, but will also deal with the free-trade zone plus other issues regarding our movement towards an eventual common economic space with the EU as well, in setting up our own CES we must make every effort to make it as similar as possible to the EU in terms of its mechanisms, directives and so on. Indeed, if we return to technical regulation, our adjustment of the law in this area was clearly designed to fall in line with the EU's new approach. I think that by following this thinking, we will avoid wasting time mousing around trying to make the same agreement with the EU, touching up the CES that we're building for the three of us. On the question of whether everyone should be invited to join, I believe we should first wait and see how things turn out before we invite new members. We must first finish building our system, demonstrate both to businesses and to other countries how attractive it is, and then, as they say, they will come knocking themselves, just as many countries are doing now with the European Union. If we do not... well, I remember, in 1994, when I was

responsible for CIS integration, we already had almost everything in place for a Customs Union and even a CES with Belarus: we had a united financial system, a single mint, and so on. Then Kuchma rang us up saying, “Why weren’t we invited to this?” Of course I need not tell you all that this resulted in a fifteen-year delay. If Ukraine now suddenly agreed to join the Customs Union, we would, I believe, have to go back to the drawing board, losing two years of progress. What is more, negotiations over a free-trade zone between Ukraine and the EU are in their final stages and, as the Ukrainian Prime Minister Mykola Azarov has told us, there are only a few issues, regarding agriculture, left to be ironed out and an agreement may be signed soon. This raises another issue, namely how Ukraine’s participation in a free-trade zone with the EU may be coordinated with its possible membership in our Customs Union. Yet another issue is what we should do with our free-trade zone partners. Should we close ourselves off from them by creating barriers, tightening up borders and introducing new security measures? This, naturally, is not a purely political question; the economic factor is also extremely important. Even the fact that not every country protects its internal market to the same degree—one country the figure may be more than 10%, in Ukraine it may be half that—increases the danger of national companies of Customs Union members losing money because of goods flowing in. This is certainly an issue, and therefore I would say that before widening our horizons we should first finish setting up the CES as quickly as possible, taking into account wherever possible the input of businesses on both national and trilateral levels. Ms Valovaya was quite right to highlight national treatment as a key principle. Whilst it is important that national treatment be afforded to all companies from all three nations through the CES, it is also crucial that all three nations’ definition and application of national treatment are more uniform. National treatment and the standardization of the law across the three members are two sides of the same coin. There is, nonetheless, something positive to take from the fact that we are not creating a unified legal system immediately and that,

on many issues, national jurisdiction still holds sway. At the moment we have a strange state of affairs, where each nation's legal system is competing within the CES and Customs Union. This competition should prompt the powers that be in each nation to all settle on a common system that is as liberal as possible. In actual fact, in Russia we have already noted an outflow of businesses to more relaxed jurisdictions, such as that of Kazakhstan, when they don't have to drag a whole factory over there, of course. With businesses where this was linked to re-registration, this process clearly occurred in light of the fact that we have higher social taxes, different VAT rates, and so on. Therefore, if we are to implement this ambitious project, which will do so much good for Russia, in the near future (let us not talk about five-year plans!), we must think about how we can introduce as liberal a regulatory framework as possible for both Russia as a nation and the harmonized normative basis for the Common Economic Space as a whole. In this way the competition between jurisdictions can be a good thing, and when we were working on the Federal Law on Customs Regulations, which preserved a good deal of power at the national level, we made the following point: Russia cannot afford to give up too much ground to Belarus and Kazakhstan over customs regulations and control etc., and equally must fight its corner on taxes and the regulation of other sections of the common market. I believe that if the Russian government uses this as a starting point, then the business sector will offer its considerable and useful support to its attempts to rework our national legislation and bring it into line with other CES member nations. Thank you.

A. Likhachev:

Thank you very much, Mr Shokhin. Speaking on behalf of the government, I can confirm that we are, of course, unequivocally in full support of the meeting you planned for July and fully intend to take part actively in it. We also support all the other business dialogues that you are maintaining not only with our neighbours in the CIS and in the Customs Union, but also with nations further afield. We are

ready to supplement these relationships by actively providing all necessary information regarding plans, timeframes and any practical steps that need to be taken in order for the Customs Union and the CES to be fully realized. Colleagues, that concludes our brief initial reports. I now open the floor to questions. No subject is off limits; the only issue we have is time. Let us begin. Yes, the young lady there. I know there are rather a lot of people here, but nevertheless they are evenly spread throughout the hall, making the microphone operators' job all the harder. Operators, please try to get to the person speaking as quickly as possible. Please introduce yourself before asking your questions.

N. Nikonova:

Good afternoon. Thank you very much for agreeing to take questions. My name is Nina Nikonova; I am representing the Smolensk Hosiery Factory. We account for 13% of the Russian hosiery market among Russian companies. At one time we were also members of the RUIE. I would like to draw the panel's attention to a problem which seems relevant to me. Our market is always, to a greater or lesser degree, struggling with the problem of counterfeiting. The problem has been alleviated somewhat by the government tightening customs regulations, but recently the amount of textile counterfeiting on the Russian market has dramatically increased. This is because the Russian-Kazakhstani border has been opened up. The problem is counterfeit goods from China which are entering our market through Kazakhstan. We are worried that if we do not take any measures to defend our businesses and our market, and our Kazakhstani partners also take no action against counterfeit goods, then the fight with unfair competition... you yourselves understand, it is a fight we are destined to lose. Also, Mr Shokhin, you have already touched upon the issue of taxes, and I would like to highlight that, for example, in the Belarusian city of Grodno, there is a special economic zone where no taxes are paid at all. How, then, when Russian

companies pay such high taxes, can we compete with companies that pay absolutely nothing and will continue to do so? Thank you very much.

A. Shokhin:

Is this a question for me?

N. Nikonova:

If you wouldn't mind.

A. Shokhin:

Well, as you may know, we also have several free zones which we have decided to disband. For example, Kaliningrad will lose its status as a special economic zone by 2016. I cannot say for sure, but the same thing could easily happen to the Grodno zone as well. We are concerned with making the competitive market the same for everyone in terms of tax breaks, direct subsidy etc. The same idea of universal rules for all can also be found in the EU. This, however, does not mean that a nation cannot have its own regulations for things like industrial assembly. My understanding is that there have already been fairly heated debates on this subject, and that timeframes for all the various separate systems of regulation and equalization etc. have already been set. Regarding counterfeit goods which have been getting through into the Customs Union from the south, this has in fact already been identified as a problem. It was for this reason that the task of setting up the customs border has been postponed until July 1. Therefore, until July 1 we can expect this problem to hang around. We will see in a couple of weeks. If more counterfeit goods enter the market, then, clearly, there is more work to be done.

N. Nikonova:

I don't think this will make a difference: you can even find counterfeit goods at the Sadovod market! With certificates lying right next to them...

A. Shokhin:

Our Kazakhstani partners have assured us that they have finished making the southern part of the customs border secure and that counterfeit goods will not get through. Even so, they do seep through into Russia. One need only remember the Cherkizon market in Moscow, which did a lot of financial damage to the sock and stocking market, including your factory in Smolensk. Incidentally, I have a few of your products myself, including some rather exotic ones, made from things like titanium and bamboo, is that right?

N. Nikonova:

Yes, that's right, we make socks from bamboo and even silver.

A. Shokhin:

Well, perhaps you should advertise your products better!

N. Nikonova:

Since 2007, astronauts have been flying into space wearing our socks...

A. Shokhin:

But surely a handful of astronauts cannot be your main market?

N. Nikonova:

Well, of course—are far from our only customers! Thank you very much.

T. Valovaya:

I would just like to add something to what Mr Shokhin has said. He has just mentioned that certain meetings have been put back to July 1 as a result of work we have not yet managed to complete. This is not quite accurate. We have not postponed anything. We agreed at the very beginning of negotiations that, because the Russian–Kazakhstani border—rather, Kazakhstan’s external border—was not as well equipped as it should be, we would not remove our own customs control. Therefore until July 1, the same customs control as there always has been on the Russian–Kazakhstani border will remain. Restrictions were removed only for Kazakhstani goods. Of course, even these measures could be circumvented: some Chinese goods, disguised as Kazakhstani, made it through. The same sort of thing happens on the Russian–Chinese border. We hope, however, that from July 1—or at least soon after July 1—the situation as a whole will dramatically improve. Why? Because even when there was no Customs Union or CES, the border between Russia and Kazakhstan was far from secure. Installing all the necessary security and creating a neutral zone over a border 7,000 kilometres long is impossible—indeed, there is no point in doing so between two such close nations. Therefore we formulated a new plan, namely to set up an external border. Kazakhstan has in this area done a great deal. It has now tightened up control on its Kyrgyzstani border, which was a common route for counterfeit goods, disguised as Kyrgyzstani, to enter Kazakhstan and then get through to us. Also, by the way, this raises another issue, which Mr Shokhin has already touched upon. Our Kazakhstani colleagues are now saying to us, “Well, now that we have tightened up our border with Kyrgyzstan, we now expect you, that is Russia and Belarus, to do the same with your Ukrainian border to stop counterfeit EU goods disguised as Ukrainian from coming through the free-trade zone and into our territory.” This issue is one that we are very much aware of, and therefore we truly hope the situation will significantly improve following our meetings on July 1.

G. Onishchenko:

Excuse me, but I would also like to offer my thoughts: after all, counterfeit goods are of poor quality, and are therefore my department. In the 90s some totally new and highly progressive legislation was introduced on consumer rights. It was nothing more than experimentation. Ms Nikonova, I am actually answering your question now. Let us not use scare tactics when discussing the Customs Union. How we dealt with the Cherkizon market was really an experiment. At that time there was no Customs Union. We had 6,000 containers with 300,000 tonnes of unregistered, dangerous goods. I repeat: 300,000 tonnes. Of those 300,000 tonnes, about 100,000 have still not been destroyed. This is because everything must go through the courts, we have to give evidence, then the court makes its decision. The goods can only be disposed of after the court's decision has been made. Therefore, one can see we also have internal problems. Also, as regards Kazakhstan, I believe they are more worried about China than we are. They have their own reasons for feeling this way. Therefore, it is not the Customs Union that is the problem; rather it is our own economy. That is all I wanted to say.

A. Likhachev:

It is difficult to disagree with you. More questions, please.

I. Kuzin:

Thank you. Igor Kuzin, Ministry of Finance. I do not have a question per se, but I would like to comment briefly on the presentations we have just heard and offer a rather different view on the issues that have been raised. As part of my job I have been working on issues regarding economic subsidies, and at SPIEF I have heard many questions from the business community. I am becoming more and more convinced that not everyone is quite on the same page. At the top, the government is setting up the CES and negotiating over accession to the World Trade Organization. At the same time, however, it seems to me that businesses

have not fully apprehended the changing reality and the new rules of the game. In other words, businesses are still persistently trying to bring up questions about subsidies for individual sectors of industry. This is something that in actual fact should be cut out under a newly-created CES: conditions should be the same for everyone, especially if we are to enter the WTO. This, however, is not stopping businesses from bringing it up. This begs the question of whether businesses are afraid of Russia creating this new CES and entering the WTO. I am becoming more and more certain that the problem lies in a basic lack of understanding and in the fact that we have not worked closely enough with businesses in explaining the situation and preparing them for it. Politically speaking we are ready to unite under the CES and to join the WTO, but businesses, as I understand it, are still living in the past somewhat. This is what I would like us to focus particular attention on, and, naturally, I for my part will also work more thoroughly on this issue. Thank you.

A. Likhachev:

Thank you very much. The discussion of this issue is, after all, why we are here.

A. Shokhin:

It is perfectly natural for businesses to be more apprehensive than government officials. Naturally, government workers have nothing to fear; they are merely given a directive which they simply need to complete on time. I would like to remind you that at SPIEF two years ago President Medvedev announced Russia's aim to enter the WTO by the end of the year. This has become something of a tradition: we have been entering the WTO by the end of the year, or by the end of the next, for 17 years now. On practically the same day—perhaps the day after—Prime Minister Putin announced that the timeframe for setting up the Customs Union had been put forward. This, naturally, was a real 'chicken-and-egg' situation: which came first? The position taken by

businesses was clearly defined and was the official line at the RUIE. It was discussed carefully and at great length. We considered it much the best tactic to set up the Customs Union and the CES in accordance with WTO requirements. Then we even put forward this plan of action and suggested to the Americans and the Europeans that they should allow Russia into the WTO before the end of the year, because our initial meetings discussing the creation of a single customs tariff, the Customs Union as a whole, and especially the CES, had not progressed so far as to render us unable to incorporate the WTO base. This was our party line and, incidentally, I said as much to Presidents Obama and Medvedev at a Russia–US business summit during the US president’s official visit two years ago. Such a plan of action was indeed practical, and businesses lobbied for it a great deal. We would like our Customs Union regulations to be based on international standards and on WTO law as much as possible. We are now getting close to achieving this. We are endeavouring to bring our Customs Union regulations, procedures and rates etc. closer to the set preconditions for accession to the WTO. The process is taking quite a long time, but we as an association of businesses—and here I repeat what I said during yesterday’s Russia–US and Russia–Europe business sessions—are pushing for entering the WTO as quickly as possible. Negotiators are, I imagine, still working on this. Mr Likhachev will confirm this, for he has acted as the State Duma’s representative during the working group negotiations (Alexey Mordashov was there from the RUIE): there used to be a great deal of active cooperation between legislative bodies, the government and the business community. Now, many negotiations over accession to the WTO, and more, are being carried out without any input from businesses. We do not need explanations of what is going on; rather we need to be part of the process. When you make a decision and then merely explain what that decision is... do you know that old Soviet joke? I apologize in advance, it is Mr Borodin who makes me use things like this. Mr Borodin, is it alright if I say it was a Yakut? You were, after all, the mayor of Yakutsk! A

Japanese guy shows this Yakut of ours a judo throw, knocking him flat. The Yakut, when he has recovered, says, “OK, now let me show you my move.” He then bashes the Japanese guy so hard over the head he takes days to recover. When he has, he asks, “What on earth was that?” The Yakut replies, “That? That was a spring from a ‘Belarus’ tractor.”

A. Likhachev:

Another argument for integration.

A. Shokhin:

So, you see, we do not want the government just to explain the decisions they make, we really want to work together, sitting at the same negotiating table, sharing a common goal. In many areas we already have such a system in place, where things do not need explaining because we are all engaged in the working process together. As Mr Salamatov is sitting right next to me, I will once again refer back to technical regulation. Thanks to established mechanisms, we work so closely with the Ministry and with the Federal Agency on Technical Regulation and Metrology that we both know exactly what is going on. We are not, however, happy with how the government announces that a new technical regulation has been worked out and then seeks to explain how it all was. We all work together, and we need to do the same in other areas.

I now come to my main point. When we were discussing accession to the WTO—something that does take time—businesses were divided right down the middle: half of them, generally speaking, did not see any benefit in joining, whereas the other half did. So, why did we end up deciding to join? We need to recognize the primacy of international standards in the field of technical regulation, because by doing so we are able to align our system of regulation with that of the world, and our officials are able to work on the basis of international regulations and standards as well as of international law that will be

incorporated via the WTO. This is why businesses are, as a whole, in favour of joining the organization. Certain companies and business sectors certainly do harbour apprehensions, however, for example light industry and agriculture, among others. We need to be in control of our future: better a painful end than pain without end, as they say. Any sort of certainty and defined plan is preferable to our annual pronouncements about entering the WTO before the end of the year. The uncertainty of our partners plays into the hands of those who do not need the WTO. As it turns out, our opposition is not internal, but external. If they do not want us to join the WTO, then that means they want us to work according to international standards and without excessive state support etc. Thank you.

A. Likhachev:

Thank you. Ms Nikonova, thank you—and I mean this of course, in a good way—for your very provocative question, for it has given rise to a whole discussion. Mr Borodin, we have mentioned you so many times, I feel compelled to hand the microphone over to you.

P. Borodin:

When I was telling the Customs Union about our agricultural policy, one rather nice lady stood up and said, “Mr Borodin, why are you always beating on us?” Now, I beat on no one, I compete with no one, I have never schemed against anyone, I only ever help people. Let us have a look at the true picture. The year is 1997. My friend—the Chinese ambassador to Russia—says to me, “Mr Borodin, why are you such a fool? What do you mean our trade turnover with you is USD 25 billion? Our trade with you comes to USD 125 billion: 25 of that is official, the remaining 100 is unofficial.” 1997 again. I arrive in Italy (at the time I had 22 companies working for me there) and they say to me, “Oh, Mr Borodin, you really can’t imagine how much we love all you stupid Russians. You sell 1000 m³ of gas to Ukraine for USD 39, and they sell it to us for USD 255. We

then sell it to Germany for USD 600, and Germany sells it to the UK for USD 1,200. What a great system!” What I am trying to say is that without a legal regulatory framework, there can be no Customs Union. I am not trying to put myself on any sort of pedestal here; this is all down to presidents, the work of various ministries, agencies and the Parliamentary Assembly. It is quite simple: in 1999, trade turnover between Belarus and Russia was USD 6.8 billion. The bulk of this was made up of Russia’s supply of oil and gas to Belarus and its use of Belarus as a transit country en route to the EU. Now, the turnover is USD 34.5 billion. I understand that with Germany and China it is much higher, but the population of Belarus is only 9 million, yet still the turnover is USD 34 billion. As Sergei Sidorsky, the former Belarusian Prime Minister, said, we saved 26,000 businesses and through our 45 rehabilitation programmes created 5 million new jobs. Our cross-regional commonwealth works. Today 17.5 million Russian citizens, I repeat, that is Russian citizens only, are working here, as well as, according to official data, 7, I mean, 7.5 million people from Ukraine. They, however, work illegally: they have no social benefits, no pension, no official wage, nothing at all. There are now around 12 million Chinese people working here as well. That is not my figure, that is a quote from the Russian Prime Minister at the Council of Ministers of the Allied State. There are also now just over 20 million people from Central Asia working here. Do you understand? Do you see what I am saying? Karl Marx and Friedrich Engels said that all a nation needs to survive is 300 million consumers, three tonnes of liquid energy resources, a tonne of grain and some brains. As you may know, 186,000 scientists have left us for Europe and America and of the 32,000 people employed by Bill Gates in Silicon Valley, 26,000 are originally from the Soviet Union. In the Soviet Union there were only four innovative regions that actually were in the black: Russia, Kazakhstan, Azerbaijan and Turkmenistan. All the others were reliant on subsidies. At an oil cost of USD 7 per barrel, Ukraine used to receive subsidies totalling USD 6–8 billion, Belarus received USD 1.2 billion,

the Baltic states USD 1.5 billion and the Georgians USD 2.5 billion. Again, these are not my figures; I read them myself in KGB sources. I love to read, I read 400 pages a day. So, you see, you might think we need to bring the entire post-Soviet space back together again. When I told Vladimir Putin this, he said, "Okay fine, Mr Borodin, as soon as we put the post-Soviet space back together (probably by 2017), I will be General Secretary of the Central Committee and I will make you the Chairman of the Council of People's Commissars!" So, you now see in front of you the future Chairman of the Council of People's Commissars, OK? I suggest we have a look at how things really are. When we speak about the WTO, we beat our chests and say, "We should join the WTO!" Why? What awaits us there? In Europe the average monthly wage is USD 4,000. In America it is also USD 4,000, whereas our average is USD 400. In America benefits for the unemployed total USD 1,200 per month per person. In America a litre of milk costs 20 cents; in Russia it costs USD 1.20. I would like to say that I have a great deal of respect for our entrepreneurs and businessmen, but nevertheless we must keep at the forefront of our minds the fact that we have our form of state governance, different to theirs. So, when I was talking to that lady, I suggested that we look at the United States of America, you know, that great country? There everything is based on a market economy. The US Department of Agriculture, whose central office employs 26,000 people, has a budget of USD 134 billion. To that we can add USD 85 billion in subsidies for the poor. In total, the United States government spends USD 223 billion on agriculture. How much do we spend?

From the audience:

RUB 18 billion.

P. Borodin:

Wow, I had no idea it was so much! I just want to make the point that this is not something the whole world can do. We do not need to invent anything. America spends on its seven basic products: that is bread, meat, milk, fish, vegetables and grain... well... Everything is in the hands of the state. The lady got annoyed with me for using this example. The population of America is now 309 million. Not so long ago it was 125 million, now it is 309. Americans produce 310 million tonnes of grain, create 325 million square metres of living space, produce 500 litres of milk when 480 litres would be standard, produce 110 kg of meat when 100 kg would be the norm, and produce 375 kg of grain and 28 kg of fish when the norm is 2.17 kg. And what do we do? America is a market economy, that is the crucial difference. I think we need to formulate a legal regulatory framework and I need to not 'beat on people'. I do not plan to. My point is that the Customs Union cannot exist without a legal regulatory framework.

A. Likhachev:

Thank you, Mr Borodin.

P. Borodin:

I am sorry, I have never criticized anyone in my life. To me they are... I make people billionaires. There are 140 billionaires in Russia and I have made them all. You see? Now they want to beat me over the head and stab me in the back. No matter, I will still offer them my hand.

A. Likhachev:

Mr Borodin, unfortunately time is pressing. We have time for one more question.

P. Borodin:

You are a minister, what do you care about the time?

A. Likhachev:

I'm no minister; our minister is much more impressive than I am. Now, the final question. Well? I must say, we will not see such a collection of newsmakers in the same place for quite a while. Please.

A. Kulikov:

My name is Albert Kulikov. I represent a design institute in Novosibirsk. My question is the following: with regard to creating the Customs Union, is there a place in the mechanism for a unified system for preparing specialists in the new planned technical regulations, and which will in fact require regulatory bodies at various levels? Thank you.

V. Salamatov:

In conjunction with the Higher School of Economics and the Russian Presidential Academy of National Economy and Public Administration, we are now in the final stages of working out a comprehensive programme which will prepare personnel for the new technical regulations. The educational standard for the 'technical regulation' specialization should be approved next week. I believe we will soon start advertising it and inviting people to attend. The programme will include topics such as treatment of international law issues and so forth. Thank you.

A. Likhachev:

Thank you very much. Esteemed colleagues, our next move consists of two tasks. The first of these is to reform how the common customs space and the CES work, and also set up new channels through which the Customs Union Commission may work. We want to achieve this together with businesses, and therefore we guarantee that dialogue between the authorities and the entrepreneurial sector will only grow. The second task relates to everyone here today: the journalists, the government officials, the entrepreneurs and the active

citizens who have made it to this briefing. You all need to elucidate, promote and spread the word wherever it is needed about the new and, in my opinion, very promising developments in the Customs Union and the CES that have been discussed today. Thank you very much for coming to today's discussion. I am sure that it will be far from the last. Thank you very much.