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Russia's New Horizons
THE POTENTIAL FOR RUSSIA'S ACCESSION TO THE OECD
Briefing

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St. Petersburg, Russia
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Moderator:

Marina Kim, Anchor, Russia TV Channel

Panellists:

Andrey Belousov, Minister of Economic Development of the Russian Federation

Angel Gurría, Secretary-General, OECD

Yaroslav Kuzminov, Rector, National Research University of the Higher School of Economics

Front row participants:

Sergey Storchak, Deputy Minister of finance of the Russian Federation

Vladimir Tkachenko, Government representative at the talks on Russia's accession to the OECD

M. Kim:

Good evening. Thank you for being able to come today and listen to what our panel of speakers has to say at such a late hour in the SPIEF schedule.

A little bit about me: I am Marina Kim, the host of the TV programme *Vesti*. Today we have a very in-depth economics panel on the topic of 'Russia's Integration into Global Economic Institutions'; in particular, it will touch on the topic of Russia's accession to the Organization for Economic Co-operation and Development (OECD). Especially in recent times, Russia has paid significant attention to the process of its integration into global economic institutions. Integration processes are occurring on a global level, and we are successfully participating in them. Russia is at the cutting edge of all global economic integration processes. But there is an organization that we have not been able to enter as easily as the WTO. This is the OECD. Negotiations have been ongoing since 2009, but not much is known about the organization itself or about the status of these negotiations. We would like to know what our distinguished guests think about these negotiations: how are they progressing? What are the benefits and what are the risks of Russia's entry into the organization? To what extent can Russia's accession to the OECD improve the business and investment climate in the country? How might this affect the global financial architecture on the whole? And will Russia's accession to the organization provide some stability to our country given the new global financial challenges? Some information about the time limits: presenters on the panel are given seven minutes to speak, and experts are allowed at least three minutes to make comments at any time after their presentation.

I turn the floor over to Andrey Belousov, Minister of Economic Development of the Russian Federation. Mr. Belousov, regarding the negotiations, what are the positions of both sides? How are these negotiations being arranged? What are the obstacles that would prevent Russia from joining the OECD, say, next week?

A. Belousov:

I will start by answering a related question. What exactly is the OECD, and what are we aiming to achieve? Too many believe that the OECD is a kind of WTO

wherein participants have to take on certain commitments and can be punished for failure to comply with these obligations. The organization is actually not like that at all. The OECD is like a two-headed centaur that uniquely combines two qualities. First of all, it is a major expert organization, analytical centre, and think tank. Mr. Gurría once corrected me and said that it was not so much a think tank as a 'do tank'. This is the second head of the centaur, because the OECD is not only the most important authority on regulatory issues – it is also a major advisory organization, which accumulates best practices on a wide range of issues and promotes the implementation of these practices. The first benefit that we want to receive from the OECD through membership is access to this storehouse of knowledge. We will be able to take advantage of the opportunities that the organization provides, both in terms of its regulatory mechanisms and in terms of its advice on best practices in areas such as corporate law, investment regulations, export support, and a host of other opportunities.

There is still another important reason why the OECD is of special interest. It seems to me that, like many other international organizations, the OECD has passed the crisis stage associated with the economic turmoil of 2008–2009, which came as a surprise to virtually all such international organizations. Like other similar organizations, the OECD today is looking for its place in the new world order, and it is searching in territory that we find very interesting. This is a new model for growth and a new kind of growth. It is no coincidence that this topic was very relevant to Russia at the last ministerial meeting in Paris in which I took part. The topic is how economic growth should occur and how the contradiction between the social component, which today is a stumbling block for many states, and the purely economic as well as motivational components of stimulating economic growth should be overcome under this new model of economic growth. The question is how to develop this model and how to make sure that this model becomes dominant in the world so that most countries accept it.

This theme is extremely pressing for both Russia as well as for any country that is as massive as Russia, which is well positioned in the global economy and is fundamental to the global economic order. Insofar as joining the OECD means

our full-scale participation in such processes, our desire to join this organization is completely sincere. Of course, for us it is also important that the OECD does not punish anyone, and that the accession process, in all likelihood, takes less than 18 years, which was the case with our accession to the WTO. I will say just a few words about the arrangement of negotiations, about the status of these talks, and about our strongest and weakest positions. Vladimir Tkachenko, our special representative at the OECD negotiations, is present here today. I think he can tell you about all this in much more detail, but I can say that the process of our accession to the OECD is tied to whether Russian legislation, regulations, and lawmaking practices are recognized to comply with the best relevant standards or, at the very least, with the particular standards employed by the OECD.

Work is arranged in such a way that standards are recognized through 22 committees, and we pass tests at each of these levels. We have already passed tests in six committees. We are moving forward in the other committees with varying degrees of success. But I have to say that we do not have any insurmountable problems in any of the committees. The pace of our progress varies: in some places we are moving faster, and in others slower, but everywhere we are moving forward. And concerning the last point I would like to say: the OECD Secretariat makes our progress possible. The process would be much more difficult for us without the OECD's participation, without the full inclusion of the secretariat in the process of providing technical assistance and advice about how this process can be best optimized for us, and without the personal assistance of Mr. Gurría. With their help, the process is almost easy. Thank you.

M. Kim:

Mr. Belousov, could you tell us what the timeline is while taking into consideration how fast tests will be passed in committees?

A. Belousov:

We have not set ourselves any deadlines. This is why: The examiners in this case are not bureaucrats, nor are they specially selected representatives of the Secretariat, but rather they are the representatives of the OECD member countries. When we began to propose deadlines, it became clear that we were inciting certain OECD members, and in particular our partners in the WTO, such as the EU, the US, and a number of others, to finish writing our examination materials and to include certain questions which are not at all within the competency of the OECD. These questions have more relevance to another European Union capital: Geneva, rather than Paris. Some of our partners are beginning to drag issues from Geneva to the Paris agenda. This tactic is what we call WTO+. We really disliked it. As far as I know, the OECD Secretariat was not pleased either, and in order not to tempt fate, we said that we would not set any deadlines. We will follow the schedule that has been set for us. And we continue to adhere to it. So I would not like to name deadlines, but for my part I want to say that we are trying to keep the process as focused as possible, and we desire that it be completed within the shortest time possible.

M. Kim:

Thank you. Today we have with us Yaroslav Kuzminov, Rector, National Research University of the Higher School of Economics. Mr. Kuzminov, it has come to our attention that this year the Higher School of Economics completed a study requested by the Ministry of Economic Development on the topic of Evaluating the Effects of Russia's Accession to the OECD. What were your conclusions? What advantages and risks does joining this organization entail?

Y. Kuzminov:

Thank you. The Higher School of Economics has vast experience cooperating with the OECD, and since 1992 (meaning since the founding of the Higher School of Economics) we have participated on a number of its committees. We have in fact completed the work requested by Mr. Belousov's ministry, but even before that we accumulated quite a bit of experience at the OECD individual committee, expert committee, and working group levels.

The OECD is a truly unique club of experts. It cannot be compared to any other organization, since usually we conceive of such global expert clubs as being the World Bank or the International Monetary Fund, but these are specialized organizations. They specialize in or provide assistance to underdeveloped countries, and Russia is already past this field of the World Bank's activity. Or these organizations are involved in setting credit and financial monetary policy, which is extremely important, but that is only one aspect of international economic interactions. The OECD is a club of experts from the most developed countries who study all issues that are traditionally within the purview of the public policy sector: science, education, transport, public management, the system of regulation of economic activities at many different levels, healthcare, poverty reduction, and so on. In addition to Russian experts, Russia itself participates in the OECD as a party that presents its national vision and its national expertise in order to acquaint others with our policy. And in some areas our policy has achieved compliance with the relevant standards of the most developed countries already long ago. The level of Russian expertise exhibited in its studies, ranging from statistics to transport, has also been recognized. In this respect, Russia, by joining the OECD, can solve a problem not only for itself, but it can also help, first and foremost, the OECD. After all, Russia is the first BRICS country poised to join the OECD. If we look at how the OECD represents the world economy, where the OECD must develop certain general recommendations based on best practices, we can see that China, India, Brazil, and Russia are responsible for a huge sector of the global economy. We also see that the national practices of these countries are not considered in this calculation. The evaluation of the national practices of these countries as somewhat immature school exercises was already wrong 10 years ago, and today it is a completely archaic practice. It is extremely important to include such key drivers of the world economy as the BRICS countries in the network of OECD experts. One could argue that no one interferes with the experts' ability to communicate with each other, and that beyond expertise the OECD ensures another important function: policy consolidation. But it seems to me that if we continue to limit how we consider national practices and national expertise,

including the special features of national economic and social policies, then in the final analysis the influence of the OECD itself may be under threat. It is important that Russia quickly complete the process of its accession to the OECD: other BRICS countries not far behind Russia may raise the issue of membership in this organization, and the OECD would be interested in inviting their candidacies.

Today Russia is more active than others in its participation in expert groups and OECD committees. We even head a number of working groups, and Mr. Gurría knows that academics from the Higher School of Economics have already over the years chaired OECD working groups in scientific policy. It seems to me that today Russia has not only the greatest potential, accumulated over 15 years, for cooperating with the OECD, but it can also act as the necessary driving force to expand the organization's scope.

M. Kim:

Mr. Kuzminov, you have spoken about the benefits that Russia could gain by joining the OECD. But what are the risks?

Y. Kuzminov:

My colleague will be able to speak to that point more precisely. But I will offer my opinion, nonetheless. There are risks, which Mr. Belousov has already mentioned. Such risks are the attempts by a number of OECD committees to expand the requirements that Russia will have to satisfy in order to join the organization. At times these requirements exceed even what our WTO partners must fulfil. I am referring to the level of openness of the national credit system, for example. It seems to me that this is a risk of accession. Mr. Tkachenko will speak presently to these risks. Another example of a risk is the harmonization of requirements governing product compliance. If we harmonize our regulations governing chemical and biological product inspection with the OECD, then, in fact, we may threaten a number of national laboratories that today, due to their organization, receive financial support by performing external import inspection of chemical reagents, medicines, and various other products. That would mean we would have to lift that level of inspection. I believe that we, as a sufficiently

developed and wealthy country, can neutralize this risk by submitting our own orders as well as supplementary orders to our national laboratories so that they can transition from import control work to applied research in this field. This kind of risk is also under discussion.

There is an additional risk that is also frequently discussed: loss of reputation. The fact is that the quality of expert participation in the OECD's work provides the opportunity to influence the work of this organization and the international agenda. But there are a number of policy formulation sectors where our participation is an absolute formality and where our expert participation comes down to appearing at committees full of weak authorities and bureaucrats instead of true experts. This is a particular challenge for Russia. In a number of sectors we need to seriously increase our level of expert participation in this organization. First and foremost, we need to do this in technology, more so than we do in economics and regulation. Today only about one third of OECD committees include serious Russian expert participation. We risk a loss of reputation if we do not take immediate action. But this is also a call for our applied science in various sectors.

M. Kim:

I would now like to turn the floor over to the bureaucrats. We have with us today Sergey Storchak, Deputy Minister of Finance of the Russian Federation. I know that you have encountered this organization. Is there already some sort of work underway involving the OECD? I will give you a microphone and ask you to speak about how you view the accession process to the OECD and the risks that you see for Russia.

S. Storchak:

Thank you very much for introducing me. I share the approach of Mr. Belousov and the Ministry of Economic Development regarding the process itself. We do not have any set goals and objectives to join the OECD at any price or by any concrete accelerated deadlines. Rather, our challenge, which is already being realized at the preparatory and negotiations level, is to modernize our own

institutions and policies in various sectors of the economy, as well as beyond. Since the previous speakers talked more about the future, in my presentation I will address the past, and I will talk about the fact that we have already developed a certain credit history. We have been working with our colleagues at the OECD for quite a while now. Our cooperation began in the mid 2000s, when Russia chaired the G8 in 2006. Even then, OECD expertise had fully manifested itself on a range of issues. Now that Russia has reached the Presidency of the G20, we rely on the expertise of colleagues from the organization in several areas. For me, the most important area is reforming the national systems of public debt management. It was the OECD experts who were the first to support the proposal of the Russian Federation to make public debt management issues – as well as a review of some of the principles, rules, and directives that emerged in this area before the start of the 2008–2009 crisis – a priority of the G20 for this year. Most of our colleagues from the G20 have regarded our proposals with scepticism, since they consider them to be very risky. However, I was able to rely on the OECD departments, and the process of moving our initiative forward was successful. I have just returned from Washington where there was a meeting of about 35 public debt managers. It was decided that directives about public debt that were developed more than 10 years ago should be redrafted and adapted to the new conditions and realities of debt policy around the world. Another important area that I would like to comment on is the support of the OECD for the Russian initiative to find new sources of financing for long-term investments. It was the OECD in particular that proposed a specific instrument in this area: it is called, ‘High-level Principles of Long-term Investment Financing by Institutional Investors’. The title may sound very academic, but what the OECD has managed to do is create a universal roadmap for national governments wishing to actively use the resources accumulated by institutional investors, especially pension and insurance funds, to finance projects in the real sectors of the economy. These principles provide good benchmarks: they describe what needs to be done as well as how and in what order to invest the USD 90 trillion accumulated by institutional investors into the financing of long-term investments. The world

economy may receive a significant inflow of funds. Recall that the entire GDP of the US is USD 16 trillion. My time has run out. Thank you.

M. Kim:

We have talked only about the advantages of this process. Do you see any risks for the sector that you study?

S. Storchak:

I would not call them risks. Rather, we must adapt a number of financial mechanisms that exist in the Russian Federation to the OECD's higher-level requirements.

M. Kim:

Is this process of adaptation painful or relatively smooth and easy?

S. Storchak:

It is a really painful process. I will provide an example that is not very well known to the general public. We are undertaking serious work on adapting the Russian export support system to OECD rules. This is very serious work, and the point of the matter is not that we are not adequate or that the OECD's bar is set very high. The fact is that developed countries have already created these systems, but our system is only in the process of being created. We, for the most part, are operating in manual mode. The Russian Federation grants on average 3, and only exceptionally 5 or 6, state loans per year. But the OECD norms in this area touch on mass products. Let us suppose that this mass scale means that many users can access services online. We do not have such a system and, accordingly, we must start from a rather low starting point despite the fact that the field of international financial relations is one of the fastest growing at the present time. This low starting point is also due to the crisis, which strongly pressed export credit financing, and the fact that the rules of the game are changing. It is not just at the OECD that these rules are currently being

formulated. Some other institutions, which I will not name, are also trying to participate in the creation of these new rules.

A. Belousov:

I would like to clarify: there is, in fact, a particular agreement, there is a certain standard for the credit financing of export. This standard has been implemented in developed countries, and it is closely tied to the norms of WTO GATT 94. We joined the WTO and took these obligations upon ourselves. But insofar as we were not and still are not OECD members, this standard does not apply to us. We have our own rules. Some time ago the Ministry of Finance and our ministry discovered that a number of agreements that we already concluded do not fully comply with this standard. We were at a crossroads: should we go ahead and still say that we were joining? But then what should we do with these agreements? We could say we were not joining and that this does not apply to us, but that is not a very good solution.

We then went to Mr. Gurría and asked: "Look, can you give us the assurance that when we join the OECD and sign that agreement, it will not apply to agreements that we concluded earlier? Could it not be retroactive?" Mr. Gurría immediately sent us a letter confirming that it would not apply to our previous agreements. The Ministry of Finance and our ministry concluded an agreement, and we went ahead. Our conversation with Mr. Gurría took place on May 30 or 31, and already on June 10 for the first time we, with the letter in hand, together with the Ministry of Finance stated that there were no obstacles to going forward. Even if there are going to be problems with implementing the legislation and amendments, there will be no obstacles to this. And the main thing is that there will be no fatal, insurmountable barriers. We are proceeding through other committees in the same fashion.

S. Storchak:

Speaking of other forms of dialogue, I have in mind a problem connected with the credit growth of a number of countries in emerging markets. These countries are not members of the OECD, but in certain regions of the world they create export

market conditions and shape these markets. And Russia, as a candidate to the OECD and as a country that strives to comply with OECD norms in the area of financial support for exports, will have to take into account new developments. And our neighbour in Paris, the Paris Club, is trying to pay particular attention to these new developments.

M. Kim:

I would like to include the negotiators themselves in our discussion. Vladimir Tkachenko, government representative at the talks on Russia's accession to the OECD. Mr. Tkachenko, what are your feelings on the process itself? We say that the OECD promotes high environmental standards and high standards of corporate governance. Are there any sticking points in the negotiation process that raise issues that need to be addressed in more detail?

V. Tkachenko:

Of course, such problems exist. As was already mentioned, the point of the accession process is that we, where appropriate, will amend our laws and change the rules of the game. This means that someone has to adapt to these rules, and this someone is often business. This process is very important for businesses. Of course, there are matters that directly affect the interests of business and not just business. For example, the OECD has a fairly extensive code of regulations that relate to environmental issues. Some of them are not reflected in our laws. There is nothing groundbreaking for us in them, but there are points that we have not yet implemented into our laws for various reasons. We are carrying out this work regardless of whether we accede to the OECD, but in light of this process we must adapt our laws to OECD requirements in a very definite way. For example, we must introduce a system of incentives and disincentives for companies in order to encourage them to comply with environmental standards. Those companies that pollute the environment and do not take the necessary corrective actions shall pay higher fines. Those companies that adopt the best technologies and invest in the environment and environmental protection shall receive bonuses. Such a system is in place in the

OECD. There is nothing particularly new about it, and such a system exists all around the world. But the inclusion of these provisions in our legislation and law enforcement process means that companies will have to bear additional costs. Of course, this is a sensitive issue. So, in these cases, we are reaching agreements about the transition periods. We are conducting extensive legislative work, including with the involvement of our businesses, and we are reaching agreements with the OECD that we will be given a sufficiently long transition period in order to complete this legislative work and launch these mechanisms on the basis of the adopted laws. We have reached a full understanding on these points. Yes, in fact this constitutes a particular risk, because for us these are changes to the rules, meaning there are costs. I would like to cite one example where a problem area that we faced during the accession process has pushed us to create an institute in the Russian Federation that did not exist before. Rector Kuzminov already mentioned the fact that countries that join the OECD must recognize those laboratories that operate in accordance with the principles of laboratory best practices. We never had such an institute before, and, indeed, this is a risk to the future and renewal of our laboratory facilities; it presents a particular risk for our industry. We have held lengthy discussions with our colleagues at the OECD. The result of these discussions was that we decided to create a national system of laboratory best practices, to create such an institute, to amend legislation by adding the relevant competencies of agencies, to create a laboratory, and to work out the entirety of this system all on an expedited basis. We reached an agreement that our colleagues from the OECD and its member states will provide us with strong support, and they have in fact approached this issue very constructively. We will solve this problem during our accession process to the OECD by creating an institute in Russia and by ensuring the mutual recognition of the relevant systems that exist in Russia and in the OECD countries. We were confronted with a rather difficult situation, and we have spent several years trying to find a way out of it. We found a very constructive and useful solution from the point of view of the development of our institutions in the Russian Federation.

M. Kim:

Thank you. So, we can say that the issues surrounding environmental standards and scientific laboratories are bitter pills that must be swallowed so that our economy, our scientific sphere, and our businesses can continue to grow. In connection with this point my next question is for Mr. Gurría. We are very pleased that you have joined our discussion, and we would like to learn firsthand from you about what would allow Russia to accede to this organization. If you could describe generally what that would be.

A. Gurria:

Thank you. Thank you to the government minister for the opportunity to share this podium with him and to share some of the ideas about the OECD with you. First of all, allow me to say a few words about the OECD. Our message is that we are here to create a comfort zone, that you can count on us. We are ready to work with you and also for you. Secondly, we would like to tell you we have been doing that for a long time already. Russia is already family at the OECD. Russia sits on many committees, and is part of many work groups. Russia has adhered to many of the instruments of the OECD. Russia joined the anti-bribery convention, for example, as well as the multilateral administrative assistance in tax matters.

By the way, we just received a mandate from the G8 in Lough Erne, Northern Ireland. President Putin was present and sent us off to move from 'exchange of tax information on request' to 'automatic exchange of information' to counteract tax avoidance or evasion or illusion of tax, and also to go and pursue base erosion and profit shifting which enables us to charge multinationals a certain degree of taxes so that they can contribute to the economies of all of our countries. This was done only two days ago, in Northern Ireland, where President Putin was present and part of the work group.

Two weeks ago, in our ministerial council meeting, Russia joined a declaration on base erosion and profit shifting. Russia joined, together with the 34 formal members of the OECD. This represents almost 60% of the world's GDP; Argentina, South Africa, Brazil and Indonesia also participated. I have to say that

we were very happy to have such distinguished company in this effort in which we are starting to make everybody pay their fair share of taxes.

Allow me to also say that we have been characterized in many ways, including as a 'think tank', and, appropriately, as a 'do tank'. Why? Because it is an important distinction. We do not only discuss issues. It is not a seminar. We do not only produce papers. What we produce are policy recommendations. Best Practices, based on what? We do not want to tell the Russians what to do with Russia. Nobody knows what to do with Russia better than the Russians.

What we bring to the Russians, and what would be available to the Russians in the case of full membership, are best practices from all over the world for dealing with the same challenges that Russia is confronting now. Whether it is on education, innovation, competition, health, taxes, research and development, infrastructure financing, trade issues and investment issues – these are the things that are going to take Russia, and anybody who adopts these best practices, forward in medium and long-term debt management financing. It is not only about developed countries. We say we are a 'do tank' because what we do is oriented towards action and policies.

What is the motto of the OECD? How do we describe our mission? We say 'better policies for better lives'. It is very simple. Five words – 'better policies for better lives'. The words encapsulate the mission that we have been doing for 50 years, and the mission that we will do for the next 50 years. Others have said it is a rich man's club. I am a Mexican and I am running this organization. That is enough just to show you that it is not a rich man's club.

Let me also tell you that we have emerging countries, that many countries are requesting to join the OECD; the latest being Columbia and Latvia, which have already been accepted to start the process, and soon Costa Rica, Lithuania, Peru. The OECD is an organization of best practices. We do not lend money. We do not give any grants, and still, countries would like to join. On the question of the risks, I would like to allude to the comment made by our economist friends and colleagues who have been working with us for a long time.

The risks that I would see that members have when they join the OECD, or not, are of one nature – the risk of wasting opportunities by not adopting best

practices. Why? I shall use the example of this laboratory, or the GLP, or what this harmonization was called in here, which is not quite that but basically having minimum standards so that we can all accept each other's results and do not have to repeat the same tests again and again. If you have Canadian tests and you think the Canadian laboratories are good, you accept their results. Eventually, when best practices in laboratories in Russia are up to speed, the Canadians, the Italians, the Mexicans and the Turks will accept them just like you will accept the results from the Mexicans and the Turks. You will not have to do the tests again. Just this particular, small, minimum aspect of the work of the OECD saves the member countries today more than they spend in the whole budget of the OECD. We are the best business that members have. They save so much money by the work that we do, that their membership fee is a very modest amount for the benefits they receive as members on the committees.

The benefits that you receive are not only the best practices for everything, which can save you billions if you get it right. You can get enormous amounts of benefits, but that is not the point. The point is you belong to those who are setting the standards. In the world, there are standards setters and standards takers. The difference is that by being a member of the OECD, you belong to those setting the standards, discussing the standards and putting your own point view and opinion forward about what is best, not only for you and the members but also the rest of the world. For example, the taxation best practices on investment and anti-bribery do not apply only to OECD members.

We have 4,000 agreements that have been signed, in the world, to protect investments or to avoid double taxation. We have 120 countries exchanging information. We are only 34 members, and 120 countries are exchanging tax information so that there is no place to hide, and nobody can avoid taxation. We just put out the Trade and Value Added. We just put out the Global Value Chain best practices.

The conclusion is very simple. Do not block imports because by doing that you are, metaphorically speaking, shooting yourself in the foot. How can you export effectively and efficiently and competitively if you are making your imports and inputs expensive? The world is not organized to be competitive from A to Z in a

single product. The world is organized in such a way that you place yourself in one part of the value chain; you become very competitive, but if you make it expensive and limit the imports, then of course you will not be competitive when you re-export.

The Trade and Value Added figures that we just put out just a few months ago, are a revolution, to look at trade in the world. Why? It is because we have just diagnosed that the surplus of China, with the United States, is about a third less than what the nominal numbers suggest. Every time Germany exports a car, 40% of the car is not German. Fifty percent of the exports of the more sophisticated exporters of the world are services. That is a great paradox. Looking at Germany again. A big exporter – they are very successful in competitiveness and productivity in manufacturing. They are not very successful when it comes to their productivity of their services, yet half of the exports of manufactures come from their services. This makes us look at the world, at trade, at investment flows, in a completely different way.

We just launched our work on migration in the European commission. Very soon we are going to launch our work on unemployment. The question is whether you would like to be a standards setter or are content to remain a taker of standards that somebody else determines?

The other benefit of being a member of the OECD is that you create informal networks. A lot of the work goes on, because you are a member of the OECD, with the other members with whom you establish contact and networks. And where there is an element of confidence, there is an element of trust that, of course, is not oblivious to, for example, the rating agencies and where you go for the best practices even if it is not formally within the OECD.

You say there is a reputation risk about the experts because there are bureaucrats participating in the work of the OECD. These are specialized committees – a hundred specialized committees. This is the part that you do not see. I am the head of 2,500 employees – officials who will work with you and for you. What you do not see is that there are a hundred pillars holding up the house. These hundred pillars – you already participated in many of the pillars – are the committees, or sub-committees, which are specialized groups formed by

specialists from each member country. What happens here? It is being said here, rather surprisingly, that we populate these committees with bureaucrats, not experts. The question is: why would you do that if you have a choice? Send the experts, we say, please do not send the bureaucrats.

Let me tell you what the OECD experience is. Most, if not all, countries send experts. They do not send bureaucrats. I have great respect for bureaucrats, do not misunderstand me. That is not the point. The question is about expertise. When you are talking taxes, send people who know tax law, who can calculate tax. When you are talking about health, send people who know medicine, who know healthcare. When you are talking about education, send educators or the Deputy Minister of Education or the Director General of Education. You are in a close-knit family. Taking my last example, when these experts are talking about education, they only talk about education. The only thing that keeps them awake at night, is education. What they say, collectively, is to say: OECD, work on this about education because this is collectively our greatest challenge. And you can sit there and define what these collective challenges are and what you would like us to be working on, in order to deliver recommendations of best practices, and then to apply those best practices.

Also let us borrow from you your best practices, so that we can transmit them to the rest of the world. There are a lot of things that Russia has to offer to the rest of the world about the way in which they have faced many of these challenges. There are no risks in joining the OECD.

There are mostly challenges and opportunities. The question is whether you seize the opportunities or whether you waste the opportunities. It is extraordinary because there is no penalty for wasting opportunities. Opportunities lost do not appear in the balance sheet, but they clearly belong on the liability side of the balance sheet. We should not allow any such liabilities of lost opportunities to accumulate.

I would just like to say that today, key partners are Brazil, China, India, South Africa, Indonesia, and Russia which is negotiating accession. Russia is already the country that belongs to, or has participated in, most of these bodies. It is a

network of best practices. This is why we are inviting Russia to become a partner of best practices. This is why Russia is already, to a significant extent, a member. I expect that by the time Russia becomes a full member, it will not be big news because in the process, it would have been so transformational, it would have been so important for the decision making that it would simply be best practice for Russia to join the OECD. These are the best practices that Russia would like to practice. These are the reforms that Russia would like to undertake. This is the Russian programme of modernization. This is the Russian programme of plugging into the world economy. What we are going to do, what we plan to do, is to continue to support Russia in that process. When Russia becomes a full member, we will be able to do it even better than we have done so far. Thank you.

C. Robertson:

I am Charlie Robertson, Chief Economist at Renaissance Capital. When I am talking with investors, I can see the benefits of the OECD for the people of Russia. It would put Russia into a new group of countries. Turkey and Mexico have the lowest threats on their credit default swaps and lower bond yields. They are more trusted by the markets. Corporate governance is generally better. At the moment, your peer group of the BRICS corporate governance is not great. Corruption figures in South Africa are getting worse, and Brazil's rating on the Ease of Doing Business is already far worse than Russia's. So these peers are not so good. If you can get into the OECD, it would be easier for me as an economist to have data that says where Russia compares to other countries. That would be helpful.

I started talking to people about WTO entry in 2005. That was the first time I said, "This is going to happen soon, and it will be good for Russia." By the time it happened, in 2012, investors were quite forward.

I am curious about the timing. Did it take six years for Israel to join? And did it take 14 years for Slovenia to join the OECD? I know you are not going to give me an answer, but roughly how long might it be for Russia? How does Mexico compare? I suppose that is the obvious one. I think of Russia in some ways

similar to Mexico anyway. How long did it take Mexico to join the OECD? Thank you.

A. Gurria:

It took Mexico three years to join. Slovenia did not take 14 years, I can assure you. What happened with Slovenia is that it was not a steady process over the years for the region. From the time of their last request in 2007, they joined three years later, in 2010. It was three years for Slovenia. Israel thought or talked about joining for two years or so, before applying for the first time. Their request then took about three years or four years. It is kind of a standard period. What happened with some countries like Slovakia, they took a little longer.

What is happening in the case of Russia is that Russia was invited. They responded positively some time after that. However, the process really only started in earnest in about 2009, when we really started to engage, under the leadership of President Putin, Prime Minister Medvedev, Deputy Prime Minister Shuvalov, Madame Nabiulina, and now Minister Belousov, as heads of the economy, with the great support of finance, foreign affairs and all the sectorial. We are making progress.

Today, I informed the minister who mentioned that six out of twenty-two committees have already given their recommendation to me as Chairman of the council. The council is formed by all members. I chair the council, which was that particular committee which, by coincidence, voiced the competition committee today. That is a big one. It is a very important one and a very telling one. It is also a very interesting one, that just informed us today. But there have been others that the tax committee recently declared, and some others will declare over the next period.

I am not avoiding the question. Mr. Shuvalov publicly said, at the B20 yesterday, that they are confident that they can finish with the technical work and the experts' work in 2014, and possibly in 2015, go to the States where they will discuss more political issues. It is a perfectly reasonable expectation.

Let me tell you one little secret, though, about joining the OECD. It is not about negotiating with another country and saying, "If you lower the tariff on potatoes, I

will lower the tariff for flat television screens.” It is not about that, it is about policies – best practices and public policies. The benefit accrues from day one. It just starts to happen. The dialogue is already there. Laws are being changed. Codes are being changed. Regulations are being changed because Russia would like to change them and because Russia has access now, through us and through the members, to best practices.

The question is: why not the best? Why not the best for the Russian people? What we do is we deliver the possibility and the goods. The government decides which other choices, and they propose it to the Duma. The Duma approves, and then it becomes operational. Then it has to be executed. There are many stages here, but again, why not the best?

M. Kim:

Are there any questions from the audience? Would anyone like to say anything? Then, with your permission, I will summarize today’s discussion. I would like to thank Mr. Gurría again for his answers. We have seen that interest in Russia’s accession to this organization has been expressed by both sides: both on the part of the OECD, as represented by Mr. Gurría, and on the part of Russia, as represented by Mr. Belousov. We want to join these ranks of countries, and we want to meet the organization’s high standards. We see that the process is moving along smoothly and at a steady pace. We are following how this process is unfolding, and we are apprising our viewers and the general public about this process. We are pleased that this discussion took place today: we heard the participants’ hopes as well as their fears, but this has confirmed us in thinking that this is a necessary process. We wish both sides success in achieving their goals. Thank you very much.

A. Gurría:

Now it is off the record, or whatever, after the fact. There is a big Russian team here. Some of the negotiators took the floor. We, on the OECD side, did not take the floor. I would like to acknowledge the fact that we have our G20–G8 Sherpa

here, Ms. Gabriela Ramos, Chief of Staff, and the person who is running the extension process for Russia, Mr. Nicola Benucci, who is very well-known to all of you here. We have someone who is running on the questions of trade and investment, as well as some of the experts in different fields.

I would like to say thank you to the Russian team. Also, thank you to Mr. Benucci and his own team. They have done a wonderful job and there is a lot of work ahead. Thank you therefore also for the work that you will be doing. Thank you.