



Russian Business Week-2018

International Forum

“International Economic Cooperation in the New Realities”

FINAL RESOLUTION

The participants of the International Forum discussed a wide range of issues: current trends in international trade and international business cooperation; Russia’s foreign policy priorities; trade barriers and their influence on doing business; business – governmental partnership in the context of global risks; state innovation policies and promotion of Russian technologies on the global markets; changes in business models that contribute to effective innovative development and competition in local and international markets; Industry 4.0 as a growth driver; economic cooperation in the Big Eurasia in the new realities; as well as current trends in the digital economy and international business cooperation in this field.

A special focus was made on companies’ and governmental bodies’ plans and expectations as well as potential cooperation assessments. The participants emphasized the need for practical engagement and made proposals on increasing its effectiveness.

Current trends in the world economy

After a few years of sluggish development the world economy gradually returns to its previous growth rates. The IMF has lifted its forecasts for global economic growth to 3.7% in 2018. In the meantime, countries and regions will grow at a different pace. In particular, economic growth rates in China and India are expected to reach 6.5% and 7.4%, respectively.

Estimates of the Russian economy growth rate in 2018 range from 1.6% (IMF) to 2.3% (Morgan Stanley). But even under the most optimistic scenario, Russian economic growth rate will lag behind the world average, widening the gap between Russia and major economies of the world.

At the same time, increasing number and potential influence of economic, geopolitical, social, technological and environmental risks further complicate the situation. Gaps in citizens’ well-being, economic development and digitalization constantly expand, both within and between countries.

Potential of new technologies is often underutilized and doesn’t fully contribute to addressing development gaps. In particular, during previous technological cycles annual productivity increase reached 2%, whereas now it is about 0.3% despite the deployment of various digital technologies of Industry 4.0.

Although Industry 4.0 technologies are diffused in production, it is necessary to address currently neglected investment imbalances between high-tech and traditional economic sectors in order to boost sustainable and progressive development. A full-fledged economic modernization requires a balanced approach to all forms of innovation and addressing “high-tech myopia”.

Country’s position on the global scene is determined by its successful national companies and economic effectiveness. Under tough international competition it is vital to implement policies aimed at

improving Russia's investment attractiveness. Russian business seeks and creates new opportunities for development and new markets, both domestic and foreign. Deepening Eurasian integration, joint work with the Russian government on creating predictable and transparent regulatory environment, accumulated market power of Russian companies as well as cooperation with qualified and open-minded international partners contribute to it.

Main areas of international cooperation

In spite of external constraints created by some foreign states that use geopolitical tensions as a means to prevent competition from Russian companies, increase internal and external competitiveness of the Russian economy and business remains one of the basic tasks. Without addressing them it would be challenging for the Russian economy to achieve growth rates higher than the global average.

To achieve the abovementioned goal it is also necessary to enhance cooperation in the following areas:

1. *Addressing internal barriers and improving investment climate*

Business and governmental authorities share common goals of participating in the new globalization and integration to the global value chains. Cooperation with the government to address barriers is crucial for modernization of the national economy, providing the effective environment for adaptation of foreign technological solutions in the Russian economy as well as for Russian companies' and technologies' entry to external markets. In addition to investment business cooperates with the government on improving trade conditions and customs and tariff policies in Russia and the Eurasian Economic Union (EAEU).

The participants of the Forum support the Federal Customs Service of the Russian Federation in implementing its Comprehensive Development Program till 2020 and increasing the effectiveness of customs procedures, in particular lowering business expenses, mitigating fiscal risks, promoting client-oriented approaches, providing predictability, legitimacy and transparency of decisions made.

Excessive economic regulation and instability of law-enforcement practices significantly impede doing business and create serious trade barriers for companies. Moreover, economic sanctions in force increase uncertainty in the international business environment and negatively affect European investors doing business in or having trade relations with Russia.

The participants of the Forum believe that it is necessary to set a trade and investment regime between Russia and the EU based on the WTO norms and principles, progressive elimination of existing non-tariff barriers and cooperation on regulatory issues.

Elimination of excessive internal barriers in the Russian economy will have an integrated positive impact on the national investment climate. RSPP will continue to create opportunities for aligning Russian and foreign business positions and considering them by the governmental authorities in the key cooperation areas, such as regulatory policy, non-tariff barriers and investment.

2. *Application of the WTO and other multilateral platforms' instruments for providing favorable trade and investment environment for the Russian business.*

It is necessary to use the WTO instruments and capture opportunities provided by other international institutions, including trade policy reviews, dispute settlement mechanisms and the Trade Facilitation Agreement (TFA), in order to make trade and investment environment favorable for the Russian business.

RSPP will continue to promote interests of the Russian business in the WTO and G20 through engagement with the B20 partners under the presidencies of Argentina, Japan and Saudi Arabia in 2018, 2019 and 2020, respectively. Jointly with its partners from other business associations and

governmental bodies, RSPP will contribute to broader participation of Russian companies in the APEC and ASEAN-Russia Dialogue Partnership aimed at promoting joint projects with partners from the Asia-Pacific countries.

RSPP will contribute to considering business community interests and Russian companies' best practices in implementing the instruments of the Organisation for Economic Co-operation and Development (OECD).

3. *Promoting Russian economic modernization*

Digitalization and application of new production and management technologies are necessary for increasing effectiveness and competitiveness of the Russian economy as a whole and its separate sectors, both traditional (energy, steel industry and engineering) and new ones (ICT and additive technologies).

The participants of the Forum believe that digital technologies are important not only in themselves as technologies contributing to increased productivity in different sectors, but also due to their transformative impact on business models.

According to the Forum's participants, representing companies doing business in Russia for many years, localization of innovative technologies, models and products is important. On the one hand, it helps utilize relative and absolute advantages of the country and its market, and decrease production and transactional costs; on the other hand, it allows to effectively adapt products to the market. Moreover, localization helps to effectively adopt technologies and practices of foreign partners. In this regard, it is necessary to contribute to the localization of new technologies using a wide range of national mechanisms and instruments.

One of the most important areas of work is improving instruments to stimulate localization, in particular special investment contracts for companies producing digital products.

Another priority is cooperation with partners from the EAEU and other international institutions on boosting development and application of market-based international standards of digital production, building predictable and transparent environment for e-commerce, effective consumer rights protection, transparency and security in the use of ICT.

4. *Promoting integration in Eurasia*

The Eurasian integration should contribute to business development. Positive integration dynamics requires active participation of business communities from the member countries.

In the years to come the RSPP's priority will be elaboration and consolidation of business positions, dialogue with governmental authorities on improving customs and tariff policies, customs legislation and administration in Russia and the EAEU; elimination of barriers and minimization of exemptions and limitations with respect to goods, services, capital and labor force flows to the EAEU; as well as terms of the EAEU treaties with third countries.

The formation of the common economic space from Lisbon to Vladivostok aimed at eliminating barriers for business could contribute to a sustainable and balanced growth of economies in Eurasia. It could also help to use relative and absolute advantages of all parties most effectively, improve the political situation and strengthen mutual confidence between Eurasian countries.

The participants of the Forum noted with regret that the formation of the common economic space from Lisbon to Vladivostok currently seems to be unlikely. However, it could become a long-term goal for the Russian and foreign businesses that could join their efforts to achieve it. Efforts undertaken by the Russian and international academic and expert community are also important, including the Russian Presidential Academy of National Economy and Public Administration (RANEPA), National

Research University “Higher School of Economics” (NRU HSE), Valdai Discussion Club, the International Institute for Applied Systems Analysis (IIASA), EGMONT – The Royal Institute for International Relations, Bertelsmann Stiftung and other.

RSPP joined the Memorandum of the Working Group on the common economic space from Lisbon to Vladivostok and will support practical steps to address barriers for comprehensive trade, economic and investment relations between the countries of the continent.