

ОБЗОР ОТНОШЕНИЙ РОССИИ И ЕС

Russia is one of the EU's key trading partners and trade between the two economies has showed steep growth rates over the last years. The EU is by far Russia's main trading partner, accounting for 52.3 % of its overall trade turnover in 2008. It is also by far the most important investor in Russia. It is expected that up to 75% of FDI stocks in Russia come from the EU Member States. At the centre of EU-Russia relations at present are ongoing WTO accession negotiations, negotiations on a new agreement to replace the current Partnership and Co-operation Agreement and the implementation of the EU - Russia Common Economic Space (CES).. The negotiations on a new agreement with Russia, which were launched in July 2008, will strengthen bilateral trade relations by enshrining some basic principles and objectives in the area of trade. Negotiations on a more detailed trade and economic agreement, which will be negotiated in the context of the new agreement, can start as soon as Russia has joined WTO.

Trade in goods

EU good exports to Russia 2008: **€105 billion**

EU goods imports from Russia 2008: **€173,2 billion**

Imports from Russia are mainly energy and mineral fuels products (68.2%), some manufactured goods chemicals and raw materials. EU exports to Russia are diversified, covering nearly all categories of machinery and transport equipment, manufactured goods, food and live animals.

Trade in services

EU services exports to Russia 2007: **€18 billion**

EU services imports from Russia 2007: **€11,5 billion**

Foreign Direct Investment

EU outward investment to Russia 2007: **€17 billion**

Russian inward investment in the EU 2007: **€1 billion**

The Partnership and Cooperation Agreement

The **Partnership and Co-operation Agreement (PCA)** has been the framework of the EU-Russia relationship for a decade. It was signed in 1994 and entered into force on 1 December 1997. The agreement regulates the political, economic and cultural relations between the EU and Russia and is the legal basis for the EU's bilateral trade with Russia. One of its main objectives is the promotion of trade and investment as well as the development of harmonious economic relations between the parties. The PCA contains special provisions regarding the **economic relations** between the EU and Russia. EU imports from Russia are to a very large extent not subject to any restrictions. Remaining EU restrictions, notably in the steel sector, are being addressed under a bilateral agreement. The current agreement foresees increases of the **mutually agreed steel quotas** until the end of 2008.

Towards a successor agreement to the current PCA

The EU and the Russian Federation are currently negotiating a new agreement to provide for the contractual framework for EU-Russia relations in the years to come, replacing the 10-year

old PCA. This new legally binding agreement will provide a comprehensive framework for bilateral relations. A mandate for these negotiations was agreed in May 2008 and the negotiations were launched on 4 July 2008.

In this context, once Russia has acceded to WTO, the EU is eager to pursue, a deep and comprehensive economic integration agreement between the EU and Russian economies, building on but going beyond the PCA and WTO provisions. This agreement is to tackle trade barriers between the EU and Russia. It will put a special emphasis on regulatory issues, and give new impetus to economic reforms in Russia.

The Common Economic Space (CES)

At the St Petersburg Summit in May 2003 the EU and Russia agreed to reinforce co-operation with a view to creating four EU/Russia common spaces, within the framework of the existing Partnership and Co-operation Agreement (PCA). The **Common Economic Space (CES)** aims at increasing opportunities for economic operators, a further step towards establishing a more open and integrated market between the EU and Russia. The overall objective of the CES is to put in place the conditions for increased and diversified trade and creating new investment opportunities by pursuing economic integration, elimination of trade barriers, regulatory convergence, market opening, trade facilitation and infrastructure development by closer co-operation, exchange of information and sharing of best practices. Working towards regulatory convergence will allow economic agents to operate subject to common rules in a number of fields throughout the enlarged EU and Russia, which represent a market of around 600 Million consumers.

The Roadmap on the Common Economic Space was adopted at the EU-Russia Summit in Moscow on 10 May 2005. The document sets out a number of principles and priority activities. It also sets up dialogues on the following trade related issues: Investment dialogue, IPR dialogue, Public Procurement Dialogue, Regulatory Dialogue on Industrial Products and **Industrial and Enterprise Policy Dialogue, Energy Dialogue, Competition Dialogue, Macroeconomic and Financial Services Dialogue, Trade Facilitation and Customs.**

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EU - Russia Summit
EU27 trade in goods with Russia up by a quarter in the first half of 2008

Between 2000 and 2007, **EU27** trade in goods with **Russia** nearly tripled in value¹. This rapid growth continued in the first six months of 2008, with the value of **EU27** exports to **Russia** rising to 50 bn euro from 40 bn in the first half of 2007, and imports rising to 88 bn from 69 bn.

The share of **Russia** in the **EU27**'s total external trade in goods nearly doubled between 2000 and 2007. In the first half of 2008 the share rose further, with **Russia** accounting for nearly 8% of **EU27** exports and more than 11% of **EU27** imports. **Russia** was the **EU27**'s third most important trading partner, after the **USA** and **China**.

On the occasion of the 22nd **European Union - Russia** summit, which will take place on 14 November in **Nice, Eurostat, the Statistical Office of the European Communities**, issues data on trade and investments between Russia and the **EU**.

Germany, the Netherlands and Italy the largest trading partners of Russia amongst Member States

Among the **EU27** Member States, **Germany** (16 bn euro, 31% of EU exports) was by far the largest exporter to **Russia** in the first six months of 2008, followed by **Italy** (5 bn or 10%) and **Finland** (4 bn, 7%). **Germany** (16 bn or 19%) was also the largest importer, followed by the **Netherlands**² (11 bn or 12%) and **Italy** (8 bn or 9%).

Only six Member States recorded small surpluses in trade with **Russia** in the first six months of 2008, while the other Member States registered deficits. The largest deficits were observed in the **Netherlands**² (-7 bn euro), **Poland** (-4 bn), **France, Spain** and **Italy** (all -3 bn).

EU27 trade in goods with Russia

million euro

	2000	2001	2002	2003	2004	2005	2006	2007
Russia								
Exports	22 738	31 602	34 420	37 206	46 030	56 696	72 307	89 118
Imports	63 777	65 875	64 493	70 686	83 954	112 591	140 887	144 231
Balance	-41 039	-34 272	-30 073	-33 480	-37 924	-55 895	-68 580	-55 113
Total Extra-EU27								
Exports	849 739	884 707	891 899	869 236	952 954	1 052 720	1 159 276	1 241 236
Imports	992 698	979 145	936 972	935 270	1 027 522	1 179 569	1 351 745	1 433 515
Balance	-142 959	-94 438	-45 073	-66 034	-74 568	-126 849	-192 468	-192 279
Russia / Total								
Exports	2.7%	3.6%	3.9%	4.3%	4.8%	5.4%	6.2%	7.2%
Imports	6.4%	6.7%	6.9%	7.6%	8.2%	9.5%	10.4%	10.1%

EU27 Member States' trade in goods with Russia

million euro

	Exports		Imports		Balance	
	Jan-Jun 2007	Jan-Jun 2008	Jan-Jun 2007	Jan-Jun 2008	Jan-Jun 2007	Jan-Jun 2008
EU27	40 287	50 134	68 833	87 589	-28 546	-37 454
Belgium	1 501	1 357	2 387	2 754	-886	-1 396
Bulgaria	144	236	1 303	1 740	-1 158	-1 503
Czech Republic	891	1 326	1 965	2 908	-1 074	-1 582
Denmark	621	718	446	549	175	169
Germany	12 713	15 754	12 947	16 224	-234	-470
Estonia	333	373	750	402	-416	-29
Ireland	165	178	38	77	127	101
Greece	132	172	1 596	1 154	-1 465	-982
Spain	895	1 358	4 015	4 571	-3 120	-3 213
France	2 687	3 099	4 659	6 503	-1 972	-3 404
Italy	4 275	5 090	6 977	8 124	-2 703	-3 034
Cyprus	10	10	20	13	-10	-3
Latvia	364	450	465	552	-101	-102
Lithuania	846	1 194	1 595	3 226	-749	-2 033
Luxembourg	81	67	114	8	-33	59
Hungary	967	1 338	2 354	3 291	-1 387	-1 952
Malta	1	1	0	0	1	1
Netherlands ²	3 076	3 449	8 836	10 691	-5 760	-7 242
Austria	1 325	1 646	830	1 102	495	544
Poland	2 121	2 958	4 654	6 842	-2 534	-3 884
Portugal	64	102	213	258	-150	-157
Romania	199	302	1 473	1 757	-1 273	-1 455
Slovenia	431	533	251	239	181	294
Slovakia	391	831	1 739	2 788	-1 347	-1 957
Finland	3 045	3 747	3 939	5 371	-894	-1 625
Sweden	1 161	1 492	1 677	2 520	-516	-1 028
United Kingdom	1 846	2 354	3 589	3 926	-1 743	-1 572
Total Extra-EU27	601 522	648 150	696 243	768 383		
Russia / Total	6.7%	7.7%	9.9%	11.4%		

Russia: 3% of extra-EU27 trade in services

In 2006, the **EU27** exported 14 bn euro of services to **Russia**, while imports amounted to 11 bn, meaning that the **EU27** had a surplus of 3 bn in trade in services with **Russia**.

Among the **EU27** Member States, the **United Kingdom** (2.0 bn euro, 14% of EU exports) was the largest exporter of services to **Russia** in 2006, followed by the **Netherlands** and **Finland** (both 1.1 bn, 8%). **France** (1.5 bn or 14%) was the largest importer, followed by the **United Kingdom** (1.1 bn or 10%), **Finland** and **Austria** (both 0.8 bn or 8%). The largest surpluses were observed in the **United Kingdom** (+0.9 bn), the **Netherlands** and **Slovakia** (both +0.5 bn), while the largest deficits were registered in **France** (-0.6 bn) and **Austria** (-0.3 bn).

EU27 Member States' trade in services with Russia

million euro

	2005			2006		
	Credit	Debit	Net	Credit	Debit	Net
EU27	12 308	9 122	3 185	14 221	10 774	3 448
Belgium	130	107	23	99	104	-6
Bulgaria	227	77	151	264	79	185
Czech Republic	572	248	324	497	171	326
Denmark	270	257	14	357	290	67
Germany	:	:	-233	:	:	39
Estonia	308	156	152	272	184	88
Ireland	322	60	262	:	:	418
Greece	153	213	-60	:	:	-17
Spain	303	368	-66	430	501	-71
France	587	1 478	-891	814	1 460	-646
Italy	820	499	321	636	551	85
Cyprus	213	70	144	308	108	200
Latvia	132	103	29	138	122	16
Lithuania	541	357	185	608	363	245
Luxembourg	22	26	-4	78	36	43
Hungary	110	69	41	133	115	18
Malta	16	5	11	25	4	21
Netherlands	920	358	562	1 126	584	542
Austria	454	348	105	546	809	-263
Poland	592	271	321	586	379	206
Portugal	15	20	-5	21	22	-1
Romania	62	130	-67	66	153	-87
Slovenia	31	36	-5	25	52	-28
Slovakia	570	40	530	608	64	544
Finland	1 226	864	362	1 118	811	307
Sweden	420	168	252	501	217	284
United Kingdom	1 539	804	734	2 001	1 064	937
Total extra-EU27	441 556	373 059	68 497	501 427	413 036	88 391
Russia / Total	3.2%	2.9%		3.6%	2.8%	

: Data not available

Steady increase in EU27 FDI in Russia

EU27 Foreign Direct Investment (FDI) in **Russia** has grown in recent years, rising from 6.0 bn euro in 2004 to 9.6 bn in 2005, 10.7 bn in 2006 and 17.1 bn in 2007, while **Russian** direct investment into the **EU27** increased from 0.3 bn in 2004 to 2.8 bn in 2005, then fell to 1.5 bn in 2006 and 1.0 bn in 2007.

Germany, with outflows of 6.7 bn and a 39% share of **EU27** direct investment, was the largest investor in **Russia** in 2007, followed by **Belgium** (1.0 bn or 6%). The main recipients of direct investment from **Russia** were **Ireland** (0.3 bn or 35%) and **Spain** (0.3 bn or 30%).

EU27 Member States' FDI flows with Russia

(million euro)

	2006			2007		
	Outward	Inward	Balance	Outward	Inward	Balance
EU27	10 662	1 516	9 146	17 106	957	16 149
Belgium	69	-5	74	958	13	945
Bulgaria	5	130	-125	9	171	-162
Czech Republic	81	-19	100	-1	-51	50
Denmark	63	105	-42	45	11	34
Germany	2 597	2 480	117	6 698	12	6 686
Estonia	31	51	-20	85	-1	86
Ireland	-3	-34	31	6	333	-327
Greece	1	8	-7	36	12	24
Spain	119	148	-29	81	283	-202
France	1 012	82	930	603	202	401
Italy	21	8	13	19	86	-67
Cyprus	-1	223	-224	41	78	-37
Latvia	11	6	5	31	34	-3
Lithuania	29	-1 086	1 115	7	224	-217
Luxembourg	266	-1 017	1 283	417	-1 012	1 429
Hungary	422	-27	449	95	-72	167
Malta	:	:	:	:	:	:
Netherlands	5 943	21	5 922	488	17	471
Austria	1 206	-35	1 241	:	:	:
Poland	55	-31	86	221	-184	405
Portugal	0	1	-1	2	2	0
Romania	88	6	82	0	37	-37
Slovenia	45	-1	46	130	32	98
Slovakia	16	1	15	40	-14	54
Finland	377	8	369	69	-12	81
Sweden	323	44	279	407	-130	537
United Kingdom	-25	:	:	:	:	:

: Data not available

1. See News Release 90/2008 of 24 June 2008 on the 21st European Union - Russia summit.
2. Dutch imports of goods, and therefore the trade deficit, are over-estimated because of the "Rotterdam effect", where goods destined for the rest of the EU arrive and are recorded in harmonised EU external trade statistics in Dutch ports. This then has a positive effect on the external trade balances with Russia of those Member States to which the goods are re-exported, as these shipments would be recorded as intra-EU trade with the Netherlands, rather than extra-EU trade with Russia.

EU-Russia Summit on 21-22 May in Khabarovsk

The next EU-Russia Summit takes place in Khabarovsk, in the Russian Far East, on 21 and 22 May. The Summit will be hosted by President Dmitry Medvedev, President of the Russian Federation. The Commission will be represented by President José Manuel Barroso. He will be accompanied by Commissioner for External Relations and European Neighbourhood Policy, Benita Ferrero-Waldner Commissioner for Trade, Baroness Catherine Ashton and Commissioner for Energy Andris Piebalgs. The Summit is an opportunity for the EU and Russia to discuss how best to coordinate responses to the financial and economic crisis. Climate change and energy security are also high on the agenda. International issues which will be tackled at the Summit range from efforts to promote greater stability in the common neighbourhood and in Europe more generally, through to the situation in the Middle East, Afghanistan/Pakistan, Iran and Sri Lanka among others.

On the eve of the Summit, President José Manuel Barroso said: "Russia and the EU are interdependent. The global financial and economic crisis stresses the need to develop the potential of our relationship, remove obstacles and coordinate our efforts. Regular and frank political dialogue is the right way to manage our relationship and it must prevail in all times, no matter how difficult the issues at stake are."

Commissioner Ferrero-Waldner added: "Greater political and economic stability in our shared neighbourhood is in the interest of all. The EU-Russia partnership has shown its capacity to maintain dialogue even in the most difficult times, and we need to continue to strengthen a partnership characterized by inter-dependence, reliability, mutual trust, predictability, and transparency. The progress made in the four common spaces and the ongoing negotiations for a new comprehensive agreement are clear signs for the vitality of our relationship and the mutual interest to develop it further. "

Commissioner Ashton underlined: "In this economic downturn and with protectionist sentiment on the rise, a strong, rules-based international trade system is of greater importance than ever. WTO membership is in Russia's interest, not least to attract more foreign investment and diversify its economy. Russia's membership will also allow us to enhance our bilateral trade relationship further."

Commissioner Piebalgs stated: "Building on the results of the regular EC - Russia energy dialogue and the last EU - Russia Permanent Partnership Council on Energy of 30th of April 2009, this summit provides an opportunity to make further progress on enhancing the Early Warning Mechanism. Moreover, exchange of views on recent energy security proposals made by the Russian side will greatly feed into broader debate on energy security challenges at international level as well as prepare discussions on the future bilateral energy framework to be agreed under the EU - Russia New Agreement."

The plenary session is likely to focus on responses to the global **financial and economic crisis** and to a review of co-operation under the **common spaces**. The interdependence between the EU and Russian economies makes a powerful argument to step up efforts to co-ordinate responses to the crisis, but also to look for ways to further expand the trade and economic relationship. The EU continues to support **Russia's accession to the WTO**, but has voiced its concerns about some of the measures that the Russian Government has introduced in response to the crisis. **Energy** continues to dominate economic and trading relations between the EU and Russia, and the Summit is an occasion to look at practical ways of dealing with crises in supply such as that experienced in January, by means of an expanded **Early Warning Mechanism**. Leaders are also expected to welcome progress in the implementation of the EU-Russia common spaces - a dialogue on public health has been launched, negotiations are beginning on an agreement on drug precursors, and the Science and Technology Agreement is being renewed.

For the longer-term the EU and Russia are negotiating a **New Agreement** to replace the existing Partnership and Cooperation Agreement which should set out reinforced legally-binding provisions for the whole range of EU/Russia relations; in the field of energy it should be based on a relationship of interdependence and mutual benefits, enshrining the principles of the Energy Charter Treaty. The Summit is an opportunity to take stock of the progress made on the New Agreement negotiations.

EU and Russia **Justice and Home Affairs Ministers** are set to meet in Kaliningrad on 13-14 May, and leaders will hear back from the ministerial on issues ranging from progress in the visa dialogue, co-operation in the field of civil and criminal law, and in the fight against drug trafficking.

Greater stability in the **common neighbourhood** is a shared ambition, and leaders will hear the results of the latest round of talks in Geneva on **Georgia**, which are scheduled to take place on May 18-19.

More information:

http://ec.europa.eu/external_relations/russia/intro/index.htm

<http://ec.europa.eu/eurostat>