

RUSSIA AND OECD: THE PROSPECTS AND PRIORITIES FOR COOPERATION

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On 12 March 2014, the OECD suspended the process of Russia's accession to that international organization. The long history of Russia's cooperation with the OECD testifies to the importance of interplay between Russia and that organization, initially in the form of scientific expert academic support to the procedure of introduction, in Russia, of the OECD's internationally recognized standards for the purpose of developing a number of institutions of the Russian economy, primarily in the field of taxation, anti-monopoly policy and public policy towards corporations; and then, from May 2007 onwards, in the form of officially established accession process launched by the OECD Council's decision that Russia should be invited to become a full member of the OECD.

The suspension of the process of Russia's accession to the OECD came as no surprise to anybody and was absolutely predictable, bearing in mind the profound deterioration of the geopolitical situation in the world, the political consensus of OECD member states on a number of important issues, and the OECD's place in the system of international relations. The OECD's budget is mostly composed of direct contributions made by the USA and the key economies of the EU – Germany, France and the United Kingdom. The OECD holds a very special position in the system of global regulation, due to it being the world's largest center of scientific research, which determines the main directions of global economic development and monitors, evaluates and statistically analyses the level of economic development of all the countries of the world. It is noteworthy that, unlike any direct sanctions imposed by the WTO or the UN systems of organizations, the sanctions imposed by the OECD do not result from one or other state's failure to implement its OECD obligations. Most of the OECD norms are recommendatory in nature, and its constituent documents do not envisage any penalty if a member state fails to meet its OECD obligations. However, such states still face some risks – primarily the risk of reputation loss and the risk of their position in the global community of nations being weakened.

When a country gains membership in the OECD, this means, first of all, that the OECD recognizes this country to be its most important strategic partner that has the right to take part in determining the priorities and standards for the future development of the global economy. Bearing in mind the special position held by the OECD within the system of international intergovernmental organizations, Russia's participation in the OECD's activities would have increased her influence on formulating the agenda of this organization, and also would have strengthened her bi-lateral cooperation with foreign states – by using the OECD as a forum

for talks and a venue for establishing new economic links. Moreover, Russia's accession to the OECD would have made it possible for her to use the cutting-edge methods and techniques of state regulation and thus to stimulate her economic growth and improve her international image.

In order to facilitate her accession to the OECD, Russia had adopted a plan of legislative work designed to bring Russian legislation in line with OECD norms, had formed a working group to promote cooperation with the OECD, and had distributed responsibilities for various issues of Russia's cooperation with the OECD between the federal bodies of public authority and a number of public organizations.

There can be no doubt that the interruption of the process of Russia's cooperation with the OECD has slowed down the efforts of Russian executive bodies aimed at implementing the OECD's standards. However, it should be emphasized that the OECD has not 'cancelled' but 'suspended' the process of Russia's accession¹. For this organization, Russia remains a key partner. Moreover, Russia is distinguished from a host of other key partners (Brazil, India, Indonesia, South Africa and China), because she has already embarked upon the accession path. The successes achieved by Russia in the process of her accession to the OECD, including the consent to Russia's accession given by almost one half of the OECD's member states, have remained valid. At present, there remains not only the possibility that cooperation between Russia and the OECD will continue, but also the possibility that the process of Russia's accession to the OECD will be resumed at some point in the future. It is very important that the extent of Russia's participation in OECD projects and initiatives should not be reduced under the impact of temporary disagreements.

¹ <http://www.oecd.org/russia/statement-by-the-oecd-regarding-the-status-of-the-accession-process-with-russia-and-co-operation-with-ukraine.htm>

The *aims* of Russia's participation in OECD projects and initiatives are as follows:

- to create a normative basis and conditions for the formation of an environment that should be conducive to inclusive growth, which will comprise economic, social and ecological policies;
- to actively use the existing uniform scientific & expert database designed to facilitate international dialogue in high-priority areas;
- to introduce the OECD standards and the results of independent monitoring based on those standards and addressing individual spheres of Russia's social and economic development;
- to share experience in the field of international economic cooperation, and to exchange expert opinions on the results of reforms in OECD countries and elsewhere;
- to demonstrate the latest developments in fields of mutual interest and to carry out bilateral research cooperation with the working bodies of the OECD;
- to participate in OECD events and to organize and conduct them in Russian territory;
- to regularly submit, to the OECD, detailed statistics and analytical data on the current state of development of individual Russian regions, and to improve Russia's national statistics system in accordance with the norms and recommendations of the OECD;
- to participate in improving the working instruments of the OECD;
- to improve the professional skills of Russian public servants and experts participating in the work of the OECD's working bodies.

The accomplishment of these tasks should be achieved on the basis of Russia's systemic and comprehensive participation in OECD projects and initiatives. The below proposals, which are both descriptive and systemic in nature, are designed to create a stable and sustainable base for Russia's cooperation with the OECD.

First, Russia should continue to implement the adopted Plan of legislative work designed to bring Russian legislation in line with OECD norms and standards. Second, bearing in mind the current shortage of budget resources, on the one hand, and the width and breadth of OECD activities, as well as that organization's universal economic character, on the other, Russia should select both the areas of cooperation that need to be institutionally reformed by means of her effective cooperation with the OECD and by putting OECD recommendations into practice by Russian executive bodies, and the areas of cooperation that are usually not associated with the concept of 'developed

countries' but are deemed 'sensitive' and essential for economic growth by the OECD. In accordance with the above criteria and the results of a thorough analysis of Russia's strategic priorities, these areas of cooperation should be as follows: regulation of investments and other activities of multinational enterprises; protection of the environment, registration, evaluation and registration of chemicals; development of small and medium-sized businesses; corporate governance; and public administration.

The OECD Investment Committee is one of the OECD's main committees, whose standards are used by all the other committees of this international organization. Participation in its activities is beneficial for Russia because it strengthens her relations with the OECD and corresponds to Russia's strategic task of improving her investment climate. As far as Russia's participation in the activities of the Committee is concerned, the following recommendations are to hand: Russia should accede to the OECD Declaration on International Investment and Multinational Enterprises, including the OECD Guidelines for Multinational Enterprises Regime; should articulate her position on the OECD's plan to introduce changes to the Guidelines for Multinational Enterprises Regime, and should participate in this OECD project; should create, with the help of the OECD, a National Contact Point for the OECD Guidelines for Multinational Enterprises, and should participate in the annual meetings of the National Contact Points for the OECD Guidelines for Multinational Enterprises; and should articulate her position on the OECD plan to revise the OECD Policy Framework for Investment (PFI) and should participate in this project.

The OECD Environment Policy Committee and *the OECD Chemicals Committee* are closely connected to one another. These two bodies are considered among the most important OECD's committees. As far as protection of the environment is concerned, Russia falls far short of the environmental standards set by the OECD, and her national ecological norms do not correspond to internationally recognized ones. Moreover, Russia persistently ignores the global trends towards incorporation of the 'green standards' in national economic development strategies. Nevertheless, Russia's participation in any initiatives of these two committees is highly appreciated by the OECD. Moreover, participation in such initiatives is very useful for Russia as a country aspiring to conform to internationally recognized environmental standards. Therefore, Russia will also benefit in this respect from the development and implementation, in cooperation with the OECD, of her national programs designed to systematically analyze existing chemicals on the basis of corresponding OECD

instructions and guidelines, including the OECD's programs on risk assessment and control of environmental chemicals, and the conduct of the Russia-EU bilateral research project 'The Inclusive Development of Russia: Towards the Integration of Economic, Environmental and Social Policies'.

Development of small and medium-sized enterprises (SME) is among Russia's highest priorities. One of the strategic tasks faced by Russia is to improve her position in the Doing Business ranking. The OECD has huge experience in creating instruments for the development and promotion of SMEs. Moreover, the OECD has repeatedly emphasized the importance of improving Russia's business climate. To embark on such a path, Russia must take on some of the basic steps – for instance, to join the LEED Partners Club (Action Program on Local Economic and Employment Development) in order to participate in its programs on local development strategies in the field of employment, innovation, small business and entrepreneurship; to join The Innovation Policy Platform (IPP) in order to carry out joint research and submit relevant data to the OECD; to create an independent national credit bureau designed to assess the risks faced by SME borrowers. Such steps should be taken on by Russia's corresponding executive bodies in cooperation with the Working Party on SMEs and Entrepreneurship (a structural unit of the OECD Committee on Industry, Innovation and Entrepreneurship) and the OECD Center for Entrepreneurship, SMEs and Local Development.

The OECD Corporate Governance Committee (CGC) is one of the key committees of the OECD. The Committee's primary mission is to disseminate the cutting-edge principles of corporate governance. Russia's participation in CGS initiatives and projects is beneficial for her not only in reputational terms, but also in practical terms, by giving Russia a chance to accomplish some of her strategic tasks. In order to achieve her strategic goals, Russia's participation in CGC projects and initiatives should include the accentuation of her position on the forthcoming revision of the OECD Guidelines on Corporate Governance of State-Owned Enterprises and her partaking in this revision; participation in the development of Russia's indices within the OECD's project investigating the role of state-owned enterprises in the world economy ('The Size and Composition of National SOE Sectors'); and development, in cooperation with the OECD, of mechanisms for implementing the OECD Principles of Corporate Governance.

The Economic and Development Review Committee (EDRC) is the OECD's basic committee, because it synthesizes the standards of the other committees of that organization and formulates, on their basis, a

general strategy of national economic development. Russia's participation in the OECD's new initiative 'New Approaches to Economic Challenges' (NAEC) will make it possible to examine the causes of the current geopolitical crisis and to see what lessons can be learned from the existing situation. It is also noteworthy that this committee issues *Economic Surveys By Country* – the most important documents that provide guidelines for global investors, international financial institutions, international organizations and national governments. The next Economic Survey of the Russian Federation will be released in 2015. We believe that it would be in Russia's best interests to take part in its preparation and to timely submit all relevant data to the OECD. Also, it would also be advisable for both Russia and the EDRS to hold two joint seminars per year, devoted to economic growth issues and value-added chain analysis. Such seminars will provide a forum where representatives of the two sides will be able to timely assess the results of joint studies and to exchange their opinions on a number of issues.

The standards developed by the *Public Governance Committee (PGC)* embrace the activities of all the other committees of the OECD. Russia's active participation in PGC projects and initiatives is clearly indicative of her deep interest in cooperating with the OECD, including in the framework of the OECD's new project 'The Observatory of Public Sector Innovation' (OPSI) – for the purpose of creating such an observatory in Russia.

Moreover, Russia's active cooperation with the OECD in the above-mentioned fields would be indicative of her interest in preserving her pragmatic and mutually beneficial relations with OECD countries and would give a new impetus to the current international dialogue on a wide range of issues.

Finally, Russia should be more active in implementing her international obligations within the framework of the most important international agreements that were prepared with the assistance of OECD experts (the observance of such treaties is subject to supervision by the OECD). First of all, Russia should improve her anti-corruption system in accordance with the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and should regularly submit relevant information to the OECD in order to enable this organization to monitor the observance, by Russia, of her international obligations. The OECD Working Group on Bribery in International Business Transactions have prepared the by-country summaries of Phase 1 and Phase 2¹ moni-

1 <http://www.oecd.org/daf/anti-bribery/anti-briberyconvention/45605080.pdf>; <http://www.oecd.org/daf/anti-bribery/anti-briberyconvention/36872226.pdf>

toring reports on the application of the afore-said convention. In December 2014, The Working Group published a compilation of recommendations made in the Phase 3 reports on 29 countries¹. As far as Russia is concerned, the Working Group has so far completed Phase 1 and Phase 2. In its Phase 2 Report on the Russian Federation², the Working Group notes that Russia has gathered some positive experiences in its general enforcement of the regime of liability of legal persons in the domestic corruption context. However, Russia has not detected any instances of foreign bribery by legal persons. Thus, Russia has so far failed to fully implement the Convention, which is clearly focused on preventing and combating bribery in foreign business transactions. Russia is not a member of the OECD Working Party on Export Credits and Credit Guarantees, and therefore is not obliged to submit to the OECD any reports on these matters. However, the OECD has expressed the hope

1 http://www.oecd.org/corruption/anti-bribery/CompilationofRecommendationsP3Reports_December2013.pdf;
<http://www.oecd.org/daf/anti-bribery/anti-briberyconvention/Phase3InformationResourcesManualENG.pdf>
 2 <http://www.oecd.org/daf/anti-bribery/RussianFederationPhase2ReportEN.pdf>

that Russia would implement the 2006 OECD Council Recommendation on Bribery and Officially Supported Export Credits and that the Russian Agency for Export Credit and Investment Insurance, established in 2011, would intensify its cooperation with the OECD. Thus, Russia's executive authorities, particularly the RF Ministry of Justice and the RF Ministry of Economic Development, should also participate in OECD activities in this field.

The above proposals cannot be implemented unless Russia creates an efficient structure for controlling the process of her participation in OECD projects and initiatives. In order to develop a proper system of cooperation between Russian executive authorities and the OECD working bodies and to create a stable basis for regular participation of Russian public officials and experts in OECD activities, Russia should adopt a number of comprehensive basic documents concerning her partaking in OECD projects and initiatives, that would specify concrete measures and would contain their implementation indices. These steps will certainly help improve Russia's position vis-à-vis the OECD and will conduce to the institutional development of a number of sectors of the Russian economy. ●