COUNCIL

DRAFT CONCLUSIONS FOR THE RUSSIAN LIAISON COMMITTEE MEETING
1. Within the framework of the 1994 Declaration on Co-operation between the OECD and the Russian Federation and the 1997 agreement to establish a special Liaison Committee, the OECD and the Russian Federation held the third Liaison Committee meeting on 5 June 2000 in Paris. The purpose of the meeting was to discuss ways to continue productive co-operation between the OECD and Russia. Discussion at this meeting focused on recent economic developments, the new economic reform orientation and a number of structural policy issues -- fiscal federalism, competition law and policy, and public administration reform. The outcomes of this direct policy dialogue between Member country delegates and the Russian authorities then fed into the Committee’s deliberation on future co-operation between Russia and OECD in the final session of the meeting.

2. The Russian delegation gave a comprehensive assessment of the economic recovery now underway. GDP and industrial growth received new momentum in early 2000 and are up 8 per cent and 9 per cent respectively. Also encouraging is the fact that the downward trend in fixed investment has reversed and increased 4.5 per cent. The delegation reported that an important degree of macroeconomic stability has been restored with a stronger current account and a prudent monetary policy. They stated that revenue collection has also improved to an extent that a budget deficit is not expected for 2000 or in 2001.

3. While the economic revival presents evidence of progress in the transformation to a market economy, the Russian delegation noted that a number of serious problems need to be tackled. They highlighted the long-standing problems of the banking sector, rationalising extra budgetary funds, regulating natural monopolies and creating favourable conditions for SMEs. They also pointed to a number of factors supporting the notion that the growth trend may not yet be fully stable. For one, the positive impacts of the devaluation of the rouble would be eroded if the currency were to appreciate in real terms. They also noted that the income of the population had not yet fully recovered to pre-crisis levels thus limiting the scope for the revival of domestic consumption.

4. The Russian delegation commented on a draft economic programme currently under preparation. They noted that it had several main components including tax reform, banking reform, and strengthening of property rights, anti-monopoly regulation and the reform of the budget system. They noted that the programme is relatively liberal in scope with the objective of deregulating the economy, lightening the bureaucratic burdens on business and providing greater economic freedom.

5. Member countries were pleased to learn of the positive economic developments since the last Liaison Committee meeting. They congratulated Russian policy makers for their prudent efforts to revive the economy after the crisis in 1998. At the same time, they noted that this was not a time for complacency and they encouraged the Russian authorities to take advantage of these opportunities and implement key economic reforms. Member country delegates encouraged the Russian government to formulate a medium-term economic strategy based on an outward looking model. Such a strategy would be critical in putting in place lasting structural reforms. This would be key to providing the foundation for a vigorous and durable recovery.

6. A number of structural policy issues were discussed -- fiscal federalism, competition law and policy, and public administration reform. Both the Russian authorities as well as Member country delegates recognised that these are key reform issues.

7. Discussions examined the impact of OECD co-operation with the Russian Federation. It was agreed that this co-operation is very fruitful and that it was highly valued by the Russian authorities. The Russian delegation highlighted that the 1999 OECD programme had been both effectively implemented and beneficial to the Russian partners. They noted that the OECD Policy Reviews, such as those on the economy, financial markets, agriculture, environment and education, were extremely valuable. The Russian delegation reaffirmed their interest in the shared goal of eventual accession to the Organisation.
The Russian delegation also was interested in exploring how OECD co-operation could be better integrated into the G8 process.

8. The Committee also agreed on the broad orientation of the programme of work for 2000. The Russian delegation stated that the following policy areas held the highest priority:

- macroeconomic policies and demonitisation (as follow-up to the Economic Survey);
- improving tax policy and administration;
- federalism (as cross a range of structural issues);
- restructuring enterprises notably by restoring financial discipline;
- improving corporate and public governance;
- competition policy; and
- policies to promote foreign and domestic investment.

9. The representative of the Russian Central Bank pointed out the importance of OECD work on trade and financial market issues. He noted the highly successful working methods utilised by the OECD Trade Committee in this work with Russian authorities and the usefulness of this co-operation. He observed, with regret, the decision reached by the Financial Market Committee and encouraged the OECD to explore ways to carry out more systematic work on the Russian financial sector.

10. Member country delegates noted that in the light of budgetary considerations, Russia/OECD co-operation would need to be focused and prioritised. They welcomed the Russian priorities as a clear sign that co-operation is demand driven.

11. The Secretary General concluded the Liaison Committee meeting by noting the high importance which both Members countries and Russia attach to OECD co-operation. He remarked that the OECD is well equipped to provide objective advice to the Russian authorities on institution building and structural reforms. This is based on the Organisation’s strong comparative advantage in institution building and on its successful work in transition countries. The Organisation should therefore continue to give special attention to further advancing co-operation with Russia. He promised to give thought on how best to advance this co-operation.