OECD Urges Russia to Press on with Reforms, Build on Co-operation Pact

OECD Secretary General Donald J. Johnston, at a meeting in Paris with President Putin, urged the Russian authorities to push ahead with their programme of reforms and encouraged them to reap fully the benefits of Russia’s long standing co-operation with the OECD.

In a statement, Mr. Johnston said he welcomed “the determination of Russia’s leaders to move forward on a wide range of policy reforms that are critically needed to speed up the integration of Russia into the world economy and so ensure that it fulfills its potential for economic and social progress. Rapid and full implementation of the reform programme will be a crucial test of the government’s ability to establish Russia as a fully fledged market economy, based on the rule of law.”

Mr. Johnston and President Putin agreed that OECD is well placed to help Russia at the present juncture. The OECD's co-operation programme matches closely Russia’s own reform agenda, and its unique method of co-operation provides Russian policy makers with a forum for objective and focused discussion with peers in OECD countries who have faced similar challenges. Keeping in mind the shared goal of future Russia’s accession to the OECD, a major challenge ahead is to move Russia closer to OECD standards in a range of policy areas. President Putin and Mr. Johnston agreed to give their personal attention to ensuring that Russia/OECD co-operation continues to receive the high priority it deserves both in Russia and in OECD capitals.

During the course of their discussions, Mr. Johnston and President Putin discussed a number of specific policy areas where the Russian authorities are actively benefiting from OECD reform advice. These include reform of the financial relations between central government and regional governments, investment policy, corporate governance, and the need for better regulation of large infrastructure monopolies.

An OECD Economic Survey of Russia published last year examined the issues posed by Russia’s system of fiscal federalism, or the financial relations between federal, regional and local governments. Reform of this system will be a difficult process and OECD will continue to work with Russian regional and local governments on the implementation of reforms. During his meeting with Mr. Johnston, President Putin stressed that this was “a key priority” for his government. In January 2001, OECD and the Ministry of Economic Development and Trade will co-sponsor a conference in Moscow on fiscal federalism.
Mr. Johnston and President Putin agreed on the importance of attracting foreign investment in order to assist and support economic reform. In this context, the OECD has made a number of recommendations for improvements in Russia’s investment climate. President Putin stressed that while some progress had been made in creating the long-term conditions to attract and keep foreign investors, Russia still has a lot to do. Mr. Johnston concluded by mentioning that he intends to be in Moscow in early December for a major conference on investment policies bringing together the G-8 countries and emerging economies.

The OECD has identified corporate governance problems as a major impediment to investment in Russia. The Russian authorities and Russian private sector interests are co-operating closely with the OECD and other institutions to formulate policies to address corporate governance abuses. This will be one of the topics for discussion during a meeting of the Russian Corporate Governance Roundtable in Moscow 15-16 November 2000. Ultimately, this process is expected to result in a series of specific recommendations to the Russian authorities based on the OECD’s Principles of Corporate Governance.

The OECD has also identified reform of Russia’s system of large infrastructure monopolies as an important priority. In many of the sectors covered by these monopolies, competition could be introduced without major difficulties. The Russian government’s economic reform programme calls for a competition policy approach to the regulation of infrastructure monopolies, with a view to promoting investment, efficiency, and lower prices by introducing competition where possible and efficient regulation where necessary. In December, the OECD will hold the first of several meetings with the Ministry for Antimonopoly Policy to discuss ways in which OECD countries have dealt with these matters.

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