

Russia's accession to the OECD: problems and prospects

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34 states are included into the Organization of Economic Cooperation and Development, they are mostly developed, and they account for about 55% of the global GDP and 60% of the global trade. The primary task of the OECD lies in promotion of stable economic growth of the member countries and global community as a whole. It comprises almost all areas of the modern economy in its sphere of competence. Its main priority is to form an economy based on science; broad coordination of economic policy; and regulation of globalization processes. Practical efforts of the OECD are aimed at formation of beneficial and attractive business climate for the foreign entrepreneur in the member countries and their economic partners. OECD is the most affluent international economic organization.

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Cooperation between the Organization and Russia started from the beginning of the 90ies of the last century, and the process of accession lasts for seven years. Duration of the process is explained by the fact that accession to the OECD provides adoption of a number of strict liabilities by Russia¹.

Today seven sector committees of the OECD out of 22, which consent is necessary to get for accession, gave positive response. Probably, this is the reason why the first vice-prime minister I. Shuvalov stated that Russia came through one third of the path for accession to the Organization². Negotiations under the competitive, tax and social policy, as well as fishing and ship building have finished. The dialogue with other committees is continued.

There is a number of complicated issues. First of all, the mode of trans-border flow of foreign capital, including direct investments and services. This issue is of a high priority for the member states

¹ Estimate according to the OECD and the International trade centre UNCTAD-WTO for 2012 <http://stats.oecd.org/> and <http://www.trademap.org/>

² "Izvestiya" newspaper, January 22, 2014, page 3



of the OECD, because they are the largest investors, sending (mostly by means of transnational corporations) over 75% of the world FDI³. Requirements of the OECD committee on investments provide cancellation of the restrictions, existing in Russia, including on energetics, extraction of minerals and in the financial sector. Restrictions arise from the Code of liberalization of capital movements, mandatory for adoption by the member states.

Nevertheless, the Code provides the right of the state to adopt it with provisions, made into the appendices to the document. Most of the OECD states, who wished not to open the priority sectors for the FDI, exercised this right in a various volume. The largest and mostly diversified economies – USA, Germany, Japan fully or partially restricted access of FDI to a number of sectors, including to the mass media, energetics (especially nuclear), extraction of minerals, and strictly regulated access of foreign securities to the national security markets. So, technically, Russia has all relevant legal instruments for the protection of economic areas, important for economic safety provision.

In accordance with the “Roadmap of accession of the Russian Federation to the OECD” regulating this issue, the position occupied by the Russian Federation in relation to the standard acts of the OECD, related to the principal issues, is the main criterion at appraisal of the Russia’s readiness to undertake liabilities, related to the membership, by the OECD. Many OECD members are interested in greater openness of Russia for FDI, and negotiation process in relation to the investment regimen is impeded by the conflict of interests.

Secondly, environmental standards of the OECD. Environment protection standards of the Organization are materially higher than the Russian standards, it involves sophisticated tools and indicators of environmental control, which do not exist in the Russian legislation and practice. For example, in accordance with the OECD standards, the enterprise shall appropriate funds, sufficient for neutralization of the damage caused to the environment, and conduct monitoring on detection of advanced technologies of contamination reduction on a periodic basis. The Organization developed systems of calculation of the damage caused, including on the basis of the analysis of emission decomposition cycle, as well as strict standards of waste disposal⁴.

Preparation for adoption of environmental regulation of the OECD faces the state with a number of expensive challenges, including development of practical tools, as well as introduction of record keeping and monitoring measures. Business will have to re-

³ Estimate according to the International trade centre UNCTAD-WTO 2010-2012. <http://www.trademap.org/>

⁴ According to the data of the seminar of the Ministry of economic development of Russia “Accession of Russia to the OECD: estimate of probable consequences” http://www.economy.gov.ru/minec/about/structure/depinterorg/doc20130523_05

equip the production, engaging modern equipment not manufactured in the state, and install emission measuring and control devices. It will have to reject the practice of regular payment of low environmental fines instead of implementation of contamination prevention procedure, because OECD standards provide indexation of fines and special sanctions against systematic violation of such norms.

Thirdly, the order of certification of chemical containing products. According to the OECD rules, decisions of laboratories concerning admission of products to the market are valid in the territory of all member states, although institutions should have an accreditation confirming their right for certification. In Russia, where other standards are approved, there are no laboratories, in compliance with the criteria of receipt of accreditation by the Organization.

Thus, before the specified rules come into force, Russia shall solve the issue on renewal of technical support of laboratories, otherwise they will be deprived of the possibility to sell their services, and manufacturers will have to bear additional expenses certifying products in OECD states.

Fourthly, in the spheres of commercial relations, there is an Agreement on the officially supported state export credits in the OECD. It introduces strict restrictions for the maximum amount, share and term of repayment of export crediting, which should be issued exceptionally in a national currency and accompanied by conduction of a number of mandatory expert examinations, as well as acquisition of state warranties.

The situation is dramatized by the fact that primary trade partners of Russia are related by the documents to the third and lower risk groups. This worsens the conditions of crediting, because according to the OECD regulations, the higher the risks, the stricter the restrictions (most OECD states relate to the zero group).

Reorganization is required in this field. For minimization of negative impact resulting from accession to the Agreement it is necessary to develop and introduce methods of support, not falling within the scope of the OECD restrictions. First of all, it is required for a number of export sectors, under strong state support, particularly, aircraft industry and energetics (especially nuclear), and provide other mechanisms of concessional lending.

Russia continues preparation to undertaking of liabilities, provided by the standard base of the OECD in other spheres, including on communications, information and high technologies, anticorruption activity, state and corporate management, credit and financial relations, intellectual property and other.

Actually, there are two main groups of the OECD requirements. For performance of the first group, mainly, formal compliance with the OECD regulations is required.

Moreover, many collaboration programs provide performance of monitoring and operational information provision on request of other member states by the state. Performance of liabilities under these programs, as well as effective work with information networks of the OECD will require sufficient personnel and material support.



The second group provides improvement of the quality of practical work of many institutional systems of the country, first of all, judicial, law enforcement, legal, and other, determining business and investment climate.

Thus, OECD standards propose reduction of significant breakage among the operational mechanisms of many sectors of the Russian economic system and similar mechanisms in the OECD states.

In this relation continuation of operation on many directions: on introduction of changes into the legislation, conduction of reorganization of the management authorities, establishment of information exchange tools and improvement of practices – is required from Russia. It should also be highlighted that the level of liabilities in relation to the standards in many spheres of the OECD is much higher than the Russian one, and their adoption will increase the financial load on the budget and business.

Nevertheless, the forecast on the prospects of collaboration to the mind of many experts both from Russian and OPECD is optimistic⁵. They come to the joint conclusion that following recommendations of the Organizations, based on a perennial experience of regulation of market economies, in a long-term perspective will be beneficial for Russia. Temporary difficulties, related to the necessity of adoption of the specified liabilities, is the price for transfer to more effective model of economic system. Costs, related to conduction of reorganization, will be compensated with the increase of productivity of the economy and achievement of deeper and more harmonized integration in relation to other countries, based on the OECD standards.

Thus, for example, fulfillment of environment protection standards of the OECD in the perspective may cardinaly change the environment situation in Russia. Their fulfilment will significantly reduce the volumes of hazardous emission into the environment, having eliminated or limited many contamination sources. This will favorably affect health and safety of population, increase energy efficiency, improve conditions for agriculture, farming, touristic attraction of the state will increase.

Additional possibilities for economic development, including with the help of investment into the “green” economy, are promoted.

By bringing the laboratory practice in accordance with the rules of the OECD, the state will be able to connect to the unified system of conduction of chemical examination

⁵ “Integration of Russia into the global economy: accession to the OECD”, speech of A. Gurría, general secretary of the OECD at the International economic forum in Saint Petersburg, June 2013// <http://www.oecd.org/about/secretary-general/integration-russia-global-economic-institutions-oecd-accession.htm>; “Russia is not permitted to the OECD”, dated May 23, 2013// web-site of the information agency Interfax: <http://www.interfax.ru/business/308414>; “Accession to the OECD: pros and cons”, May 2013// web-site of the National Research University Higher School of Economics, <http://www.hse.ru/news/avant/83627159.html>

– as a result Russian developments will have credibility almost in the whole world. This will give an impetus to conduction of new examinations, simplify export and give a possibility to accept orders from other states.

The primary task in the context of planning of liability undertaking in accordance with the standard base of the OECD is a development of effective methods of transition to the new standards, because namely this factor is a primary source of the proposed risks and losses in a short-term and medium-term period. Modernization requires deep reorganization and Russia minimizes losses. The main priority here is protection of interests of the Russian business.

Another important task is to increase the benefit from participation in the OECD. Specifics of the Organization lies in the fact that increase of the efficiency of economies due to attraction of analytics to improvement of institutions (state management, judicial system, law enforcement practice, etc.) and economy sectors, as well as participation in the OECD initiatives on coordination of the economic policy and introduction of the unified standards is the main source of advantages for the member states. Thus, the largest source of benefits for Russia is to engage the OECD capacities and strengthen cooperation with it and member states in the frameworks of the projects implemented by the Organization.

One of the main reasons of success of the OECD is a powerful research and development potential. The Organization has gained more than 50-year experience of regulation of the market economy and created the largest supplementing archive of documents among the IEO on management of state institutions. Russia faces a number of prospects on its application.

First of all, in relation to improvement of legislation and law enforcement practice of the country. Despite the fact that Russia was recognized as a developed state by the UN, it continues to lack behind other developed states in relation to a number of aspects. Knowledge of the OECD will help it to reduce the gap.

Secondly, for conduction of research, prospective for Russia, related to the development of territories, infrastructure, research and traditional sectors of industry and other areas.

Participation in coordination initiatives of the OECD, stimulating the interstate cooperation at solution of global problems, that the global community faces.

First of all, tax regulation relates to this sphere. In the most OECD states, protocols of the OECD, allowing effective tax recovery from the multinational enterprises, are in force. They empower tax authorities to exchange information broadly, participate in abroad tax inspections, and recover indebtedness from the organizations, which assets are located in other OECD states.

One more important aspect is counteraction to the “negative tax practices”, i.e. activity of offshore areas, in which according to the estimates, from USD 21 to 32 billion



are concentrated⁶, that exceeds cumulative GDP of the USA and Japan. Member states of the OECD managed to obtain conclusion of the agreements with many jurisdictions with a beneficial tax regimen concerning exchange of the tax information, including data about owners and assets of companies. The success was achieved with the help of agreed application of strict measures in relation to the business, registered in offshore, including especially high tax, withheld from the capital located in the OECD states, as well as other actions, right to full freeze of assets. After accession to the OECD, Russia will be able to participate in this project.

Other primary directions of the global coordination are implemented in the frameworks of semi-autonomous agencies, acting in the frameworks of the OECD, the members of which may differ from the members of the OECD.

Directorate on cooperation in the field of development is responsible for coordination of provision of assistance from the part of the OECD states to the developing and less developed states. The mechanism provides establishment of long-term economic relations among them and forms sales markets of high-tech import for the OECD states. Participation of Russia in this activity is important due to the fact that with its help cooperation with the African and Latin American states, the relations with which were established by the USSR, will probably be redefined.

International Energy Agency, uniting consuming states of energy carriers, strives to provide security and interests. Application for the Russia's accession to the IEA was filed in 1996 and today the negotiations are being held, though the membership in the OECD is required for Russia for successful completion. Russia's accession to the IEA in the context of establishment of the International gas forum represents a special interest. Russia, being an initiator of its formation, will become at the same time a member of two clubs: exporters and importers of the energy carriers. Supposedly this combination will strengthen positions of Russia at the global energy market and will bring other benefits.

Accession stimulates strengthening of Russia's collaboration with the Nuclear Energy Agency and the International Transport Forum of the OECD, the membership of which has already been obtained by the state.

OECD is a center of development and promotion of recommendations, aimed at increase of the effectiveness of internal and external sectors of economy of a broad range of states.

Recommendations of the OECD on corporate management are of the most recognition. In the current conditions the importance of TNC continues to increase. It accounts for over 60% of the global trade, they are the main non-state customers of research studies. One

⁶ Report "Tax Justice Network" of the international network on examination and combating tax evasion at the level of corporations. Special attention is paid to offshore areas and "tax heavens". http://www.taxjustice.net/cms/upload/pdf/The_Price_of_Offshore_Revisited_Presser_120722.pdf

third of global direct investments are sent only by a hundred of the largest TNC⁷. Apart from that the role of the OECD, that became a leader in the development of strategies on regulation of corporate management, is growing.

The primary document in this area, “Principles of corporate management of the OECD”, approved in 1999, became the basis for formation of national legislations and codes of corporate management of large companies of many countries, including Russia. Today it is the fullest and the most reliable source of regulations of corporate behavior. The principles claim performance of responsibility by the company to the community as a main aim. They are aimed at achievement of the balance of interests, stimulation of cooperation, establishment of real control of the board of directors, as well as transparency of the company’s activity.

Russia has satisfactory legislation in the sphere of corporate management, however, it has difficulties with practice, mostly due to unfavorable institutional environment. Recently, the interest to this subject has increased, that lead to strengthening of collaboration with the OECD, particularly to the regular holding of round tables and technical seminars in Moscow.

Strengthening of interaction with the OECD after accession will help Russia to improve corporate management in accordance with the newest OECD research, and continue to improve the institutional environment. Many member states and interested states use OECD recommendations at building of a national policy on other issues, including those related to the order for the foreign capital and services, rules in the sphere of environment, chemistry, engineering standards, antimonopoly regulation, i-commerce regulations, high-tech application, education and other.

Recommendations of the OECD significantly affected formation of the Russian legislation in the specified and other fields, and thus continuation of collaboration with the OECD as a source of modern mechanisms of economic policy regulation, on which many countries focus, is important for Russia. Moreover, OECD acts as a center of development and distribution of innovative methods of control, and possibility of their application is important, collaboration with it will help the state to engage the most up-to-date management tools.

States interacting with the OECD are often interested in the deeper work-up of recommendations. In these cases collaboration between them is continued at the consulting procedures, conducted by the OECD under the following main directions: organization of educational programs for training of state officers; improvement of management mechanisms; assistance in adaptation of the OECD solutions for the conditions of a certain state; innovative methods of management.

⁷ World investment report 2012: overview. UNCTAD. p. 8. http://unctad.org/en/PublicationsLibrary/wir2012overview_en.pdf



OECD programs are a valuable practical addition to other projects of the Organization, that are often of theoretical nature. The programs are regularly conducted in the territory of Russia, and representatives of the state are invited to the global forums and other large events abroad.

Thus, the issue of Russia's benefits from accession to the OECD should be considered in the context of a long-term prospect of collaboration. Accession will give some positive results. Positive interaction on the image of the state, growth of its investment rating, possibility to participate in a number of the OECD projects and to know information, available to the members only are among them.

Nevertheless, they will be mainly evened by the costs, which should be considered for a more objective assessment. Russia has performed a great volume of works, including introduction of material changes into the legislation and practice on finance, corruption combating, for the last 7 years, and meetings at the level of the chief officers are regularly held. Russia, providing the process of accession, annually sends over 5 million euro to the OECD.

Suppositions for further strengthening of relations between Russia and OECD, as well as other member states are the main dividend from the membership. Real benefits of the state will be defined by the effectiveness of collaborations, and, as a result, more thorough examination of the issues and planning of maximization of efficiency of each aspect of interaction of Russia with the OECD in a long-term perspective is required,

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