



EU'S RECOGNITION OF RUSSIA AS "MARKET ECONOMY"

ORGALIME POSITION PAPER

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Introduction

Orgalime speaks for 31 trade federations representing some 100,000 companies in the mechanical, electrical, electronic and metalworking industries in 21 European countries. These industries employ some 7.6 million people and account for 1200 billion Euro in the GNP and a third of the manufactured exports of the European Union. As our industries export to Russia goods worth 7.5 billion Euro, we are closely following Russia's efforts to become a functional market economy and also the EC's actions on this issue.

Recognition of market economy status of Russia

The European Union has announced the recognition of market economy status of Russia. The official recognition, which will imply a modification to the EC regulation on antidumping is expected shortly.

In general, market economy status is granted only to WTO members. Therefore, recognising this status to Russia does represent a precedent, and this has already led Ukraine to request a similar recognition.

Granting market economy status to Russia is mainly a political decision of the European Union, although Russia does not seem to be respecting all the provisions included in the Partnership and Cooperation Agreement, signed in 1994, which entered into force in 1997.

Although, the reforms introduced by Russia in view of its transition to a market economy go in the right direction, the concrete application of these reforms is still very limited. During the current transitional phase, the Russian economy is still characterized by considerable distortions. For instance since 1998, only a very limited number of Russian companies, that had requested market economy recognition as far as antidumping rules are concerned, have in fact been shown to respect the necessary criteria.

As the Commission has pointed, Russian industry still benefits today from a yearly subsidy of around 5 billion euros, which in practice allows the national industry to export goods at very low prices.

The recognition of market economy status of Russia implies the modification of the EC antidumping regulation (reg. EC/384/1996) vis-à-vis Russia. Orgalime is concerned about this revision for the following reasons:

- Even with the present legal framework our industry encounters many serious difficulties in defending its legitimate interests against unfair practices;
- The unconditional granting of market economy status to Russia does not encourage the country to accelerate economic reforms;
- This political sign given by the EU will lead other countries (either WTO members or not) that do not have a market economy status, to request the same treatment.

Orgalime's position

For the above-mentioned reasons Orgalime recommends that the new EC Regulation should specify that:

- The application of the new legislation will not have retroactive effect.
- The real conditions of the functioning of the suppliers' and consumers' markets for exported products must be taken into account. This implies that one should interpret the concept of "particular market situation". The consequence will be that it would be necessary to conduct an enquiry on the « normal value » in a similar country, in order to ensure that other information is easily accessible, if market economy status cannot be granted or if some of the data provided by the beneficiary country seems to be false.
- The concept of "non-cooperation" must be strictly applied in the event of insufficient collaboration from producers/exporters covered by the complaint;
- Flexibility is needed when a complaint is lodged as far as information to be provided is concerned, in line with the requirements of EC Regulation 384/96.

Conclusion

Orgalime hopes that the Commission will take our proposals into account and will be pleased to collaborate for any further question arising from this position.