

5 October 2010

**Joint Report to the Ministers
by the expert teams of Russia (MED) and New Zealand (MFAT)**

1. Experts of Russia (MED), Belarus (MFA), Kazakhstan (MED) and experts of New Zealand (MFAT) have undertaken a comprehensive examination of the following:

- (i) trade and investment relations between Russia, Belarus, Kazakhstan and New Zealand in recent years and perspectives for the future;
- (ii) the existing institutional and legal framework governing bilateral trade and investment relations between Russia, Belarus, Kazakhstan and New Zealand;
- (iii) existing regional trade agreements of Russia, Belarus, Kazakhstan and New Zealand with their respective trading partners and their possible impact on closer trade and investment relations between Russia, Belarus, Kazakhstan and New Zealand;
- (iv) perspectives of more active engagement of Russia, Belarus and Kazakhstan into the regional economic integration processes.

2. Based on the results of this examination it is recommended that negotiations on the establishment of a free trade area between Russia, Belarus, Kazakhstan and New Zealand (participants) be commenced.

3. For all participants such an arrangement shall cover trade in goods; in respect of Russia and New Zealand it shall cover also:

- Trade in services;
- Investment;
- Movement of natural persons, related to trade and investment;
- Intellectual property rights;
- Institutional issues;
- Dispute settlement, and
- Other issues (like, e.g., government procurement, environment) which the participants may agree upon,

and with respect of Belarus and Kazakhstan it may cover also all previous categories, with due account of the regulatory system in the customs union between Russia, Belarus and Kazakhstan implying joint competence of the three countries on issues related to trade in goods. This feature of the foreign trade and investment regulation of the customs union countries may be accommodated through the respective legal structure of the arrangement allowing the customs union countries to undertake commitments of different scope and level in the areas falling outside the joint competence.

Issues of joint competence of Russia, Belarus and Kazakhstan

4. With respect to **trade in goods** the arrangement should build upon WTO disciplines and reflect the preferential relationship between the participants. Product coverage should encompass all imports between the participants in conformity with GATT article XXIV, taking into account sensitivities of different sectors of the economy for the participants. The majority of import duties should be eliminated from day one, and for sensitive goods a relatively short transition period is envisaged, which should in any case be no longer than 10 years. Effective rules of origin are to be developed allowing participants to achieve a high degree of liberalization; Consideration may be given to the change of tariff headings approach. The arrangement would include scope for improved cooperation on SPS and TBT.

5. With respect to **institutional and dispute settlement issues** the arrangement shall allow sufficient flexibility to address any relevant matter relating to the operation, further development of and potential disputes under between the participants. The arrangement should provide for an effective consultation mechanism as well as dispute resolution/arbitration mechanism being available as the last resort.

Issues of individual competence of Russia, Belarus and Kazakhstan¹

6. With respect to **trade in services** the arrangement should build upon WTO disciplines and provide for additional liberalization commitments reflecting the preferential relationship between the participants; the arrangement should comply with the conditions set out in Article V of GATS, including the requirement regarding the coverage of sectors and modes of supply. The participants may consider disciplines for mutual recognition in different areas.

7. With respect to **investment** the arrangement should not differentiate between the approaches to services and non-services sectors regulation. The overall effect of the disciplines on the investment into services sectors may not be less than that of the commitments derived from the GATS. The participants intend to consider the possibility of scheduling their respective commitments on the basis of negative list approach. The participants may consider extending of the arrangement to the issues of investment promotion and protection. Effective circumvention clause should be provided for by the arrangement allowing participants to achieve a high degree of actual liberalization.

8. The disciplines on the **movement of natural persons** should be aimed at facilitation of trade in services and investment flows between the participants, covering therefore both services and non-services sectors, and focusing mostly (although not exclusively) on categories of persons relevant to different types of business or professional establishment. The participants may decide to launch the discussion of the simplification of the visas regime.

¹ At a later stage Belarus and Kazakhstan will decide on accepting these modalities.

9. The **intellectual property issues** are to be included in the negotiations in order to ensure an adequate level of protection at the minimum the one required by the WTO TRIPS Agreement.

10. The provisions of paragraph 5 of this Report shall be applicable also to the issues of individual competence of Russia, Belarus and Kazakhstan.

11. The experts recommend that the negotiations should be concluded no later than by the end of 2011 and lead to the establishment of broad-based free trade areas with high level of liberalization, between the participants.