

Press Release

Roundtable of the RF Civic Chamber on improving the implementation of the Law "On Industrial Policy in the Russian Federation"

Moscow, 2 August 2016 – On 21 July 2016 the Russian Federation (RF) Civic Chamber held a roundtable on improving the implementation of the Law "On Industrial Policy in the Russian Federation", which entered into force in December 2014. Business executives discussed the prospect of revisions to the law with the head of the department of the Ministry of Industry and Trade of Russia responsible for the law.

Federal Law No. 488-FZ dated 31 December 2014 "On Industrial Policy in the Russian Federation" entered into force the same day. The law includes many provisions aimed at promoting industrial activity, in particular support for scientific research and innovation during the implementation of industrial policy, informational and technical assistance, and support for foreign trade.

"Enough time has already passed since the law came into effect, and the time has come to draw interim conclusions and make recommendations to the Ministry of Industry and Trade on how certain provisions could be improved. It is important for us to improve the legal base, to ensure that the economic slowdown gives way to sustainable growth", remarked Oleg Kalinsky, a member of the RF Civic Chamber Commission for Development of the Real Sector of the Economy, when opening the meeting.

One of the masterminds of the law, **Vasily Osmakov**, Director of the Strategic Development and Project Management Department of the Ministry of Industry and Trade of Russia, stressed the department's willingness to diversify the industry support tools set forth in the law.

Oleg Kalinsky noted that some state-sponsored metallurgical and mechanical engineering projects generate surplus capacity that is not backed up by demand and are then a "drag on the market".

According to **Falk Tischendorf**, Head of BEITEN BURKHARDT's Moscow office, when opening production facilities most companies are motivated more by long-term planning

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opportunities than trade preferences.

"It is hard for mid-market companies to satisfy the demands made when concluding special-purpose investment contracts. Big business works closely with medium-sized business, and therefore an effective industrial policy must take into account the interests of all industry players", advised Mr. Tischendorf.

Business executives recommended that the conditions for developing the manufacture of components be created (for example, preferential loans for production growth, state-run industrial parks without lease fees and taxes during the start-up period), and that amendments be introduced to the lists of technological production operations defined by the requirements that industrial products must meet to be classified as having been manufactured in the Russian Federation.

In addition, the representatives of foreign companies asked that the amendments to the regulatory framework take into account the existence of patents of foreign companies which make it impossible to localise the production of certain product components in Russia and to meet the requirements on industrial products manufactured in the Russian Federation set forth in Resolution No. 719 of the Government of the Russian Federation.

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