EURASIAN ECONOMIC COMMISSION

INDUSTRIAL POLICY IN THE EURASIAN ECONOMIC UNION: THREE YEARS OF INTEGRATION

Moscow
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TABLE OF CONTENTS

PRESIDENTS OF THE EAEU COUNTRIES ON JOINT DEVELOPMENT OF THE INDUSTRY 4

OPENING REMARKS BY S.S. SIDORSKIY, MEMBER OF THE BOARD-MINISTER IN CHARGE OF INDUSTRY AND AGRICULTURE 9

SECTION 1. MAIN CHARACTERISTICS OF THE INDUSTRIES OF THE EAEU COUNTRIES 12

1.1. Main trends of development of the EAEU industrial complex in 2015-2017 13

1.2. Industrial complex of the republic of Armenia 16

1.3. Industrial complex of the republic of Belarus 18

1.4. Industrial complex of the republic of Kazakhstan 20

1.5. Industrial complex of the Kyrgyz Republic 22

1.6. Industrial complex of the Russian Federation 24

SECTION 2. EAEU GOVERNING BODIES MAKING DECISIONS IN THE SPHERE OF INDUSTRY 26

SECTION 3. INDUSTRIAL UNITS WITHIN THE EEC 28

SECTION 4. INDUSTRIAL POLICY DEPARTMENT OF THE EEC 30

SECTION 5. ADVISORY COMMITTEE ON INDUSTRY OF THE EEC 32

SECTION 6. STAGES OF DEVELOPMENT OF THE EURASIAN INTEGRATION IN THE INDUSTRIAL SPHERE 37

SECTION 7. LEGAL BASIS FOR INDUSTRIAL POLICY OF THE EAEU 41

7.1. Article 92 «Industrial policy and cooperation», Annex no. 27 to the Treaty on the EAEU and implementation of main provisions thereof 42

7.2. Article 93 «Industrial subsidies». Legal basis of agreed industrial policy of EAEU countries in the sphere of granting subsidies 45

SECTION 8. IMPLEMENTATION OF AGREED INDUSTRIAL POLICY 52

8.1 Cooperation in priority branches 56

8.2 Cooperation in the sectors of science, technology and innovations 79

8.3 System-wide measures in the sphere of industrial policy 84

SECTION 9. INTERNATIONAL COOPERATION 113

SECTION 10. PROSPECTS FOR THE INTEGRATION AND FOR ENSURING SUSTAINABLE DEVELOPMENT OF THE INDUSTRY 116

“For nearly three years of its operation, the Eurasian Union carried out a considerable amount of work in terms of practical implementation of principles of free movement of goods, services, capital and labor on the common market. The contractual and legal framework is being constantly updated, the priorities of the Union have already been determined, there is joint coordination of policies in the most important branches of the economy, and the coverage of the multilateral cooperation of the EAEU is consistently growing.[1]

Concerted actions enabled stabilizing the situation in the economic sphere, thanks to the support of some branches of the economy. Therefore, a growth trend in industrial and agricultural production has emerged.

In the modern environment it is necessary to focus on implementing mutually beneficial projects, strengthening the Union from within, and eliminating barriers.[2]

Serzh Sargsyan,
President of the Republic of Armenia

[1] President Serzh Sargsyan's speech at a meeting of the Supreme Eurasian Economic Council (October 11, 2017)

[2] President Serzh Sargsyan's speech at a meeting of the Supreme Eurasian Economic Council (April 14, 2017)

Our country considers the Eurasian Economic Union as the most important integration association contributing to the economic and social stability in the region. We welcome the consistent expansion of the number of participants of the Eurasian integration, we support the open equitable dialogue of the EAEU with other countries, international organizations and international integration associations.

We propose:

- *taking measures to accelerate the transition to an agreed, and in the long term – to a single industrial and agricultural policy, development of industrial cooperation, implementation of joint investment projects both within the Union and beyond its borders;*
- *accelerating the development and adoption of the main directions of industrial cooperation within the Union*[3]

Alexander Lukashenko,
President of the Republic of Belarus

[3] President of Belarus Alexander Lukashenko's address to Heads of the Member States of the Eurasian Economic Union (Minsk, January 1, 2015)

The Eurasian Economic Union is an important integration association contributing to the creation of stable conditions for developing the economy and new opportunities for the well-being of citizens.[4]

Industrialization should become the flagship for the implementation of new technologies. In particular, its results became one of the main stabilizing factors in the crisis years of 2014-2015, when oil prices fell sharply. Therefore, the focus on the processing sector with high labor productivity is unchanged. At the same time, industrialization should become more innovative, taking all advantages of the new technological mode – Industry 4.0. It is necessary to develop and test new instruments aimed at modernizing and digitalizing our enterprises with a focus on product exports. They should primarily encourage the transfer of technologies.[5]

Nursultan Nazarbayev,
President of the Republic of Kazakhstan

[4] President of the Republic of Kazakhstan Nursultan Nazarbayev address to Heads of the Member States of the Eurasian Economic Union (Astana, January 22, 2016)
[5] President of the Republic of Kazakhstan N. Nazarbayev address to the people of Kazakhstan (January 10, 2018)

“Accession to the EAEU was our deliberate, conscious and strategically verified act, which was meeting our national interests. In general, I should note that we have joined the EAEU on beneficial terms for the country and have received significant positive results since the accession.

Special attention shall be paid to the development of those projects that create regional production chains ensuring the development of cooperative ties between our countries. In order to finance such projects, the Eurasian Development Bank has to boost its activities. It is essential for us to have a genuinely functioning financial institution for the EAEU’s development aimed at deepening integration processes.[6]

Sooronbay Jeenbekov
President of the Kyrgyz Republic

[6] Speech of the President of the Kyrgyz Republic at the meeting of the Supreme Eurasian Economic Council (Sochi, May 14, 2018)

Integration has a positive effect on economic growth rates of our States. The aggregate GDP of the Eurasian Economic Union has increased by 1.8 per cent this year. Positive dynamics is registered in strategic production branches: industry growth was 2.4 per cent, agriculture — almost 1 per cent, freight and passenger traffic increased, respectively, by 6.9 and 7.8 per cent.

We are convinced that we should continue to work in a consistent manner on eliminating the restrictions impeding the free movement of goods, labor, services and capital between our States.

I would like to note that our today's decisions on fostering cooperation in the field of space and geo-information services, as well as on merging the national Earth remote sensing systems currently operating in the States of the Eurasian Economic Union, are also some of the most important decisions we make.[7]

Vladimir Putin,
President of the Russian Federation

[7] President of Russia Vladimir Putin's speech at a meeting of the Supreme Eurasian Economic Council (Sochi, October 17, 2017)

OPENING REMARKS

BY S.S. SIDORSKIY, MEMBER OF THE BOARD-MINISTER IN CHARGE OF INDUSTRY AND AGRICULTURE

OPENING REMARKS BY S.S. SIDORSKIY, MEMBER OF THE BOARD-MINISTER IN CHARGE OF INDUSTRY AND AGRICULTURE

Industrial cooperation in the EAEU is of the highest priority for integration processes on the Eurasian space.

The real sector acts as the central core of economic integration of the Members of the Eurasian Economic Union, around which the coordination processes of other sectors of the economy are built – a common trade, customs and financial space.

The Eurasian Economic Commission proposed and formed approaches for conducting an agreed industrial policy in the Union, which were supported by EAEU Member States and then incorporated into the Treaty on the EAEU.

Thus, the industrial policy was for the first time on the post-Soviet space emphasized as one of the important elements of interaction between the Parties.

In 2015, the Eurasian Economic Commission, in accordance with the Treaty on the EAEU, developed a systemic document – the Main directions of industrial cooperation, setting forth a strategic vision for a mid-term development of the EAEU industrial complex.

Within the framework of the Main directions, the Commission's activity is aimed at deepening industrial cooperation in priority branches and eliminating barriers in mutual trade, developing import substitution and implementing innovations, creating new high-tech production sites.

In the follow-up of this fundamental document, we promptly developed over a hundred regulatory documents, which have been supported by the Parties. The focus was placed on deepening cooperation of Member States, elaborating agreed approaches to import substitution tasks, building interaction in the sphere of innovation.

It is important to note that it was integration in the real sector that enabled the EAEU countries to get to a new route of economic growth, becoming its major driver over the recent years.

It was, in many ways, made possible through the coordinated efforts of the Member States of the Union and the Eurasian Economic Commission on building and implementing in practice the agreed industrial policy.

The past three years were the most notable ones in terms of efficiency of the work of the Commission's industrial units, which is demonstrated by several vivid examples and indicators.

We have made good progress in coordination of joint efforts in priority industries of the EAEU.

In agricultural mechanical engineering, subsidy issues with regard to joint ventures producing high-tech and competitive products are being successfully addressed.

In production of passenger vehicles, there have been removed all barriers for free circulation of passenger cars manufactured in the EAEU countries in the industrial assembly mode.

There have been created the conditions for admission of the Member States' industrial products

to projects within the framework of import substitution programs in Russia, and 62 specific import substitution projects in 17 industries have been covered by the Commission's Decisions, which allowed to elaborate on a systemic basis practical issues of organizing industrial cooperation with the participation of enterprises from the Union's countries.

The industrial and innovation infrastructure of the EAEU has been successfully formed. There are 13 Eurasian innovative technological platforms and competence centers created, which successfully operate and unite a total of more than 400 leading national scientific and industrial organizations of the Eurasian Economic Union.

In order to provide investors of the Parties with financial sources, a Road Map was signed with the Eurasian Development Bank on building a systemic work between the EEC and the EADB in the sphere of implementing investment projects and industrial cooperation, which will allow involving small and medium-sized businesses in the implementation of cooperative and integration projects.

In terms of financing joint programs and projects, we have developed, and the Heads of Governments of the Union have approved the Regulation on the development, financing and implementation of interstate programs and projects in the industrial sphere, enabling to launch joint innovative programs and cooperation projects in the Union, including those that involve co-financing from the national state budgets of the EAEU countries.

In general, practical steps in the real sector enabled to reach a significant growth of commodity turnover between our countries that increased by almost a third in 2017 compared to the same period last year, and leaves behind the trade of the Union with third countries, which clearly demonstrates the real contribution of integration processes to the economic growth of the EAEU.

The key to ensuring development of the Eurasian Economic Union and to improving its competitiveness is the transition of the industry to new digital technologies.

We approached the Parties with initiatives on coordination of this work within the Union and consider it possible to accelerate digital transformation of production processes in the industrial sector of the Union, which will allow launching joint competitive, innovative and knowledge-intensive production sites.

Undoubtedly, intensification of joint efforts will allow bringing the levels of industrial development of our States closer, will create new innovative sectors in the EAEU economy and will take our industrial complexes to a new technological mode.

Kind regards,
Sergey S. SIDORSKIY,
Member of the Board-minister in charge of Industry and Agriculture

SECTION 1

MAIN CHARACTERISTICS OF THE INDUSTRIES OF EAEU COUNTRIES

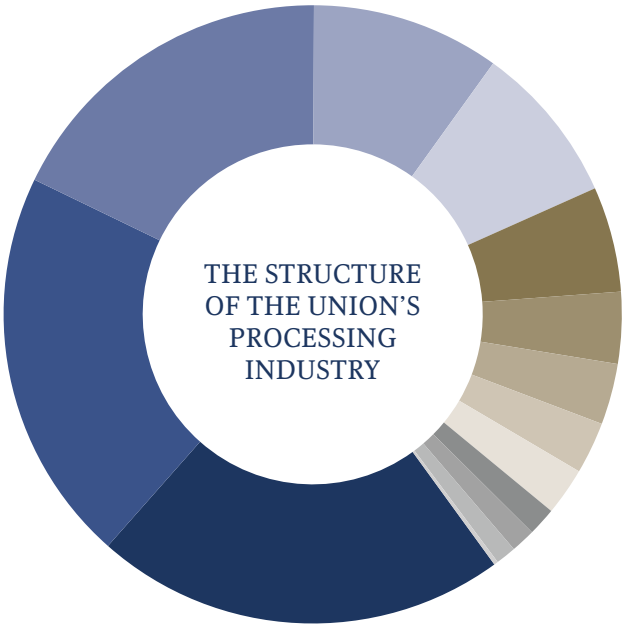
1.1. MAIN TRENDS OF DEVELOPMENT OF THE EAEU INDUSTRIAL COMPLEX IN 2015-2017

Industry plays an important role in the economy of the Eurasian Economic Union, forming almost 25% of the total GDP of the Union countries.

In the structure of industry, the processing industry plays the leading role, accounting for 64.7% of the total volume of industrial production.

By the end of 2017, the volume of industrial production of the Eurasian Union amounted to 1.1 trillion US dollars.

The industry of the Union, after a recession in 2015 caused by the global financial crisis, when the volume of industrial production fell by 3.4%, in 2016 and 2017 showed a steady recovery of industrial production volumes: +0.9% growth against the previous year in 2016 and +1.7% growth in 2017.

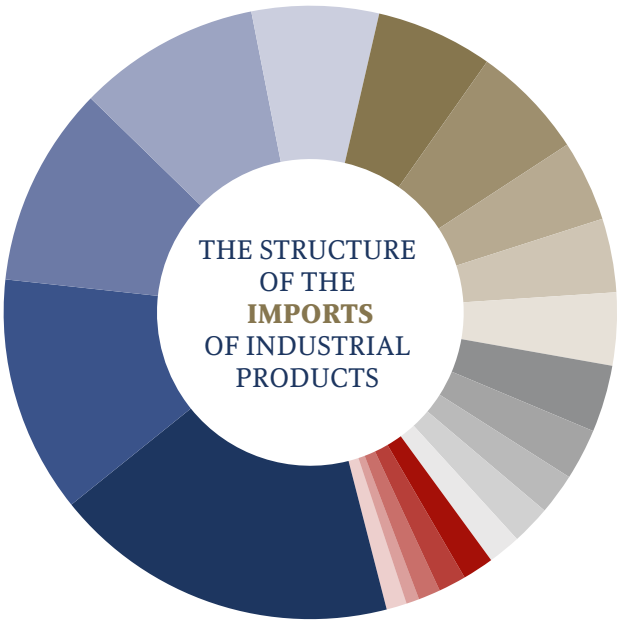


The structure of the Union's processing industry is dominated by the production of petroleum products, metallurgy, food industry, and mechanical engineering.

- 21,5% *Manufacture of coke and petroleum products*
- 20,6% *Metallurgical production and production of finished metal goods*
- 17,9% *Manufacture of food products, including beverages, and tobacco*
- 9,9% *Production of vehicles and equipment*
- 8,4% *Chemical production*
- 5,5% *Production of electric equipment, electronic and optical equipment*
- 3,7% *Manufacture of other non-metallic mineral products*
- 3,2% *Production of machinery and equipment*
- 2,7% *Manufacture of rubber and plastic goods*
- 2,5% *Pulp and paper production and publishing*
- 1,5% *Woodworking and production of woodware*
- 1,3% *Other processing industries*
- 1,1% *Textile and clothing industry*
- 0,2% *Manufacture of leather, leather goods and footwear manufacture*

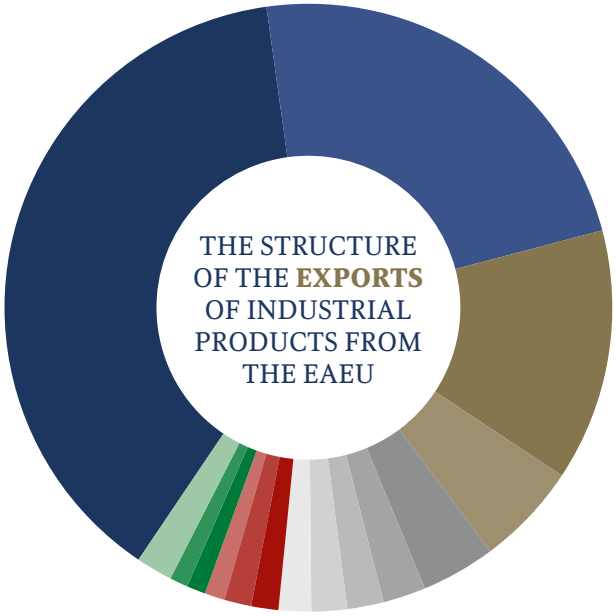
The Eurasian Economic Union is a world leader in oil production, it is second in natural gas production, fourth – in energy generation and cast-iron production, and fifth – in steelmaking.

The share of domestic industrial products on the market of the Union is 77.2%, of which 5.2% is made up by mutual supplies between Member States. In turn, imports from third countries make up 22.8%, and their share is gradually decreasing (in 2015 imports made 24.6% of the EAEU market, in 2016 – 23.5%).



The imports of industrial products are dominated by machinery and equipment, electronic optical products, vehicles, chemical and pharmaceutical products, as well as food products.

- 18% *Machinery and equipment not elsewhere classified*
- 12% *Computer, electronic and optical equipment*
- 11% *Motor vehicles, trailers and semitrailers*
- 10% *Basic chemical substances and chemical products*
- 7% *Electrical equipment*
- 6% *Food products*
- 6% *Pharmaceutical products*
- 4% *Finished metal goods, other than machinery and equipment*
- 4% *Rubber and polymer goods*
- 4% *Products of metallurgy*
- 4% *Clothes*
- 3% *Other Manufactures*
- 2% *Other vehicles and equipment*
- 2% *Manufacture of leather, leather goods*
- 2% *Textiles*
- 2% *Pulp and paper production*
- 1% *Manufacture of other non-metallic mineral products*
- 1% *Beverages*
- 1% *Furniture*
- 1% *Other commodities*



The structure of exports of industrial products from the EAEU is dominated by refined petroleum products, metallurgy, chemical industry and food products.

- 38,3% *Manufacture of coke and petroleum products*
- 23,1% *Products of metallurgy*
- 13,4% *Basic chemical substances and chemical products*
- 5,5% *Food products*
- 3,9% *Woodworking products*
- 2,3% *Other vehicles and equipment*
- 1,9% *Machinery and equipment*
- 1,9% *Computer, electronic and optical equipment*
- 1,4% *Pulp and paper production*
- 1,4% *Motor vehicles, trailers and semitrailers*
- 1,1% *Finished metal goods, other than machinery and equipment*
- 1% *Manufacture of other non-metallic mineral products*
- 1% *Electrical equipment*
- 1,9% *Manufacture of rubber and plastic goods*
- 1,9% *Other commodities*

1.2. INDUSTRIAL COMPLEX OF THE REPUBLIC OF ARMENIA

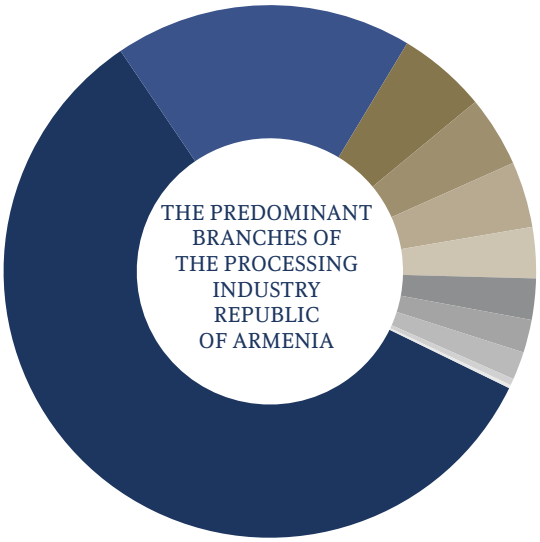
Industry takes one of the leading places in the economy of the Republic of Armenia, forming **18.4% of its GDP.**

Within the EAEU, the share of the Republic of Armenia amounts to **0.3%** of the total volume of industrial production.

At the same time, the structure of industry of the Republic of Armenia is dominated by the processing industry, accounting for **62.6%** of the total industrial production.

In 2017, the volume of industrial production in the Republic of Armenia totaled **3.4 billion US dollars.**

Since joining the EAEU, the industry of the Republic of Armenia is actively developing: while in 2015 the industrial production grew by 5.2%, in 2016 the growth achieved was 6.7%, and by the end of 2017 – 12.6%.



The predominant branches of the processing industry include manufacture of food products, beverages and tobacco, metallurgy, jewelry industry, construction materials industry.

- 58,3% *Manufacture of food products, including beverages, and tobacco*
- 18,1% *Metallurgical production and production of finished metal goods*
- 5,4% *Other processing industries*
- 4,3% *Manufacture of other non-metallic mineral products*
- 4% *Pulp and paper production and publishing*
- 3,1% *Production of rubber and plastic goods*
- 2,5% *Production of electric equipment, electronic and optical equipment*
- 2% *Chemical production*
- 1,7% *Textile and clothing industry*
- 0,4% *Production of machinery and equipment*
- 0,2% *Manufacture of leather, leather goods and footwear manufacture*

THE MAIN DIRECTIONS OF EXPORTS OF INDUSTRIAL PRODUCTS OF THE REPUBLIC OF ARMENIA

The exports of industrial products of the Republic of Armenia are dominated by products of metallurgy (35.6%), tobacco products (33.1%), clothes (7.9%), electronic and optical products (4.7%), food products (4.6% %) and beverages (4.4%).

Products of metallurgy

35,6%

Tobacco products

33,1%

Clothes

7,9%

Electronics and optics

4,7%

Food products

4,6%

Beverages

4,4%

Other commodities

9,7%

The geographical structure of exports of industrial products of the Republic of Armenia is dominated by Russia, however, a significant share of industrial products is also sent to the countries of the European Union.

37,7%

Russia

11,2%

Germany

9,8%

Iraq

7,2%

Netherlands

5,5%

UAE

4,9%

USA

4,7%

Georgia

4,3%

Syria

3,1%

Italy

1.3. INDUSTRIAL COMPLEX OF THE REPUBLIC OF BELARUS

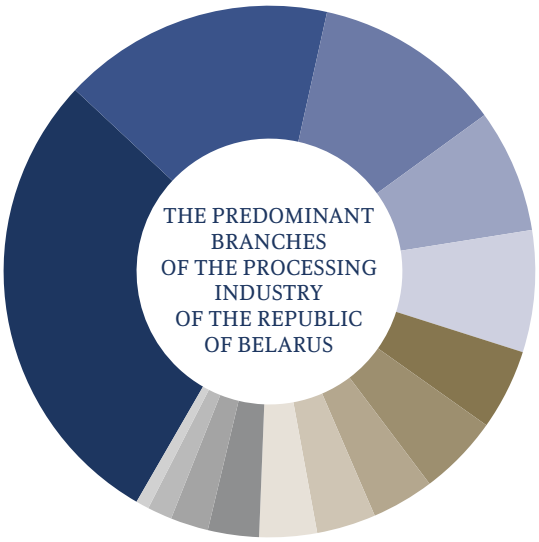
The Republic of Belarus has a developed and well-diversified industry, accounting for **26.4% of its GDP.**

This helped the country to successfully overcome the negative impact of the global financial crisis: while the volume of industrial production decreased by 6.4% in 2015 and by 0.4% in 2016 compared to the previous year, in 2017 a positive growth of 6.1% was achieved.

In 2017, the volume of industrial production totaled **48.2 billion US dollars.**

The Republic of Belarus forms **4.4%** of the total volume of industrial production of the EAEU.

In the structure of industrial production, the largest share is held by the processing industry – **88%.**



28,6% *Manufacture of food products, including beverages, and tobacco*

16,5% *Manufacture of coke and petroleum products*

11,5% *Chemical production*

7,5% *Production of machinery and equipment*

7,4% *Metallurgical production and production of finished metal goods*

4,9% *Production of electric equipment, electronic and optical equipment*

4,9% *Manufacture of other non-metallic mineral products*

3,8% *Production of rubber and plastic goods*

3,6% *Textile and clothing industry*

3,5% *Production of vehicles and equipment*

3,1% *Woodworking and production of woodware*

2,3% *Other processing industries*

1,5% *Pulp and paper production and publishing*

0,8% *Manufacture of leather, leather goods and footwear manufacture*

The leading industries are mechanical engineering, metallurgy, production of agricultural and food products, oil refining, woodworking, and chemical industry.

THE MAIN DIRECTIONS OF EXPORTS OF INDUSTRIAL PRODUCTS OF THE REPUBLIC OF BELARUS

The exports of industrial products of the Republic of Belarus are dominated by coke and petroleum products (39.8%), products of chemical industry (24.4%), products of metallurgy (6.1%), products of woodworking industry (5.4%), machinery and equipment (4.6%), as well as agricultural machinery (1.7%).

Coke and petroleum products

39,8%

Chemical products

24,4%

Products of metallurgy

6,1%

Woodware

5,4%

Machinery and equipment

4,6%

Construction materials

4,6%

Food products

2,5%

Motor vehicles, trailers and semi-trailers

2%

Other commodities

10,5%

The geographical structure of industrial exports is dominated by the EAEU countries, and especially Russia.

45,2%

Russia

12,4%

Ukraine

8,9%

Great Britain

4,1%

Netherlands

3,8%

Poland

3,0%

Lithuania

2,2%

Kazakhstan

1,8%

Germany

1,6%

Brazil

1.4. INDUSTRIAL COMPLEX OF THE REPUBLIC OF KAZAKHSTAN

Industry takes one of the leading places in the economy of the Republic of Kazakhstan, forming **27.5% of its GDP.**

The Republic of Kazakhstan is ranked second among the EAEU Member States, forming **6.3%** of the volume of industrial production of the EAEU.

At the same time, the structure of industry of the Republic of Kazakhstan is dominated by mining industry, which accounts for 51.9%. In turn, processing industry takes up 40.4% in the structure of industry, i.e. the Republic of Kazakhstan is the only Member State of the EAEU where processing industry does not form the basis for industrial production.

In 2017, the volume of industrial production of the Republic of Kazakhstan totaled **69.5 billion US dollars.**

The industry of the Republic of Kazakhstan has successfully overcome the impact of the global financial crisis, and, following two years of decline in 2015 and 2016, by the end of 2017, it ensured a 7.1% increase in the volume of industrial production.

The predominant branches of the processing industry include metallurgy, manufacture of food products, beverages and tobacco, oil refining, chemical industry, and construction materials industry.

- 49,4% *Metallurgical production and production of finished metal goods*
- 21,5% *Manufacture of food products, including beverages, and tobacco*
- 8,2% *Manufacture of coke and petroleum products*
- 5,1% *Manufacture of other non-metallic mineral products*
- 4,6% *Chemical production*
- 3% *Production of vehicles and equipment*
- 2% *Production of rubber and plastic goods*
- 1,8% *Production of electric equipment, electronic and optical equipment*
- 1,3% *Production of machinery and equipment*
- 1,1% *Pulp and paper production and publishing*
- 1% *Textile and clothing industry*
- 0,6% *Other processing industries*
- 0,3% *Woodworking and production of woodware*
- 0,1% *Manufacture of leather, leather goods and footwear manufacture*

THE MAIN DIRECTIONS OF EXPORTS OF INDUSTRIAL PRODUCTS OF THE REPUBLIC OF KAZAKHSTAN

The exports of industrial products of the Republic of Kazakhstan are dominated by products of metallurgy (58.2%), coke and petroleum products (15%), products of chemical industry (14.8%), and food products (6.4%).

Products of metallurgy

58,2%

Coke and petroleum products

15%

Chemical products

14,8%

Food products

6,4%

Machinery and equipment

1%

Vehicles and equipment

1%

Other commodities

3,5%

The geographical structure of exports of industrial products of the Republic of Kazakhstan is dominated by China and Russia.

24,6%

China

17,2%

Russia

7,4%

Netherlands

5,9%

Turkey

4,4%

Uzbekistan

3,7%

UAE

3,7%

Japan

3,2%

Afghanistan

2,9%

Kyrgyzstan

1.5. INDUSTRIAL COMPLEX OF THE KYRGYZ REPUBLIC

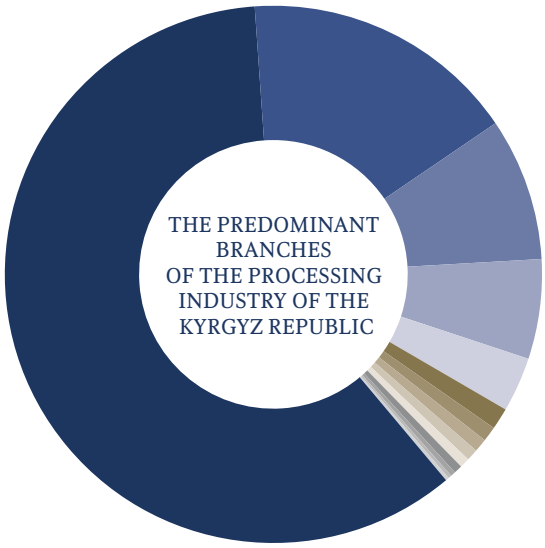
Industry is one of the leading spheres of economy of the Kyrgyz Republic – it forms **18.7% of its GDP.**

Within the EAEU, the share of the Kyrgyz Republic amounts to **0.3%** of the total volume of industrial production.

The structure of industry of the Kyrgyz Republic is dominated by the processing industry, accounting for 76.3% of the volume of industrial production.

In 2017, the volume of industrial production of the Kyrgyz Republic totaled **3.3 billion US dollars.**

The accession of the Kyrgyz Republic to the EAEU had a positive effect on the state of the republic's industry: while in 2015 the industrial production decreased by 4.4%, by the end of 2016 the volume of industrial production already increased by 4.9%, and in 2017 the positive growth of the volume of industrial production made 11.5%.



The predominant branches of the processing industry include metallurgy, manufacture of food products, beverages and tobacco, construction materials industry, oil refining, as well as textile and clothing industry.

- 60% *Metallurgical production and production of finished metal goods*
- 16,6% *Manufacture of food products, including beverages, and tobacco*
- 8,6% *Manufacture of other non-metallic mineral products*
- 6% *Manufacture of coke and petroleum products*
- 3,3% *Textile and clothing industry*
- 1,3% *Production of rubber and plastic goods*
- 0,9% *Pulp and paper production and publishing*
- 0,8% *Production of electric equipment, electronic and optical equipment*
- 0,7% *Production of vehicles and equipment*
- 0,6% *Other processing industries*
- 0,5% *Chemical production*
- 0,3% *Woodworking and production of woodware*
- 0,2% *Manufacture of leather, leather goods and footwear manufacture*
- 0,2% *Production of machinery and equipment*

THE MAIN DIRECTIONS OF EXPORTS OF INDUSTRIAL PRODUCTS OF THE KYRGYZ REPUBLIC

The exports of industrial products of the Kyrgyz Republic are dominated by machinery and equipment (19.4%), coke and petroleum products (16.5%), products of automotive industry (10%), construction materials (9%), tobacco products (8.8%), and products of metallurgy (7.4%).

Machinery and equipment

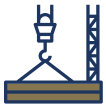
19,4%

Coke and petroleum products

16,5%

Products of automotive industry

10%



Construction materials

9%

Tobacco products

8,8%

Products of metallurgy

7,4%

Food products

6,3%

Chemical products

5,3%

Other commodities

17,4%

The geographical structure of exports of industrial products of the Kyrgyz Republic is dominated by the EAEU Member States, first of all Russia and Kazakhstan, and also its immediate neighbors — Uzbekistan, Tajikistan, China and Turkey.

33,3%

Russia

25,0%

Kazakhstan

15,5%

Uzbekistan

9,1%

China

4,1%

Turkey

3,3%

Belgium

3,1%

Tajikistan

1,3%

Belarus

0,5%

Germany

1.6. INDUSTRIAL COMPLEX OF THE RUSSIAN FEDERATION

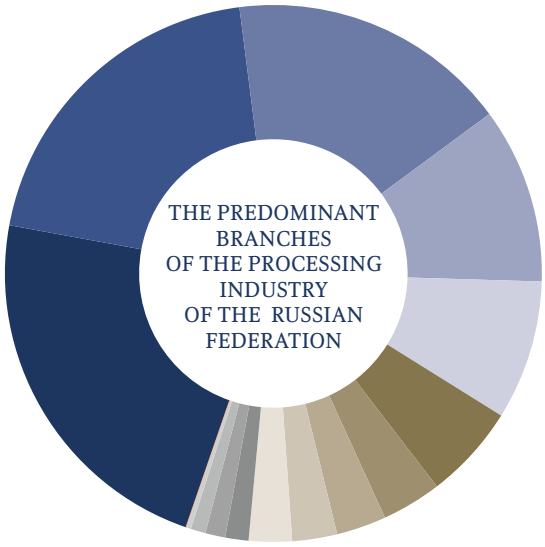
The Russian Federation has the most extensive industry among the Member States, which produces **88.7%** of the industrial output of the EAEU.

In the structure of the Russian Federation's **GDP** industry takes **up 24.6%**.

After the decline of industrial production in 2015 by 3.4% due to the impact of the global financial crisis, in 2016 and 2017 the industry of Russia demonstrated an increase in industrial production rates – by 1.1% and 1.0%, respectively.

In 2017, the volume of industrial production totaled **980.7 billion US dollars.**

In the structure of industrial production, the largest share is held by the processing industry – **65.3%.**

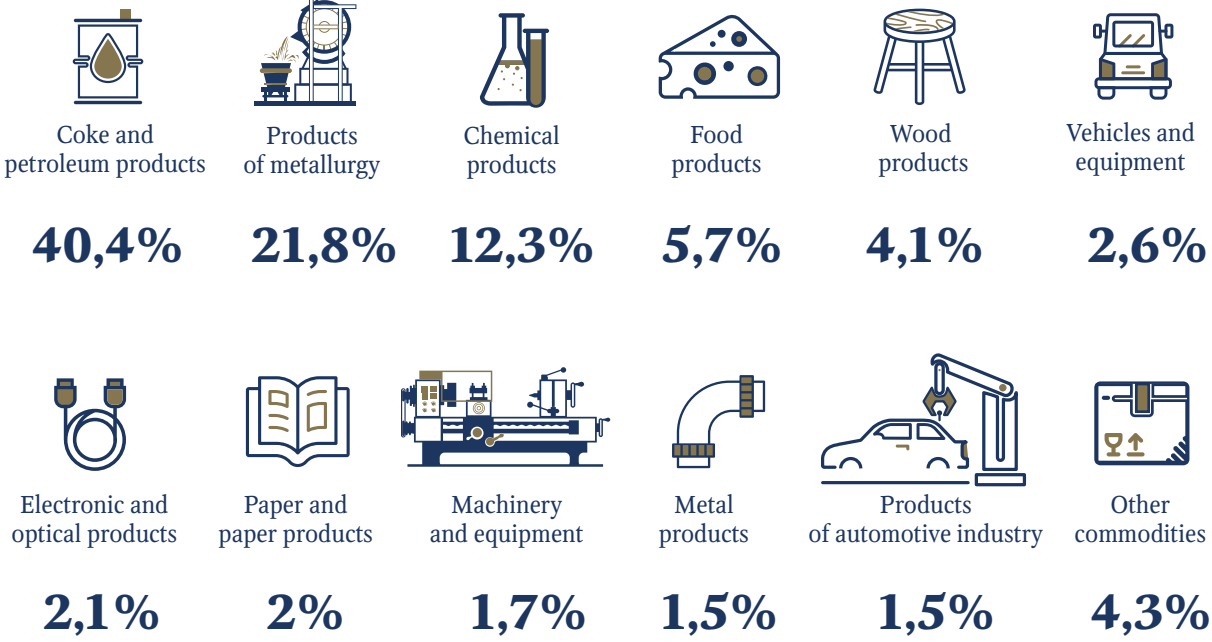


The leading industries are oil refining, metallurgy, manufacture of food products, beverages and tobacco, mechanical engineering, and chemical industry.

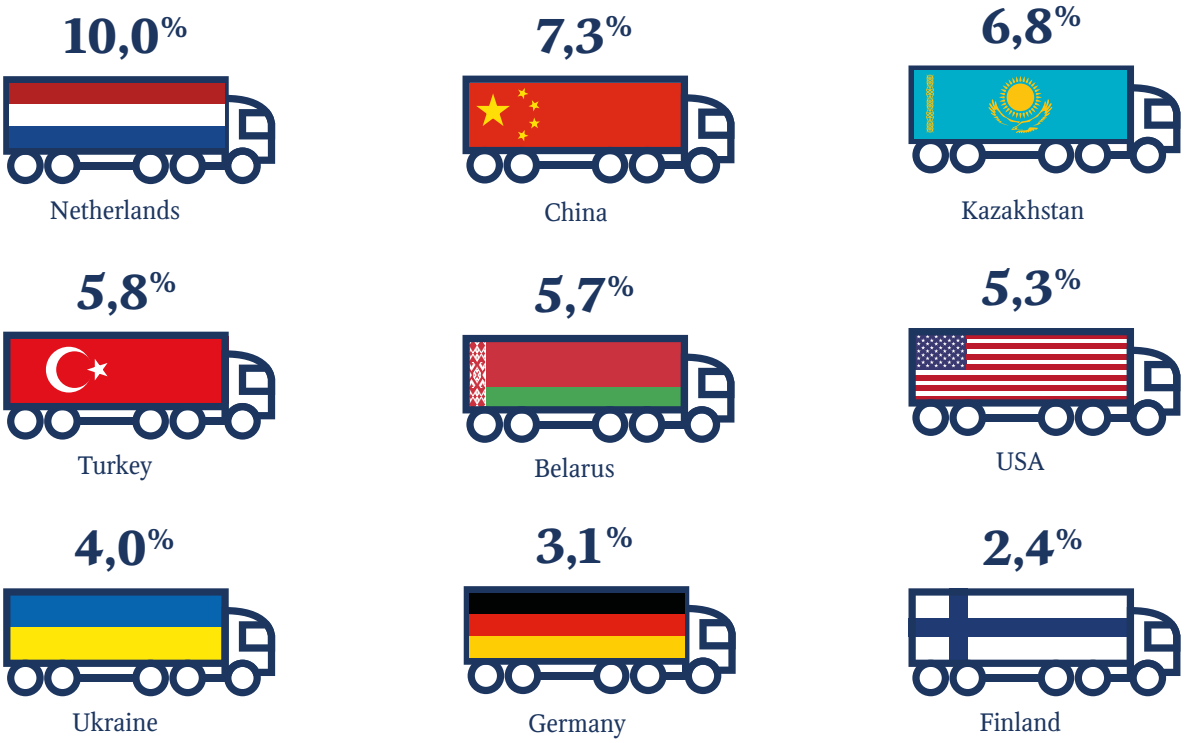
- 22,6% *Manufacture of coke and petroleum products*
- 20,1% *Metallurgical production and production of finished metal goods*
- 16,9% *Manufacture of food products, including beverages, and tobacco*
- 10,6% *Production of vehicles and equipment*
- 8,4% *Chemical production*
- 5,7% *Production of electric equipment, electronic and optical equipment*
- 3,6% *Manufacture of other non-metallic mineral products*
- 3% *Production of machinery and equipment*
- 2,7% *Production of rubber and plastic goods*
- 2,6% *Pulp and paper production and publishing*
- 1,4% *Woodworking and production of woodware*
- 1,2% *Other processing industries*
- 0,9% *Textile and clothing industry*
- 0,3% *Manufacture of leather, leather goods and footwear manufacture*

THE MAIN DIRECTIONS OF EXPORTS OF INDUSTRIAL PRODUCTS OF THE RUSSIAN FEDERATION

The exports of industrial products of the Russian Federation are dominated by coke and petroleum products (40.4%), products of metallurgy (21.8%), products of chemical industry (12.3%), food products (5.7%), and products of woodworking industry (4.1%).



The geographical structure of exports of industrial products is dominated by the countries of the European Union, as well as the immediate neighbors of the Russian Federation, including the EAEU Member States.



SECTION 2

EAEU GOVERNING BODIES MAKING DECISIONS IN THE SPHERE OF INDUSTRY

Implementation of the industrial policy within the framework of the Eurasian Economic Union implies institutional interaction of the authorized decision making bodies.

THE GOVERNING BODIES OF THE UNION MAKING DECISIONS IN THE SPHERE OF INDUSTRIAL POLICY ARE:

- Heads of States
- Defines the strategy, prospects, and resolves strategic issues of the EAEU's activities, etc.
- Meeting at least once a year

THE SUPREME EURASIAN ECONOMIC COUNCIL

- Heads of Governments
- Ensures the implementation and monitors the fulfillment of treaties and decisions; revokes the Commission's decisions;
- Meeting at least twice a year

THE EURASIAN INTERGOVERNMENTAL COUNCIL

- Council (Management, Deputy Heads of Governments) + Board (Executive body) + Departments = permanent governing body;
- Ensures conditions for EAEU's functioning and development, budgeting; and powers under treaties, etc.

THE EURASIAN ECONOMIC COMMISSION

- Permanent judicial body;
- Each State is represented by 2 judges; the Grand Panel, the Panel, the Appeals Chamber;
- Appointed by the Supreme Council;
- Disputes on the implementation of treaties within the Union and decisions of the Union's bodies

COURT OF THE UNION

In accordance with the Treaty on the EAEU, the Member States, under the coordination of the Commission, developed a strategic document, the Main directions of industrial cooperation within the framework of the Eurasian Economic Union (hereinafter referred to as the Main directions), which was approved by the Eurasian Intergovernmental Council. In accordance with the Treaty on the EAEU, the Main directions of industrial cooperation within the framework of the Union are implemented by the Member States together with the Eurasian Economic Commission (hereinafter — the Commission, EEC). The general governance is entrusted to the Board Member — Minister in charge of Industry and Agriculture of the EEC.

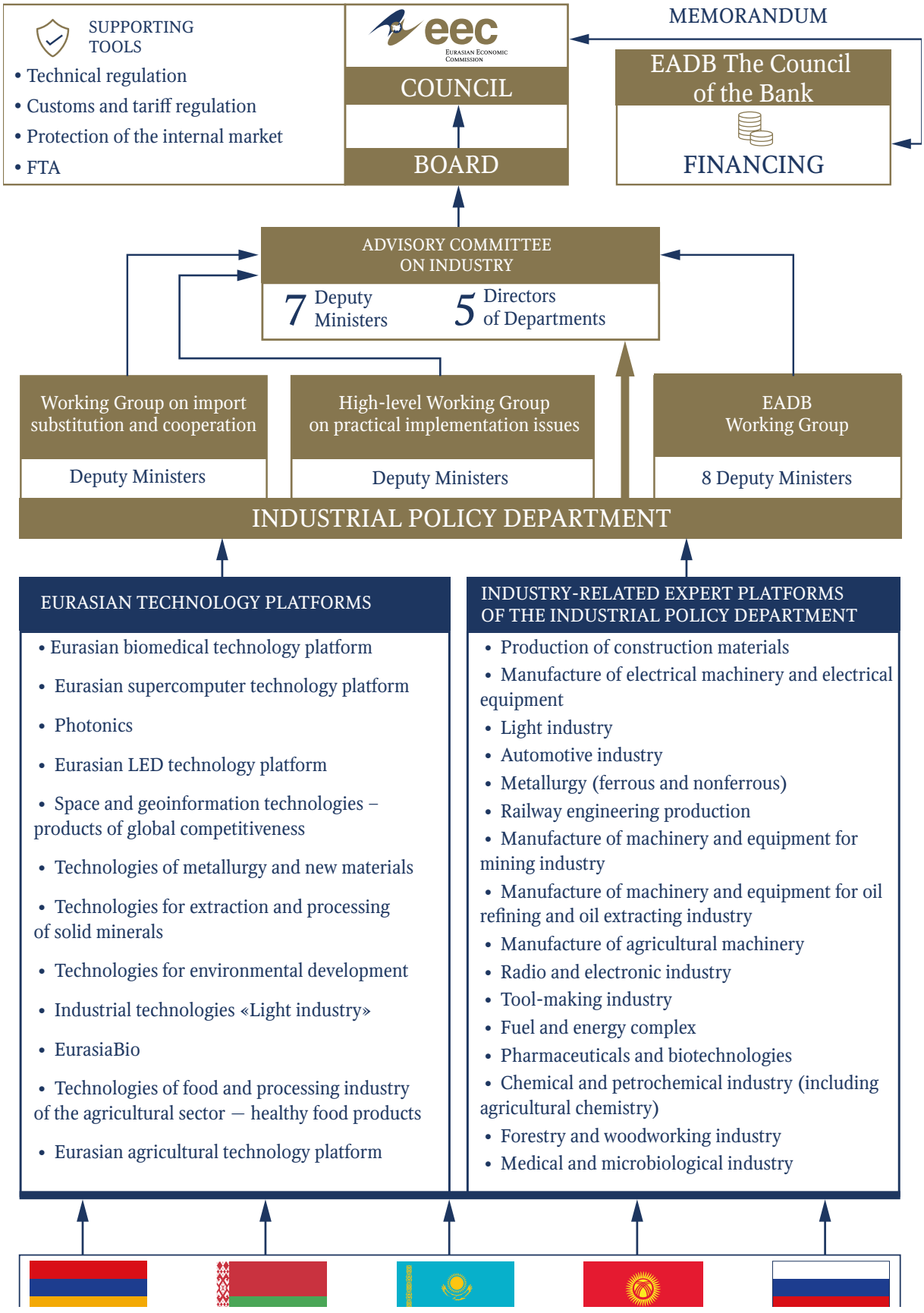
The practical integration issues are worked out by:

- the Industrial Policy Department of the Commission;
- the Advisory Committee on Industry (at the level of Deputy Heads of the authorized authorities of the Member States);
- High-level Groups (at the level of Deputy Heads of the authorized authorities of the Member States) on industrial policy issues and on issues concerning integration that go beyond the powers of the Commission.
- Working groups under the auspices of the Advisory Committee on Industry (with the articipation of representatives of the Member States).

SECTION 3

INDUSTRIAL UNITS OF THE EEC

3.1. INDUSTRIAL UNITS OF THE EEC



SECTION 4

INDUSTRIAL POLICY DEPARTMENT OF THE EEC

Director of the Industrial Policy Department of the Eurasian Economic Commission Nikolay G. Kushnarev

The Industrial Policy Department of the EEC is a structural unit of the Eurasian Economic Commission, carrying out its work jointly with other structural units of the Commission. Within its competence, it interacts with the authorized executive bodies of the EAEU States, international organizations, consultative and advisory bodies established by the Commission, as well as business associations of the EAEU States.

4.1. THE MAIN TASKS OF THE INDUSTRIAL POLICY DEPARTMENT OF THE COMMISSION ARE:

- ensuring creation of conditions for increasing growth rates and volumes of industrial production in the Member States, as well as conditions contributing to the development of mutual trade and fair competition among enterprises of the Member States on the EAEU single market;
- ensuring effective cooperation of the Member States, aimed at increasing innovation activity of industrial enterprises;
- ensuring creation of conditions for increasing the share of products from the Member States on the EAEU common market and gradually raising its localization;
- ensuring creation of conditions for the development of production sites of new competitive export-oriented products, upgrading (retooling) the existing production sites with the creation of new innovative industrial sectors of the Member States;
- ensuring elimination of barriers in the industrial sphere;
- ensuring creation of conditions for attracting investments and increasing the availability of financial resources for industrial enterprises;
- ensuring control over the implementation of the provisions of Article 93 and Annex No. 28 to the Treaty;
- improving the efficiency of the implementation of the provisions of the Treaty in the sphere of industrial cooperation and granting industrial subsidies.

4.2. THE DEPARTMENT'S ORGANIZATIONAL STRUCTURE INCLUDES:

SECTION OF INDUSTRIAL POLICY, INTERSTATE PROGRAMS AND PROJECTS

SECTION OF INDUSTRIAL SUBSIDIES

SECTION OF MONITORING AND ANALYSIS OF THE DEVELOPMENT OF INDUSTRIAL COMPLEXES OF THE SINGLE ECONOMIC SPACE MEMBER STATES

SECTION OF INTERACTION ON INDUSTRIAL POLICY ISSUES

SECTION OF PROCEEDINGS AND VOLUNTARY HARMONIZATION OF SPECIFIC SUBSIDIES

SECTION 5

ADVISORY COMMITTEE ON INDUSTRY

The Advisory Committee on Industry was established under the auspices of the EEC Board in 2012 and represents a platform for elaborating directions for the development of industrial policy, discussing issues of state support for the real sector of the Union's economy, regulating the EAEU common market of industrial products, as well as developing and implementing programs and projects of the EAEU Member States in the sphere of industrial integration.

THE MAIN TASKS OF THE ADVISORY COMMITTEE ARE:

- preparing recommendations for the Commission on the issues of industrial policy and industrial cooperation;
- holding consultations with the representatives of the Member States on the issues of industrial policy and industrial cooperation;
- preparing proposals to the Commission on the issues related to improving industrial cooperation within the Union, including the issues of granting industrial subsidies.

The Chairman of the Advisory Committee is the Member of the Board — Minister in charge of Industry and Agriculture of the EEC. The Committee is composed of representatives of the competent authorities of the Member States of the Union in the sphere of industry at the level of Deputy Ministers of Agriculture and Economy, as well as representatives of business communities, Heads of associations and industry unions.

The Advisory Committee holds meetings on a regular basis with an invitation of Heads and specialists of the interested structural units of the EEC, scientific institutions and other organizations of the EAEU Member States.

There are 16 permanent working groups created and functioning under the auspices of the Advisory Committee, composed of representatives of competent authorities and representatives of business communities, scientific organizations in the sphere of industrial complex.

Within the framework of working groups, the experts of the Parties elaborate agreed proposals on interaction mechanisms and development of regulatory documents in the sphere of industry under the adopted decisions for subsequent consideration at the meetings of the Advisory Committee and governing bodies of the Union.

The established multi-level organizational system enables to develop, consider and approve regulatory legal documents on ensuring implementation of the industrial policy.


СИДОРСКИЙ

SECTION 6

STAGES OF DEVELOPMENT OF THE EURASIAN INTEGRATION IN THE INDUSTRIAL SPHERE

Over the recent years, industrial units of the EEC have been making consistent steps aimed at developing integration in the industrial sphere, moving through the following main stages:

STAGE 1:

in 2013, priority directions for industrial cooperation were agreed upon – 19 priority industries *(Decision of the Supreme Eurasian Economic Council at the level of Heads of Governments No. 40 dated May 31, 2013)*.

STAGE 2:

in 2014, legislative and regulatory framework was formed within the EAEU, including objectives, tasks, principles, and mechanisms for the implementation of the industrial policy, as well as powers of the Commission for carrying out thereof *(Article 92 of the Treaty on the EAEU dated May 29, 2014)*.

STAGE 3:

in 2015, a program document on industrial policy and cooperation was adopted, including approaches to the implementation of the main directions of industrial cooperation in the EAEU *(MDIC were approved by the Decision of the Intergovernmental Council No. 9 dated September 8, 2015)*.

STAGE 4:

in 2016, basic tools of industrial cooperation were agreed upon and enshrined in the Plan for developing acts and measures to implement the MDIC *(Decision of the Council of the Commission No. 17 dated March 17, 2017)*. The Parties agreed to coordinate their actions on key directions of the industrial policy.

STAGE 5:

in 2017, harmonization of industrial policy tools was completed, and in 2018 we moved to the implementation of joint projects.

Starting from 2018, the industrial units within the EEC will focus on solving major practical tasks: deepening industrial cooperation and developing import substitution in basic industries (automobile, machine tools and agricultural machinery building, metallurgy, light industry, etc.), implementing innovations and creating new high-tech industries, developing financial tools to encourage joint cooperation projects, and eliminating barriers for mutual trade of the Member States in industrial commodities.

MAIN STAGES OF THE FORMATION OF INDUSTRIAL POLICY AND INDUSTRIAL COOPERATION WITHIN THE EAEU

MDIC 2.0

SINGLE DIGITAL SPACE OF THE INDUSTRY

2020

Creation of a single information system of the industry

2019

Formation of a single digital industrial space

AGREED INDUSTRIAL POLICY

2018

In 2018: Development of the concept of creating conditions for digital transformation of the industry in the Member States and forming a single digital industrial space of the Union

2017

In the years 2017-18:

Regulation on the development, financing and implementation of interstate programs and projects in the industrial sphere *(Decision of the Eurasian Intergovernmental Council No. 1 dated 02.02.2018, (p. 30);*

The concept of the establishment and functioning of the Eurasian technology transfer network, procedure of formation and financing of the Eurasian technology transfer network *(p. 32)*.

2016

Regulation on the formation and functioning of the ETPs (Decision of the Intergovernmental Council No. 2 dated 13.04.2016, Moscow) and on the formation of priority ETPs *(Commission Council Decree No. 32 dated 18.10.2016, Moscow (the first 11 ETPs);*

The concept of the establishment of the Eurasian industrial cooperation and subcontracting network *(Council Decision No. 143 dated 21.12.2016, Moscow);*

Interaction between the EEC, the Member States of the Union and the EADB on issues related to the development of cooperation projects, which have an integration potential for EADB financing *(Commission Council Decision No. 1 dated January 13, 2017, Bishkek);*

The concept of the Eurasian engineering center for machine-tool building *(Decree of the Intergovernmental Council No. 1 dated 13.04.2016)*

2015

In 2015, a mid-term strategic document was adopted, stipulating the basic mechanisms and tools for industrial cooperation within the EAEU *(MDIC were approved by the Decision of the Intergovernmental Council No. 9 dated September 8, 2015)*.

COORDINATED INDUSTRIAL POLICY

2014

In 2014, basic principles and legal basis for the formation of industrial policy and cooperation within the Eurasian Union were enshrined *(Article 92 of the Treaty on the EAEU dated May 29, 2014)*

2013

In 2013, main directions for coordination of national industrial policies were determined *(Decision of the Supreme Eurasian Economic Council at the level of Heads of Governments No. 40 dated May 31, 2013)*

We must strive to ensure that the EAEU operates not just as a unified market, but as a single economy where enterprises are able to freely organize production regardless of national borders. The practice of developing production chains around the world has demonstrated that it leads to an increase in the competitiveness of products.

We will develop practical work on deepening cooperation in the sphere of industry in two key directions: in traditional basic and innovative industries and in the sphere of scientific and technical cooperation.

This is quite consistent with the strategies of the Member States of the Union, which link the content of national documents with the integration agenda of the EAEU. For example, the most important task set out by the Heads of States with regard to traditional industries is import substitution. The Commission performed an analysis of the program for development of the industry in the Russian Federation and, taking into account its provisions, cooperative chains have been built within the framework of the EAEU. We have listed all the enterprises of the Union willing to oust the competitors from our common market with their national import-substituting products and to raise the level of innovation at their enterprises. Next comes the field of activity for the relevant ministries and departments of the Parties.

Another task of ultimate importance is the creation and development of innovative industries. Here, supported by the Parties, the EEC will develop the already established mechanism of «Eurasian technology platforms». Eurasian technology platforms (ETPs) will unite business and science into a single platform. Using this communication format will enable the most effective use of the potential of science for solving specific tasks of the industry within the EAEU. A separate section of this brochure is devoted to the operation of ETPs.

In the nearest future, the legal and organizational basis for the implementation of joint interstate programs and projects within the Union will be expanded. In the near term, it is planned to develop a set of regulations in furtherance of the Regulation on the development, financing and implementation of interstate programs and projects approved in February 2018 by the Heads of Governments. It is obvious that not only scientific and public organizations traditionally participating in state programs will work within the framework of the Regulation, but also ordinary industrial enterprises.

To simplify their work on the preparation of interstate projects, a number of clarifying documents are required — project passport templates, financing applications, a step-by-step instruction on drawing up documentation, a sample project justification, etc. Such documents would greatly simplify the understanding of procedural issues by ordinary enterprises, accelerate the preparation of initiatives, increase the number of proposals related to joint projects.

Another important direction of work in the nearest future will be completing the establishment and ensuring the operation of the Industrial Information System within the EAEU. It will enable manufacturers and producers to work on a common electronic platform, where they will see the opportunities of using their technologies within the Union, who they can build partnership with and how they can achieve a qualitatively better result. The domestic market of the EAEU will open for the enterprises, where they will be able to work together on common programs of innovative development.

It is envisaged to ensure joint entrance to new foreign markets, which will improve the positions of our countries in the world economy. An important component of the agreed industrial policy within the EAEU is the formation of a modern innovation infrastructure and implementation of joint scientific research and industrial projects.

The key task is to create, preserve and develop such conditions under which the Union would occupy strong and significant positions in the international trade and economic system and global industrial production. The ability to manufacture competitive and valuable, export-oriented industrial products is the main condition for the development and sustainable growth of the economy, and this principle is also part of our strategy.

SECTION 7

LEGAL BASIS FOR INDUSTRIAL POLICY OF THE EAEU

7.1. **ARTICLE 92** «INDUSTRIAL POLICY AND COOPERATION», ANNEX NO. 27 TO THE TREATY ON THE EAEU AND IMPLEMENTATION OF MAIN PROVISIONS THEREOF

Article 92 of the Treaty on the Eurasian Economic Union dated May 29, 2014 «Industrial policy and cooperation» defines industrial policy within the Union, the objectives and principles of its implementation, the format of interaction between the Parties, and implementation tools.

Industrial policy within the Union is formed by the Member States on main directions of industrial cooperation and implemented with consultative support and coordination of the Commission.

Annex 27 to the Treaty on the Eurasian Economic Union «Protocol on industrial cooperation» defines the powers of the Commission within the framework of consultative support and coordination of the Member States' activities on main directions of industrial cooperation within the Union.

In furtherance of Article 92 of the Treaty, the Eurasian Intergovernmental Council approved the Main directions of industrial cooperation within the Union (MDIC) on September 8, 2015.

The declared objective of industrial cooperation is the fulfillment of the potential for effective and mutually beneficial cooperation between Member States to ensure acceleration and sustainability of industrial development, an increase in competitiveness and innovative activity of the industry. In turn, the key tasks of industrial cooperation within the EAEU are defined as follows:

- increase in growth rates and industrial production output in the EAEU Member States;
- development of cooperative collaboration;
- increase in the share of products of the Member States on the common market of the EAEU and aspiration to a gradual increase in its localization;
- development of new competitive export-oriented products, modernization (technical re-equipment) of the existing production sites with the creation of new innovative sectors of industry of the EAEU Member States;
- elimination of barriers to the movement of industrial commodities on the common market of the EAEU at both federal (national) and regional (local) levels;
- attracting investments and increasing the availability of financial resources for industrial enterprises.

The main directions provide that their implementation will allow improving the qualitative and quantitative development of the industry in the Member States. The indicators of achieving the objectives and tasks of the Main directions are:

- accelerated growth rates of industrial production in the Member States;
- reduction of the gap in the level of labor productivity by gross value added between Member States and the industrialized countries of the world;
- increase in the volume of cooperative supplies and, in general, mutual trade in industrial products;
- increase in the share of products of the EAEU participating countries on the common market, including jointly produced, as well as a gradual increase in the level of its localization;
- getting a synergy effect from joint development of industrial production of the EAEU Member countries and increasing the share of high-tech activities in industrial production.

To organize systematic work on implementation of the MDIC, the Commission's Council adopted a Plan for developing acts and measures to implement the MDIC (hereinafter — the Plan, approved by Decision No. 17 dated March 17, 2017).

During the fulfillment of the Plan paragraphs, subject to the achieved coordination of actions of the Parties on key directions of industrial policy, the documents of ultimate importance were adopted, providing the implementation of the MDIC's tasks. They include:

- ***Concept of establishing a network of industrial cooperation and subcontracting, including its formation and financing procedure***

The implementation of this initiative will create an opportunity for economic entities of the Union Member States to promptly select the most effective partners for cooperation, load capacities in an optimal way, and engage small and medium businesses into production chains.

- ***Concept of creating the Eurasian engineering center for machine tool building***

The operation of such a center would accelerate the processes of developing and implementing products, expand the line of developed and produced means of production, as well as stimulate demand for the products of domestic manufacturers.

- ***Provision on the formation, functioning and financing of the Eurasian technology platforms***

The functioning of the Eurasian technology platforms promotes cooperation in the scientific and technical sphere and creation of promising and competitive commercial technologies, high-tech, innovative products of the EAEU.

- ***Regulation on the development, financing and implementation of interstate programs and projects in the industrial sphere***

The Regulation will enable to systemize the financing and implementation of interstate programs and projects within the framework of innovation and industrial cooperation between the Member States and is aimed at ensuring the achievement of objectives and tasks of industrial and innovative development of the Union.

- ***Mechanisms of interaction between the Commission, Member States and the Eurasian Development Bank on implementation and financing of cooperative projects***

A high-level working group has been created within the framework of this direction of work. Its main tasks are: organizing interaction on the issues related to consideration and promotion of cooperative projects in the industry, identifying cooperative potential in the Member States, discussing measures to support cooperative projects, and elaborating recommendations on the EADB's need to finance a cooperative project.

- ***Regulation on the procedure for monitoring the market of industrial products within the Union.***

Monitoring will allow the Union countries to make an integrated assessment of the industrial products market of the Union, including breakdown by branches. The ratio of domestic and imported goods, the role of each Member State in mutual trade and in trade with third countries, as well as the nature of cooperation supplies within the EAEU will be determined.

All legal regulations stipulated by the MDIC were adopted within the established deadlines.

Some of the significant results of practical work in respect of the implementation of Article 92 of the Treaty and the MDIC shall also be emphasized:

- with a view to develop import-substituting production sites, 39 potential projects were formed in 2017 for the creation of import components for agricultural machinery on the territory of the Union, which were adopted by the Recommendation of the Commission Board No. 18 dated September 12, 2017 (hydraulic elements, automated transmissions, engines, electronic components, satellite navigation). Within the framework of the Memorandum of Cooperation between the Commission and the Mechanical Engineering Industry Association of Germany (VDMA), HORSCH (Germany) opened a new plant in Chaplygin (Lipetsk Region) to produce seeding and tillage equipment.
- Industrial Policy Department, with the participation of experts from Member States, determined: 22 cooperative projects for manufacture of steel products, potentially relevant for the Member States, as well as potential participants in these projects (manufacturers and consumers of metallurgy products in the Member States, raw materials and supplies), including the participants of intersectoral cooperation. Similarly, in the non-ferrous metallurgy: 15 cooperative projects, potentially relevant for the Member States, as well as potential participants in these projects were determined.
- a set of regulations at the level of the Commission and the Eurasian Intergovernmental Council was adopted, aimed at solving systemic problems in the light industry, namely: providing producers with available raw materials, forming separate non-tariff measures to protect the market, ensuring equal competitive conditions, developing cooperation and import substitution, creating innovative products.
- implementation of the Action Plan for providing stimulation of production and use of motor vehicles with electric motors in the Member States of the Eurasian Economic Union for the years 2015–2017 has been completed. (Decree No. 10 of the Eurasian Intergovernmental Council dated May 28, 2015). In the Republic of Armenia and the Republic of Belarus, the first prototypes of electric vehicles of in-house design were presented, subsidies were allocated to electric transport manufacturers, loans were granted to consumers, and in the Russian Federation changes have been introduced to the Road Traffic Rules concerning electric transport.
- The Industrial Policy Department has prepared all the necessary regulatory basis for launching an efficient mechanism for interaction with the EADB: a working group has been established to review cooperative projects with an integration potential, to be financed by the EADB; criteria for qualifying projects as cooperative and the project passport template were approved; a list of mutually beneficial areas for cooperative collaboration of the Member States was compiled; specific cooperative projects in such areas as pharmaceuticals, lighting equipment, woodworking, chemistry and agricultural sector have been considered.

On an ongoing basis, activities are held and measures are taken to deepen cooperative interaction in the industry and on other directions stipulated by the MDIC and the Plan.

7.2. **ARTICLE 93** «INDUSTRIAL SUBSIDIES».
LEGAL BASIS OF AGREED INDUSTRIAL POLICY OF EAEU COUNTRIES IN THE SPHERE OF GRANTING SUBSIDIES

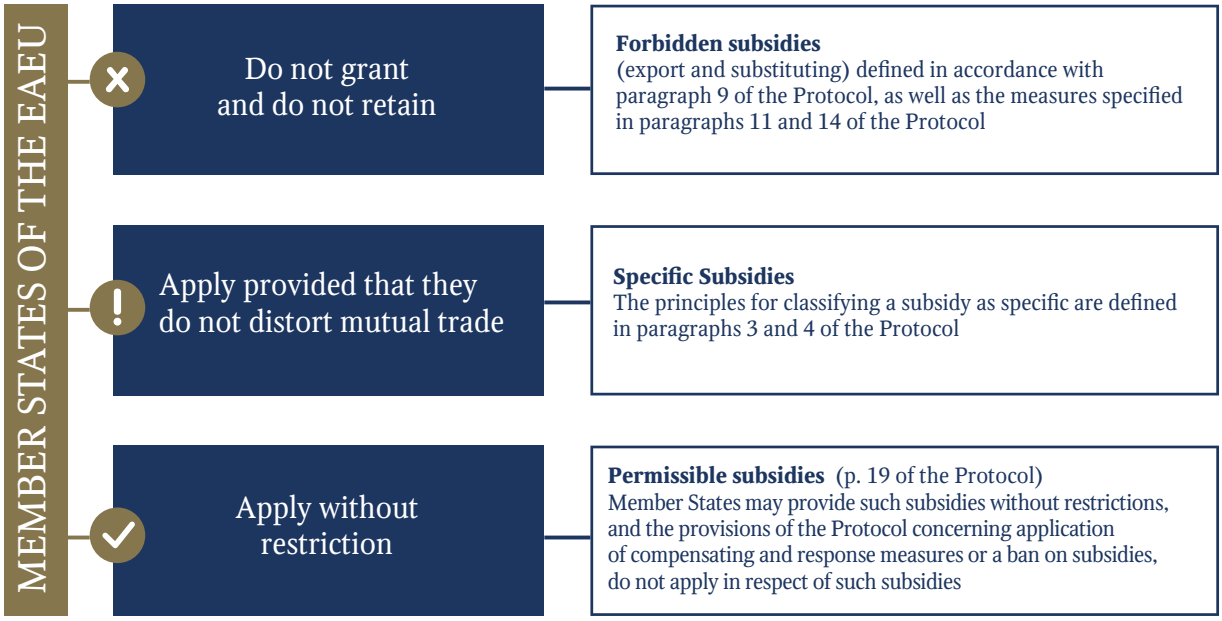
The Eurasian Economic Commission (hereinafter referred to as the Commission, the EEC), within the limits of its powers, exercises control over granting subsidies in the territories of the Member States of the Eurasian Economic Union (hereinafter - the Member States, the Union, the EAEU) in accordance with the single rules approved within the Union.

The industrial units within the Commission perform continuous work aimed at the harmonization of approaches to the application of single rules for granting industrial subsidies.

The legal basis of an agreed policy in the sphere of granting industrial subsidies was defined in Article 93 of the Treaty on the Eurasian Economic Union dated May 29, 2014 (hereinafter — the Treaty on the EAEU) and Annex 28 thereto.

In order to ensure fair competition and development of mutual trade, Member States within the Union agreed to comply with the single rules for granting industrial subsidies, stipulated in the provisions of the Treaty on the EAEU and harmonized with the norms of the World Trade Organization.

In accordance with the provisions of the Protocol on single rules for granting industrial subsidies (Annex 28 to the Treaty on the EAEU, hereinafter referred to as the Protocol), subsidies are classified depending on their impact on mutual trade and, as a result, the legitimacy of their application by the Member States.



In this regard, one of the important functions of the Commission is to control the fulfillment of Member States' obligations to comply with the single rules for granting industrial subsidies.

During this control, the Commission monitors and performs a comparative legal analysis of the legislation of the Member States with regard to its compliance with the provisions of the Treaty on the EAEU, as far as granting subsidies is concerned.

According to the results of ongoing monitoring and comparative legal analysis, the Commission prepares annual reports on the compliance of Member States with the provisions of Article 93 of the Treaty on the EAEU and Annex No. 28 thereto, and also forms registries of legal regulations, according to which Member States were granted industrial subsidies in the reporting year.

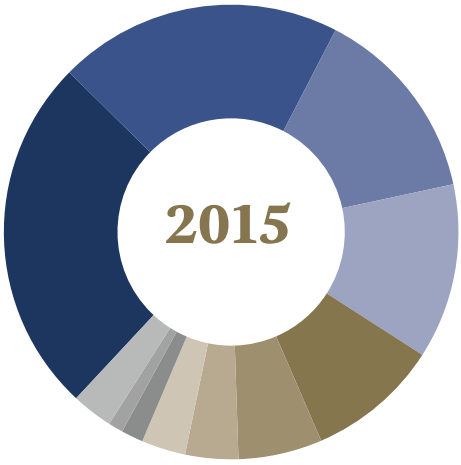
When forming registries, a comparative-legal analysis of each legal act is performed, under which the subsidy was provided, by the results of which a conclusion is made about the compliance of the act with the provisions of the Treaty on the EAEU.

Based on the results of the analysis of the notifications of the Parties on industrial subsidies provided in the period from 2015 to 2016, certain conclusions can be made regarding the specifics of subsidizing industrial products by the Member States.

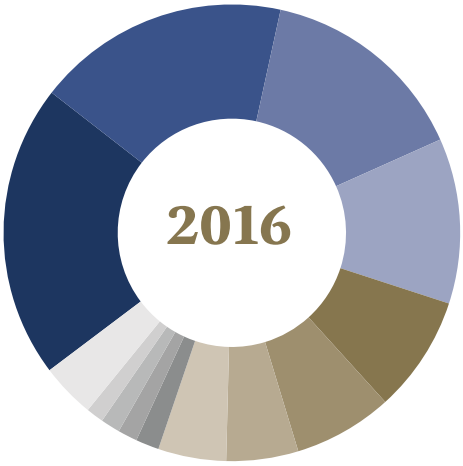
It should be noted that these conclusions do not apply to the Kyrgyz Republic and the Republic of Armenia, due to the small number of acts in those Member States related to subsidizing industrial products.

The main objectives of providing subsidies in 2015 and 2016 were: modernization and technical re-equipment of enterprises, implementation of investment projects, creation of new production sites, as well as development of the region (industry) as a whole. The support for small and medium-sized enterprises is also stable.

DISTRIBUTION OF INDUSTRIAL SUBSIDIES **BY OBJECTIVES**

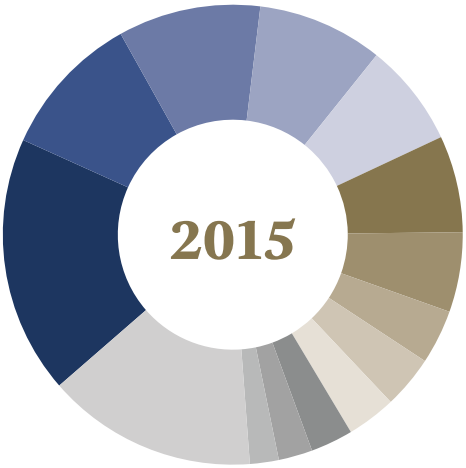


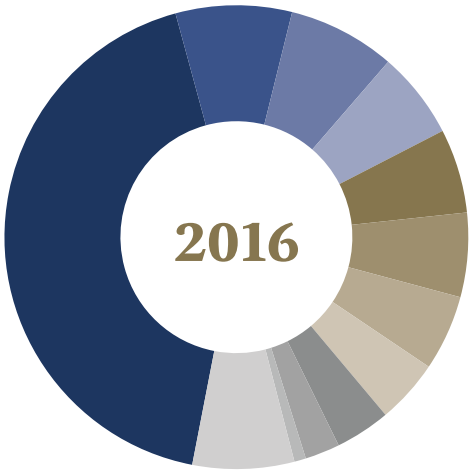
- 25% *Modernization and technical re-equipment of enterprises*
- 20% *Development of the region (branch) as a whole*
- 14% *Implementation of investment projects*
- 13% *Creation of a new production*
- 9% *Support for small and medium-sized enterprises*
- 6% *Purchase of raw materials and supplies*
- 4% *Creation and preservation of jobs*
- 3% *Promotion of products on the market*
- 2% *R&D subsidizing*
- 1% *Support of investment projects within the framework of the 'free warehouse' free economic area customs regime*
- 3% *Others*



- 21% *Implementation of investment projects*
- 18% *Development of the region/branch as a whole (the objective is hard to define)*
- 15% *Modernization and technical re-equipment of enterprises*
- 12% *Support for small and medium-sized enterprises*
- 8% *Creation of new production sites*
- 7% *Promotion of products on the market*
- 5% *Improving production energy efficiency*
- 5% *Reducing the cost of training and retraining*
- 2% *Assessment of the financial condition*
- 1% *R&D subsidizing*
- 1% *Support of investment projects within free economic areas*
- 1% *Creation and preservation of jobs*
- 4% *Others*

DISTRIBUTION OF INDUSTRIAL SUBSIDIES BY BRANCHES





- 18% *Mixed types of economic activities*
- 10% *Fishing and fish farming*
- 10% *Production of electric equipment, electronic and optical equipment*
- 9% *Woodworking and production of woodware*
- 7% *Production of machines and equipment*
- 7% *Horizontal measure*
- 6% *Production of vehicles and equipment*
- 4% *Textile and clothing industry*
- 4% *Chemical production*
- 3% *Pulp and paper production*
- 3% *Manufacture of other non-metallic mineral products*
- 2% *Manufacture of leather and leather products*
- 2% *Metallurgical production and production of finished metal goods*
- 15% *Others*

- 43% *Mixed types of economic activities*
- 8% *Production of machines and equipment*
- 8% *Woodworking and production of woodware*
- 6% *Horizontal measure*
- 6% *Fish and fish products*
- 6% *Textile and clothing industry*
- 5% *Production of vehicles and equipment*
- 4% *Production of electric equipment, electronic and optical equipment*
- 4% *Chemical production*
- 2% *Metallurgical production and production of finished metal goods*
- 1% *Power generation industry*
- 7% *Others*

During the reporting period from 2016 to 2017, the transition period ended for some of the state support measures stipulated in the acts of the EAEU Member States, included in the list of measures not subject to the provisions of the Protocol, which contributed to the elimination of obstacles in the industry.

Following exemptions are ceased in the Republic of Kazakhstan:

- in 2016 in relation to:
  - subsidizing the interest rate on bank loans for export-oriented industries in accordance with Resolution No. 301 of the Government of the Republic of Kazakhstan dated April 13, 2010 «On Approval of the Business Road Map 2020 program»;
  - local content in the procurements of Samruk-Kazyna National Welfare Fund (NWF) and organizations, 50% or more of the voting shares (participatory interests) of which are directly or indirectly owned by Samruk-Kazyna NWF, as well as in companies that directly or indirectly belong to the State (the share of the State in which amounts to 50% or more).
- in 2017 — with regard to the release of goods recognized as Kazakhstani under the criteria of sufficient processing, from customs duties and taxes when exported from the territory of a free warehouse and from the territory of special economic zones to the remaining customs territory of the Customs Union.

In 2016, exemption ceased in the Russian Federation with respect to measures applied in accordance with Federal Law No. 16-ФЗ dated January 10, 2006 «On the special economic zone in the Kaliningrad Region and on amendments to certain legislative acts of the Russian Federation».

In 2017, exemptions ceased in the Republic of Armenia and the Kyrgyz Republic with respect to the release of goods recognized as Armenian and Kyrgyz, respectively, under the criteria for sufficient processing from customs duties and taxes when exported from free economic zones and free warehouses to the remaining customs territory of the Customs Union.

By the end of 2017, the only remaining active exemption from the provisions of the Treaty on the EAEU in the sphere of industrial subsidies includes measures related to investment agreements on «industrial assembly». At the same time, the adoption of Decision No. 72 of the Supreme Eurasian Economic Council dated May 29, 2014 «On conditions for the application of the «industrial assembly of motor vehicles» concept on the territories of the Member States of the Customs Union and the Single Economic Space» and decisions in the follow-up thereof creates conditions for free circulation of cars on the market of the Union.

Thanks to the work of the Commission aimed at ensuring compliance with single rules for granting industrial subsidies, granting forbidden subsidies was brought to a minimum on the territories of the Union Member States .

In accordance with paragraph 7 of Annex No. 28, the Commission, jointly with the Parties, developed and, at the meeting of the Intergovernmental Council in Kazan on May 26, 2017, signed an Agreement on the procedure of voluntary harmonization by the Member States of the Eurasian Economic Union of specific subsidies related to industrial commodities with the Eurasian Economic Commission and conduct of proceedings by the Eurasian Economic Commission related to granting of specific subsidies by the Member States of the Eurasian Economic Union (hereinafter – the Agreement).

The Agreement makes it possible to fully implement the provisions of Article 93 of the Treaty on the EAEU, including new supranational powers. The existing powers of the Commission are supplemented with such powers as implementation of procedures for voluntary harmonization, proceedings related to industrial subsidies and preparation of conclusions on the results of a comparative legal analysis of acts or Draft acts on the provision of specific subsidies based on requests from the Parties, as well as monitoring the implementation of the new obligations of the Parties,

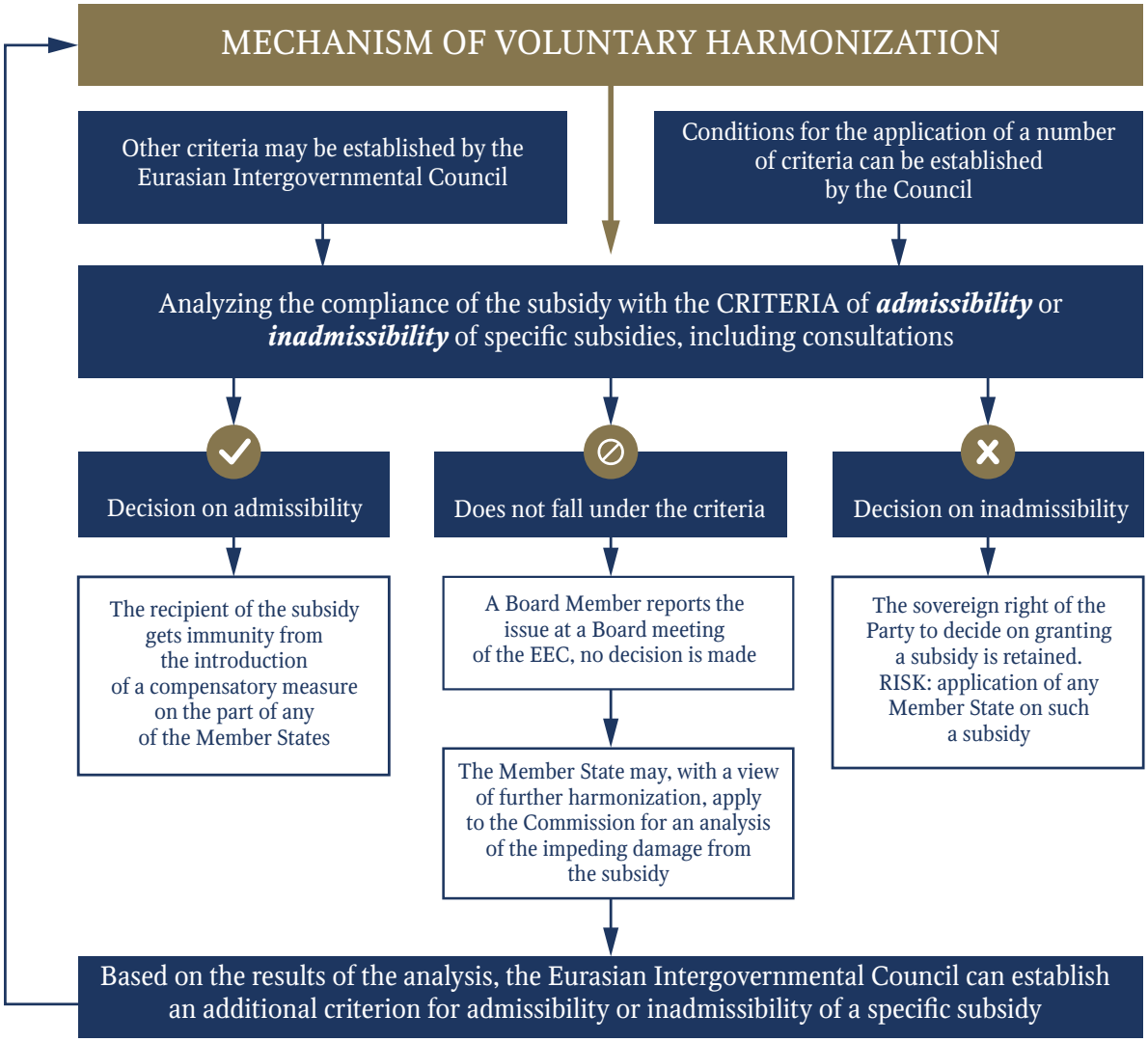
including notification of the Commission on Draft legal regulations stipulating provision of specific subsidies to manufacturers of sensitive commodities.

In order to effectively implement the Agreement, the Commission developed and adopted more than 7 acts of the Union governing bodies within a short period of time, providing for the introduction of changes to the existing acts of the Union governing bodies, as well as forms and manners for carrying out the procedures stipulated by the Agreement.

The Agreement will enable Member States to voluntarily negotiate specific subsidies with the Commission, and, if necessary, appeal to the Commission to conduct proceedings on granting industrial subsidies.

Upon receipt of a request from a Member State for the approval of a specific subsidy, the Commission shall, in accordance with the norms of the Agreement, conduct an analysis of such a specific subsidy for its compliance with the criteria of admissibility or inadmissibility.

VOLUNTARY HARMONIZATION



Thanks to the use of the coordination mechanism, the applying State will be insured against the risk of subsequent introduction of a compensatory measure against the recipient of the subsidy agreed with the Commission on the part of any Member State of the EAEU.

CRITERIA FOR ADMISSIBILITY OF A SPECIFIC SUBSIDY

1) *the subsidy is insignificant (100 thousand dollars to one recipient (an enterprise));

2) *the subsidy is aimed at the implementation of a joint project with the participation of Member States providing for the manufacture of products that are not produced in the customs territory of the Union or produced in insufficient quantities;

3) *carrying out R&D, including joint research to stimulate high-tech industries;

4) *implementation of innovative activities:

5) manufacture of products, which have no analogues in the customs territory of the Union;

6) *production of industrial commodities, which are manufactured in the customs territory of the Union in insufficient quantities;

7) *compensation for damage caused by natural disasters or any other emergencies;

8) *assistance in paying up to half the cost of advisory services, organization of participation in trade fairs, conducting basic research, applied industrial engineering, the cost of obtaining licenses;

9) *assistance in raising the level of professional qualifications;

10) *assistance for enterprises with an unstable or critical financial status and carrying out a restructuring;

11) the subsidy is granted for the purpose and under the conditions stipulated in Section VII of the Protocol;

12) *assistance for enterprises in the initial period of formation;

13) assistance to adapt to the standards of the Eurasian Economic Union;

14) assistance to ensure compliance of industrial products with the requirements of relevant international standards;

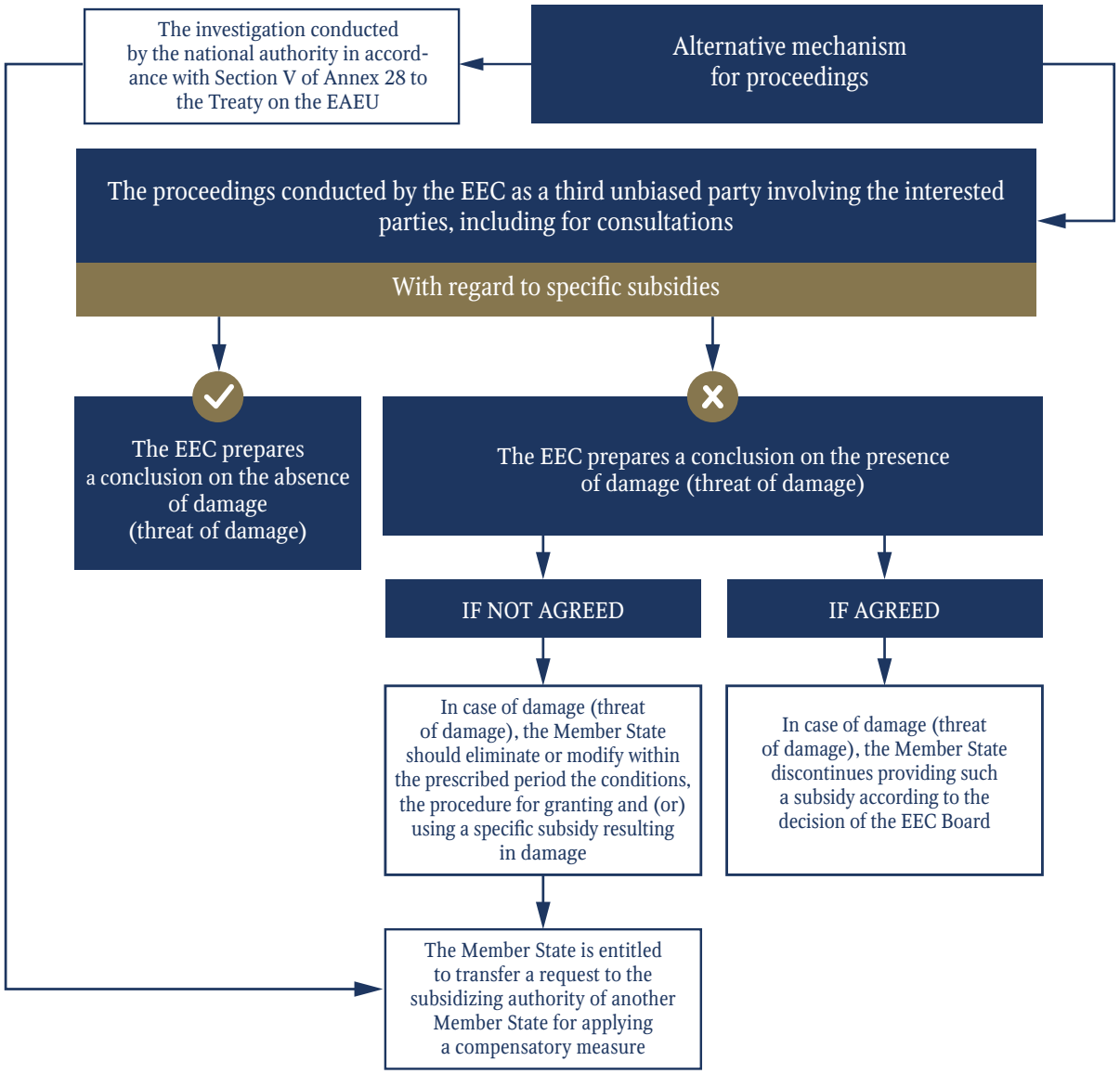
15) *the subsidy is granted for industrial commodities, recognized as jointly produced by the Member States.

**The terms of application of admissibility criteria are established by the Council of the Commission.*

When developing criteria, the experience of international organizations and integration associations was taken into account, as well as practice accumulated within the EAEU with regard to support and development of cooperative interaction.

An important innovation of the Agreement will be the right of the Member States to apply to the Commission to initiate proceedings with respect to industrial subsidies granted in the presence of grounds indicating damage or a threat of damage. The proceedings related to provision of industrial subsidies conducted by the Commission are an alternative mechanism, since the Parties are still able to initiate an investigation at the national level in accordance with the Treaty on the EAEU.

PROCEEDINGS ON SPECIFIC SUBSIDIES GRANTED BY MEMBER STATES



The use of such a mechanism as proceedings conducted by the Commission as a third unbiased party will provide an independent objective analysis to determine the presence or absence of damage or threat of damage as a result of providing a specific subsidy.

Based on the results of the proceedings, the Commission will adopt decisions mandatory for the Member States. For example, in the event the Commission establishes the presence of damage to national economy, and the Member State providing such a specific subsidy is obliged to eliminate the conditions that caused the damage.

Thus, due to the established practice of the Commission's interaction with the authorized authorities of the Parties within the framework of implementation of the provisions of the Treaty on the EAEU in the sphere of industrial subsidies, and taking into account any additional rights and obligations of the Commission and the Parties stipulated in the Agreement, conditions are ensured that promote the development of mutual trade and fair competition between the Member States, to ensure a stable and efficient development of Member States' economies.

SECTION 8

IMPLEMENTATION OF AGREED INDUSTRIAL POLICY

At today's level of integration development, the industrial units within the EEC are organizing work on coordination of national policies, as stipulated in Article 92 of the Treaty on the EAEU and in the MDIC. The industrial units within the EEC make consistent steps towards achieving the goals set out in Article 92 of the Treaty and the MDIC.

Industrial cooperation issues are the highest priority for integration processes on the territory of the EAEU.

The main emphasis is placed on developing cooperative collaboration.

Development of cooperative links is a preferential right of the producers directly involved in cooperative chains creating added value. The task of the Commission in this sphere is creation of favorable conditions for the development of this direction of industrial integration and particularly promotion of cooperative projects.

The Commission regularly generates far-reaching proposals on individual joint projects in the real sector of the EAEU economy with high integration potential. These proposals are considered within the framework of sectoral working groups with the participation of businesses, created by the Advisory Committee on Industry, at the meetings of the Advisory Council for Cooperation of the EEC and the Business Council of the EAEU.

There is ongoing work with large and medium-sized businesses of the Parties, with major industrial associations such as the Russian Union of Industrialists and Entrepreneurs (RSPP), the Chamber of Commerce and Industry of the Russian Federation, the Belarusian Association of Industrial Enterprises (BelAPP), Atameken National Chamber of Entrepreneurs of the Republic of Kazakhstan (NPP RK), the Kyrgyz Union of Industrialists and Entrepreneurs (KSPP), the Union of Industrialists and Entrepreneurs (Employers) of Armenia.

The participation in annual branch (sectoral) events, exhibitions, forums gives an opportunity to discuss promising cooperative projects with the businesses, and to work out conditions for their successful implementation.

The industrial units within the Commission systematically organize events on key cooperation agenda on the main forum sites of the Eurasian Economic Union Member States:

- Russian Investment Forum (Sochi);
- St. Petersburg International Economic Forum;
- Astana Economic Forum;
- Belarusian Industrial Forum;
- INNOPROM;
- Kazakhstan Engineering Forum and others.


Sergey
SIDORSKY


ПЕТЕРБУРГСКИЙ
МЕЖДУНАРОДНЫЙ
ЭКОНОМИЧЕСКИЙ
ФОРУМ
РОСКОНГРЕСС
Sergey
SIDORSKY

In the intervening period, more than 100 regulatory documents stipulated by the Main directions of industrial cooperation were developed and adopted.

When developing regulatory legal basis of the Union, the focus was on deepening industrial cooperation in priority branches, creating new high-tech production sites, eliminating barriers in mutual trade, working out agreed approaches to the task of import substitution, building collaboration in the innovation sphere.

Integration in the real sector of economy allowed the EAEU countries to get to a new route of economic growth, becoming the main driver, which was made possible due to coordinated efforts of the Member States of the Union and the Eurasian Economic Commission on building and implementing an agreed industrial policy.

8.1. COOPERATION IN PRIORITY BRANCHES

Within the main strategic document "Main directions of industrial cooperation", the Parties established a list of priority economic activities for industrial cooperation of the EAEU Member States. These are 19 basic directions, such as agricultural mechanical engineering, metallurgy, light industry, electric vehicles, space industry, aircraft engineering, machine tools building, nanotech industry, lifting and transportation equipment, manufacture of construction materials, woodworking, power engineering (electrical engineering), railway engineering, chemical industry, pharmaceuticals.

To identify specific cooperative projects in priority branches of the industry, experts from the Member States with the participation of relevant specialized and research organizations, and under the coordination of the Commission, used a wide range of analytical tools, including:

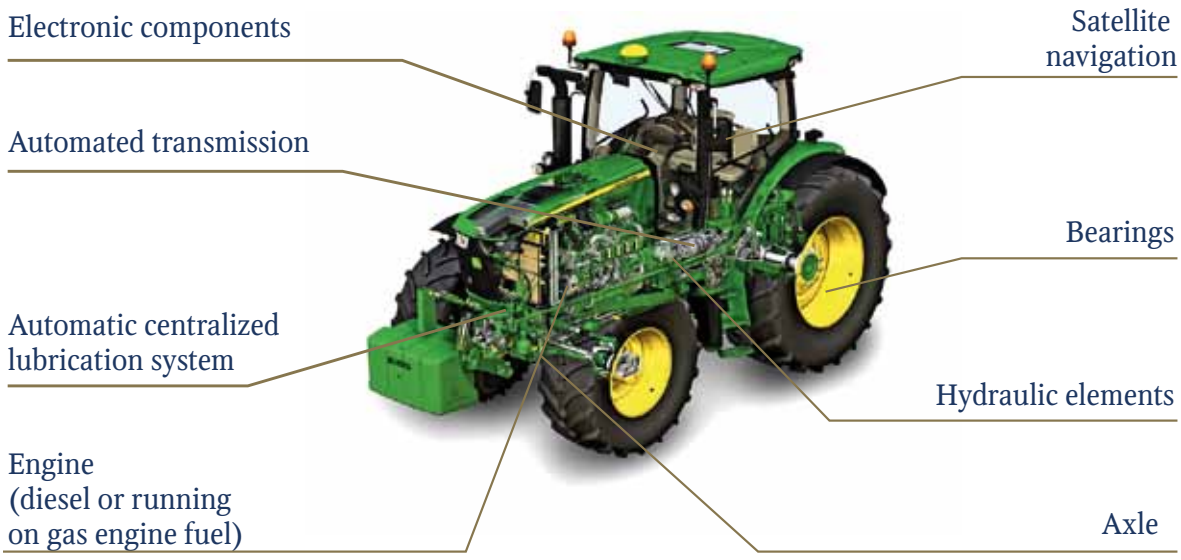
- analysis of national policies of the Member States on branch development, identifying common objectives, priority tasks and mechanisms to support the branch;
- determination of major development trends and key players on the global and domestic market;
- analysis of the dynamics and structure of mutual and external trade, singling out the most competitive segments of branches in the context of the EAEU Member States.

It should be noted that the branch development documents adopted in the Union arise from the need to address systemic problems in the branch, identified during a comprehensive study of the current situation, and key tasks of its development.

Since the problems of the branch and their possible solutions are general in nature, both at the national and supranational level, national strategies and the Union-oriented decisions are largely synchronized.

AGRICULTURAL MECHANICAL ENGINEERING

Units and spare parts for agricultural machinery not manufactured in the Eurasian Economic Union Member States



Advanced agricultural mechanical engineering is an indicator of the development of agricultural sector of any country. High labor mechanization is key to the growth of the output and quality of agricultural products.

In this regard, the Commission pays great attention to the development of agricultural machinery in the countries of the Union. On the basis of comprehensive analysis of the state of agricultural mechanical engineering in the Member States, systemic problems were revealed in the branch, spheres of mutual interest for the Member States, directions for the development of cooperation in this branch were proposed.

Taking into account the monitoring of the situation in the sphere of agricultural mechanical engineering on the markets of the Union countries, a set of comprehensive measures for the development of the branch was adopted.

At the first stage, in 2015, regulatory documents were prepared aimed at creating equal conditions for the access of agricultural machinery manufacturers to the markets of the Member States, supporting the agricultural machinery manufacturers and improving their competitiveness, joint entrance of the manufacturers from the countries of the Union to the markets of third countries.

At the second stage, in 2017, in the follow-up of these documents, decrees were adopted by the Intergovernmental Council at the level of Prime Ministers of the Union countries concerning stimulation of import substitution and exports, as well as a Commission Council Recommendation on measures to promote demand for agricultural machinery and equipment.

In the development of this theme, the third stage of the work was to analyze the composition of components that are not manufactured in the countries of the Union: transmissions, axles, hydraulic elements.

For each one, a list of parts was compiled, and potential enterprises to manufacture these parts of the components were determined and enshrined by a relevant Recommendation of the Board.

The work on the development of agricultural machinery carried out by the Commission in conjunction with the countries of the Union is bringing positive results, as clearly shown by the figures of production, as well as statistics of external and mutual trade of the enterprises of our countries.

By the end of 2017, an increase was observed in the production of a range of key agricultural machinery in the Republic of Belarus and the Russian Federation (tractors and harvesters).

Positive dynamics were also observed in the exports of agricultural machinery to third countries (+9%), as well as in mutual supplies within the Union (+13%).

Further work in this area will focus on practical application of the adopted acts in the agricultural machinery branch and creation of conditions for the implementation of specific cooperative projects.

Given that agricultural machinery is a branch with a high level of competition between manufacturers from the EAEU countries, national strategic documents do not fully represent such industrial policy directions as promotion and development of cooperative collaboration and elimination of barriers to the movement of industrial goods on the common market of the Union.

In this connection, in 2018 the efforts of the Commission and the Parties will focus on practical application of the adopted acts of the Union in the agricultural machinery branch and creation of conditions for the implementation of specific cooperative projects, including those with the participation of foreign manufacturers.

METALLURGY

The work on the development of integration processes in non-ferrous and ferrous metallurgy of the Union is carried out in a continuous and fruitful manner.

Over the past three years, we have laid the regulatory and legal basis for the development of industrial cooperation between the Member States in the metallurgy branch, which already allows the Member States to start implementing joint cooperative projects for the production of metallurgy products.

Together with experts of the Member States an analysis of the state of ferrous and non-ferrous metallurgy in the EAEU was performed, including the existing problems and barriers to implementation of joint cooperative projects. The results of this work formed the basis of the Recommendation of the Council of the Eurasian Economic Commission No. 1 dated November 30, 2016 on the development of industrial cooperation in ferrous industry and the Recommendation of the Board of the Eurasian Economic Commission No. 30 dated December 13, 2017 — in non-ferrous metallurgy as main directions for the development of industrial cooperation in the sectors of ferrous and non-ferrous metallurgy of the Union.

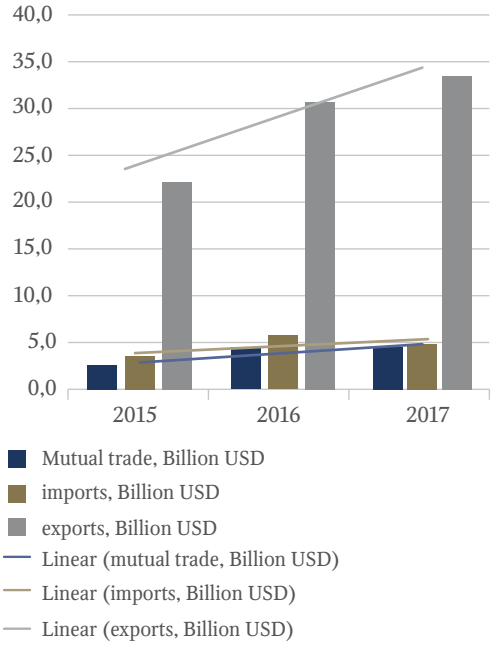
In 2017, 22 cooperative projects for manufacture of steel products and 15 projects for manufacture of non-ferrous metallurgy products were developed, being potentially relevant for the Member States. These projects were formed into concrete cooperative chains, for which potential participants were determined (manufacturers and consumers of steel products in the Member States, as well as raw materials and supplies).

Cooperative chains involve manufacturers from the Member States at all stages of the production cycle, from the extraction of raw materials to the production and consumption of the finished product. The possibility of participation of manufacturers and consumers of related industries was also considered.

In general, the work carried out with respect to the development of metallurgy complexes of the Union brought fruitful results: thanks to the joint efforts of the EAEU Member States, over the three years the mutual trade in ferrous and non-ferrous metallurgy products increased by 70% in monetary terms.

Recommendation No. 1 of the EEC Council dated 30.10.2016 «On the development of industrial cooperation between Member States of the Eurasian Economic Union in the sphere of manufacture of ferrous metallurgy products»	Recommendations of the EEC Board dated 13.12.2017. No. 30 «On the development of cooperative collaboration between Member States of the Eurasian Economic Union in the sphere of manufacture of non-ferrous metallurgy products»
Potential areas for development of cooperation have been defined	15 cooperative projects
Recommendation of the EEC Board dated 13.12.2017. No. 29 «On the development of cooperative collaboration between Member States of the Eurasian Economic Union in the sphere of manufacture of ferrous metallurgy products»	The regulatory and legal basis for the development of industrial cooperation between the EAEU Member States in the sphere of manufacture of ferrous and non-ferrous metallurgy products
22 cooperative projects	

Trade in ferrous and non-ferrous metallurgy products of the EAEU Member States, Billion USD



The further work on deepening cooperation of the States of the Union in metallurgy production will be aimed at creating conditions for joint innovation development, involvement of new market participants in the in cooperative chains, exchange of experience with regard to improving the energy efficiency of the production of ferrous and non-ferrous metallurgy, as well as in the sphere of greening the manufacture of such products.

One of the main directions will be the development of the production of components of a new generation energy efficient transformer made of high-permeability electrical steel. This project is unique in that so far no steel of such grade was produced on the territory of the Union. The energy loss of these transformers is 40% less as compared to conventional ones.

The cooperation will develop in the sphere of high-tech products of ferrous metallurgy, which are manufactured within the framework of cooperative chains on the territory of individual Member States and are relevant for other countries, due to lack of its production - for the Republic of Armenia, the Republic of Belarus and the Kyrgyz Republic.

Promising projects that are of the highest relevance of the Member States include working out joint production of baked anodes and ferroaluminum.

LIGHT INDUSTRY

In the years 2014-2016, a set of regulatory acts at the level of the Commission and the Eurasian Intergovernmental Council was adopted, aimed at solving systemic problems in the industry, namely: providing producers with available raw materials, forming separate non-tariff measures to protect the market, ensuring equal competitive conditions, developing cooperation and import substitution, creating innovative products in the sphere of light industry.

In 2017 the Department continued work on the improvement of the regulatory basis for the development of cooperation in light industry, including forecasting activities in the main kinds of agricultural products for light industry and developing systems of labelling goods with means of identification.

With regard to labelling, one of the tasks for the near future is working out the issue of labelling footwear products.

An issue was raised with regard to using a trigger protective measure for certain types of underwear, children's clothing and accessories for children's clothing originating from the Socialist Republic of Vietnam.

A regulatory legal act of the Russian Federation (Order No. 580n of the Ministry of labor and social protection of the Russian Federation dated 10.12.2012) was identified, containing rules that are contrary to the provisions of the Treaty on the EAEU in the sphere of granting industrial subsidies. The issue "On the fulfillment by the Russian Federation of obligations with regard to granting industrial subsidies" was considered and settled at the 14th meeting of the Advisory Committee on Industry in September 2017. Following the meeting, the Russian side agreed with the conclusions of the Commission, and work is currently under way to amend the specified act. The progress in resolving this issue was reported at the Board of the Commission on September 26, 2017.

In the context of the work on the development of industrial cooperation in this direction, the technological capabilities of the Baranovichi machine-tool manufacturing plant «Atlant» were discussed with regard to using automatic molding machines for manufacturing soles.

In 2018, work will continue in the following directions:

- cooperation and import substitution development. The priority will be the elaboration of specific cooperative chains on the adopted decisions on import substitution;

• creation of innovative products in the sphere of light industry. Priority activities in this direction will be the implementation of business initiatives within the «Light industry» ETP.

The outcome will be the development and initiation of 1—2 interstate projects, including those generated within the ETP.

In addition, in 2018 the Department has scheduled:

1. Major forum events involving light industry producers of the Member States of the Union:

• «Legpromforum» Light Industry International Forum (Moscow);

• «Textilelegprom» Federal Wholesale Fair (Moscow);

• BelTexIndustry International Trade Exhibition on Wholesale of Products of Light and Textile Industry (Minsk);

• 12th International Uzbek Cotton and Textile Fair (Uzbekistan);

• PREMIERE VISION-2018 International Exhibition (France).

2. Several meetings of the expert group in the sphere of light industry to resolve problems arising in the specified branch and possible participation of the Member States in the implementation of co-operative projects on this direction.

Footwear with top made of genuine leather (2016)

Country	**EAEU market price** (according to the Customs statistics, per 1 pair of shoes, USD).	**Share in the market на рынке** (% of total: million pairs/ million pairs)	**Imports unaccounted for** (from the corresponding country in the EAEU to the common market object)	**Production volume** (pairs per year)	**Exports of manufactured products** (pairs per year)	**Number of enterprises / employees**
China	16,8 *(in 2015 – 16,7)*	59,7	38,8	14 billion *(incl. made of genuine leather – 1.7 billion)*	*11.5 billion (shoes made of genuine leather — 2.5 billion)*	20 000 / 4 million people
Turkey	16,2 *(in 2015 – 11,5)*	1,7	–	370 million *(incl. made of genuine leather — N/A)*	*130 million (incl. made of genuine leather — 61 million)*	23 000 / 300 thousand people
Vietnam	24,3 *(in 2015 – 23)*	3,1	–	1,1 billion *(incl. made of genuine leather — N/A)*	*900 million (incl. made of genuine leather — 450 million)*	n/a
The Republic of Armenia	23	insignificant	–	40 thousand *(incl. made of genuine leather — N/A)*	*124.9 thousand; (incl. made of genuine leather — N/A)*	31 / 4,6 thousand people
The Republic of Belarus	19,7 *(in 2015 – 24,6)*	2,9	–	14 million *(incl. made of genuine leather — N/A)*	*9.3 million; (incl. made of genuine leather — 8,1 million) in 2015 — 7.1 million, incl. made of genuine leather — 4.7million)*	65 / 18 thousand people
The Russian Federation	26,1 *(in 2015 – 27,5)*	4,7	–	111 million *(incl. made of genuine leather — 63.8 million)*	*14.8 million; (incl. made of genuine leather — 2.5 million) (in 2015 — 12.7 million, incl. made of genuine leather — 2.3 million)*	1700 / 43 thousand people
India	21,9 *(in 2015 – 25)*	0,4	–			
Italy	99,4 *(in 2015 – 90)*	1,1	–	250 million *(incl. made of genuine leather — N/A)*	190 млн. *(incl. made of genuine leather — N/A)*	5 400 / 80 thousand people

ELECTRIC VEHICLES

Within the framework of the development of cooperation on electric vehicles, the work is organized in accordance with the Action Plan for providing stimulation of production and use of motor vehicles with electric motors in the EAEU Member States for 2015–2017.

Currently, all items of the Plan have been fulfilled in the part corresponding to national development priorities in the branch. For example, in the Russian Federation amendments were made to the road traffic rules, introducing the concepts of «electric car» and «hybrid car», establishing road marking for parking lots and charging stations for the corresponding vehicles. Electric transport stimulation is included into the Road transport development strategy of the Russian Federation up to 2025, which is being developed now.

In the Republic of Belarus, a program was adopted for the development of a charging infrastructure and electric transport, providing for an increase in the number of electric vehicles and charging infrastructure objects for them. In 2017, the National Academy of Sciences of Belarus developed and presented a sample of the first electric passenger car.

The Republic of Kazakhstan launched an SKD assembly plant for hybrid and fully electric JAC vehicles.

In order to implement the items of the Plan, the implementation of which is reserved for the Eurasian Economic Commission, Recommendations of the Board of the EEC dated 27.12.2016 Nos. 34, 35 and 36 were developed and adopted.

The Department developed a new Draft Action Plan for providing stimulation of production and use of motor vehicles with electric motors in the EAEU Member States for 2018–2020, the consideration of which is scheduled at the next meeting of the Advisory Committee on Industry.

The work will continue on the promotion of the use of electric vehicles on the Union's territory.

To ensure further work in this area, the Commission developed a Draft «Action Plan for providing stimulation of production and use of motor vehicles with electric motors in the Eurasian Economic Union Member States for 2018-2020», which will be implemented with the participation of the Parties.

SPACE INDUSTRY

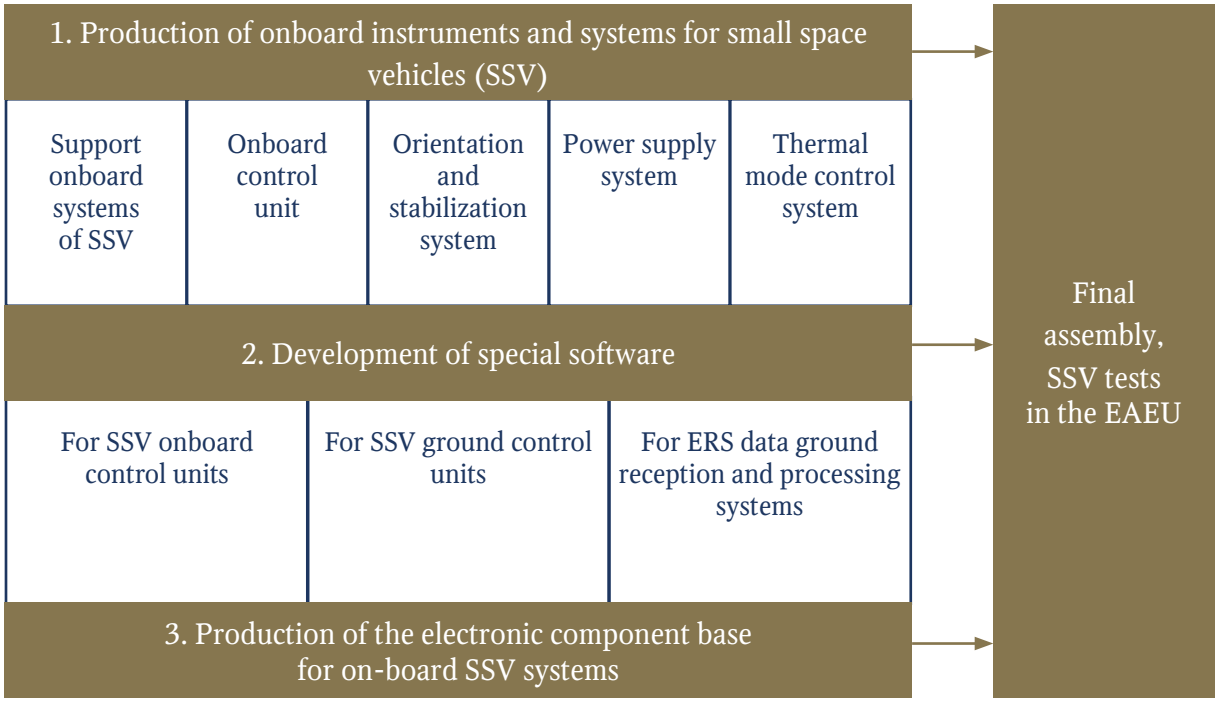
For the purpose of analysis in this branch, the Department adopted as the basis a large-scale cooperative project for creation of an integrated system of space and geo-information services of the Member States based on a joint satellite constellation for remote sensing of the Earth, proposed by the ETP «Space and geoinformation technologies – products of global competitiveness».

For reference

In the majority of developed countries of the world, geospatial information is presented as the basic part of the information infrastructure of the State and is used ever more actively for the efficient provision of public services, both in traditional areas of application - to update and create digital maps, to control land use, monitor the condition of the forests, marine areas, emergencies, etc., and in the areas directly related to economic processes and economic activity.

The cooperative chain for this project has been elaborated with the interested enterprises of the Union Member States and represented on the slide.

Stages of the Project's cooperative chain



The cooperative chain involves 6 enterprises from the Russian Federation and one from the Republic of Belarus as manufacturers of industrial products, and 2 enterprises as consumers at the following stages:

- manufacture of onboard instruments and systems for small space vehicles (hereinafter – SSV);
- development of special software for SSV on-board and ground control systems.

At the stage of production of the electronic component base for SSV onboard systems, enterprises from the Republic of Belarus, the Republic of Kazakhstan, and the Russian Federation are involved.

The abovementioned production chain ends with SSV final assembly and testing, where enterprises from the Russian Federation and the Republic of Kazakhstan take part.

Currently, the share of imported components in the electronic component base (ECB) for SSV onboard systems amounts up to 90% from suppliers in the USA and China.

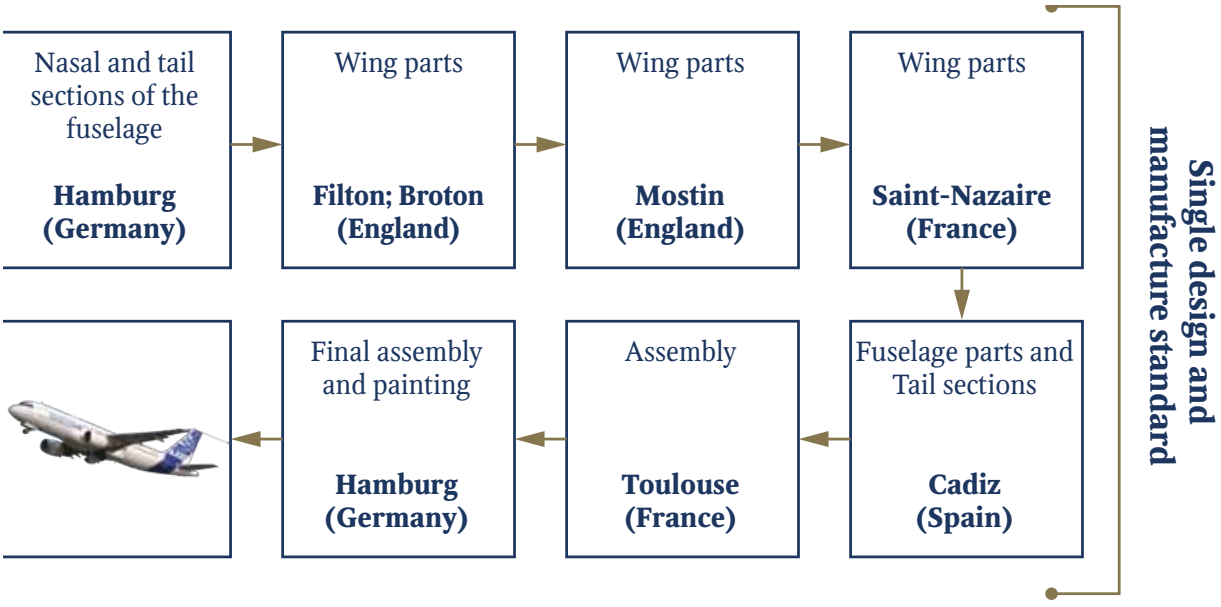
Within the framework of the Project, the proportion of domestic manufacturers of ECB will be brought up to 70%.

The reason for this project is its consistency with the objectives of import substitution stipulated in the strategic program documents of the Member States, as well as the challenges of international cooperation development between the Union Member States stipulated by the Action plan of measures for 2015-2020 on the implementation of the Basic State Policy in the sphere of using the outcome of space activities for modernization of the economy of the Russian Federation and its regions for the period up to 2030 *(Decree No. 1698-p of the Government of the Russian Federation dated September 1, 2015)*.

AIRCRAFT ENGINEERING

Комиссия на системной основе прорабатывает вопрос развития промышленного сотрудничества в авиации.

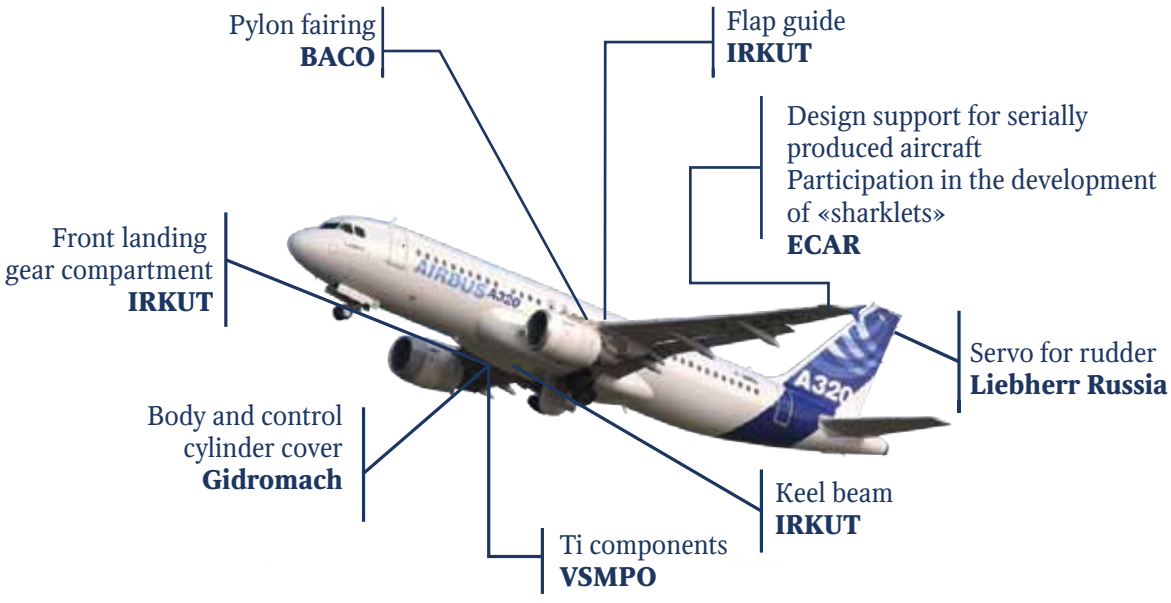
The Commission systematically elaborates the issue of the development of industrial cooperation in aviation.



Global suppliers of components for Airbus products:

• **Rolls-Royce** • **SAFRAN** • **United Technologies** • **General Electric** • **Goodrich**

Russian enterprises involved in global supplies of components for the manufacture of Airbus products



The decision adopted by the Council of the Eurasian Economic Commission on November 10, 2017 to extend the exemption from customs duties and taxes for temporarily imported turbojet medium-range civilian passenger aircraft shows that we actually supported foreign producers and suppliers of components for Airbus-319, 320, 321 and Boeing-737, and it cannot be regarded as normal in the future.

Even the modern developments of the Russian Federation – Superjet and MS-21 – are produced with a significant share of foreign components (especially powertrains and avionics).

On this direction, the Commission is elaborating the issues of cooperation in aircraft engineering, both in the production of a new wide-body long-range aircraft, and in general within the framework of national civil aviation production programs, given that the Parties have accumulated years of competence with regard to technology, materials, human resources, testing and launch-site infrastructure.

The implementation of joint efforts in this area has a number of undeniable advantages – the creation of a proprietary product, its competitiveness in the future as compared to global manufacturers from Europe and the United States, utilization of the capacities of the EAEU related to production of ferrous and nonferrous metals, demand for microelectronic products, instrument engineering and machine tool building.

The implementation of this project will lead to the creation of a modern competitive export-oriented plane (the liner being created will be regarded as a competitor for Airbus and Boeing aircraft) and secure long-term orders for the industrial enterprises of the EAEU in such areas as ferrous and non-ferrous metallurgy, microelectronics, instrument engineering, mechanical engineering, including machine tool building.

As for the possible involvement of enterprises of the Republic of Kazakhstan into the project, the issue is under consideration concerning production of titanium elements, including those based on additive technologies. The same relates to the enterprises in the Republic of Armenia and the Republic of Belarus concerning production of avionic elements.

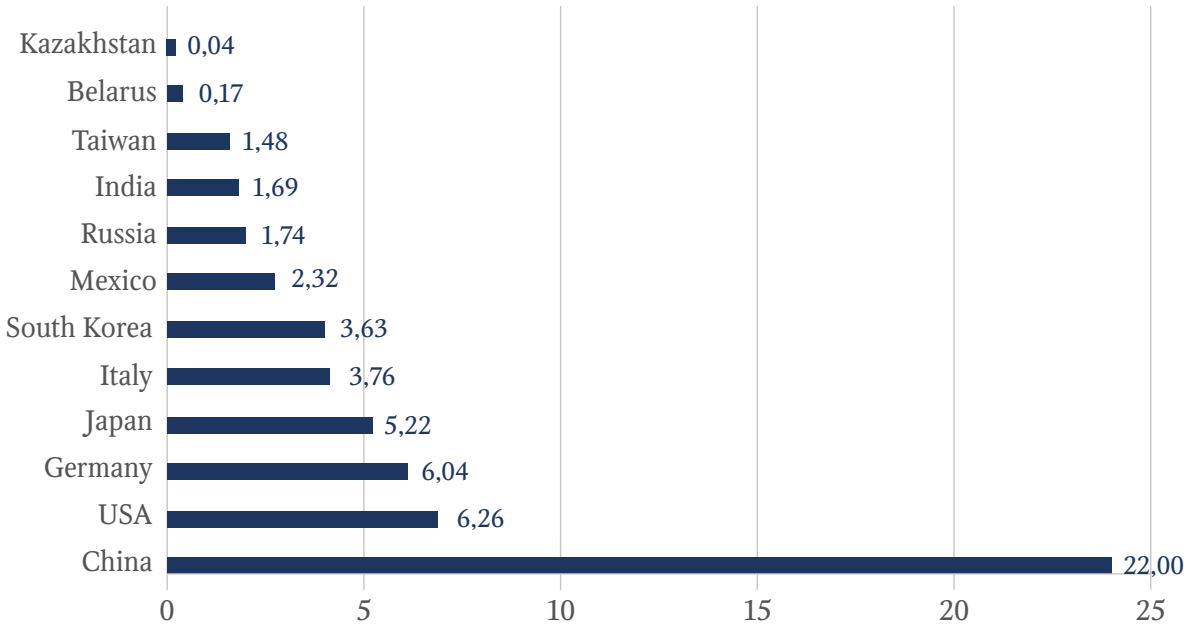
MACHINE TOOL BUILDING

In the sphere of machine tool building, the Commission carries out work on three key directions stipulated by the MDIC: improving the localization of production, supporting exports and eliminating barriers in mutual trade.

Within the framework of the Roundtable «Forming global centers of competence in machine tool building», Vladimir Maltsev reported on possible points of growth in machine tool building

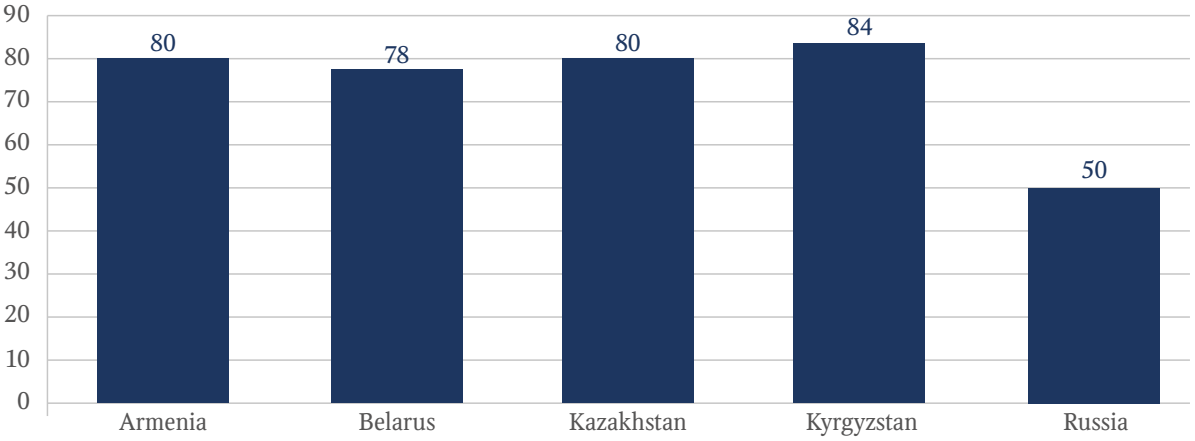
MACHINE TOOL BUILDING OF THE EAEU ON THE GLOBAL MARKET

World consumption of metalworking equipment in 2016, Billion USD

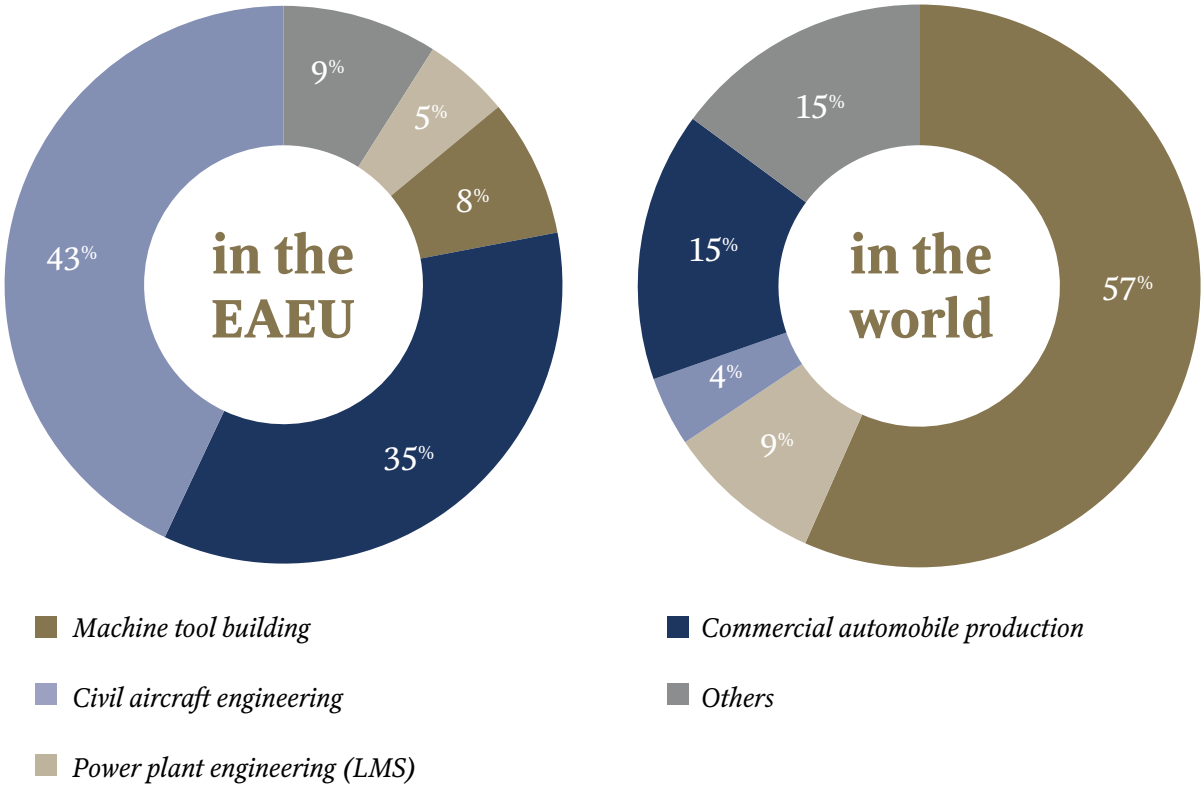


The combined Eurasian market of machine tool building is ranked 7th in the world. The investments in this industry account for 8% of the investments in modernization of mechanical engineering. The deterioration rate of machines and equipment in the countries of the Union is at a critical level and amounts to about 80%. The potential demand for equipment in many respects can be satisfied with products from national manufacturers.

Share of worn out machines and equipment, %

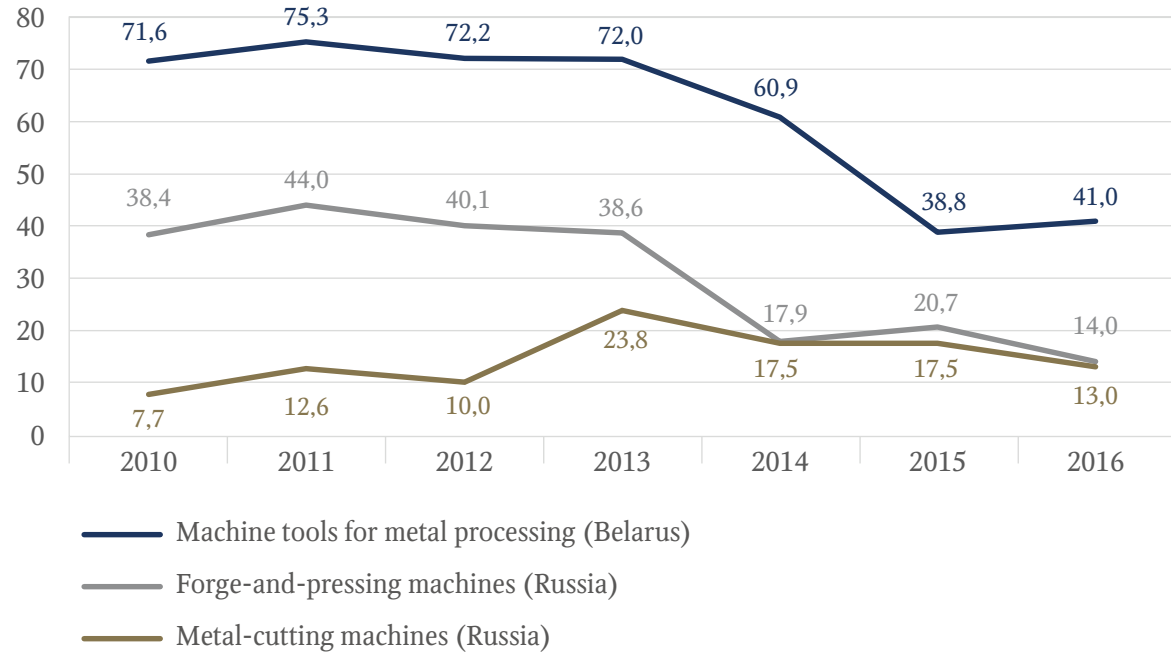


Structure of investments in technical re-equipment by branches of mechanical engineering



The structure of the machine-tool market of the EAEU, billion USD

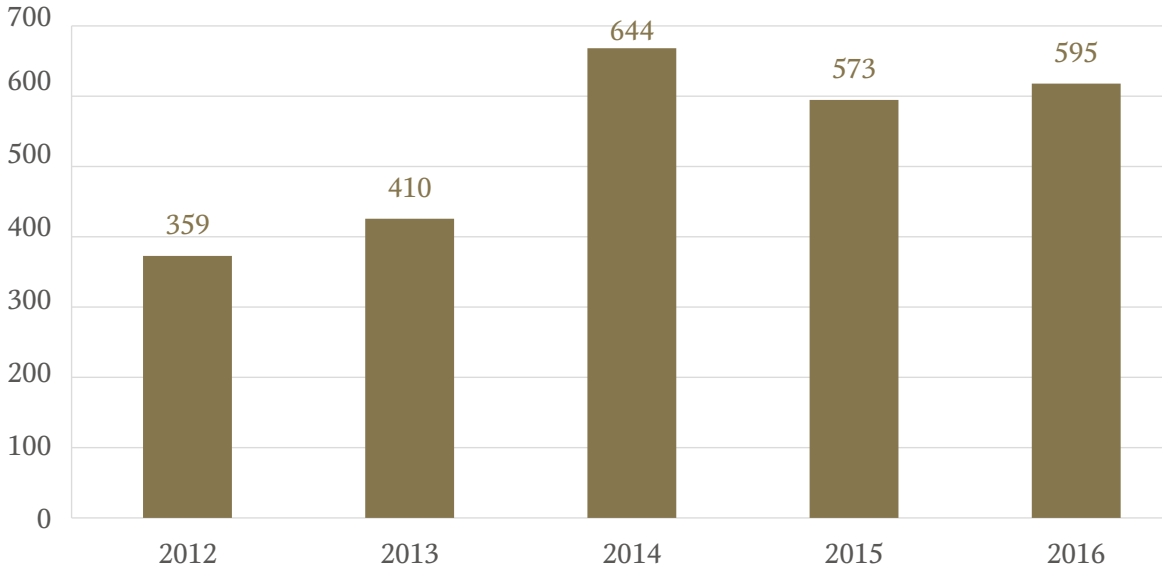
Production capacity utilization rate, %



The existing capacities of old enterprises have already been exhausted, the new ones are still underutilized.

To develop machine-tool production sites and ensure the required capacity utilization, a joint entrance of mechanical engineering and machine tool building branches to export markets is required.

Production dynamics of metalworking CNC machines in the EAEU, pcs.



The structure of machine tool building is changing, there has been an increase in the production of CNC machines and machining centers. Over the past 5 years, the share of CNC machines in the total machine tool building output increased from 5% to 9.4%.

To reach payback of the production sites of new components, manufacture of at least 5 thousand machine units must be ensured, efforts must be focused on localization and development of competencies demanded by the economy (CNC racks, measuring equipment).

To develop machine-tool production sites and ensure the required capacity utilization, a joint entrance of mechanical engineering and machine tool building branches to export markets is required. One of the most effective tools of promotion is forming partnerships with manufacturers engaged in mechanical engineering concerning equipment of service centers abroad. Machine tool building enterprises of the EAEU together ensure almost the entire list of required competencies, which makes it possible to implement this approach and to ensure that the interests of both engineering and machine-tool industries are considered.

It is also necessary to stimulate demand for machine tools of national manufacturers on the Eurasian market. At the same time, there remain some unadjusted barriers in the internal trade of the EAEU. For example, in certain EAEU countries there are regulations limiting access of products manufactured in other Member States to government procurement.

To solve this problem, it is necessary to define single criteria for classifying machine-tool products as products manufactured in the countries of the Union. Issuing conclusions on confirmation of the availability of production in the Member States is one of the key functions assigned to the Eurasian Engineering Center on Machine Tool Building, created in accordance with the decision of Prime Ministers of the five countries.

LIFTING AND TRANSPORTATION EQUIPMENT

In the development of industrial cooperation in production of lifting and transportation equipment in 2016, the Department compiled a register of enterprises-manufacturers of lifting and transportation equipment, machines and equipment for the mining industry of the EAEU, comprising about 250 enterprises-manufacturers of lifting and transportation equipment, including: in the Republic of Belarus – 10 enterprises, in the Republic of Kazakhstan – 23 enterprises, in the Russian Federation – 206 enterprises and 8 research institutes in the fields: design and construction of lifting and transportation equipment and mining equipment for surface and underground mining operations, development of projects for mechanization and automation of loading and unloading operations, works with the use of modern electronic components.



Based on the compiled registry of enterprises-manufacturers of lifting and transportation equipment, machinery and equipment for the mining industry of the EAEU Member States, a list was prepared of lifting and transportation equipment produced in the EAEU Member States, as well as machinery and equipment for mining industry and components.

The compiled register of manufacturers of lifting and transportation equipment, machinery and equipment for the mining industry of the EAEU Member States and a list of their products will allow the interested business circles of the EAEU Member States to rationally select partners for cooperation, involve small and medium-sized enterprises in the production chains of major manufacturers, to optimally utilize the production capacities of enterprises and determine the main vectors for the production of lifting and transportation equipment in terms of import substitution.

PRODUCTION OF CONSTRUCTION MATERIALS

Following the results of interaction with the Integration Council of the Russian Union of Industrialists and Entrepreneurs (RSPP), in view of the current situation with the oversupply of cement on the EAEU market, as well as in connection with the introduction of mandatory certification standards on the territory of the Russian Federation, the Industrial units continue working on a previously developed Draft recommendation of the Council of the Commission «On the development of cooperation between the Member States of the Eurasian Economic Union in the sphere of production of construction materials, including cement and glass».

The Draft recommendation provides for Commission-coordinated cooperation in the sphere of production of construction materials, including cement and glass, on the following main directions:

1. Using the methodologies for assessing and forecasting the development of production of construction materials (taking into account their consumption when implementing housing and infrastructure projects) in the Member States;

2. Organizing cooperative (joint) manufacture of competitive equipment in the sphere of production of construction materials;

3. Establishing a joint platform for effective interaction between state authorities, representatives of business communities and scientific organizations from the Member States in the sphere of production of construction materials;

4. Increasing efficiency in the use and development of transport and logistics potentials, integration capacities of the Member States, as well as the infrastructure to be used by producers and consumers of construction materials.

Analysis of the situation in the cement industry of the EAEU Member States, reference materials and letters of the Parties on this issue showed that the cement products manufactured by the Member States of the Union is competitive and is in demand on the market of the Russian Federation.

For example, by the end of 2016, an increase in imports from the countries of the Union was registered: from Belarus (almost 4 times), Kazakhstan (35 times). With regard to Kazakhstan, a low base effect came into action – in physical terms, the supplies grew from 6 to 210 thousand tons, while Belarus by the end of 2016 is the largest exporter of cement into Russia – 1.4 million tons of cement and clinker.

THE BALANCE OF PRODUCTION CAPACITIES/APPARENT CONSUMPTION OF CEMENT IN THE EAEU, MILLION TONS, %

Countries	Production	Production capacities	Utilization of capacities	Apparent consumption	Excess of capacities	Exceeding (%)
Armenia	0,5	2,4	20,8	0,4	2,0	576
Belarus	5,4	8,4	64,3	3,2	5,2	265
Kyrgyzstan	1,7	3,7	45,9	1,5	2,2	247
Kazakhstan	8,9	15,4	57,8	8,9	6,5	174
Russia	55,0	109,0	50,4	55,4	53,6	197
Total, EAEU	71,5	138,9	51,5	69,4	69,5	200

Source: Report on the results of the introduction of mandatory certification of cements by International Integration and Trade, LLC

The issue of the establishment of a joint platform for interaction between state authorities, representatives of business communities and scientific organizations from the Member States in the sphere of production of construction materials has also been elaborated.

The «Manufacturing supporting technologies for the construction industry» Eurasian technology platform was created in the sphere of production of construction materials, with the inclusion of manufacturers of construction materials, and was approved by Decree No. 2 of the Council of the Commission dated February 16, 2018.

WOODWORKING

Woodworking and manufacture of wood products, as an integral part of the timber industry, occupies an important place in the economy of the EAEU States.

The activities of the forest-industry complex of the Union are based on the world's largest base of raw materials. Timber stocks are estimated at more than 80 billion cubic meters, which is more than a quarter of all stocks on the planet.

The forest-industry complex of the EAEU takes a substantial share of the global market of woodworking products. Thus, the total exports of the Union amounted to 8% of the global market, and in the past three years this figure was estimated at a stable level.

At the same time, the EAEU imports high value-added products – MDF-panels, furniture, parquet and laminate (over 50% of imported woodworking products account for these positions), where the main supplier is, again, China.

Realizing the need to provide its own market with quality products, Russia, Belarus and Kazakhstan contemplate activities for the development of this sector in their development strategies.

Today large-scale investment projects are implemented on the territory of the EAEU, aimed at modernization of the existing production sites and creation of new ones in the sphere of woodworking, this is evidenced by a significant amount of imports of woodworking equipment.

First of all, it includes projects for the organization of production of wood boards and finishing materials, which are widely used in furniture and construction industries.

Even now, total imports of wood and wood products from third countries by the Member States are decreasing significantly.

The policy implemented by our countries, according to the estimates of the EEC industrial units, will lead to a redistribution of the general structure of the EAEU market for woodworking products and a reduction in the aggregate share of imports from the current 18% to the possible 9%.

Thus, the need of the EAEU market in woodworking products could be satisfied by more than 90% with domestic manufacturers.

At the same time, the existing economic model of the woodworking industry in the EAEU carries certain profitability risks of the investment projects implemented: on average, the share of undeclared exports of woodworking products is over 40% from the declared exports. The Commission systematically elaborates this issue with the involvement of all the interested parties.

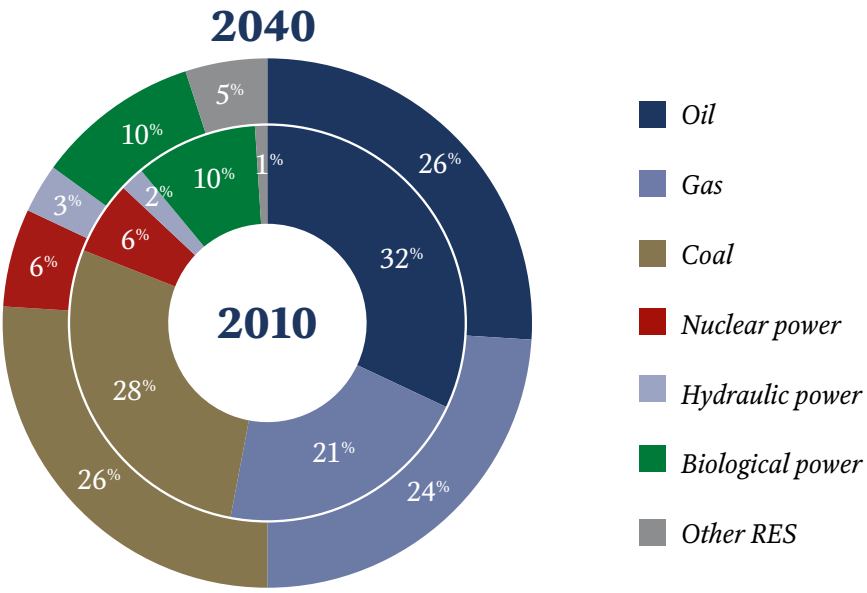
POWER ENGINEERING AND ELECTRICAL INDUSTRY

The Industrial Policy Department performed a complex analysis of the state of power engineering industry in the EAEU Member States, which goes hand in hand with the energy complex and, consequently, energy strategies of the EAEU Member States.

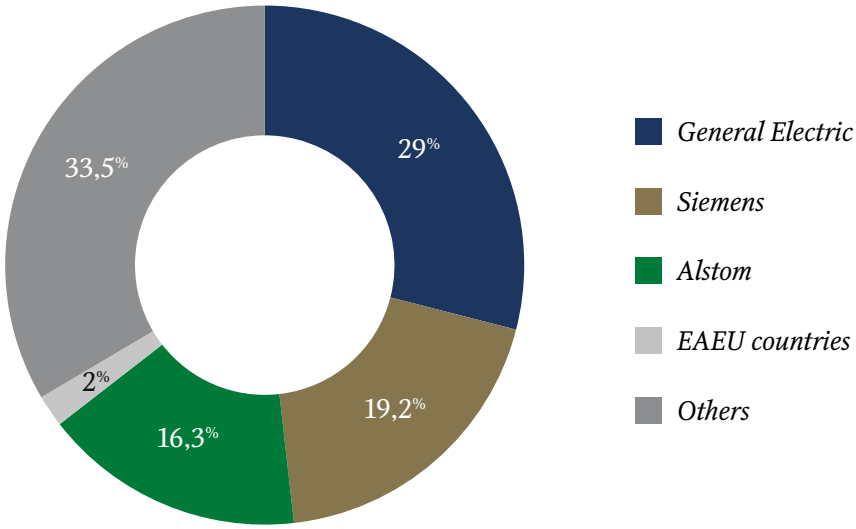
The analysis considered both the global market of power engineering, including prospects for the global energy (electricity) in general, and state programs and regulatory documents of the EAEU Member States on power engineering, including strategies of energy (electricity) development in the EAEU Member States. Also, attention was paid to the volumes of production of power engineering products in the EAEU, as well as trade relations of the EAEU Member States in the sphere of power engineering (foreign trading volume and mutual trade).

Based on the analysis performed, problems in the industry, prospects and preconditions for its development were identified, taking into account the integration potential, and areas for further joint development of the industry within the EAEU were offered.

STRUCTURE OF PRIMARY ENERGY CONSUMPTION BY TYPES OF FUEL



STRUCTURE OF THE GLOBAL MARKET OF POWER ENGINEERING PRODUCERS, BY PRODUCERS



From the analysis of the global power engineering market, the following aspects may be highlighted:

- The market share of power engineering companies of the EAEU (the Russian Federation) takes about 2% of the global market (before the early 1990s, the share of the global market occupied by energy equipment supplied to foreign markets from the USSR amounted to 13%).
- Virtually only power engineering manufacturer in the EAEU is the Russian Federation.
- In terms of trade relations with third countries, it may be noted that the external trade of the EAEU Member States is characterized by significant excess of EAEU power engineering imports over exports of these products to third countries.

A common characteristic for all EAEU countries is the high deterioration rate of equipment on the existing energy facilities, the need to modernize equipment on many of them with full replacement, which increases the relevance of manufacturing in-house equipment.

The EAEU market of transformers was considered in more detail.

Regarding power voltage transformers, it may be noted that currently the market structure in Russia, as the largest consumer of transformers, as of 2014, is as follows:

6-35 kV voltage transformers – the import ratio is 15%; 110-750 kV voltage transformers – the import ratio is 60-65%.

CAPACITY ASSESSMENT OF THE MARKET OF I-III SIZE POWER TRANSFORMERS

Capacity of the transformer, MVA	Number of required new transformers, pcs.	Total amount of the group, million USD
0,025	26 408	38,95
0,040	9 733	16,31
0,063	5 429	10,59
0,100	3 587	8,80
0,160	2 601	7,48
0,250	2 001	7,25
0,400	1 602	7,22
0,630	1 322	8,34
1,000	1 116	9,46
1,600	959	13,47
2,500	836	16,54
4,000	737	27,87
6,300	657	31,50
Total	56 988	203,8

The bulk of the measuring voltage transformers in the EAEU market was presented by equipment of foreign production. The import ratio in the total amount of the market of measuring voltage transformers on average is about 90%.

In general, electrical equipment production sector in the world is represented by the following companies: ABB (Switzerland, Norway, Germany), Alstom Grid AG (Switzerland, France), Siemens AG (Germany), Fuji Electric (Japan), Vestas Wind Systems (Denmark), WEG (Brazil), Prysmian (Italy), LS Corp (South Korea), Furukawa Electric (Japan), Dongfang Electric (China), Ametek (USA), Nidec (Japan), LeGrand (France), WW Grainger (USA), SCHNEIDER ELECTRIC (France), S.E.A. S.p.A. Societa Elettromeccanica Arzignanese (Italy), Electronica Arteche Hermanos S.L. (Spain), Koncar-Instrument Transformers Inc. (Croatia), Pfiffner Instrument Transformers Ltd. (Switzerland), MIKRONIKA, Poland, KISTERS AG, Germany, etc.

RAILWAY ENGINEERING

The Commission's work on the direction of manufacture of industrial products for railway transport was launched back in 2014, with the establishment of an expert group, consisting of representatives of the interested departments (Ministries of Economy, Ministries of Industry and Ministries of Transport of the Member States), associations (National Association of Railroad Engineering Manufacturers and Nonprofit Partnership «Association of Carriage Producers») and carriers (Belarusian Railways, KTZ, Russian Railways).

By 2015, the Commission performed an analysis of the state and development of the railway engineering industry in the Customs Union and the Single Economic Space, on the basis of which it formed an industry overview, which was considered at the seventh meeting of the Advisory Committee on Industry on March 3, 2015.

Taking into account the work performed, a Draft EEC Council Recommendation was prepared in parallel, on the development of cooperation of the Member States in the sphere of railway engineering, with the determination of the main directions of such cooperation.

However, the Plan for developing acts and measures to implement the Main directions of industrial cooperation within the Union (approved by Decision No. 17 of the EEC Council dated March 17, 2016) did not provide for the development of such an act. For this reason, at the request of the Parties, the discussion of the recommendation was deferred to a later date.

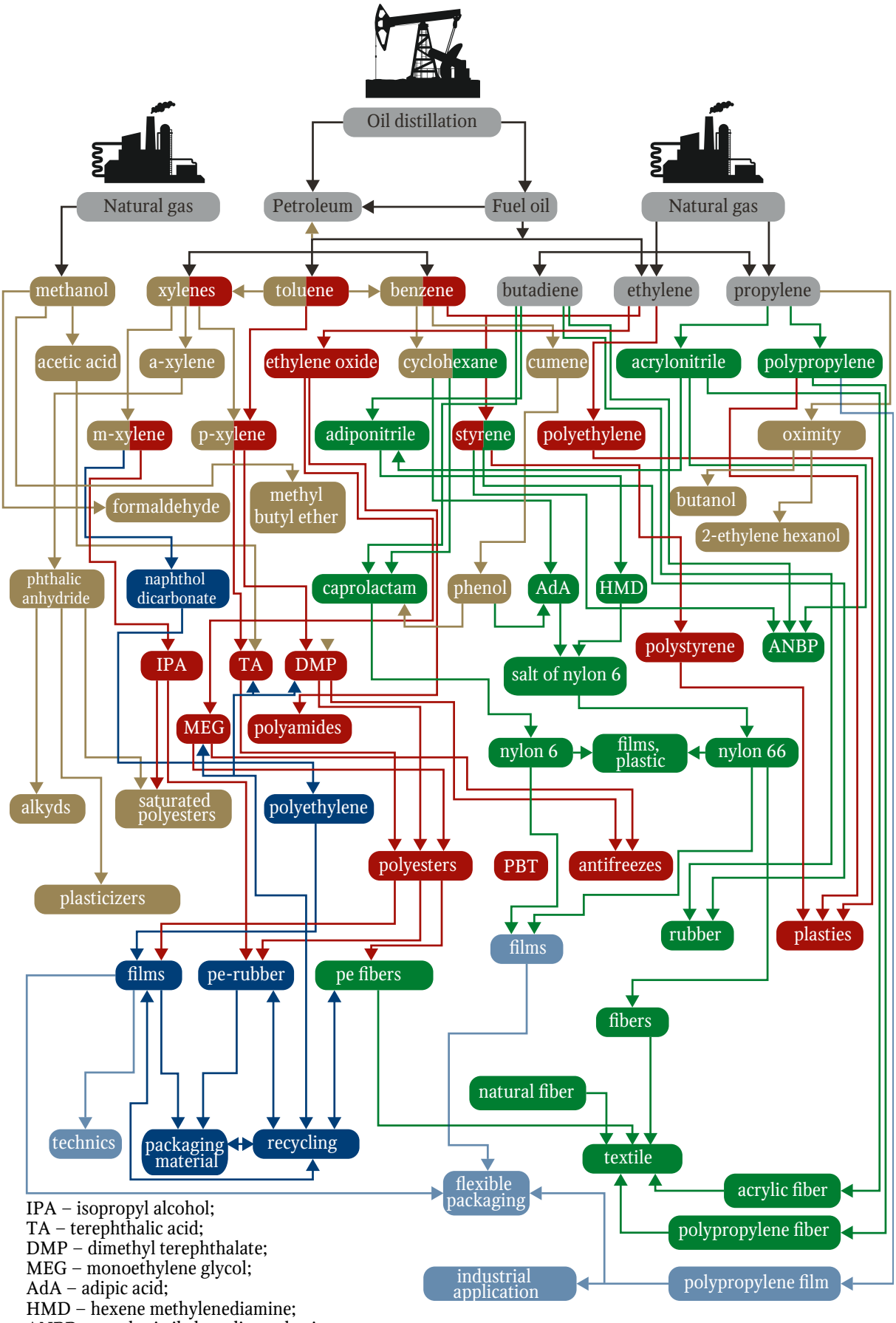
Currently, the work is under way within an expert group created to elaborate the aspects of cooperation of the Member States in the sphere of import substitution on this direction.

CHEMICAL INDUSTRY

This branch is one of the priorities for most of the EAEU Member States.

At the same time, the level of development of chemical industry in the EAEU countries is quite modest, for most of the complex products (with the exception of mineral and chemical fertilizers and simple polymers) the economies of all EAEU countries critically depend on imported products. There is a shortage of polyethylene, PVC, polyethyleneterephthalate, polyesters and polycarbonates, which is now compensated by imports, while all the necessary raw materials for these industries are available on the territory of the EAEU countries.

The delegation of the Ministry of Industry and Trade of Russia at the «Chemistry-2017» international exhibition



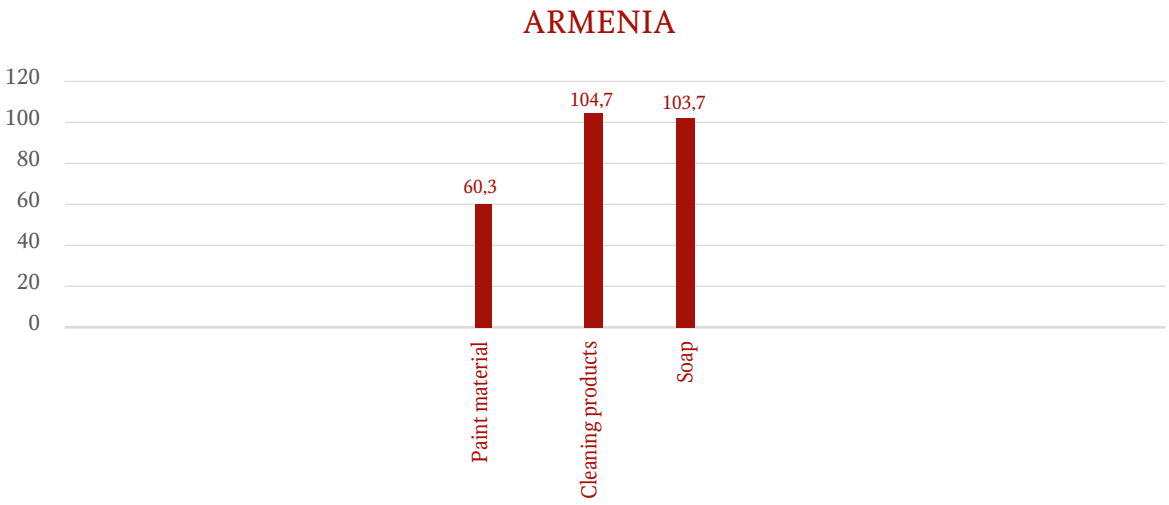
IPA – isopropyl alcohol;
TA – terephthalic acid;
DMP – dimethyl terephthalate;
MEG – monoethylene glycol;
AdA – adipic acid;
HMD – hexene methylenediamine;
ANBP – acrylonitrile butadiene plastic;
PBT – polybutieneterephthalate;

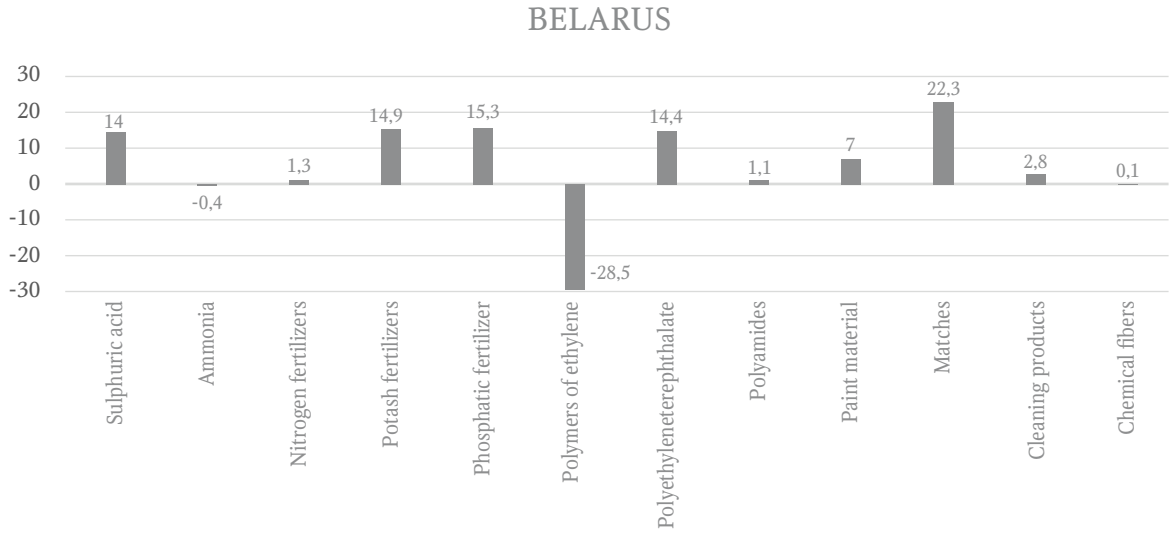
At the same time, there is a positive dynamic with an increase in chemical production in the EAEU countries.

In 2017, the index of industrial production in the chemical industry in Armenia amounted to 124.9% compared to the previous year, in Belarus – 109.8%, in Kazakhstan – 107.2%, in Kyrgyzstan – 106.7%, in Russia – 104.3%.

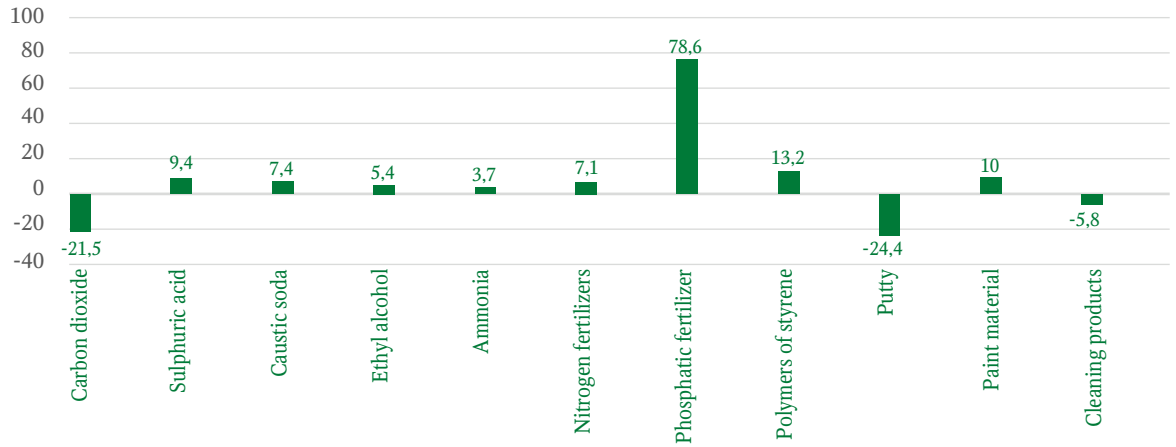
Currently, the Commission is conducting an analysis of the branch, which should result in specific decisions aimed at promoting cooperation in this segment of the industry.

OUTPUT DYNAMICS FOR CERTAIN PRODUCTS OF CHEMICAL INDUSTRY (2017 VS 2016)

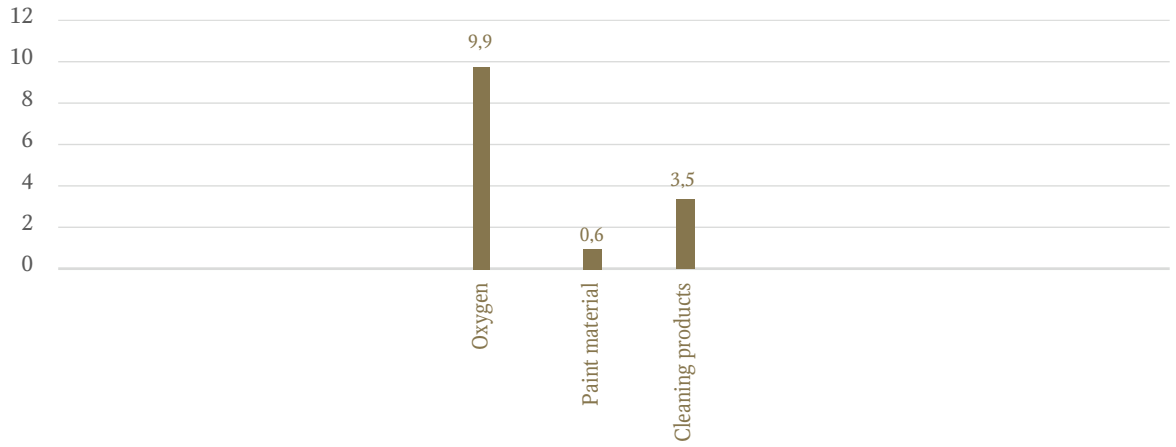




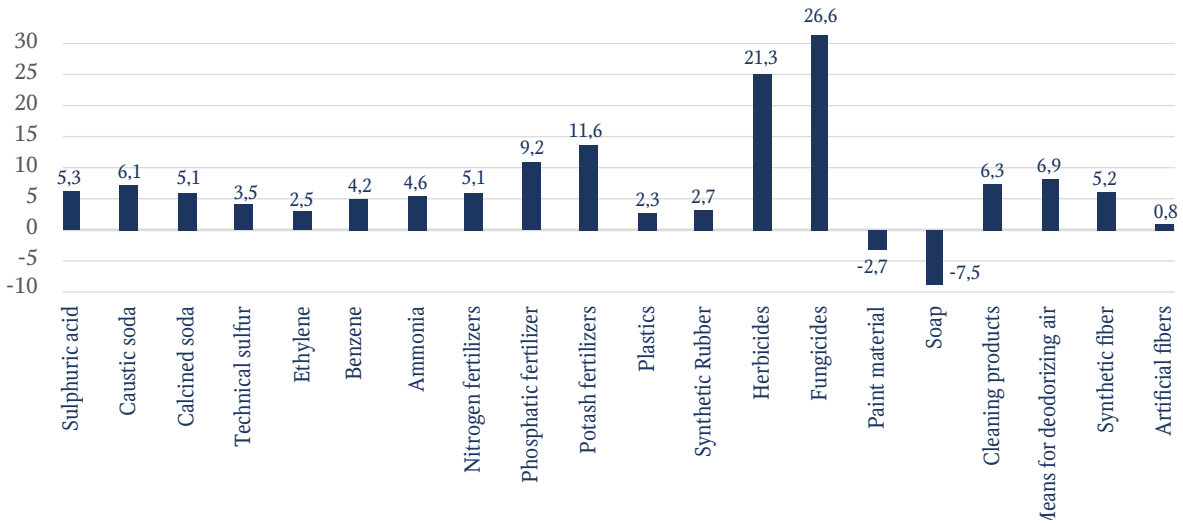
KAZAKHSTAN



KYRGYZSTAN



RUSSIA

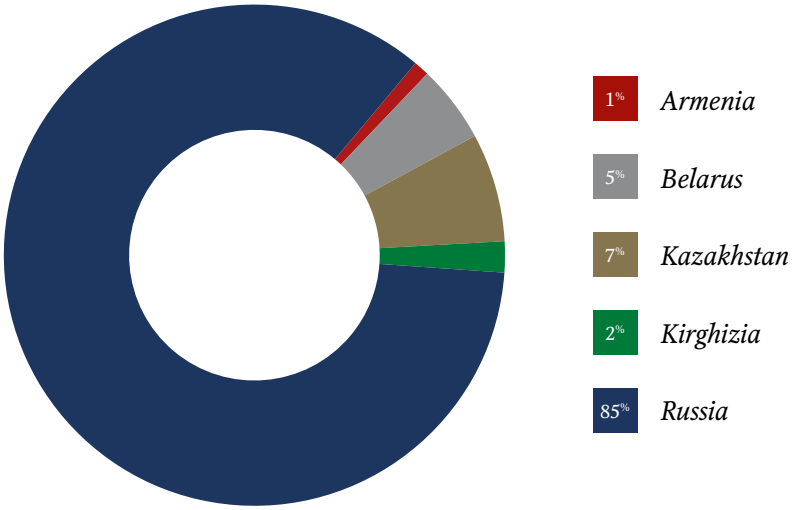


PHARMACEUTICS

In the development of industrial cooperation on the direction of industrial manufacture of pharmaceutical products, the Department, jointly with the interested organizations of the Parties, elaborated a cooperative project «Organization of production of substances and finished dosage forms of anti-tuberculosis and other products using domestic technologies of catalytic synthesis in accordance with GMP international standards» (hereinafter – the Project). The project provides for the creation of an innovative chemical and pharmaceutical full-cycle plant for the production of pharmaceutical substances and anti-tuberculosis drugs, manufactured in accordance with GMP international standards, using modern technologies of catalytic synthesis developed in the EAEU. The project cost is 32 million USD. When implemented, the project will replace imported Chinese low-quality substances on the single pharmaceutical market of the EAEU with locally produced substances, manufactured in accordance with GMP international standards.

Today, the work is under way concerning additional coordination of the Project at the level of authorized authorities of the Republic of Kazakhstan.

PHARMACEUTICAL MARKET OF THE EAEU COUNTRIES, 2017, %



8.2. COOPERATION IN THE SECTORS OF SCIENCE, TECHNOLOGY AND INNOVATION

The most important area of industrial cooperation within the EAEU concerns innovative, knowledge-based industries, where the use of modern technologies is crucial. In modern conditions it is impossible to create competitive and high-performance products without using advanced technologies. First of all, it concernsaviation and space, microelectronics, biotechnology and pharmaceuticals, composite materials, nanomaterials, etc.

On February 28, 2016, in order to accelerate technological modernization and increase the innovation activity of organizations within the Union, the Industrial Unit adopted EEC Board Recommendation No. 5 «On the list of priorities for cooperation of the EAEU Member States in order to accelerate technological modernization and increase the innovation activity of organizations of the Member States, taking into account the applied and fundamental research carried out by the Member States».

The document provides for a number of priorities for cooperation of the Member States in science, technology and innovation, aimed at activating and strengthening collaboration on the issues of implementing promising technologies and developments, advanced industrial equipment, industrial processes for producing high-tech and innovative products with high competitiveness, etc. In addition, the document includes possible forms of cooperation used for attracting investment, technical, consultative and other kinds of support by partner organizations from other Member States of the Union.

DISSEMINATION OF BEST PRACTICES FOR THE ESTABLISHMENT AND MAINTENANCE OF OBJECTS OF INDUSTRIAL AND INNOVATION INFRASTRUCTURE OF THE EAEU MEMBER STATES

In 2017, with respect to modernization (re-equipment) of the existing production sites and creation of new innovative industrial sectors of the EAEU Member States, industrial units adopted EEC Board Recommendation No. 37 «On dissemination of best practices for the establishment and maintenance of objects of industrial and innovation infrastructure of the EAEU Member States». In order to implement this recommendation, the following tasks were performed in 2017:

- a list of industrial-innovative infrastructures of the Member States was compiled. The list includes over 10 thousand infrastructures, including more than 5 thousand research organizations, more than 2.5 thousand testing laboratories, and more than 2.5 thousand other infrastructures (industrial parks, technological parks, clusters, free economic zones, development territories, industrial complexes, business incubators, co-working, accelerators, research centers, centers for collective use, engineering centers, youth innovative creativity centers, prototyping centers, etc.). Altogether, statistics were prepared concerning 40 types of infrastructure. Among these objects, advanced national infrastructures in the Member States were singled out. A plan was developed to exchange experience on studying best practices for the establishment and maintenance of infrastructures:

OBJECTS OF INNOVATION AND INDUSTRIAL INFRASTRUCTURE

Name of the object of innovation and industrial infrastructure	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia
Special economic zones (EPZ, SEZ)	3	7	10 + 57 free warehouses	4	33 (including 19 of industrial intended use) + 1 Crimea
Priority social and economic development areas (PDA)					14
Territorial development areas					20
Industrial parks	5	6	15	1	190
Science Parks	3	10	23	3	160
Business incubators	3	16	50	3	200
Innovation clusters					25
Industrial clusters					59
Science cities					14
Free Port					1 (5 planned)
Scientific and technical centers	About 15	About 140	About 70	About 10	Over 200
Organizations performing research and development	20	530	350	30	3 570

- a Database of major investment projects of industrial construction, including infrastructures in the Member States with implementation for 2017–2021 was created. The Database includes more than 250 investment projects in various sectors of economy, with a total investment amount exceeding 15 trillion Russian rubles. (250 billion dollars);

- with regard to the development of scientific and industrial cooperation, the Eurasian Division of the International Association of Science Parks (IASP) was created in 2017. Autonomous Non-Profit Organization «Moscow Export Center» was defined as the operator of the Eurasian Division. In addition, an agreement was signed in 2017 between the science parks of the EAEU Member States and the CIS on creation of the Association of Science Parks in the CIS and Eurasia.

ACTIVITIES ON FORMATION, FUNCTIONING AND FINANCING OF THE EURASIAN TECHNOLOGY PLATFORMS

Pursuant to Decision of the Eurasian Intergovernmental Council No. 2 dated April 13, 2016, Regulation on formation and functioning of Eurasian technology platforms was approved, according to which Eurasian technology platforms (hereinafter – the ETPs) were defined as a mechanism for cooperation of the interested Parties in the spheres of science, technology, innovation and industry. The ETPs are formed by creating conditions for cooperation between leading business organizations (sectoral industrial enterprises, state-owned companies), science organizations (research institutes, universities, other educational institutions), state organizations (development institutions, specialized state authorities), public organizations (industry associations) of the EAEU Member States.

Within the framework of ETP formation, pursuant to Commission Council decisions:

- in the years 2016 and 2017, the first 12 priority ETPs were approved – «Space and geoinformation technologies – products of global competitiveness», «Eurasian biomedical technology platform», «Eurasian supercomputer technology platform», «Photonics», «Eurasian LED technology platform», «Technologies of extraction and processing of solid minerals», «Technologies of environmental development», «Eurasiabio», «Technologies of food and processing industry of the agricultural sector – healthy food products», «Eurasian agricultural technology platform», «Industrial Technologies: Light industry», «Metallurgy technologies and new materials»;
- in 2018, the «Industrial technologies for the construction industry» ETP was approved.

Today, the ETPs unite more than 400 leading national scientific and industrial organizations of the Eurasian Economic Union.

The proposals for implementation of priority innovation projects were presented to the EEC by Eurasian technology platforms.

In total, over two years of the operation of ETPs, more than 140 cooperative projects have been presented, of which 8 projects on the investment stage were determined during elaboration, that can be implemented subject to provision of an EADB loan facility, 37 are on the pre-investment stage and require more detailed elaboration, and 85 are R&D and require venture financing. These prospective projects were agreed upon by the Parties when approving the ETP.

On the initiative of the «Space and geoinformation technologies» ETP, Decision

No. 4 of the Supreme Eurasian Economic Council was adopted on 11.10.2017 «On cooperation between the Eurasian Economic Union Member States in the sphere of providing space and geoinformation services based on national Earth remote sensing data sources».

The list of these platforms is not final, and the Commission plans to continue work on the formation of priority ETPs. The next step scheduled in 2018 is creating technology platforms in areas such as nuclear and radiation technologies, intelligent transport, information and communication technologies.

Following activities have been carried out within this direction:

As part of the «Eurasian Week» exhibition forum in Skolkovo on October 26, 2016, a round table «Effective mechanisms for the implementation of industrial policy in the EAEU» was held with the expanded participation of representatives of the ETPs to discuss topical issues of the further development of the technology platforms within the Union.

Also, on June 8, 2017 the Eurasian Investment Forum was held, where more than 100 experts from state, industrial, banking and other organizations of the countries of the Union presented about 200 promising innovative cooperative proposals capable of bringing the industry in the States of the Union to a new technological level.

By the end of 2017, the Parties provided information on:

- the list of national development institutions and financial organizations engaged in financing (co-financing) research, investment and innovation projects;
- a brief description of the possible mechanisms to support joint cooperative innovative projects proposed by the ETPs;
- the list of state programs of scientific and technological development for possible inclusion of ETPs in them;
- the list of joint innovation cooperative projects.

In 2018, the Department plans, jointly with representatives of competent authorities of the Parties, to hold the second general ETP event where discussion is envisaged concerning possible tools to support ETP initiatives and mechanisms for financing (co-financing) of joint cooperative innovation projects proposed by the ETPs.

8.3. SYSTEM-WIDE MEASURES IN THE SPHERE OF INDUSTRIAL POLICY

EURASIAN DEVELOPMENT BANK

With a view to develop industrial cooperation, the Main directions provided for improving the conditions of investing in industry. The main stake in this issue was made on the increase of the volumes and preferential financing of the Eurasian Development Bank, first of all, concerning long-term cooperative projects. To this end, the necessary regulatory acts were developed.

On January 13, 2017 Decree No. 1 of the Council was adopted, «On the interaction of the Eurasian Economic Commission, the Member States of the Eurasian Economic Union and the Eurasian Development Bank on issues related to the consideration of cooperative projects with potential for integration, to be financed by the Eurasian Development Bank». In accordance with this document, the Working Group was formed to review cooperative projects with a potential for integration, to be financed by the EADB. The leaders of the group are the representative of the Commission, Member of the Board - Minister in charge of Industry and Agriculture, S.S. Sidorskiy, and the representative of the Eurasian Development Bank – Board Chairman of the EADB. The Group was established at the highest level - its members are Deputy Ministers of economy and industry of the EAEU Member States.

The main tasks of the Group: organizing cooperation between the Commission, Member States of the Eurasian Economic Union and the EADB on issues related to consideration and promotion of cooperative projects in industry, identifying cooperative potential in Member States, discussing measures to support cooperative projects, and developing recommendations on the EADB's need to finance a cooperative project.

The working group works with projects that match at least one of the cooperativity criteria and have been construed in accordance with the established form of the project passport. The cooperativity criteria and the form of the project passport were approved by Council decision No. 5 dated January 13, 2017 «On considering cooperative projects with potential for integration to be financed by the Eurasian Development Bank".

The Parties also identified a list of industries in which cooperation is possible in the first place. The list was prepared by the Industrial Unit on the basis of the results of the analysis of cooperative supplies of the Member States of the Union, which we performed in order to identify the potential of industrial cooperation. Based on the results of the analysis, 2 segments of manufacturing industries were singled out that possess the greatest cooperative potential:

- industries in which there is an opportunity to incorporate producers of the Member States in international production chains;
- industries where formation of cooperative production chains within the Union is possible.

Based on such a list, Council recommendation No. 2 dated 03.03.2017 was developed and approved, «On the list of mutually beneficial areas of cooperation between the Member States of the Eurasian Economic Union taking into account the advisability of financing the corresponding projects by the Eurasian Development Bank».

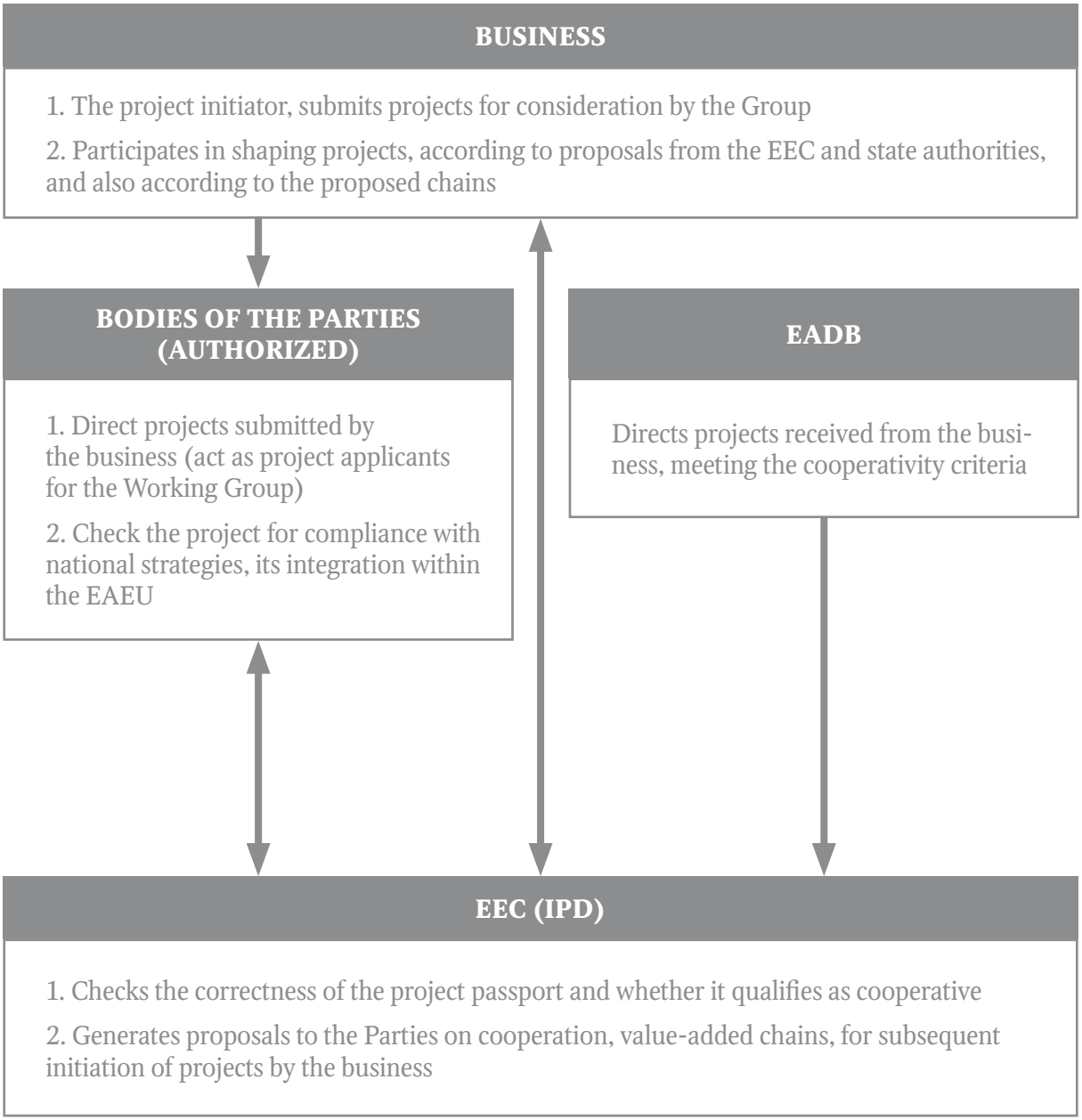
On May 16, 2017 the first organizational meeting of the Working Group took place, where the Provision on the Group was approved and signed. The Provision contains the procedure for consideration of cooperative projects, their selection for submitting to the Bank and other provisions necessary for constructing a complete interaction mechanism between the Commission, the Bank and the Parties on this matter.

On December 20, 2017, at the second meeting of the Working Group, specific cooperative projects were considered in such areas as pharmaceuticals, lighting equipment, woodworking, chemistry and agriculture, and general issues of building effective interaction between the Commission and the Bank with respect to cooperation were discussed.

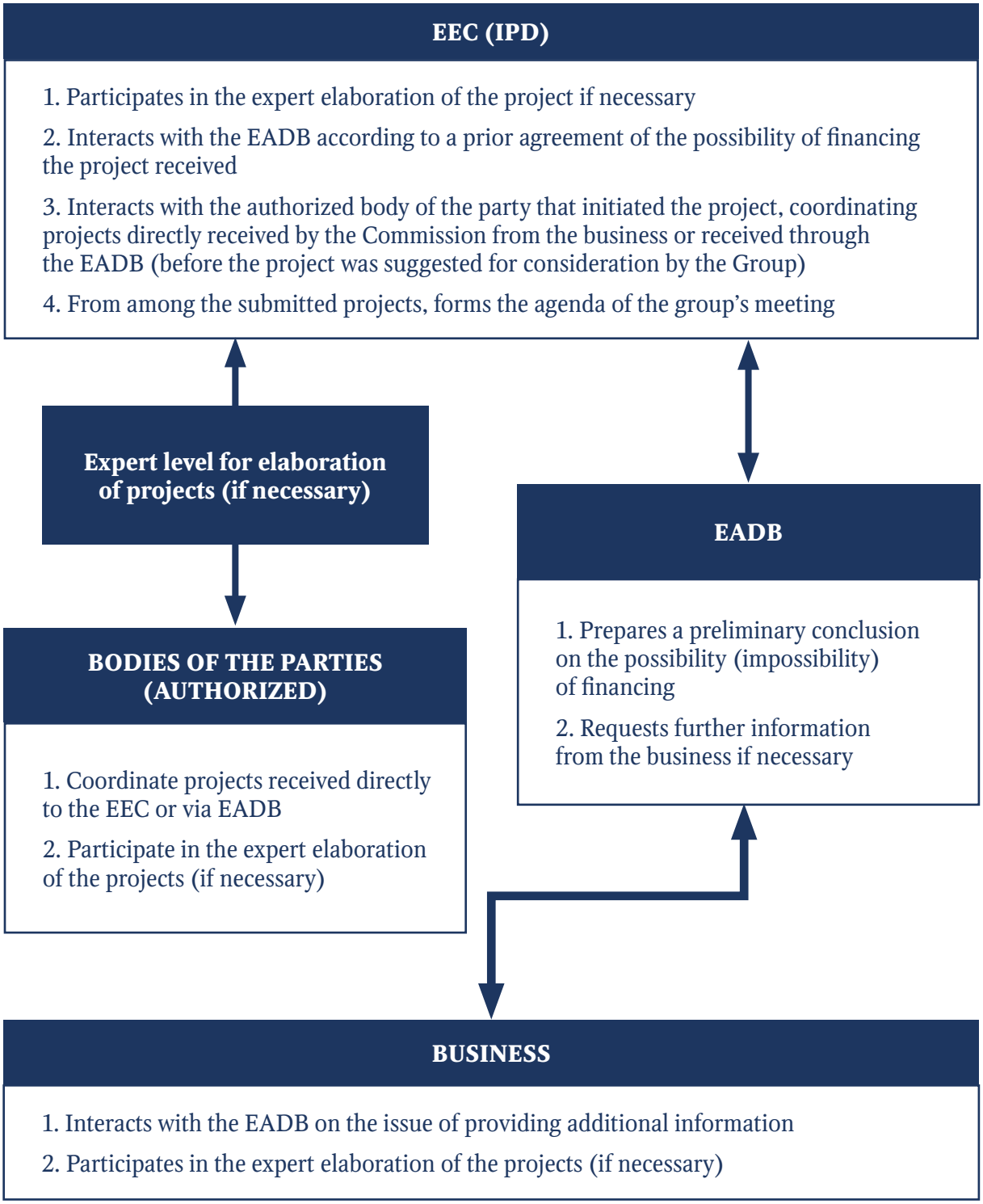
The work within the framework of the Working Group activities is currently gaining momentum.

THE MECHANISM OF INTERACTION ON THE ISSUES OF CONSIDERING COOPERATIVE PROJECTS WITH POTENTIAL FOR INTEGRATION, TO BE FINANCED BY THE EADB

STAGE I
Presentation of cooperative projects for consideration by the Working Group

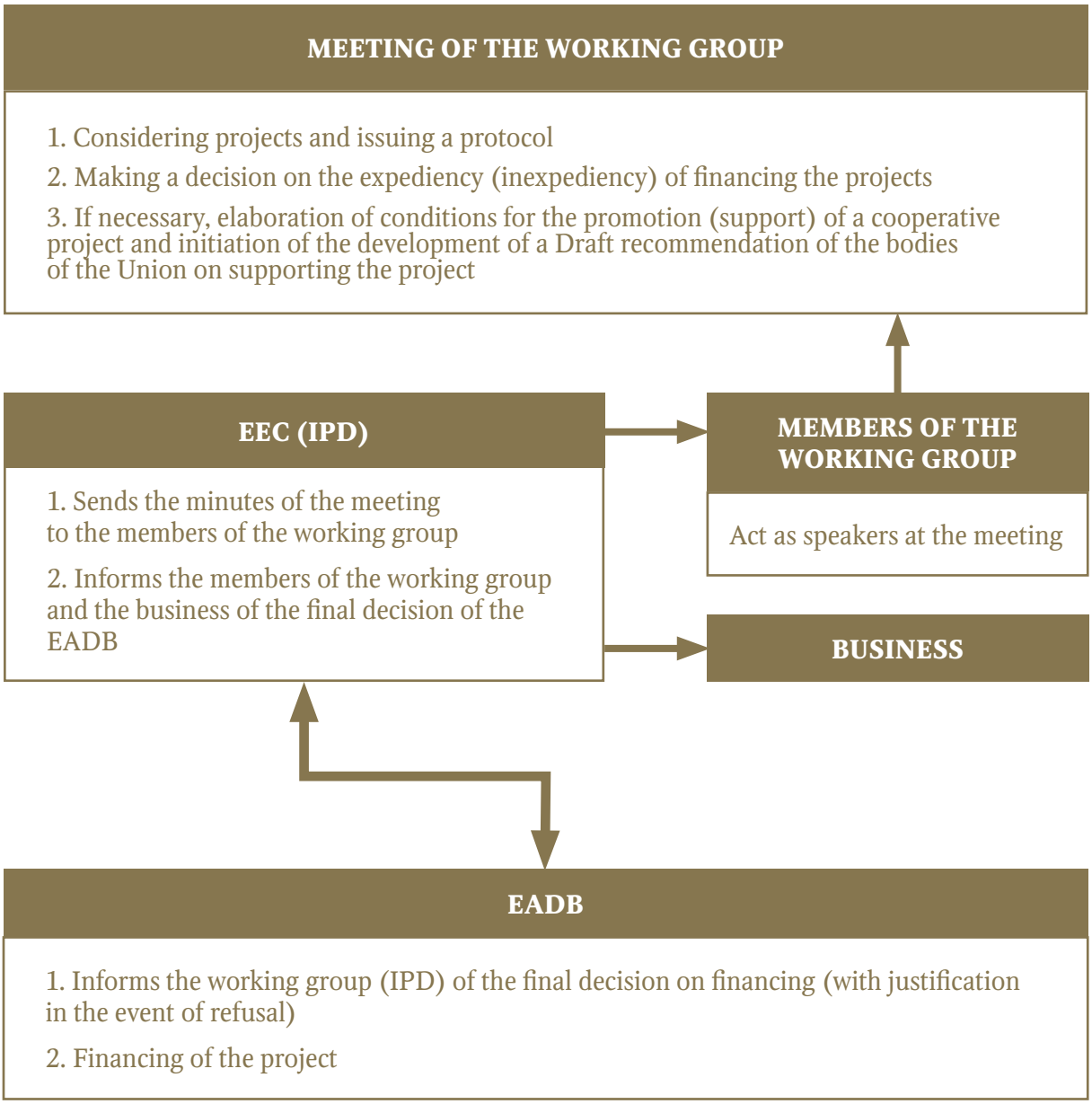


STAGE II
Preparations for the meeting of the Working Group



STAGE III

Meetings of the Working Group, information about the outcomes



THE EURASIAN ENGINEERING CENTER FOR MACHINE TOOL BUILDING

By the Main directions of industrial cooperation within the EAEU, approved by Decision No. 9 of the Eurasian Intergovernmental Council dated September 8, 2015, the Eurasian Engineering Center was defined as one of the tools for cooperation.

In April 2016, at the level of Prime Ministers of the five countries, the Concept of creating the Eurasian Engineering Center for machine tool building (hereinafter referred to as the Center) was approved.

In order to implement the Concept, the Parties defined national coordinators:

- LLC Technology and Science Dynamics (Armenia);
- LLC «SoyuzStankoEngineering» (Belarus);
- JSC NK «Kazakhstan Engineering» (Kazakhstan);
- Federal State Budgetary Educational Institution of Higher Education «MGTU Stankin» (Russia).

In 2017, together with the Parties, the Commission agreed upon the establishment of the Center based on «MGTU Stankin» in Moscow. Currently the necessary documents have been prepared for registering the Center.

The primary task to be solved to implement further interaction is the development of a single strategy for the development of machine tool building sector in the Union, taking into account the priorities of industrial development of the Parties.

The Engineering Centre will become a pilot structure implementing the development of the digital industry in practice. The greatest potential for cooperation is concentrated in areas where there is no acute competition: in the development of «unattended machining»: automated industries, robotics, additive technologies.

The continuous interaction between national coordinators within the Engineering Centre due to constant information exchange and implementation of best practices should accelerate the processes of design and implementation of products, extend the line of developed and produced means of production, as well as stimulate demand for the products of domestic producers due to technological audits and issuing opinions on the availability of production.

The results of the operation of the Engineering center will be the increased quality of products manufactured, the gradual introduction of a single standard of product design, the creation of a production that will provide for interchangeability of components. This will allow forming cooperative chains when establishing new import-substituting production sites.

FUNDAMENTALS FOR THE FORMATION OF NATIONAL CENTERS OF COMPETENCE

Manufacture of electrical machinery and electrical equipment	Radio and electronic industry
Automotive industry	Tool-making industry
Light industry	Fuel and energy complex
Metallurgy (ferrous and nonferrous)	Medical industry, pharmaceuticals and biotechnologies
Manufacture of machinery and equipment for oil refining and oil extracting industry	Chemical and petrochemical industry (including agricultural chemistry)
Railway engineering production	Forestry and woodworking industry
Production of construction materials	Aerospace industry and engine construction
Manufacture of agricultural machinery	Shipbuilding
Manufacture of machinery and equipment for mining industry	Power engineering

PRIORITY AREAS

TECHNOLOGICAL TRENDS

- Digital design and simulation
- New materials
- Additive technologies
- Quantum Communications
- Sensorics
- Mechabiotronics
- Bionics
- Genomics and synthetic biology
- Neurotechnologies
- Big Data
- Artificial intelligence and control systems
- New sources of energy
- Unit base (including processors)

THE EURASIAN ENGINEERING CENTER
NEW MARKETS

COMPETENCE CENTERS OF THE PARTIES

TECHNOLOGY PLATFORMS

- Medicine
- BioTech
- Photonics
- LEDs
- Super-computers
- Light industry
- Agriculture
- Power engineering
- Railway technologies
- Aerospace technologies
- Mechatronics and Robotics
- «Green» car
- New materials
- Construction technologies

IFRASTRUCTURE OF THE EAEU

Creation of conditions for the digital transformation of the EAEU industry.	The Eurasian network of technology transfer	The Eurasian network of industrial subcontracting
Interaction with international organizations.	Intergovernmental programs and projects in sphere of innovations	Eurasian development bank

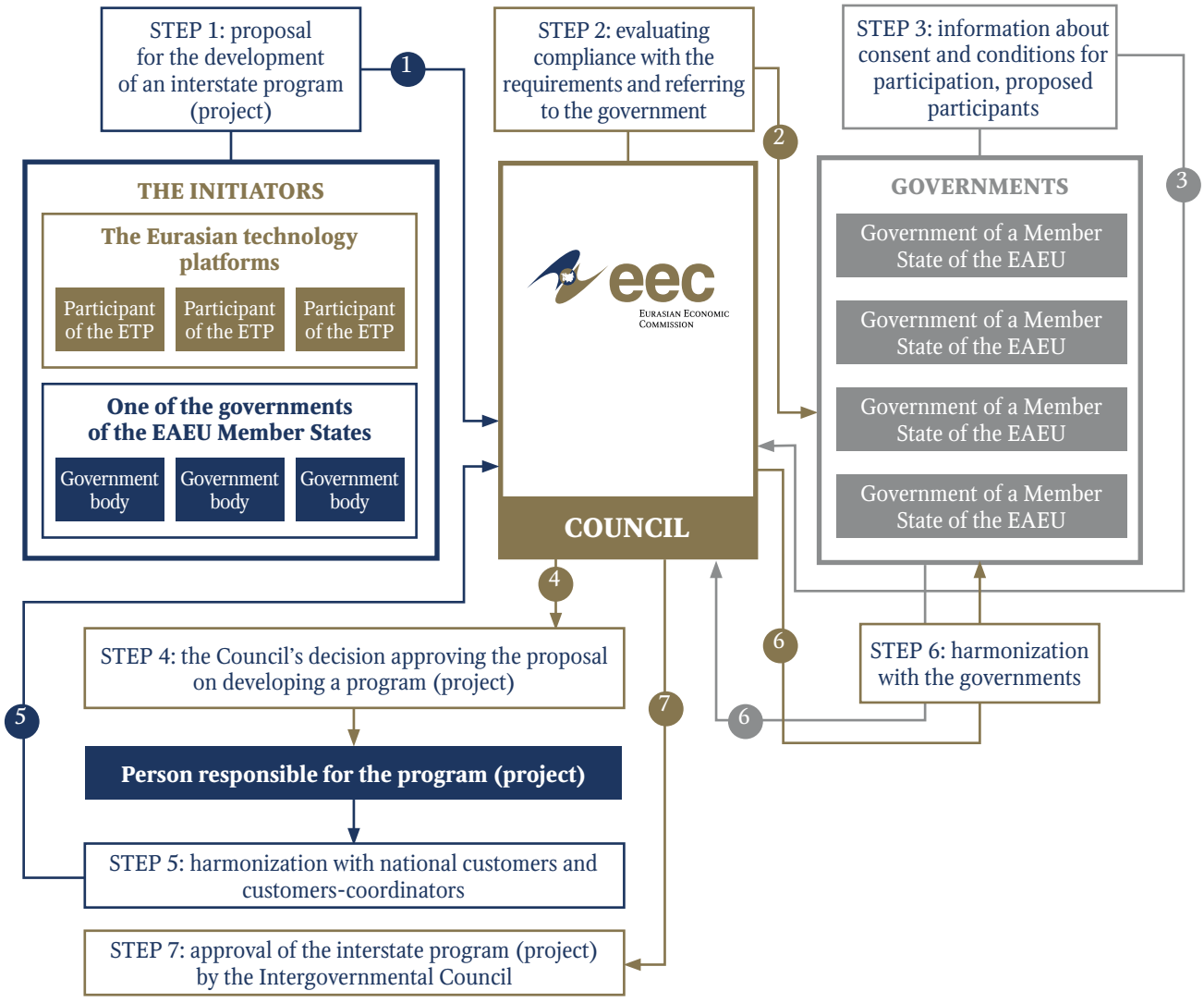
PROVISION ON INTER-STATE PROGRAMS AND PROJECTS IN THE INDUSTRIAL SPHERE

In order to implement the Main directions of industrial cooperation within the framework of the Eurasian Economic Union, approved by Decision No. 9 of the Eurasian Intergovernmental Council dated September 8, 2015, the Regulation on development, financing and implementation of interstate programs and projects in the industrial sphere was developed. The document was approved by the Eurasian Intergovernmental Council on February 2, 2018.

The Regulation defines the forms, procedures and mechanism of interaction of the Member States of the Eurasian Economic Union (hereinafter referred to as Member States), public authorities, organizations, legal entities and individuals from the Member States and the Eurasian Economic Commission when developing, financing and implementing interstate programs and projects within the framework of innovation and industrial cooperation, and intends to ensure the achievement of goals and objectives of industrial and innovation development of the Member States within the framework of the Eurasian Economic Union.

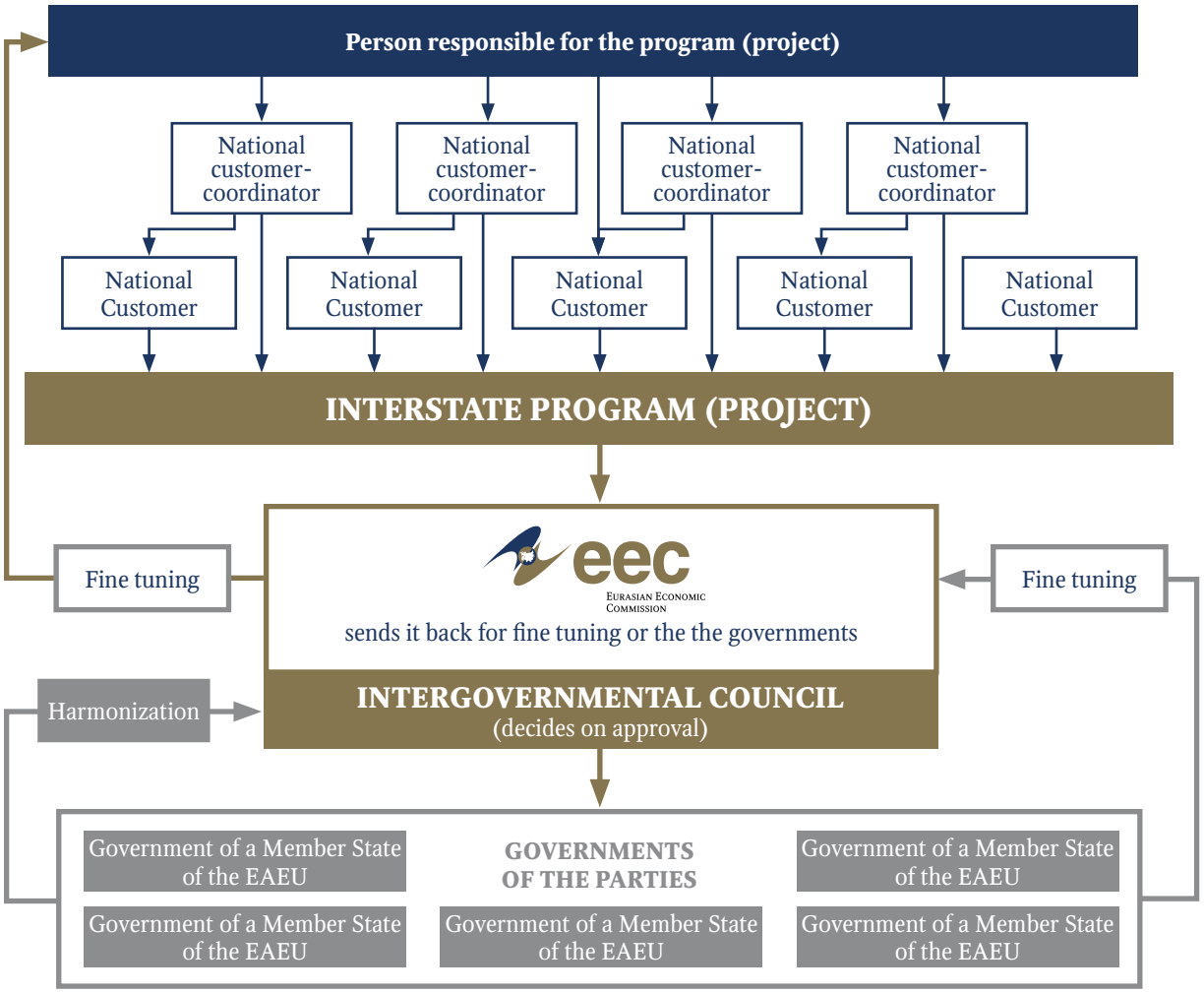
The document envisages that the initiator of development of a program (project) can be a legal entity that is a party to the Eurasian technology platform, as well as the Government of a Member State of the Union or a government body authorized by it.

1. PROGRAM (PROJECT) INITIATION



The program or project that will be implemented by the Parties should include a set of interlinked resources, performers and deadlines for the implementation of organizational-economic, scientific-research, development, production tasks implemented in order to ensure effective solution of the set tasks in the field of innovation and industrial development of the Member States.

2. PROGRAM (PROJECT) DEVELOPMENT



It is expected that the composition of the program (project) participants must include participants from at least 2 Member States. The program should be developed for the period required to achieve its objectives, but not more than 5 years, the subprogram or project – not more than 3 years.

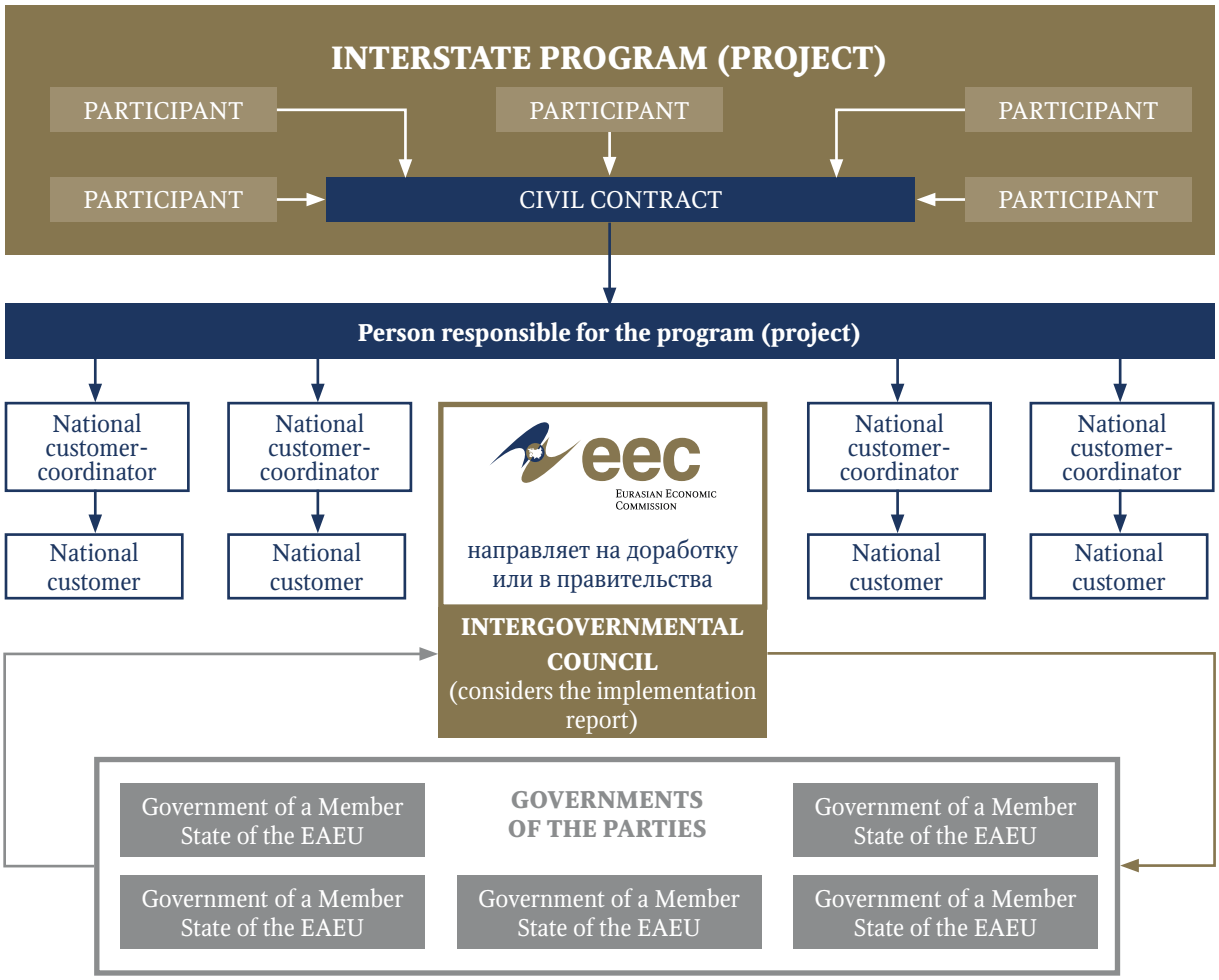
A number of requirements are imposed on the programs:

- compliance with the goals of inter-state coordination and/or intersectoral links, and ensuring interaction of technologically conjugate industries and individual enterprises, deepening cooperative relationships, creating optimal conditions for the development of industrial production;
- novelty concept and viability of technical, organizational and other solutions required for wide dissemination of innovations and increased competitiveness of industrial products.

The set of documents must include the following materials:

- explanatory note with socio-economic and technical-economic justification of the investments required for the implementation of the program (project), as well as with the relevant calculation and justifications of the funding for the program (project) activities;
- documents confirming the approval of the proposal to develop a program (project) by the Commission Council;

3. PROGRAM (PROJECT) IMPLEMENTATION



Financing of programs (projects) may be performed by participants of the program (project) at the expense of the budgetary and/or extra-budgetary funds of the Member States. The financing procedure for the implementation of the program (project) is defined in the program (project).

It is assumed that when financing the implementation of a program (project) at the expense of budgetary funds of the Member States, each Member State should provide financing for a part of the program (project) within the framework of implementation of government programs in accordance with its legislation.

The Commission, in accordance with the established procedure will submit the Draft program (project) agreed upon by the Member States for consideration of the Eurasian Intergovernmental Council, then the Eurasian Intergovernmental Council will make a decision on the approval of the program (project).

BARRIERS

The activities of the Industrial unit within the Eurasian Economic Commission aimed at identifying new barriers and eliminating the existing ones in the common market are systemic and are implemented in a number of ways, such as:

- monitoring of regulatory legal acts and Draft acts of the Member States of the Union in order to identify inconsistencies with Article 92 of the Treaty on the EAEU;
- identification of new obstacles through interaction with the agencies of the Member States of the EAEU and industry associations;
- monitoring of the backbone enterprises of the Member States of the EAEU.

1. Monitoring of regulatory legal acts and Draft acts of the Member States of the Union in order to identify inconsistencies with Article 92 of the Treaty on the EAEU.

The Department systematically conducts monitoring of normative legal acts and Draft legal acts of the Member States of the EAEU in the industrial sphere.

2. Identification of new obstacles through interaction with ministries, agencies and associations of the Parties.

The Department continuously interacts with the agencies of the Parties in order to identify potential obstacles negatively affecting the development of industry.

In cooperation with the Ministry of industry of the Republic of Belarus, the Ministry of industry and trade of the Russian Federation and the Ministry of investment and development of the Republic of Kazakhstan, 17 potential obstacles were identified.

These issues were considered at the meeting of the EEC Advisory Committee on Industry on May 16, 2017, after which the Parties considered it expedient to continue their elaboration on the platform of the Department of internal markets for classification of the obstacles and adding them to the registry in order to determine solutions to eliminate them.

Further discussion of these potential obstacles is planned in consultation with experts from the Parties.

3. Monitoring of backbone enterprises of the Member States of the EAEU.

In accordance with paragraph 4.5.2 of the MDIC, the Industrial units within the EEC, starting from 2017, will be monitoring backbone enterprises of the Member States of the EAEU in order to identify obstacles to the movement of industrial commodities in the common market of the EAEU, for the development of industrial cooperation within the EAEU, as well as obstacles to the movement of industrial commodities on the markets of third countries (hereinafter referred to as the obstacles).

Monitoring will provide information on the most acute obstacles faced by key enterprises of the EAEU Member States.

In 2016, within the specified monitoring a list of criteria for enterprises to be classified as backbone was compiled, as well as a list of strategic industrial enterprises, which includes more than 3 thousand major enterprises of the Member States.

In the first half of 2017, they were monitored in the form of a questionnaire, the answer base of backbone enterprises was prepared to single out key obstacles.

An annual report of the Commission to the EAEU Member States was prepared concerning the identified obstacles, as well as possible proposals on their removal. The issue was considered at the 15th meeting of the Advisory Committee on Industry (November 1, 2017).

In order to create a general procedure for the annual monitoring of backbone enterprises, the Department developed and submitted for consideration by the Board of the Commission on October 31, 2017 a Draft Commission Council decision “About Regulation on monitoring of backbone enterprises of the Member States of the Eurasian Economic Union" (hereinafter referred to as the Draft Regulation).

Currently, the activities of the Commission on the identification of new barriers is based on analysis of the regulatory and legal framework of the EAEU Member States for compliance with the Treaty on the EAEU, as well as gaps in the legislation of the Parties that create new obstacles in the internal market of the Union.

At the same time, the interaction of the Commission on the identification of new barriers and elimination of identified barriers is performed exclusively with the competent authorities of the Parties, which does not allow receiving operational information from the Member States about the urgent problems leading to the impossibility to develop cooperation in the industrial sector.

In order to adopt a more in-depth approach to the identification of new and eliminating the existing barriers in the sphere of industry, and to increase the efficiency of the EEC activities in this area, monitoring of barriers is planned on the basis of a survey of backbone enterprises of the Member States provided for in the Main directions of industrial cooperation within the EAEU.

The monitoring of backbone enterprises of the Member States will provide information on «pressure points» of the industry directly from the market participants of the EAEU, to respond quickly to emerging problems in industrial cooperation between the Member States and to establish closer interaction of the Commission with the enterprises.

IMPORT SUBSTITUTION

Industrial units of the Eurasian Economic Commission carry out extensive work to stimulate the development of import-substituting industries in the territory of the Eurasian Economic Union.

The increase in the share of the countries of the Union in the common market of the EAEU and gradual improvement of its localization is one of the key challenges determined in the Main directions of industrial cooperation within the EAEU, adopted by Decision No. 9 of the Eurasian Intergovernmental Council dated September 8, 2015.

This work was given a great stimulus by the initiative of the President of the Russian Federation V.V. Putin at the meeting of the Supreme Eurasian Economic Council on May 31, 2016 in Astana.

In order to implement this initiative and to use the integration potential of the EAEU countries, based on the proposals by the Parties, the Commission formed a list of industrial manufacturers of the countries of the Union, ready to take part in Russia's import-substitution projects, which was adopted by Commission Board Recommendation No. 24 dated 14.11.2017.

The list covers 17 industry sectors in 62 technological areas.

The largest number of projects was noted in light industry (yarns, high-quality fabrics), chemical industry (carbon fiber materials, staple), and machine tool industry (machine tools, milling equipment), power engineering industry, cable and electronics industry (components for transformers, switching devices).

INTEGRATION IN THE SPHERE OF IMPORT SUBSTITUTION IN THE EAEU COUNTRIES

President of the Russian Federation
Vladimir Putin:

We invite our partners to joint production of equipment and components in more than 25 industries. The connection to the program is a good prospect for the members of the Economic Union

RECOMMENDED LIST OF PRODUCERS OF THE EAEU COUNTRIES READY TO PARTICIPATE IN RUSSIAN IMPORT SUBSTITUTION PROJECTS

62 SPECIFIC IMPORT SUBSTITUTION PROJECTS ENCOMPASSING 17 INDUSTRIES

CHEMICAL INDUSTRY, MEDICAL INDUSTRY AND OTHERS	TRANSPORTATION AND HEAVY EQUIPMENT LIFTING AND TRANSPORTATION EQUIPMENT LIGHT INDUSTRY SECTORS	CIVIL AVIATION CONSTRUCTION
OIL AND GAS ENGINEERING	LIGHT INDUSTRY	AUTOMOTIVE CONSTRUCTION FOOD AND PROCESSING INDUSTRY AGRICULTURAL AND FORESTRY ENGINEERING
MACHINE-TOOL INDUSTRY	FERROUS AND NONFERROUS METALLURGY	POWER ENGINEERING CONSTRUCTION AND ROAD-BUILDING EQUIPMENT

The discussion on the implementation of these projects is taking place within the framework of sectoral working groups on the implementation of the MDIC created by the Commission, and also on the site of the Coordination Council of the Customs Union for the development of the mechanical engineering industry.

In order to provide systemic support for the development of import-substituting production sites a high-level working group is formed on the issues of integration cooperation and import substitution in priority industries at the level of deputy heads of the authorized authorities of the Member States.

SENSITIVE INDUSTRIAL COMMODITIES

Implementation of prior notification and consultation is provided for by paragraph 8 of Article 92 of the Treaty on the Eurasian Economic Union dated May 29, 2014.

The procedure for the Member States of the Union to carry out consultations and (or) mutual notification on planned areas for the implementation of the national industrial policy concerning sensitive products (hereinafter referred to as the Procedure) was approved as part of the Main directions of industrial cooperation within the EAEU by Decision No. 9 of the Eurasian Intergovernmental Council dated September 8, 2015 (hereinafter referred to as the Main directions of industrial cooperation).

In accordance with the Main directions of industrial cooperation, products in 5 industries were regarded as sensitive: automotive construction (passenger cars and trucks), light industry (textiles, clothing, footwear), metallurgy (rolled steel, pipes), agricultural machinery (tractors, harvesters) and construction materials (Portland cement, glass).

In accordance with the Procedure, Member States must submit to the Commission Draft legal acts on sensitive products and information on them in the prescribed form.

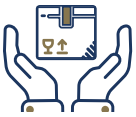
The Commission ensures sending the Drafts received to the other Member States, collecting comments and suggestions from them with the subsequent sending of these materials to the developer state, and also, provided that there is an application from the Member State, organizing consultations.

The list of sensitive goods, which are priorities for industrial cooperation of the EAEU Member States, and the Procedure were developed to minimize competition between producers from different Member States. The implementation of mutual notification on the legal acts adopted with regard to sensitive products allows taking into account the interests of all Member States of the Union.

In the years 2015-2017, the Member States provided to the Commission information on 50 legal acts concerning sensitive products, including 28 in 2016 and 22 in 2017.

The Department continuously monitors compliance by Member States with the Procedure, thus repeatedly detecting cases of adoption of legal acts with regard to sensitive products without the prior notification provided for by the Procedure.

In order to ensure strict compliance with the Procedure and to improve the system of prior notification and consultation on sensitive products, the Industrial Unit of the Commission prepared corresponding proposals included in the annual report on the results of the monitoring and analysis of the implementation of the Main directions, which were approved by the Commission Board on December 13, 2017, and will be presented in 2018 for consideration by the bodies of the Union.



SUPPORT FOR EXPORTS OF INDUSTRIAL PRODUCTS

Adoption by the Member States of joint measures for the development of exports is stipulated in Article 41 of the Treaty on the Eurasian Economic Union and in Section 4.3 of the Main directions of industrial cooperation.

The Commission organized systematic work on developing financial and non-financial mechanisms, supporting exports of the Member States and encouraging industrial cooperation in export-oriented industries.

In order to develop joint financing mechanisms for supporting exports, on August 22, 2017, within the framework of the «Eurasian week» forum in Astana, a memorandum was signed

on cooperation between export credit agencies of the Member States in the sphere of insurance support for the joint cooperative projects and reinsurance protection within such projects.

In the framework of the implementation of the provisions of the Memorandum, a system will be organized for regular exchange of experience and information on cooperation within joint projects and for the development of proposals to improve legislation, as well as on general issues concerning export credit insurance.

Sectoral export support mechanisms were created in the sectors of high priority for cooperation between the Member States — light industry and agricultural machinery.

For reference:

Commission Board Recommendation dated November 13, 2016 «On measures to support light industry producers for promoting goods to the markets of third countries»;

Decree No. 9 of the Eurasian Intergovernmental Council dated March 7, 2017 «On the development of exports of agricultural engineering products to third country markets».

A mechanism was launched to shape cooperation between the Member States on joint entrance to the markets of third countries with a view of promoting jointly manufactured products.

In order to develop this area, Recommendation No. 3 of the Council of the Eurasian Economic Commission was adopted on December 20, 2017 «On measures to promote jointly manufactured products on the markets of third countries».

This document includes activities aimed at promoting industrial cooperation in the export-oriented sector of economy through the provision of integrated support for manufacturers of joint products at all stages of their creation and production, starting with research and development, establishment of shared infrastructure on the territory of third countries, optimization of logistics within the Union, certification procedures, information and consulting support for exporters in the foreign markets.

The implementation of this document will create conditions to encourage industrial cooperation in the sphere of manufacturing export-oriented products, to improve the competitiveness of the producers of the Union by reducing costs of the entrance to the markets of third countries and embedding into international value-adding chains, including products of agricultural machinery.

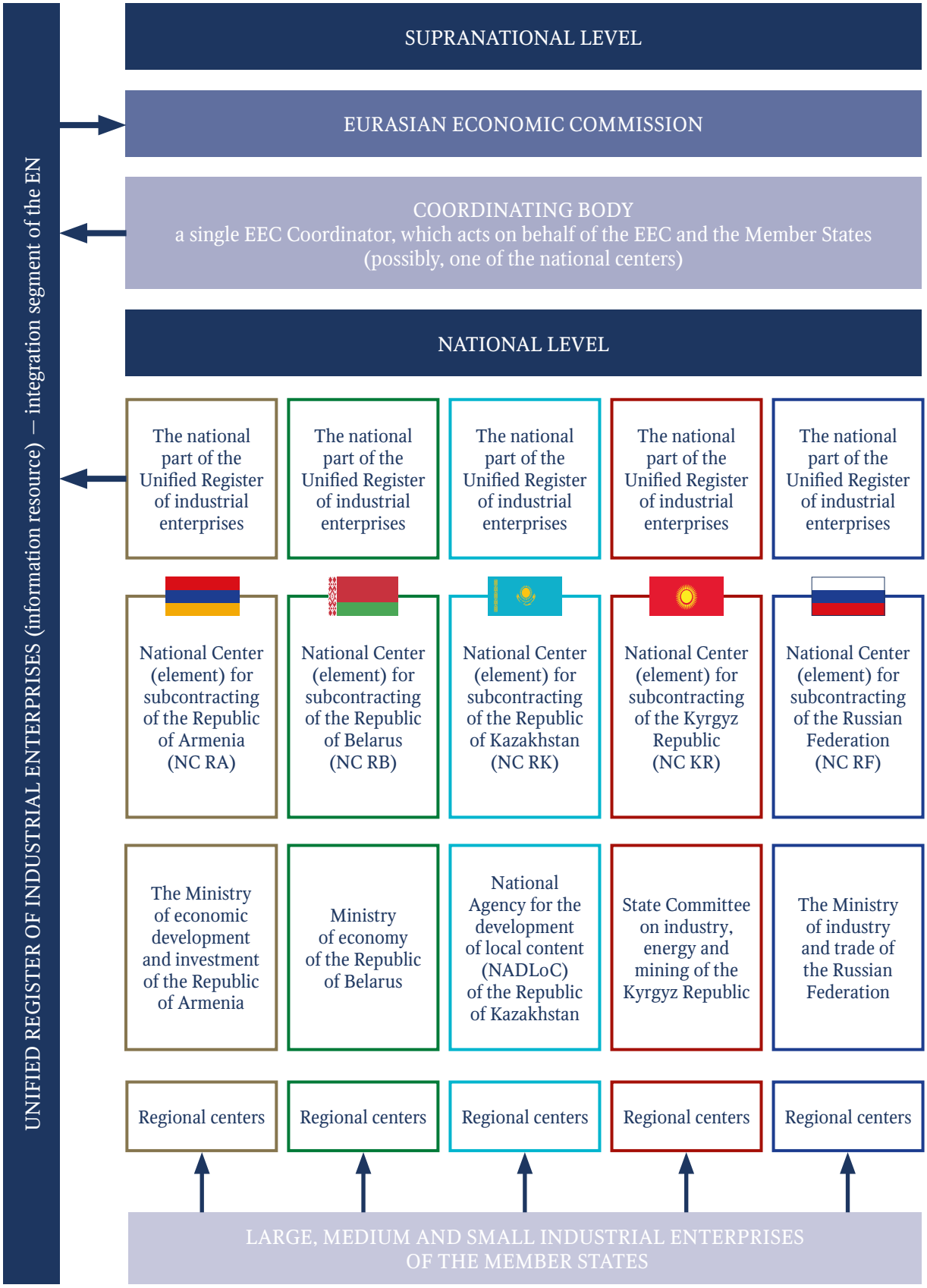
DIGITALIZATION OF THE INDUSTRY

In order to create conditions for digital transformation of industry in the innovation sphere, the work is focused on three areas: subcontracting, technology transfer, digital transformation of industry.

Subcontracting

The creation of the Eurasian network of industrial cooperation and subcontracting was stipulated in the Main directions of industrial cooperation within the EAEU (Decision No. 9 of the Eurasian Intergovernmental Council dated September 8, 2015).

INFRASTRUCTURE OF THE PARTICIPANTS AND SEGMENTS OF THE EURASIAN NETWORK OF INDUSTRIAL SUBCONTRACTING AND TECHNOLOGY TRANSFER



In accordance with the Plan for developing acts and activities to implement the Main directions of industrial cooperation within the EAEU (Decision No. 17 of the EEC Council dated March 17, 2016), in 2016 the Commission analyzed the global experience in the development and establishment of industrial cooperation and subcontracting networks (posted on the official website of the Commission on August 30, 2016).

Taking into account the findings of the examination of world experience of developing cooperative ties, as well as with the active participation of experts from Parties, the Concept of establishing the Eurasian network of industrial cooperation and subcontracting was developed.

THE CONCEPT OF ESTABLISHING THE EURASIAN NETWORK OF INDUSTRIAL COOPERATION AND SUBCONTRACTING

(approved by Decision No. 43 of the EEC Council on December 21, 2016)

The concept is aimed at the organization of the most effective forms of industrial cooperation between the industrial producers of the Member States of the Eurasian Economic Union (hereinafter, respectively — the Member States, the Union), which make it possible to achieve high production efficiency, ensure the competitiveness of industrial products, generate service industrial environment, lay the foundations of the digital transformation of industry, and defines the goals, objectives, procedure for the formation and financing of the Eurasian network of industrial cooperation and subcontracting

THE PURPOSE OF ESTABLISHING THE EURASIAN NETWORK OF SUBCONTRACTING:

realization of the potential for effective and mutually beneficial cooperation between Member States to ensure acceleration and sustainability of industrial development, an increase in competitiveness and innovative activity of industry of the Member States.

OBJECTIVES OF THE EURASIAN SUBCONTRACTING

- optimization of the production process and significant improvement of the competitiveness of industrial enterprises, industries of the Member States, as well as deepening of cross-sectoral cooperation;
- elimination of unproductive costs for the maintenance of underloaded production capacities and focus of efforts on technological re-equipment, updating the product line of the industrial products manufactured;
- the use of organizational, financial and human resources released as a result of the optimization of production for technological upgrading and development of new production sites;
- optimization of costs of the enterprise by outsourcing maintenance of the manufactured industrial products;
- creating an accessible information resource for industrial cooperation and subcontracting of the Member States;
- expanding industrial cooperation by engaging a greater number of industrial enterprises of the Member States in the production process within the framework of the functioning of the Eurasian network of subcontracting;
- creating favorable conditions for the development of interstate cooperative ties and integration of small and medium-sized industrial enterprises of the Member States into the global economic system;
- integration of the potential of national subcontracting networks to realize joint projects for interstate integration of large industrial enterprises with the subjects of small and medium-sized business.

STAGES OF FORMATION THE EURASIAN NETWORK OF SUBCONTRACTING

The Concept was endorsed at the meeting of the EEC Board (Board Decree No. 208 dated December 13, 2016) and approved by the Commission Council (EEC Council Decision No. 143 dated December 21, 2016).

The Concept provides for the incorporation of isolated national systems and regional platforms of industrial subcontracting into one. The network structure includes two levels:

- national level with the competent authorities — the coordinators of the existing or newly created subcontracting centers. Upon submission by the Member States, the authorized authorities responsible for the formation of the national segments of the network are:
  - The Republic of Armenia – the Ministry of economic development and investment of the Republic of Armenia (MEDI RA)
  - Republic of Belarus — Ministry of economy of the Republic of Belarus (ME RB), and concerning formation and maintenance of the national part of the Unified Register of industrial enterprises — the Belarusian Fund of financial support of entrepreneurs;
  - The Kyrgyz Republic — the State Committee on industry, energy and mining of the Kyrgyz Republic (SCIEM KR)
  - The Russian Federation — the Ministry of industry and trade of the Russian Federation (Minpromtorg RF)
  - The Republic of Kazakhstan — JSC «National Agency for development of local content «NADLog», which is a lower organization of the Ministry of investment and development of the Republic of Kazakhstan;
- and supranational level with the powers of the Eurasian Economic Commission for the coordination of the network structure being created.

The unifying core of the Eurasian network will be the information system of the industry, which includes the Unified Register of information on industrial enterprises of the Union. The opportunity to search for cooperation partners will be implemented through the corresponding services via a showcase on the official domain of the Commission. In 2017, trial operation of the www.eurasianindustry.org domain started, which provides the network participants with the opportunity to use a specific set of services for partner search.

SUBCONTRACTING SERVICE

THE MAIN TASKS OF SUBCONTRACTING ARE:

- optimization of the production process and significant improvement of the competitiveness of industrial enterprises, industries of the Member States, as well as deepening of cross-sectoral cooperation;
- elimination of unproductive costs for the maintenance of underloaded production capacities and focus of efforts on technological re-equipment, updating the product line of the industrial products manufactured;
- use of organizational, financial and human resources released as a result of the optimization of production for technological upgrading and development of new production sites;
- optimization of costs of the enterprise by outsourcing maintenance of the manufactured industrial products;
- creation of an accessible information resource for industrial cooperation and subcontracting of the Member States;
- expansion of industrial cooperation by engaging a greater number of industrial enterprises of the Member States in the production process within the framework of the functioning of the Eurasian network of subcontracting;
- creation of favorable conditions for the development of interstate cooperative ties and integration of small and medium-sized industrial enterprises of the Member States into the global economic system;
- integration of the potential of national subcontracting networks to realize joint projects for interstate integration of large industrial enterprises with the subjects of small and medium-sized business.

THE SERVICE INCLUDES:

INDUSTRIAL CAPACITIES SEARCHING SERVICE:

The search is performed in the «Find industrial capacities» section

When searching, it is possible to sort the results by rating and title. The searching functions on the platforms provide access to documents and programs

HIGH-TECH EQUIPMENT RENTAL:

This feature is available in the «Rent high-tech equipment and software» section, it is possible to find the object by name, the scope of application and by rating

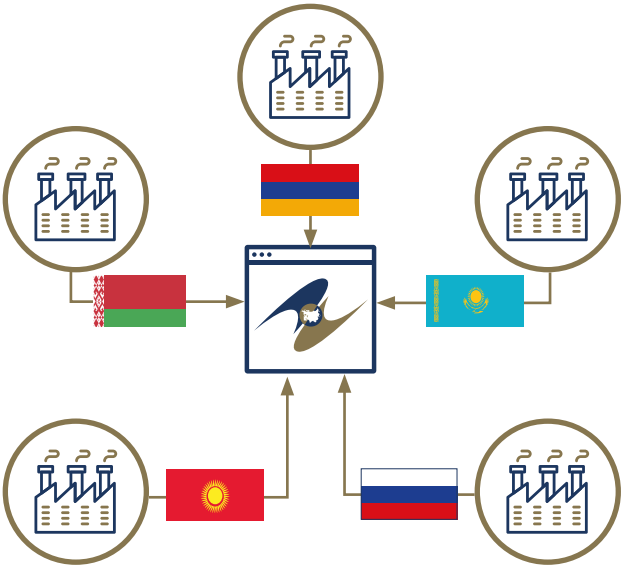
THE SUBCONTRACTING SERVICE

The subcontracting service enables users to link producers and suppliers of the component base, then build and control an optimized network of order execution throughout the supply chain.

THE SERVICE INCLUDES FEATURES:

- Displays a list of relevant, archived or all procurement procedures;
- Search for procedures by name and the number of procurement;
- Sort the list of procedures by price, publication date or end date;
- Filter the list of procedures by the following parameters:
  - Organization (customer);
  - Price (from, to, and without indication of prices);
  - Date of publication («from», «to»);
  - Closing date («from», «to»);
  - The type of bidding;
  - Procedure parameters («Without electronic signature», «With electronic signature», «Without security», «With security», «All»);
  - OKVED2;
  - OKPD2;
  - Direction of bidding;
  - Region.
- Go to the detailed description of the procurement;
- Print a card with detailed description of the procurement;
- Download procurement documentation in one archive.

The service allows industrial enterprises of the EAEU countries to participate in the procurements as customers and/or suppliers, thus providing fast and convenient search for partners.



A key advantage of the subcontracting service is the ability to build a cooperation scheme based on the ranking of suppliers and the availability of their resource base

Thanks to service the customer gets the most favorable prices, the parent enterprise solves the problem of increasing the production conversion, production costs and periods are reduced, and for cooperation enterprises it means more orders and development taking into account the needs of the market

At the end of 2017, a working prototype (model) of a showcase for the services of the Eurasian network for industrial subcontracting passed approbation, which had been developed on the basis of the Russian national segment. At the same time, the mechanisms for connecting national segments were tested, and Draft documents that comprise a methodical basis for the functioning of the network were prepared. Training seminars for national competent authorities were conducted in the Republic of Belarus, in the Republic of Kazakhstan and in the Russian Federation on the use of the developed regulatory and methodological documentation, as well as the use of showcases for services of the Eurasian network of cooperation and subcontracting.

Currently, the network of subcontracting has 5,896 registered enterprises, including: in the Russian national segment — 5,884, Belarusian — 3, Kazakhstan — 9. Some 210,892 production items were submitted for the implementation of orders. Every day over 4,000 biddings take place on this platform. The average trading volume per month is 93 billion rubles.

In the future, the Eurasian network of industrial cooperation and subcontracting will provide an opportunity for the business entities of Member States of the Union to promptly select the most effective partners for cooperation, load capacities in an optimal way, engage small and medium businesses into production chains.

The Commission's plans for the year 2018 include the task of completing the formation of national network segments and transition to their incorporation.

The operation of the network in accordance with the Plan for developing acts and activities to implement the MDIC within the EAEU, approved by Decision No. 17 of the Council of the Commission dated March 17, 2016, should begin in 2019.

In the framework of implementation of the digital agenda of the EAEU (Decision of the Eurasian Intergovernmental Council No. 4 dated October 25, 2017) it was scheduled to form a request for developing an initiative for the «Establishment of the Eurasian network for industrial cooperation, subcontracting and transfer technology» project, in accordance with the format and structure of providing information on the initiative in accordance with Decision of the EEC Board No. 29 dated February 19, 2018.

EURASIAN INDUSTRY INFORMATION SYSTEM

SUPRANATIONAL LEVEL

Elaboration of initiatives within the framework of implementation of the digital agenda of the EAEU
Decision No. 4 of the Eurasian Intergovernmental Council dated October 23, 2017

Initiatives on the formation of the services of «THE EURASIAN INDUSTRY INFORMATION SYSTEM»

Subcontracting service.
The service provides services improving the efficiency and enhancing the interaction opportunities of industrial enterprises of the EAEU countries to involve small and medium-sized enterprises into production chains of large producers, to load production capacities optimally, to monitor cooperation

Service within the network of subcontracting.
The service allows industrial enterprises of the EAEU countries to participate in the procurements as customers and/or suppliers, thus providing fast and convenient search for a partner.

Technology transfer service.
The service provides the ability to search for a partner for scientific and technological cooperation and to search for proposals on new technologies.

Service of requesting and proposing investments.
Services of the sections provide opportunities for interaction between investors and industrial enterprises at the level of EAEU countries. (The interaction between national authorized authorities; investors, searching for investment projects; viewing requests for equipment leasing services; viewing requests for insurance of enterprises and products; attraction of debt financing)

The service of industrial and innovation infrastructure.
Services of the sections provide an opportunity to get virtual information on major objects of industrial infrastructure in the EAEU countries (science parks, industrial parks, clusters)

The service of INDUSTRIAL SUBSIDIES – MONITORING AND ANALYSIS

ATLAS OF THE INDUSTRY

A geoinformation service that provides visualization of industrial facilities and transport infrastructure, with the functions of grouping objects into thematic layers,

NATIONAL LEVEL OF INITIATIVES

the «digital» factory	**the «digital» quarry (of a deposit)**	**«digital» trade in industrial commodities and services**

SUPRANATIONAL LEVEL

Elaboration of initiatives within the framework of implementation of the COMMON PROCESSES
Decision No. 29 of the Commission Board dated April 14, 2015
Decision No. 160 of the EEC Board dated 19.12.2016 «On approval of the Procedure for the implementation of common processes within the EAEU»

In accordance with this decision, the Industrial Policy Department introduced two common processes into the Integrated Information System of the Union

Formation, establishment and use of a unified register of industrial enterprises

Ensuring data exchange between the users of the Eurasian technology transfer network

In the framework of the implementation of common processes it is suggested to exchange the following information:

- on industrial enterprises (contractors and subcontractors), carrying out industrial activity on the territory of the Member State;
- on persons performing declared works and rendering services for industrial enterprises within the framework of outsourcing on the territory of the Member State;
- on products manufactured by industrial enterprises located on the territory of the Member State;
- on declared works and services rendered for industrial enterprises within the framework of outsourcing on the territory of the Member State;
- on research institutions, the work of which is linked to production activities;
- on the technologies used by industrial enterprises, as well as being developed by research institutions within the framework of the research work and R&D;
- on subcontracting centers created (being created) in the territory of the Member State;
- on the activities organized in order to promote industrial cooperation within the EAEU (subcontractor exchange, trade exhibitions, etc.) by the Commission, authorized authorities and subcontracting centers of the Member State;
- on process requests and proposals from the users of the Eurasian technology transfer network;

Unified Registers of the Union will be formed:
of industrial enterprises, industrial products manufactured, procurements, technologies, high-tech equipment, an Atlas of the Industry

ATLAS OF THE INDUSTRY

combining objects into clusters, map navigation, searching and filtering by map elements and summarizing information on the EAEU subjects

NATIONAL LEVEL OF INITIATIVES

«digital» design bureau

«digital» («smart») production

«digital» medicine

Technology transfer

In 2017, the Industrial Policy Department, in conjunction with the Parties, developed a Draft concept for the establishment and functioning of the Eurasian technology transfer network (ETTN). The prepared Draft concept is based on the analysis of the best international practices for the establishment and development of technology transfer networks, takes into account the experience and features of the existing national technology transfer systems, and also includes detailed and agreed principles, formats and mechanisms for interaction and operation of the network, which will create at the level of the Union conditions for expanding innovation activity of enterprises and developing the interstate innovation infrastructure, and in the future will also allow integrating ETTN with the existing European technology transfer networks.

Based on the results of the consideration and harmonization by the Parties, the Draft concept was reviewed and approved by Decree No. 201 of the Commission Board dated December 26, 2017 «Concerning the Draft decision of the Council of the Eurasian Economic Commission «On the concept of establishment and functioning of the Eurasian technology transfer network».

The Draft Concept was considered at the Commission Council meeting on February 16, 2018.

This document provides for the establishment of a network platform for the placement of information on the network participants and their technological proposals based on the registry of industrial enterprises of the Member States of the Union, as well functions of placing technological inquiries with regard to searching for technologies (proposal from the Republic of Kazakhstan).

The formation of such a system based on the integration of national tools and support systems for scientific and technological development and industrial cooperation will allow stimulating the trans-Union technology transfer market and simplifying the procedure of rendering technology transfer services within the network.

Digital transformation of the industry

«INDUSTRY 4.0» DIGITAL PORTRAIT

The Industrial Internet Consortium, created in March 2014 by five companies, now includes

192

members from 26 countries

By 2020, the global sales volume of network devices will exceed

$1,8 trillion

More than half of this amount would account for M2M devices that provide machine-to-machine interaction

The Industrial Internet will connect about

50 billion

machines used in the industry, construction, transport

Due to the fact that the machines will become «smarter», the global economy will be able to save energy and other resources at

$ 1 trillion

a year

The contribution of «Industry 4.0» into the global GDP will reach

$ 15 трлн.

a year by 2030

The greatest increase in the GDP from the introduction of «Industry 4.0» will be achieved in the United States, Switzerland, the Scandinavian countries and the Netherlands:

2-2,3%

per year

In 2017, analysis of the global experience of industrial development and approaches to digital transformation of industry of the EAEU Member States was performed.

DIGITAL TRANSFORMATION OF INDUSTRY

PRODUCTION CHAIN

DEVELOP-MENT → **PRODUCTION** → **LOGISTICS** → **SALES** → **SERVICE**

TOOLS FOR THE DIGITAL TRANSFORMATION OF INDUSTRY

«DIGITAL» R&D CENTER (digital design and modeling)	**«DIGITAL» FACTORY**	**«DIGITAL» WAREHOUSE**	**E-COMMERCE**	**DIGITAL SERVICES ICT SERVICES**
TECHNOLOGY TRANSFER NETWORKS	**NETWORKS OF INDUSTRIAL COOPERATION AND SUBCONTRACTING**	**«DIGITAL» TRANSPORT**	**«SMART» SHOP**	**INTERNET OF THINGS INDUSTRIAL INTERNET OF THINGS**

The report contains analysis of the global experience of digital transformation of industry, information on the potential of the EAEU Member States to solve the task of digitizing industry and information on the existing digital resources, infrastructure and digital economy companies of the Member States of the Union.

Analysis of the global experience of digital transformation of industry showed that the key trends are: digital design and modelling of technological processes and products throughout the life cycle from the concept to production, robotic automation of industry, additive technologies, calculations on distributed resources, mass introduction of intelligent sensors in industry, end-to-end automation and integration of production and management processes into a single information system.

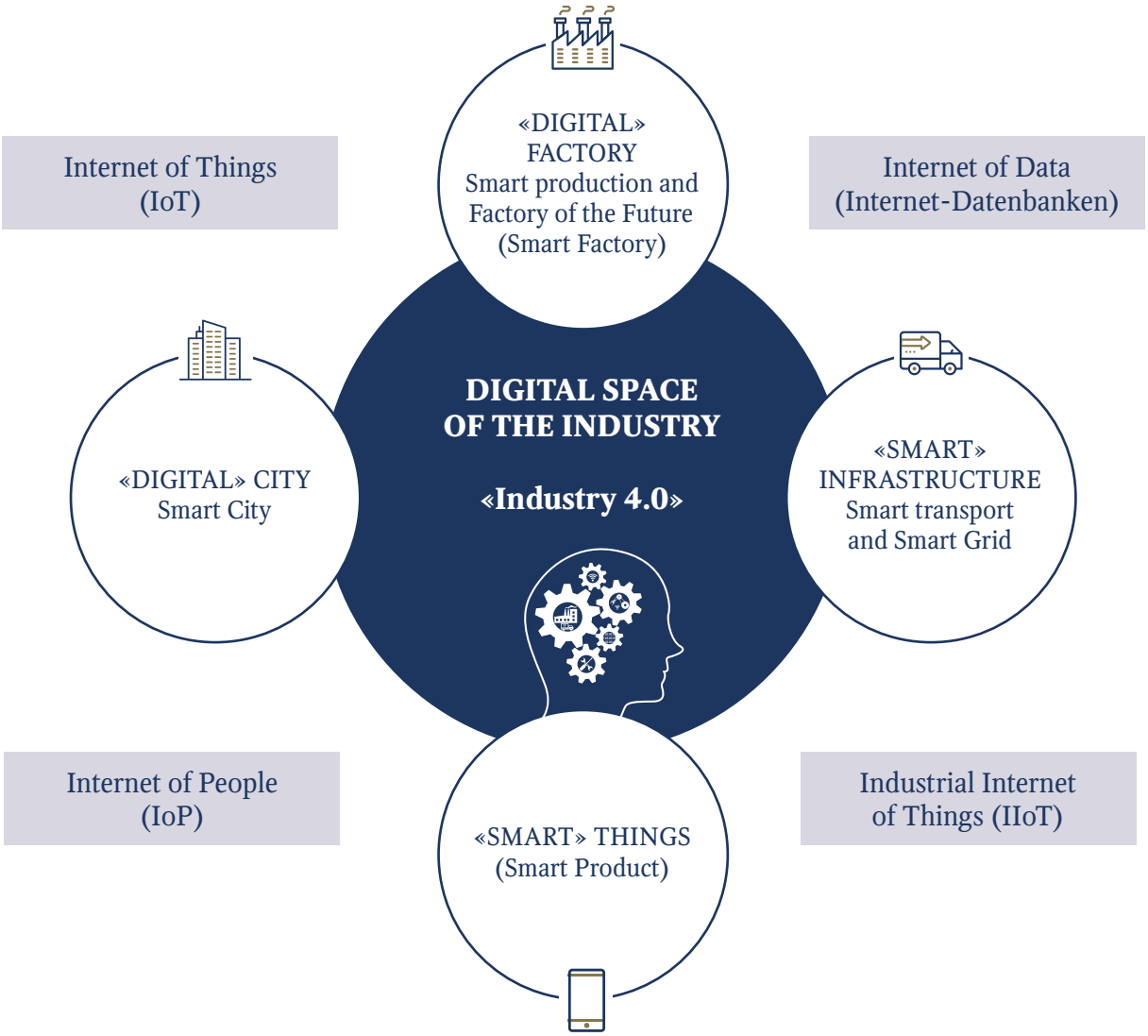
As estimated by the World Economic Forum, digitalization has a huge potential for business and society over the next decade, and may bring more than 30 trillion dollars of revenue for the global economy in the next 10 years. Even nowadays the share of the digital economy in the global gross domestic product amounts to 5.5%. Software has become an integral part of most of the industrial commodities produced, sometimes comprising up to 90% of the ultimate cost of the goods.

Analysis of the development of the digital economy, including in the industry of the Member States of the Union, showed that preconditions have been created in our countries for the digital transformation of industry — acts have been issued, instructions regarding the development of the digital economy have been given, the corresponding infrastructure has been created (science parks and business incubators, national development institutions in the sphere of information and communication technologies, data processing centers, innovation centers with the participation of transnational companies), digital platforms and resources are being developed (in the scientific, technical and educational fields, medicine, commerce, agriculture), companies are established in the sphere of digital economy.

Within the EAEU, a number of industry-related projects in the sphere of digital economy are already being implemented (equipping vehicles with the ERA-GLONASS system, introducing an electronic vehicle certificate, creating information databases in the sphere of circulation of medicines, introducing a mechanism for monitoring traceability of goods, introducing identification and labelling of certain types of goods, establishing the Eurasian network of industrial cooperation and the Eurasian technology transfer network).

The Report also presents approaches, possible directions and projects in the sphere of digital transformation of industry (including the «digital» factory, «digital» city, «digital» road, «digital» transport, «digital» quarry, enterprise management systems, modelling in industry and construction, product lifecycle management, management of technological processes, trade between enterprises and consumers of industrial products, industrial analytics, «internet of things», «cloud» technologies, software development, identification and traceability of goods, additive technologies).

DIGITAL SPACE OF THE INDUSTRY



According to the results of the analysis, it is advisable to synchronize the work on the implementation of national digital agendas with the digital agenda in the sphere of industry of the Member States of the Union.

Currently, a Draft Concept of creating conditions for digital transformation of industry of the Member States and the formation of a single digital industrial space of the EAEU has been prepared (According to the MDIC Plan, the Concept should be approved in 2018).

The Concept suggests two units for digitalization of industry:

a) digitalization of industrial cooperation

The Department plans to implement this direction by first creating a subsystem of industry within the integrated information EAEU.

b) digitalization of branches of industry

In 2018, the Department plans to coordinate the work of the EAEU Member States concerning digitalization of branches of industry. The main task of the Commission in this area will be supporting the development, creation and implementation of digital industrial platforms into specific projects. Directions and projects in digitalization of industry are provided for each unit.

DIGITAL AGENDA OF THE EEC

GROUND FOR THE DEVELOPMENT

2014

TREATY on the Eurasian Economic Union

- Article 23 of the Treaty
- Annex No. 3 to the Treaty

2015

MAIN DIRECTIONS OF INDUSTRIAL COOPERATION

- Plan for developing acts and activities to implement the Main directions of industrial cooperation
- Items I, X, XIV of the Plan

2016

EEC Board Decision No. 269 dated 19.12.2016 «On approval of the Procedure for the implementation of common processes within the EAEU»

2017

Statement by the Presidents of the Member States concerning the digital agenda of the EAEU and the Decision on preparation by December 1, 2017 of the main directions of the implementation of the digital agenda of the EAEU (Decision No. 21 of the Supreme Eurasian Economic Council dated 26.12.2016)

The creation of a high-level Working Group on the elaboration of the main directions for the implementation of the digital agenda of the EAEU up to 2025 (Order No. 1 of the Eurasian Intergovernmental Council dated 07.03.2017)

The main directions for the implementation of the digital agenda of the EAEU up to 2025. (Decision No. 12 of the Supreme Eurasian Economic Council dated October 11, 2017)

The Procedure for the elaboration of initiatives within the digital agenda of the EAEU (Decision No. 4 of the Eurasian Intergovernmental Council dated October 25, 2017)

2016 APPROVED

SUBCONTRACTING
The concept of establishing the Eurasian network of industrial cooperation and subcontracting

2018 APPROVED

TECHNOLOGY TRANSFER
The Concept of establishing and functioning of the Eurasian technology transfer network

2018 BEING DEVELOPED

DIGITAL AGENDA
The Concept of creating conditions for digital transformation of industry

2017

SHOWCASE OF SERVICES OF THE EURASIAN INDUSTRY INFORMATION SYSTEM

The priorities in the elaboration of initiatives within the framework of implementation of the digital agenda of the EAEU:

1. Digital traceability of the movement of products, goods, services and digital assets
2. Digital trade of the Union
3. Digital transport corridors of the Union
4. **Digital industry cooperation of the Union**
5. Agreement on data circulation in the Union (including the protection of personal data)
6. System of regulatory «sandboxes» of the Union

Digital initiative

EURASIAN INDUSTRY INFORMATION SYSTEM

DIGITAL MARKETS OF THE INDUSTRY

BRANCH MARKETS

EnergyNet (Internet + Energy)
Distributed energy systems

FoodNet (Internet + Industry)
Systems for production and delivery of food and water

Healthnet (Internet + Medicine)
Telemedicine, personal medicine

Autonet (Internet + Transport)
Unmanned motorcar systems

Aeronet (Internet + Transport)
Unmanned aerial vehicles

SafeNet (Internet + Security)
Security systems

Smart Houses (Internet + City)

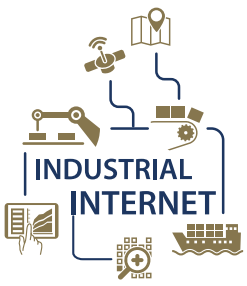
Internet + Industry
Smart resource extraction systems

Internet + Industry
Digital factory. Smart factory

Internet of Things, IoT

Broadband Internet 4G →5G

Industrial Internet of Things, IIoT



TECHNOLOGICAL MARKETS

Digital design and modelling

Quantum technologies

BigData

Element base (including processors)

Robotics

Sensors, probes

3D additive technologies

Cloud technologies

Supercomputer technologies

1. Concerning the «Digitalization of industrial cooperation» unit, 7 areas of digitalization have been provided for (with access to the elaboration of information solutions integrated into the Eurasian industry information system):

1) scientific and technical cooperation (the Eurasian technology transfer network);

2) production cooperation (the Eurasian network of industrial cooperation and subcontracting);

3) analysis and monitoring of industrial complexes;

4) monitoring and analysis of industrial subsidies;

5) supporting projects implemented within the ETPs, branches of industry;

6) support for digital platforms of the industry;

7) placement of objects of industrial and innovation infrastructure (geographic information system of industrial facilities).

2. Concerning the «Digitalization of branches of industry» unit, implementation of a series of pilot projects aimed at «digitalization» of production processes in the priority branches of industry has been provided for (with the aim to support creation of branch digital platforms).

Implementation of the following pilot digital projects within national segments is provided for: «digital» design bureau; «digital» factory; «digital» quarry; «digital» transport; «digital» energy.

In addition, a pilot project for the creation of the Eurasian industry information network is scheduled for consideration in 2018 within the framework of these three areas.

SECTION 9

INTERNATIONAL COOPERATION

The international activities of the EAEU are carried out in accordance with Article 7 of the Treaty on the Eurasian Economic Union dated May 29, 2014.

In the sphere of industry, international cooperation within the framework of the EAEU is carried out on the following directions:

- interaction with international partners in the sphere of industry (international organizations, foreign governments, regional integration associations, associations of business circles of foreign states) in order to identify possible forms of cooperation, develop production, scientific and technical cooperation, and also positioning of the Union on the international scene, informing about the specifics of working on the market of the EAEU and the acts adopted by the Union in the sphere of industry;
- interaction with foreign governments, regional integration associations, international organizations showing interest in the cooperation with the EAEU and participation in the development of integration of the industrial complexes of the EAEU Member States;
- interaction with major trade and economic partners of the Union with a view to promote sustainable growth of the production capacities of the Member States, diversification of the economies, embedding of manufacturers from the EAEU into the international production chains, innovative development of the industry of the Member States, increase in the investment volumes and improvement of the investment structure, acceleration of the integration processes within the EAEU.

INTERACTION BETWEEN THE EEC AND ASSOCIATION OF AGRICULTURAL MACHINERY MANUFACTURERS OF GERMANY

THE OBJECTIVE OF COOPERATION IS THE CREATION OF CONDITIONS FOR THE LOCALIZATION OF PRODUCTION

Decree No. 135 of the Commission Board «On the Draft Memorandum of cooperation between the Eurasian Economic Commission and the Association of agricultural machinery manufacturers of Germany» dated September 6, 2016.

↓

Signing the Memorandum of cooperation between the Eurasian Economic Commission and the Association of agricultural machinery manufacturers of Germany
March 30, 2017

↓

Adoption of the Action Plan (Road Map) for the implementation of the Memorandum of cooperation between the Eurasian Economic Commission and the Association of agricultural machinery manufacturers of Germany on August 24, 2017.

A list of foreign parts for agricultural machinery, not produced in the EAEU, was compiled. → Survey research was performed, and the list of enterprises of the EAEU, potentially able to produce such components, was compiled → Elaboration of the issues of organization of production of such components in the territory of the EAEU together with the VDMA.

Launching a new plant by HORSCH (Germany) (Chaplygin city, Lipetsk oblast) for the production of seeding and tillage equipment.

In order to solve the tasks on the promotion of the development of production of agricultural machinery and its spare parts and components, including for imported agricultural machinery, a emorandum of cooperation was signed in 2017 between the Commission and the Association of agricultural machinery manufacturers of Germany (approved by Decree No. 135 of the Commission Board dated 06.09.2016), together with an Action Plan (Road Map) on its implementation.

For reference:

The Association of Agricultural Machinery Manufacturers of Germany is the largest European branch association, comprising more than 170 leading manufacturers of agricultural machinery and spare parts thereto, such as John Deere, CLAAS, AGCO, as well as servicing companies.

The products of companies participating in the Association is widely available on the market of the EAEU Member States. At the same time, these companies do not only import their machinery into the countries of the Union, but are also actively engaged in localization of their production on the territory of the Member States.

The developed Action Plan is aimed at harmonization of technical regulations and standards of the countries of the Union and the EU in the sphere of agricultural mechanical engineering and creating conditions for deepening the localization of production of agricultural machinery on the territory of the Union.

In these areas, the Commission in conjunction with the VDMA resolved the issues associated with the use of technical regulations with regard to agricultural tractors (Technical Regulations of the Customs Union «On safety of agricultural and forestry tractors and trailers thereto», approved by Decision No. 60 of the Council of the Commission dated July 20, 2012), and also formed a list of enterprises in the EAEU, willing to cooperate with enterprises of the VDMA.

The practical result of this work was the new plant launched in Chaplygin city (Lipetsk oblast) by HORSCH (Germany) for the production of seeding and tillage equipment (taking into account this enterprise, the localization of production by HORSCH on the territory of Russia will reach 70%).

Given the positive experience of cooperation in the sphere of agricultural mechanical engineering, an agreement was reached at a meeting of the Minister with the management of the VDMA to expand cooperation in other spheres of engineering for localization purposes on the territory of the EAEU with regard to the products manufactured in these branches of industry.

SECTION 10

PROSPECTS FOR THE INTEGRATION AND FOR ENSURING SUSTAINABLE DEVELOPMENT OF THE INDUSTRY

It should be pointed out that currently there remain some problems impeding the sustainable development of industrial complexes of the EAEU Member States. The increase in the volume of industrial production does not relate to all major processing industries of the Union as of today, bringing the total growth in the industry to a low level. Reciprocal cooperative supplies grow at a small pace, mutual trade in industrial products does not recover quickly enough.

In addition, there has been a growth in exports to third countries of products of the majority of the processing industries, the total volume of exports of industrial products continues to decline relative to the previous period, the pace of its recovery give way to the rate of recovery of the volumes of industrial products imported from third countries. The labor productivity in industry remains at an insufficient level.

The facts mentioned indicate the need to continue work on joint development of industry in the EAEU in the agreed priority branches of the industry.

It would seem appropriate to continue eliminating barriers, which have a negative impact on the work of the real sector of economies of the Member States of the Union.

Elaboration of issues concerning promotion of jointly manufactured industrial products of the Member States to the markets of third countries together with the Parties is seen as promising.

An essential condition for the efficiency of industrial cooperation is the establishment and operation of the Eurasian network of industrial cooperation and subcontracting (Eurasian network).

It is necessary to accelerate the implementation of pilot projects on digitalization of priority branches of industry and creation of digital platforms.

This being stated, the following is suggested:

1. In the sphere of agricultural mechanical engineering, the main emphasis must be to ensure that analogues of components for agricultural machinery and equipment produced in third countries and imported into the territory of the Member States are produced on the territory of the Member States, and also to create conditions for the development of exports of agricultural machinery and equipment manufactured in the Member States to third country markets, including within cooperative production chains for joint products.

2. In order to broaden the consumer market and to open up new segments for further development of the ferrous industry and to increase the competitiveness of steel products on the domestic and foreign markets, the manufacturers must be oriented on production of innovative products by embedding ferrous metallurgy enterprises of the Member States into the existing technological production chains, including with the participation of producers from third countries, as well as by creating new joint cooperative chains to manufacture innovative steel products, while maintaining production output of mass consumption.

3. In the sphere of electric mobile transport, the work must be continued on the establishment and harmonization with the experts of the Parties of proposals for measures supporting the production of motor vehicles with electric engines and the charging infrastructure thereto provided that the Parties are willing to actively participate in the implementation of this direction.

4. The work must be activated on the development of cooperative collaboration in the sphere of nanoindustry, lifting and transporting equipment, manufacture of non-ferrous metallurgy products, wood processing and manufacture of wood products, as well as in the sphere of power engineering and electrical engineering.

5. The potential of the tools inherent in the Main directions of industrial cooperation (MDIC) must be exploited to a higher extent: the Eurasian technology platforms, the Eurasian technology transfer network, financing of cooperative projects by the Eurasian Development Bank, etc.

6. The development of the existing tools of industrial policy and creation of new ones must be continued, including through the development of «second tier» acts in the follow-up of the Regulation on the development, financing and implementation of interstate programs and projects in the sphere of industry.

7. For the purpose of developing industrial-innovative infrastructures of the Member States:

- the issue must be worked out concerning the establishment of the Eurasian geographic information system of the development of industrial-innovative infrastructures;
- the best world practices must be reviewed, as well as international standards and experience in creating advanced (model) national infrastructures, and proposals must be formulated on the determination of criteria for classifying objects as infrastructures;
- the advisability of establishing a system of voluntary certification of infrastructures must be examined.

8. The Eurasian network models of industrial cooperation, subcontracting and technology transfer must be implemented, including:

in industrial subcontracting - launching a pilot project of the Eurasian industrial subcontracting network on the basis of the Russian national segment;

in technology transfer - the development and approval of the concept of the establishment of the Eurasian technology transfer network.

9. When developing the architecture of a Single Registry:

- a pilot project of the Eurasian network must be prepared and launched, summarizing the proposals from the authorized authorities of the Member States of the EAEU;
- the participation of national industrial enterprises, scientific institutions, business structures in the pilot project must be ensured, the functioning of this project must be monitored, the comments and suggestions from the national economic entities must be summarized for its operational improvement.

10. In the near future, a series of pilot projects will be implemented, aimed at «digitalization» of production processes in the priority branches of industry, with the aim to support creation of branch digital platforms. Implementation of the following pilot digital projects within national segments is provided for: «digital» design bureau; «digital» factory; «digital» quarry; «digital» transport; «digital» energy.

The implementation of these measures of industrial policy will allow integrating the industrial capacities of the Member States of the Union, to significantly improve the degree of cooperative interaction of enterprises, to run joint research and industrial programs and projects that will improve the competitiveness of products manufactured, reduce the cost of production, ensure joint entrance to the foreign market.

In the foreseeable future, all of this will bring the industrial complexes of the EAEU Member States to a qualitatively new, modern and competitive level.

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