

# Position Tracker – Political & Regulatory Affairs

American Chamber of Commerce in Moscow

## Issue Summary

- The law has entered into force since 01.09.2015, and requires storage and processing of the personal data of citizens of the Russian Federation on the territory of the Russian Federation.
- Requirements of the law and procedures of checks by Roskomnadzor are not clear to business community.
- The law has added financial burden

## Best-Case Scenario

- Clear clarifications are published by Roskomnadzor, procedure of checks is transparent and clear, methodology of checks and results of checks done are published on Roskomnadzor web site

## Worst-Case Scenario

- No clear comments from Roskomnadzor, sudden inspections by Roskomnadzor with results that jeopardize efficiency of companies' operation in Russia

## AmCham Members Engaged

Most, if not all AmCham members

Companies, participated in AmCham meetings with government officials: Apple, Chevron, Citi, Exxon Mobil, GE, GS, HP, IBM, Intel, Mary Kay, Microsoft, PayPal, SAP, UTC, Cisco, Mototola, Delta Airlines, Westernunion, Goldman Sachs, Morgan Stanley, American Express.

## AmCham Officials Responsible for Coordinating & Next Steps

- AmCham President and GR team
- IT Committee of AmCham and members involved

## AmCham's Official Position

- To conduct an independent assessment of the law on the Russian economy and on the investment climate in the country;
- To make public the results of inspections, which will give the necessary practical information to business representatives in adapting systems and processes to the new law;
- To supplement the comments published in August 2015 with new information on the results of answers to questions and queries that Roskomnadzor receives from private companies;
- Ask the state authorities, in the event of a first violation, to negotiate with companies on an individual basis the necessary period of time for eliminating the violations before imposing a fine or other measures of liability under the current legislation

## Official Documentation of Facts Available to Support the Position

- AmCham White Paper (available on AmCham web site).

## AmCham's Next Steps

- Gather feed back from companies after September 1, 2015 on they cope with implementation issues.
- Continue dialogue with government officials and ombudsman office
- Monitoring Roskomnadzor inspection practice. Next round table with members planned for February 2016.

Date to Review Progress – February 2016.

## Issue Summary

- In December 2014 the law was passed, establishing liability for importers and producers to recycle or reprocess waste from consumer products.
- Throughout 2015 AmCham communicated to RFG, alerting them on implementation of law within short period of time, proposed dialogue with concerned government entities.
- Bylaws now being developed by the Minprirodi to establish coverage, recycling targets, reporting standards and fee levels. However, still great amount of uncertainty.

## Best-Case Scenario

- A reasonable level of recycling and affordable fee structure is introduced, has graduate increase in upcoming in upcoming 5 years, based on world practice and international standards. Legislative base and norms properly adjusted or developed, recycling facilities are developed in all regions.

## Worst-Case Scenario

- From 2016 high fees are introduced, equivalent of one extra “tax”, no facilities are developed.

## AmCham Members Engaged

- Members participating in meetings: Ruspek association, Coca-Cola, Nestle, Mary Kay, GE, P&G, Ford Sollers, Herbalife, Amway, Armstrong world Industries, Avon, Cisco, Exxon Mobile, EY, International Paper, Johnson & Johnson, McDonald’s, Mon’delez, Nokian Tyres, PBN Hill+Knowlton Stratigies, Clifford Chance, Stupino 1 Industrial park, SAP, Nike, Baker & McKenzie, Caterpillar. Total number of companies affected is much bigger

## AmCham Officials Responsible for Coordinating & Next Steps

- AmCham President and GR team in cooperation with companies involved.

## AmCham’s Official Position

- Set standards for recycling waste and stages of their entry into force in accordance with international practice and taking into account the views of business circles in Russia;
- In accordance with international practice and taking into account the views of business circles in Russia, carefully compile the list of types of goods to be recycled.
- RFG to ensure growth and sustainable development of the system of work with wastes from production and consumption in Russia
- Prevent excessive financial burden on economic operators

## Official Documentation of Facts Available to Support the Position

- AmCham White Paper (available on AmCham web site).

## AmCham’s Next Steps

- Further engagement with Minprirodi when bylaws are published and may be discussed.
- Continue advocacy on different government levels during meetings and events

**Date to Review Progress** – December 2015, when Minprirodi bylaws are available.

## **Issue Summary**

- In January 2016 the law enters into force and international companies will be no longer able to publish internal magazines and catalogues, brochures or websites registered as mass media.
- The law will have substantial impact on certain companies' businesses, as their product catalogues are strong vehicle to boost sales.

## **Best-Case Scenario**

- Changes or amendments are done before January 2016. Companies involved have legal basis to continue their current business activity through corporate mass media sources

## **Worst-Case Scenario**

- No changes are introduced. Negative effect on financial shape of some company members as they lose important sales and promotion materials.
- International companies will be discriminated in the use of internal publications comparing to local companies.

## **AmCham Members Engaged**

- Members that have approached AmCham: Metro, Alcoa, Mary Kay, Coca-Cola, Avon Nestle.

## **AmCham Officials Responsible for Coordinating & Next Steps**

- AmCham President and GR team in cooperation with members affected.

## **AmCham's Official Position**

- AmCham considers it appropriate to introduce amendments, which will allow international companies to use internal publications for their business and social needs.
- International companies should have equal with local companies rights to use internal publications.

## **Official Documentation of Facts Available to Support the Position**

- Official position to be submitted during planned meeting with Minsvyaz, Roskomnadzor and Duma.

## **AmCham's Next Steps**

- After meeting with Duma IT and mass media committee head Mr Levin, AmCham got Duma support to request joint meeting with government officials involved to negotiate the issue. Request for joint meeting with Minsvyaz, Roskomnadzor and Duma representative is submitted.

**Date to Review Progress** – end November – early December.

## Issue Summary

- Different vision of external policy of Russia resulted in political tension and led to imposing sanctions on Russia (individuals and legal entities).
- Russian authorities responded on all rounds of sanctions imposed
- Many businesses have faced new rules and restrictions of conducting relations with counterparties.

## Best-Case Scenario

- Sanctions are removed.

## Worst-Case Scenario

- New rounds of sanctions are imposed, making it hard, if not impossible for foreign companies to operate on Russian market

## AmCham Members Engaged

- All international companies are involved.

## AmCham Officials Responsible for Coordinating & Next Steps

- AmCham Board of Directors
- AmCham President and GR team.
- AmCham GR council

## AmCham's Official Position

- During most public statement AmCham emphasizes the importance of separating political and business relations between countries and advocates developing of attractive investment climate in Russia, which AmCham considers mutually beneficial and important for all the parties involved.

## Official Documentation of Facts Available to Support the Position

- AmCham promotes its position through all public statements and interviews.

## AmCham's Next Steps

- AmCham continues its contact with government officials at all levels and make statements during key business conferences.
- Monitoring sanctions situation
- Continue round table briefings
- Keep up advocacy in US, Hill Knock visit s.

Date to Review Progress – ongoing

## Issue Summary

- Secondment used by corporate groups of affiliated companies and JV partners
- It is not regulated by Labor Code
- Text of draft law submitted to MinEcon, but got stalled there

## Best-Case Scenario

- Secondment is allowed and regulated by labor code.

## Worst-Case Scenario

- Secondment is prohibited. Making projects like CPC pipeline is impossible .

## AmCham Members Engaged

- Chevron, Kelly Services, Baker & McKenzie, Exxon Mobil,

## AmCham Officials Responsible for Coordinating & Next Steps

- AmCham President and GR team.

## AmCham's Official Position

- AmCham advocates adoption of the law, regulating secondment.

## Official Documentation of Facts Available to Support the Position

- Over the past 8 years AmCham worked with different government bodies and letters have been submitted at high levels.

## AmCham's Next Steps

- AmCham to reenergise the secondment working group. .

Date to Review Progress – December 2015.

## **Issue Summary**

- The law signed on 23.2015 says that a foreign or international NGO, can be recognized as undesirable if it "poses a threat to fundamentals of the constitutional order of the Russian Federation, to the country's defense capacity and security."
- Foreign Policy Committee Head of The Council of Federation Konstantin Kosachev's initiative to develop a list of undesirable organizations and send to General Prosecutor and Minyust for review got RFG.
- Private entities are not exempt, which poses big threat for member companies.

## **Best-Case Scenario**

- Businesses are exempt from the law.

## **Worst-Case Scenario**

- The law put every company in jeopardy of compulsory closing.

## **AmCham Members Engaged**

- AmCham is putting together interested companies to work out recommendations.

## **AmCham Officials Responsible for Coordinating & Next Steps**

- AmCham President and GR team.

## **AmCham's Official Position**

- AmCham is working on getting clear comments on the law and its interpretation.

## **Official Documentation of Facts Available to Support the Position**

- N/A at this point of time .

## **AmCham's Next Steps**

- AmCham contacted office of Konstantin Kosachev, Foreign Policy Committee Head of The Council of Federation. Meeting and discussion is planned for late November or early December.

**Date to Review Progress** – December 2015.

## Issue Summary

- RFG has been encouraging foreign companies to invest in local production in Russia since early 2000. AmCham and its member companies were actively engaged in interaction with MED and Minprom via various working groups and individual meetings. The pioneers in the process were car and automotive component producers. Other sectors are still in process of negotiating their specific terms on which they can localize in an economically justified manner. Recent geopolitical developments have accelerated the process and hardened requirements for participation in public tenders which is the key incentive for localization, in all sectors.

## AmCham Members Engaged

- All international companies who wish to manufacture locally and participate in public tenders are involved

## Best-Case Scenario

- Favorable conditions are created to localize international business.

## Worst-Case Scenario

- Terms and conditions of localizing involve too many political and financial risks and restrictive requirements for participation in public tenders
- Russia shuts itself off from key innovative products

## AmCham Officials Responsible for Coordinating & Next Steps

- AmCham President and GR team.

## AmCham's Official Position

- AmCham as a member of the Minprom Strategic Council for Investment advocates creating economic stimulus for developing local production, including by foreign companies; need introduction of realistic transition period for foreign producers to localize; need transparent mechanisms of licensing and registration, especially for new products; in the healthcare sector, need to have platforms / opportunities for producers of advanced medical products to educate medical specialists in diagnostics and medical treatment; need to recognize R&D as a localization criteria

## Official Documentation of Facts Available to Support the Position

- AmCham delegates member companies' professionals representing various sectors of industry to technical discussions and meetings along with AEB and the German Chamber of Commerce at Minprom
- Minprom official presentation on localization criteria and special investment contracts was made at AmCham last month. The presentation is available on the AmCham website

## AmCham's Next Steps

- AmCham will focus on the healthcare sector localization requirements in 2016 in close cooperation with the Healthcare Committee and major healthcare member companies
- Next Minprom presentation is scheduled for March 2016

Date to Review Progress – February 2016



## Issue Summary

- Import substitution theme came to existence under the influence of recent geopolitical pressures and closure of access for Russia to certain latest technologies, products and services;
- Desirable feature of locally produced goods is that they must be competitive in international markets
- Goods produced by foreign companies locally are generally considered to be local products, but this assertion needs to be verified with RFG

## Best-Case Scenario

- Import substitution framework allows member companies to continue effective business in the Russian market

## Worst-Case Scenario

- Restrictive framework dramatically shrinks the market for US companies

## AmCham Members Engaged

- All member importers and manufacturers

## AmCham Officials Responsible for Coordinating & Next Steps

- AmCham President and GR team

## AmCham's Official Position

- Russia should be guided by “the best in the market” approach rather than “country of origin” approach

## Official Documentation of Facts Available to Support the Position

Work in progress

## AmCham's Next Steps

- AmCham to arrange a high level presentation on RFG policy short- and longer term in early 2016
- Position paper to be drafted by late February 2016

Date to Review Progress – March 2016