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Putin Seeks Free Trade With EU

By Irina Filatova

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The European Union should intertwine its economy with Russia's so tightly that they can become a free trade space worth trillions of euros and stretching "from Lisbon to Vladivostok," Prime Minister Vladimir Putin said in an article published Thursday.

Putin also warned European policymakers against the impending unbundling of the bloc's energy companies and pushed for visa-free travel.

The article in German daily newspaper Sueddeutsche Zeitung, which appeared ahead of Putin's visit to the country Friday, is the latest policy statement by Moscow about where it wants to take its European ties. Russia and the EU are still hammering out their wide-ranging cooperation agreement.

"Someone may call the thoughts presented in this article too ambitious," Putin wrote. "But what seems impossible is possible in the modern world ... We should just roll up our sleeves and get to work."

The present level of partnership between Russia and Europe is inadequate for the challenges they face, Putin said. For Russia, the biggest challenge is the resource base of its economy, while the EU is losing ground on the markets for industrial and high-tech products, he said.

To turn things around, Russia "obviously" has to have a clear path to enter the World Trade Organization and bring its legislation and customs procedures close to those of the EU, Putin said. Bilateral ties should seek to encourage a "new wave of industrialization" for Europe by creating "strategic alliances" in the car industry, shipbuilding, aviation, space technologies, pharmaceutical industry, nuclear power and logistics, he said.

"It must be high-tech industry of the post-industrial age," said Putin, who will participate in a forum of chief executives from Germany's largest companies Friday. "New plants must be clean and compliant with stringent environmental standards."

Putin again stressed the need for a common energy market, saying EU's plans to liberalize access to oil and gas pipelines — part of the Third Energy Package, which enters into force in March — is a strong hindrance.

"With all the good intentions, it generates serious risks to Europe's energy market," he said. "It undermines investors' desire to put money into new projects.

As a result, Europe may get rundown pipelines and high energy prices amid a shortage of supply, instead of a competitive market, he warned.

Marlene Holzner, a spokeswoman for energy at the European Commission, said she could not comment "on statements by single politicians." In general, she said the legislation would "lead to open and integrated markets," encouraging competition and security of supplies.

"Ensuring a good investment climate is one key aspect of the internal market legislation and of the infrastructure package that we recently presented," Holzner said in an e-mailed comment.

The Third Energy Package prescribes separation of energy production and transportation, which Russia's gas export monopoly Gazprom has said will prevent it from operating its pipelines in Europe. Gazprom deputy chief Alexander Medvedev said last month that the measure would hinder construction of new pipelines.

The legislation will increase transportation costs because of a loss of synergy, higher maintenance outlays and a swelling of staff, Gazprom said in a recent open letter to the Lithuanian government, which has made comments on the issue.

Putin reiterated his idea that Russia and Europe could not only trade energy resources but make asset swaps, as well as cooperate in exploration and production of resources and delivering them to consumers.

Turning to the ongoing discussion about visas, Putin spoke in favor of abolishing them, saying they hold back cooperation between small and medium-size businesses.

The need to get visas increases costs incurred by entrepreneurs and lowers their mobility, creating uncertainties over planned business trips, said Natalya Zolotykh, vice president of

OPORA, a lobby group for small and medium-sized businesses.

Foreign embassies are suspicious of invitations from small European companies that Russian business people provide, she said.

"As a result, the possibility to hold negotiations with foreign partners in a timely manner is in doubt, which deprives small businesses of their main advantage: quick decision making," she said in an e-mailed comment. "Such problems create serious obstacles in effective cooperation between Russian and European entrepreneurs."

Foreigners cooperating with Russian entrepreneurs prefer to use middlemen from Eastern Europe, who have no visa problems, she said.

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