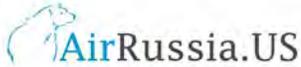


Russian American Pacific Partnership



SUMMARY REPORT 17th Annual Meeting Tacoma, Washington September 19-20, 2012

2012 RAPP Sponsors:



RAPP Secretariats' Joint Letter

Our deep thanks to all the participants of the 17th annual meeting!

Following the meeting, Deputy Assistant Secretary of Commerce Matthew Murray wrote, "You have created an outstanding forum for both public and private stakeholders in improving U.S.-Russia commercial ties. The enthusiasm and level of interest from participants and the input we received has helped support our bilateral initiatives with Russia".

There are objective reasons to believe now is an excellent opportunity to expand U.S.-Russian cooperation across the Pacific. Both Russia and the U.S. have stated their intent to make the Asia Pacific a priority in their economic strategy. Russia has created its new Ministry of Far East Affairs (Development) elevating the development of the Russian Far East to among the highest of national priorities.

Following their successful APEC host year, Russia and the Russian Far East are most interested to demonstrate results in international economic cooperation. Over the past year, U.S. exports to Russia grew impressively and are accelerating in 2012. Once the U.S. establishes with Russia Permanent Normal Trade Relation status, U.S. companies can benefit from Russia's WTO accession commitments making Russia an even more attractive business market. The renewed opportunity for U.S. West Coast trade with the regions of the Russian Far East benefits our companies and consumers, broadens U.S.-Russian commerce, and adds balance to our international trade relations at the regional level.

U.S.-Russian trade relations reflect choices critical to the pace and trajectory of growth our regions and economies. At this critical period in our economic and political relations, the RAPP objectives are of utmost importance for our citizens, companies, communities, regions and nations. We appreciate the collective contributions of the 17th annual meeting participants in improving Russian-American partnership across the Pacific.

Let us carry our momentum to achieve mutually beneficial results in 2013 and beyond.



Derek Norberg and Anatoly Bury
Directors, RAPP U.S. and Russian Secretariats

This meeting was possible thanks to the support of the RAPP sponsors, the federal and regional government delegations, and its participants.

Promotional Partners:



CHRISTINE O. GREGOIRE
Governor



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Greetings from the Governor

September 19, 2012

I am pleased to extend warm greetings to all of those attending the 17th Annual Meeting of the Russian American Pacific Partnership (RAPP). For those of you visiting us, it is a special privilege to welcome you to the beautiful Evergreen State.

The value of international trade, both to our local communities and our global experience, cannot be overestimated, and, as the most trade-dependent state in the U.S., Washington is keenly aware of the importance of building strong and lasting friendships with other nations. Our state has been privileged to enjoy an especially fruitful partnership with Russia over the years. In 2011, Washington's exports to Russia grew from \$247 million to nearly \$445 million, an impressive 80% increase. From our robust export of transportation equipment and machinery to our increasing export of agricultural products such as apples and pears, I am proud of the dynamic relationship we have forged and look forward to building on our successes.

I commend the RAPP for its ongoing efforts to enhance trade relations between the United States and Russia, which also enriches our broader exchange. Global partnerships are about more than economics; they are critical in promoting cultural understanding, international cooperation, and world peace.

Thank you for coming, and please accept my best wishes for a rewarding and productive meeting.

Sincerely,

A handwritten signature in cursive script that reads "Christine O. Gregoire".

Christine O. Gregoire
Governor

**Joint Report of the Co-Chairs
17th Annual Meeting
Russian American Pacific Partnership (RAPP)
September 19-20, 2012, Tacoma, Washington**

Executive Summary

The Russian American Pacific Partnership held its 17th annual meeting in Tacoma, Washington on September 19 and 20, 2012. 100 public and private sector representatives from five Russian Far East regions (Kamchatka, Khabarovsk, and Primorye Territories, Sakhalin Region and the Republic of Sakha), and additionally from the Leningrad Region, and Moscow, and from eight U.S. states (Alaska, Washington, Oregon, California, Texas, Illinois, Virginia and Alabama), and the District of Columbia, as well as from Japan and Canada, participated in the meeting. **Derek Norberg**, Director of the U.S. Secretariat of RAPP and **Anatoly Buryy**, Director of the Russian Secretariat of RAPP, were responsible for the organization of the meeting. **Oksana Gerasimova**, Minister of Investments and Entrepreneurship Development of the Government of Kamchatka Territory acted on behalf of the Russian Secretariat of RAPP at the 17th annual meeting.

The RAPP 2012 annual meeting co-chairs were **Matthew Murray**, Deputy Assistant Secretary for Europe and Eurasia, U.S. Department of Commerce, and **Dmitry Sazhin**, Deputy Director, Department of the Americas, Ministry of Economic Development of the Russian Federation.

Derek Norberg, opened the meeting. During the Opening Plenary session, addresses were delivered by **John Beyrle**, U.S. Ambassador to the Russian Federation from 2008 to 2012 and Board Member of the U.S.-Russia Foundation, **Sergey Ryabkov**, Deputy Minister of Foreign Affairs of the Russian Federation, **Sylvia Curran**, Consul General of the United States in Vladivostok, **Eduard Malayan**, Ambassador Extraordinaire and Secretary of the U.S.-Russia Bilateral Presidential Commission, Ministry of Foreign Affairs of the Russian Federation, and **Mikhail Vinogradov**, Deputy Director of the Department of International Relations and Trans-border Cooperation, Ministry of Regional Development of the Russian Federation. A summary of these addresses follows:

John Beyrle addressed the forum citing the volatility and global significance of the U.S.-Russian relationship and the shared obligation to manage our relations responsibly. Beyrle cited three goals accomplished over the prior year that he had called out in his remarks by video to the RAPP annual meeting in 2011 on Kamchatka: the U.S.-Russian Agreement on visas, the bilateral agreement on adoptions, and Russia's successful completion of its accession to the World Trade Organization. While acknowledging positive trends in bilateral trade, Beyrle emphasized the need to improve on our trade volumes and interdependencies of our respective economies. Beyrle noted that it is long past high time that trade and economic activity between the Russian Far East and the American West Coast and Alaska lived up to the great promise that we have always recognized, but failed to realize. While many American businesses are unfamiliar with the business climate in the Russian Far East, sometimes what they know is the greater obstacle. Among the real problems with the investment climate in the Far East Beyrle cited administrative barriers, uncertain legal protections, and corruption. More information can help attract outside capital, but only in the context of growing openness and competition that will pressure local and regional authorities and the center in Moscow to take real, concrete steps to improve the investment climate.

Beyrle commended RAPP and the Council for U.S.-Russia Relations on their work to raise awareness to accelerate economic cooperation and noted four factors over the past couple of years aligning for RAPP to play a greater role in strengthening our bilateral economic relationship: APEC's focusing attention on the Russian Far East and on our trans-Pacific relationship, the momentum of the growing trade volumes between our two countries, Russia's WTO membership and trade obligations thereunder to stimulate further expansion of trade, and the rapid changes in the Arctic that will transform traditional conceptions about trade routes in ways that positively influence US-Russia trade. Beyrle suggested RAPP is ideally suited to help take advantage of these new opportunities but should broaden its activities to include seminars and workshops on targeted themes in a variety of cities in both the U.S. West Coast and Russian Far East over the course of the year between its annual meetings. Beyrle encouraged the RAPP meeting

attendees to be guided by the overarching objective of a relationship between the U.S. and Russia defined not by stereotypes and misunderstandings of the past, but by our shared commitment to greater economic interaction and prosperity.

Sergey Ryabkov expressed his pleasure in returning to the RAPP forum and referenced the long Russian American trans-Pacific linkages including the 200th anniversary this year of Fort Ross in California, Russian emigration to the U.S. in the early 20th century, and the 75th anniversary of Valery Chkalov's trans-Polar flight in 1937. Ryabkov cited Russia's chairmanship of the APEC Summit in Vladivostok, Russia earlier this month as further strengthening Russian American ties in the Pacific. Ryabkov cited the 17 year effort of the RAPP to build viable economic dimensions to the relationship between the West Coast of the U.S. and the Russian Far East as gaining heightened significance in our bilateral relations enhancing international stability and security. Ryabkov acknowledged that disagreements between Russia and the U.S. are unavoidable, but cited agreements on the new START Treaty, the 123 Agreement on Peaceful Nuclear Energy Cooperation, the International Security Assistance Agreement allowing U.S. and Allied forces' goods and personnel to Afghanistan to transit Russian airspace, and Russia's WTO accession as positive achievements. Ryabkov further referenced the 22 working groups of the U.S.-Russia Bilateral Presidential Commission as making great progress and referenced the adoption earlier this month of new visa regimes between the U.S. and Russia as significantly easing travel between the two countries. Ryabkov expressed Russia's willingness to move even further to negotiate visa-free travel.

Ryabkov noted the joint statements earlier this month in Vladivostok by Russian Minister of Foreign Affairs Lavrov and U.S. Secretary of State Clinton on sub-national cooperation enhancing bilateral ties at the regional and municipal levels, and on implementation of large-scale development projects with a special emphasis on the Arctic and Bering geographies. Ryabkov mentioned Presidential support for the creation of a trans-border nature preserve "Beringia" as having been announced last year in Deauville, France. Ryabkov mentioned the newly established Ministry of Development of the Far East, currently in its formation stage, as charged to guide and administer federally funding development projects open to foreign participation. Ryabkov emphasized the need to expand bilateral commerce and business interactions as ballast to moderate political swings in our relations. Ryabkov noted that large U.S. companies are present in Russia, but there is an absence of many mid-sized and smaller U.S. companies, and the breadth of commodities traded is rather narrow. Raw materials – principally oil and oil products – account for 70 percent of Russian exports to the U.S., and Russia mainly imports machinery and food products from the U.S. Citing the need to diversify the commodities, Ryabkov mentioned Russian priorities on space, information and medical technologies, nuclear energy, and energy efficiency. Citing analysis by experts on Russia's WTO accession, Ryabkov noted that U.S.-Russian bilateral trade could double over the next five years. But Ryabkov reminded that pending the repeal by the U.S. Congress of the Jackson-Vanik Amendment and extension of Permanent Normal Trade Relation status to Russia, U.S. companies are not afforded the benefits of Russia's WTO commitments.

Ryabkov expressed his deep appreciation for RAPP as a unique vehicle for promoting cooperation between the Russian Far East and the U.S. West Coast and beyond. He thanked the participants for their contributions to the forum and urged them to maintain this effort.

After thanking the U.S. and Russian Secretariats and describing the current state of U.S.-Russian bilateral relations, U.S. Consul General in Vladivostok **Sylvia Curran** emphasized the potential for further trade expansion between the two nations: exports to Russia could potentially be doubled in the next five years to reach a total of \$11 billion. Ms. Curran highlighted recent examples of U.S.-Russia cooperation in the Russian Far East: the Sakhalin-1 oil and gas project, construction of the Berkut platform in Primorye, the Tiger machinery dealer Amur Machinery, and the launch of a new Petropavlovsk-Kamchatskiy-Anchorage flight by Yakutia Air. Ms. Curran also noted the creation of new shipping lines by FESCO and SASCO operating between the Russian Far Eastern regions and the West Coast of the United States. While observing that commercial trade between the U.S. and Russia remains "modest", Ms. Curran noted that Russia's recent WTO ascension, hosting of APEC, and newly-implemented visa regime would likely create more opportunities cooperation and trade. Reaffirming the goals of mutual cooperation and commercial expansion, Ms. Curran wished RAPP attendees success.

Deputy Assistant Secretary **Matthew Murray** noted the significance of the RAPP forum over 17 years in developing an economic relationship that promises tremendous bilateral economic growth opportunity across the Pacific. Murray congratulated Russia on becoming the 156th member of the World Trade Organization and noted the many advantages the WTO affords both sides to increase trade and advance trade policy initiatives and priorities. Murray noted President Obama's National Export Initiative (NEI) priorities in expanding U.S. trade and creating American jobs, and cited Russia as one of the world's ten largest economies as a priority country under NEI. Murray referenced the steady pace of Russia's recent economic growth and Russia's commodity wealth affording steady purchasing power to buy U.S. goods and services they need while sustaining quality jobs in the U.S. Murray mentioned the Department of Commerce's co-chairing of The Business Development and Economic Relations Working Group of the U.S.-Russian Bilateral Presidential Commission to provide a forum to discuss current issues of business ties and economic cooperation. The Working Group also serves to tackle barriers to trade and market access and encourages improvements such as simplifying regulations, streamlining and clarifying government procurement processes, and addresses issues of lack of transparency and red-tape that complicate business for U.S. and Russian firms alike. Murray emphasized the importance of private sector input so that government actions to improve the business climate are based on real company concerns. Murray cited Washington as increasing exports to Russia from \$247 million in 2010 to \$445 million in 2011 with this growth directly supporting over 1,400 jobs and placing Washington fifth among U.S. states in exports to Russia.

Mr. Murray noted that the RAPP forum can play a vital role in stimulating dialogue in our bilateral engagement, while providing unique focus on business opportunities in the Russian Far East. Murray concluded noting that while beyond the purview of the Department of Commerce, cultural and environmental exchanges should not be overlooked and also providing real value to our relations and economies.

Dmitry Sazhin provided an overview of the current state of the Russian economy in what he termed "a final phase of post-crisis rebound". Sazhin cited 2012 as the beginning of Russia's move away from a raw material supplier economic model to an innovation-oriented economic model of economic development. Sazhin cited Russia's 4.2% GDP growth and low unemployment rate of 5.4% from January to July 2012, as well as a 5% increase in foreign trade in the first half of 2012 as compared with the same period last year. In 2011, U.S.-Russian bilateral trade surpassed its 2008 pre-crisis level and exceeded \$30 billion. 2012 is poised to be even stronger year with bilateral trade over the first six-month at \$16.7 billion. The United States is currently Russia's eighth largest trading partner, while Russia occupies the twentieth position for the United States.

Mr. Sazhin highlighted "concrete results" of the "reset" in U.S.-Russia relations: Russia's ascension to the WTO, bilateral agreement on a liberalized visa regime, and a tenfold increase in Russian investment in the U.S. since 2006. At the same time, Mr. Sazhin reminded that U.S. companies will not be afforded the benefit of Russia's WTO commitments until the U.S. grants Russia Permanent Normal Trade Relation status and repeals the Jackson-Vanik amendment, as called for numerous times in prior RAPP meeting recommendations. Mr. Sazhin highlighted significant bilateral investment projects as evidence of economic success in the "restart" including a \$3.2 billion agreement between Rosneft and ExxonMobil for oil exploration and production in the Kara and Black seas, between GE and Russia's Inter RAO EUS and United Engine Corporation for the production and sale and service of gas turbines, and between Boeing and Rostekhnologiya for the purchase of 50 Boeing-737 Next Generation aircraft. Mr. Sazhin also spoke on the efforts of the Russian government to increase trade and improve the business climate, noting that Russia had climbed four places in the *Doing Business* index of investment climates. Noting that Russia has the highest educational level of the BRIC nations, Mr. Sazhin highlighted Russia's attractiveness to foreign companies in the area of research and development and mentioned Intel, Microsoft, Cisco and Boeing as examples of international cooperation in the sector.

Regarding the Russian Far East, Mr. Sazhin noted that the Far East regions in trade turnover with the United States are the Sakhalin Region, the Primorsky Territory and the Republic of Sakha (Yakutia). Sazhin mentioned federal efforts to improve the commercial and investment climates in the regions citing two major federal programs targeting infrastructure and economic development of the Far Eastern and Transbaikalian regions – the Federal Program for Economic and Social Development of the Far East and Transbaikalian through 2013, and the Socio-economic Development of the Kuril Islands (Sakhalin Region) through 2015 – collectively representing 965 billion rubles in funding (approximately

\$31 billion) in expenditures. Mr. Sazhin mentioned the importance of the recently concluded APEC Summit meetings in Vladivostok as an opportunity to bring new perspective to Russia's role in the Asia Pacific region as an economic driver of the global economy. Sazhin noted Russia as the APEC host nation proposed to optimize trade flows and efficiencies, including between the United States and Russia, using "smart supply chain" technology approaches. Pointing to the past success of recommendations formulated in the RAPP breakout sessions, Mr. Sazhin wished the participants a successful meeting.

Following the opening remarks by the Co-Chairs, **Eduard Malayan** provided his update on the work of the U.S.-Russian Bilateral Presidential Commission, and **Mikhail Vinogradov** briefed the RAPP attendees on the work of the Department of International Relations and Trans-border Cooperation at the Ministry of Regional Development of the Russian Federation.

The heads of five official delegations addressed the Opening Plenary:

Mead Treadwell, Lieutenant Governor of Alaska, **Oksana Gerasimova**, Minister of Investments and Business Development of the Government of the Kamchatka Territory, **Sergey Khotochkin**, Vice Governor of the Sakhalin Region, **Pavel Marinychev**, Deputy Chairman of the Government of the Republic of Sakha (Yakutia), and **Victor Gorchakov**, Chairman of the Legislative Assembly of the Primorskiy Territory.

During lunch, **Brad Owen**, Lieutenant Governor of Washington State, delivered the keynote address and following lunch met with a panel of federal and regional delegation heads.

Presentations Delivered at the 17th Annual Meeting:

On the afternoon of the 19th of September, presentations were made along industry-sector themes to the full RAPP audience.

On International Cooperation, presentations were delivered by: **Robert Modarelli**, Executive VP, National Center for APEC, "APEC 2012 - Results and Next Steps", and **Boris Misikov**, Rector, Sakhalin State University, "On the ENL-University Project to Found the Oil and Gas Technical Institute".

On Transportation issues, presenters included: **Nathaniel Graddy**, Director International Trade Policy, The Boeing Company, "Boeing and Russia", **Alexander Averiyarov**, Commercial Director, OAO Sakhalin Shipping Company "SASCO", "Sakhalin Shipping Company: possibilities and development", **Mark Dudley**, Regional Director North America, InterPacific Aviation and Marketing Inc./AirRussia.us, "Yakutia Airlines: Rebuilding Connections", and **Mike Evans**, President, FESCO Agencies North America, "Transportation Group FESCO Structure, Port of Vladivostok Acquisition, and Future Expansion".

On Energy and Energy Efficiency, participants heard from **Cheryl Gomez**, Vice President, Exxon Neftegas Limited, "Sakhalin-1 project case study: an international energy project as a booster of regional development", **Dr. Sergei Grigoriev**, Deputy Director General, SUEK Siberian Coal Energy Company, "SUEK Development and the Far East", **Konstantin Yakovlev**, Regional Manager, Russia & CIS, GE Aero Energy, "Developing flexible Distributed Power Solutions for Russia's Far East Region", and **Igor Butovskiy**, General Director, JSC SakhalinEnergo, "On the positive experience of cooperation with General Electric".

Mikhail Chursin, Regional Representative in the Russian Far East, Cisco Systems, presented on "Smart and Connected Communities" for the technologies field.

On Legal matters, **Arthur George**, Partner, Baker & McKenzie LLP, addressed "Legal Environment for Business", and **Margaret Niles**, Partner, K&L Gates LLP, presented on "U.S.-Russian Ventures and Anti-Corruption Law Compliance".

Presentations by **Rudy D'Alessandro**, International Cooperation Specialist – Asia/Pacific/Arctic/Russia DOI / National Park Service, "Sharing the Benefits of Collaboration across Beringia" and **Sarah Sweedler**, President, Fort Ross Conservancy, "Fort Ross: Commemorating the Bicentennial, Planning its Future", addressed Russian American shared history and common frontiers.

An evening reception was held on the 19th of September at the Port of Tacoma.

Prior to the RAPP break-out sessions on the morning of September 20th, The U.S. Department of Commerce's **Matthew Murray** and International Trade Specialist **Joseph Wereszynski** conducted an informational session informing U.S. companies of the benefits afforded them under Russia's WTO Accession, and on how the U.S. Department of Commerce helps to increase market access for U.S. companies by eliminating trade barriers through its Trade Agreements and Compliance program.

On the morning of September 20th, the heads of the Far East regional delegations at RAPP met separately with **Matthew Murray** and discussed trade policy opportunities including how their respective regions disseminate information regarding public procurement opportunities. It was suggested that the RAPP website might serve as a useful platform through which U.S. companies might be made aware of public contract tender opportunities in the Russian constituent regions to RAPP.

RAPP Break-Out Sessions

Over the morning of September 20th, RAPP attendees worked in three break-out sessions to define issues and compose recommendations to improve economic and non-commercial cooperation between the Russian East and the Western U.S. Co-moderators from the U.S. and Russian sides led discussions and, together with the participants, formulated recommendations in each of the following breakout sessions:

"Transportation and Trade"

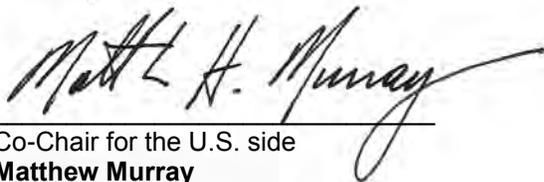
"Energy, Energy Efficiency and Technology"

"Travel and Environment"

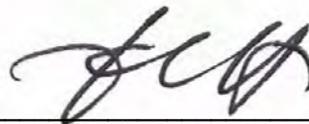
At the closing plenary, summaries of the break-out sessions were delivered by the Moderators to the meeting's Co-Chairs and the RAPP Secretariats. The break-out session reports developed at the 17th annual meeting, to be included in the meeting Summary Report, are forwarded to the Russian and U.S. government for distribution to the relevant ministries, departments and agencies. The report recommendations will be also considered by the RAPP Secretariats in formulating RAPP priorities and initiatives.

Closing comments were made by the meeting Co-Chairs, Matthew Murray and Dmitry Sazhin, and by John Beyrle, Sylvia Curran, **Vladimir Nosov**, Ministry of Foreign Affairs of Russia Representative in Yuzhno-Sakhalinsk.

No announcement on the location or dates for the 18th annual meeting of the Russian American Pacific Partnership in 2013 was made at the close of the meeting but the RAPP Executive Secretariat is expected to make its formal announcement by the end of 2012.



Co-Chair for the U.S. side
Matthew Murray
Deputy Assistant Secretary for Europe & Eurasia
U.S. Department of Commerce



Co-Chair for the Russian side
Dmitry Sazhin
Deputy Director, Department of the Americas
Ministry of Economic Development of the
Russian Federation



Breakout Session Report Commerce and Transportation

U.S. Moderator:

Bill Robinson

Russian Moderator:

Tatyana Konko

Summary of Discussion:

- Participants discussed emerging opportunities in Arctic shipping as the Arctic Ocean becomes more accessible. Also discussed was allowing equal access to non-Russian flagged vessels to remote ports such as Pevek to reduce the cost of transshipments and improve efficiency of transportation service to Arctic projects.
- Ports in Northern and less populated regions have limited affordable transportation options for deliveries of smaller volume cargoes. As transport is a key factor to economic development and growth of small businesses, there is a need to support small volume cargo deliveries to these regions until there is sufficient growth in the markets to sustain regular shipments and rates.
- In the event that U.S. or Russian bilateral free trade agreements with third countries diminish the relative competitiveness of the current U.S.-Russia trade regime, the U.S. and Russian Federation should consider measures, including conclusion of a U.S.-Russia Free Trade Agreement, to maintain relative competitiveness of their respective markets and bilateral trade relationship.
- In order to create more favorable investment conditions to attract greater foreign investment the governments should clarify legal issues of physical and intellectual property, taxation and civil legislation related to investments generally as well as to Public-Private Partnerships (PPP).
- Russia's WTO accession did not resolve the issue of encryption device import/export authorizations and Russian Customs Service regulations still require notification to the Federal Security Service (FSB) of, and authorization for, the import/export of any encryption device. With the prevalence of "weak" encryption devices in standard business communication devices and computers (a typical business configured laptop may carry some 30 weak encryption software applications), the current Russian encryption device authorizations are onerous and a constraint for business travelers to Russia.
- Participants were appreciative of renewed passenger air service between Alaska and the Russian Far East. Current facilities and procedures at Petropavlovsk-Kamchatsky airport are not adequate for the comfortable and efficient processing of arriving, departing and transit passenger. Regions expressed interest in year-round flights, acknowledging that they may not yet be feasible due to market conditions.

Recommendations:

1. We recommend that RAPP serve as a platform to share information on public-private infrastructure development projects including ports in the North Pacific, Beringia, and Arctic regions.
2. Recognizing low cargo volumes and disproportionately high transportation rates in remote regions of priority in the Northern Russian Far East, we recommend that regional governments consider the feasibility of either transportation off-sets to small businesses, or subsidies to shippers on selected routes.
3. We recommend the U.S. and Russian federal governments finance programs partnering like companies from each country to share skills, training, and technology.
4. We recommend the government of the Russian Federation expedite the enactment of the law

on Public-Private Partnerships (PPP) in the Russian Federation.

5. We recommend that the U.S. and Russia bring into force a bilateral investment treaty, and begin negotiations for a bilateral free trade agreement.
6. Russian government should further liberalize import and export controls for encryption products in accordance with the Wassenaar Arrangement including to allow authorization-free import/export of “weak” encryption items and “mass market” items common for business and personal use.
7. We recommend the Russian and U.S. federal governments and the Kamchatskiy Territory regional government consider the proposed construction of the new Petropavlovsk-Kamchatskiy international airport terminal as an opportunity for enhanced bilateral commerce and cooperation, and employ government acquisition contract tendering practices and U.S. trade development mechanisms to support contract and supply award applications by qualified U.S. firms.
8. We recommend commercial airlines increase the seasonal duration and number of flights between the Russian Far East and Anchorage, Alaska for the 2013 season to provide flight service from February to April and June through September.



Bill Robinson



Tatyana Konko



Breakout Session Report Energy, Energy Efficiency and Technologies

U.S. Moderator:

Arthur George

Russian Moderator:

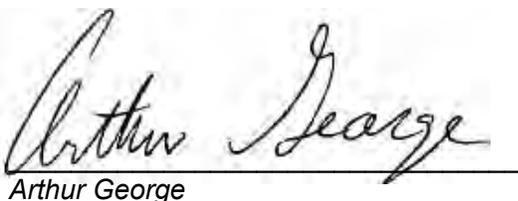
Yekaterina Kotova

Summary of Discussion:

The participants focused on the energy sector issues. The issues raised focused mainly on various aspects of infrastructure and support for the transport and processing of production and equipment, servicing of equipment used in the energy sector, and importing, exporting and warehousing equipment and other items used in this sector of business. There was also discussion of the need to improve the education and training of specialists needed in this sector, including foreign education and training.

Recommendations:

1. Take the necessary steps to facilitate the establishment and staffing of service centers needed to service energy sector equipment installed in the Russian Far East ("RFE"). The Russian federal and regional governments should provide incentives for the establishment of such centers to the extent possible. Visa procedures should be streamlined to simplify and expedite foreign travel of Russian specialists for training abroad and for their assisting in the servicing of equipment abroad. Federal and regional customs authorities should take the necessary steps to facilitate easier temporary export of equipment for servicing abroad.
2. Regional governments, private companies, and the U.S. government should devote more resources and take more steps to expand the education and training of the necessary specialists to work in the energy sector in the RFE, who are in short supply.
3. Russian customs authorities and regional governments should examine why no bonded customs warehouse exists in Sakhalin, and take the necessary steps to remove any barriers that may be preventing the establishment of such warehouses in Sakhalin and elsewhere in the RFE.
4. Russian legislation on Production Sharing Agreements lacks clarity regarding the extent to which tax and other preferences accorded to oil and gas companies under such Agreements extend also to their contractors and subcontractors, which has resulted in much uncertainty and significant litigation. Russian tax and other authorities should clarify the rules, preferably in favor of making it clear that such privileges extend to contractors and subcontractors.
5. Russian federal and regional authorities should further study the problems arising from insufficient infrastructure to support the energy sector activities in the RFE. The problems include transport of production, insufficient facilities for processing production, connections to remote areas, and electricity supply.
6. Because of the problem of energy efficiency in the RFE, Russian authorities should prioritize the development of greater energy efficiency and take steps to encourage investment into this sector. The U.S. government also could help direct American companies to business opportunities in this sector.



Arthur George



Yekaterina Kotova



Breakout Session Report Tourism, Travel and Environment

U.S. Moderator:

Mark Dudley

Russian Moderator:

Boris Misikov

Summary of Discussion:

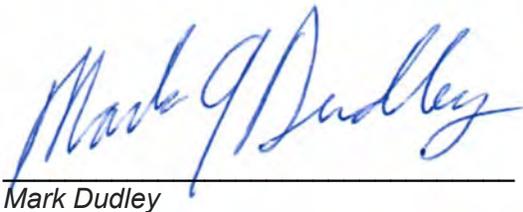
Discussions included the following points:

- There has been little to no tradition in Russia of managing protected areas in cooperation with private enterprise, to the benefit of each. In the US, these groups have long worked in unison to the benefit of multiple stakeholders.
- The planned 2013 Kamchatka ecotourism conference and the newly established Alaska travel and trade show were discussed.
- The Kamchatka event must be structured correctly in order to attract participants and generate the most long term benefit. It should be promoted from a marketing perspective with business development in mind. It should be more than talks and presentations; it should involve a day or two of connecting Russian inbound operators with US outbound operators, exposure to local sites and it should strive to build long-term connections between private enterprise, government organizations and NGOs.
- Several ideas on how to best promote such conferences were discussed. Among others, Wild Salmon Center and the US National Park Service can help with recommendation and connections. Outside funding may be sought.
- Ecotourism is a way of protecting resources and should be promoted.
- The Russian Far East is lacking in tourism infrastructure, but foreigners are hesitant to invest, given an unwelcome investment environment over the last twenty years. Russians should look to domestic organizations, such as oil and gas companies, for funding and investment as well.
- The recent changes in visa regulations are welcomed and are bound to lead to growth in travel in both directions. However, the requirement for Russians to travel to a US consulate for face-to-face interviews will nonetheless limit the numbers of Russians traveling to the US for tourism and business. Conversely, some Russian regions still require special travel permits. This also hinders travel.
- The establishment of direct flights between the RFE and Alaska was acknowledged, and it is hoped that that the period of the flights will be extended.
- Dmitry Lisitsyn of Sakhalin Environment Watch was acknowledged as the recent (2011) winner of the Goldman Environment Prize. His work model is an excellent example of successful and effective cooperation between international foundations, governments, and conservation NGOs.
- There is not an effective certification process in place for travel operators and venues. This limits the number of potential US travelers to Russia.

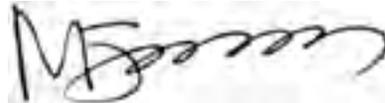
Recommendations:

1. The Russian government should promote and support commercial activities within the protected area system. To this end, exchanges involving various regions, NGOs and private enterprise should be welcomed and encouraged.

2. Establish annual ecotourism events in Russian Far East regions, starting with Kamchatka in 2013, to be alternated among the regions.
3. Encourage communications between Russian environmental organizations, the national park system and private companies. Delegations visiting the US should include representatives of all stakeholders. Sports exchanges should also be promoted.
4. Recognize and incorporate the efforts of leading environmental entities and include them in all efforts to develop the potential and resources of the Russian Far East.
5. Continue efforts to streamline the visa process, especially in regard to the required interview.
6. All stakeholders should consider ways to support year-round flights, and support regional travel infrastructure (hotels, airports, transportation).
7. Regions should seek to establish certification standards for operators and venues that are in alignment with international practices.
8. In accord with the joint statements of the Presidents of the United States and the Russian Federation on bilateral cooperation in the Bering Strait Region, we recommend to proceed with activities under the Shared Beringian Heritage Program towards establishment of a cooperative U.S.-Russian park in the Bering geographies of both countries. We encourage early engagements with communities in the targeted geographies to properly factor local economic development interests. We encourage accelerating bilateral scientific informational exchanges at the national and sub-national levels in the areas of nature protection and responsible and sustainable natural resource use in the Arctic and Pacific Oceans regions.
9. The following recommendation from the 2012 RAPP Tourism, Recreation and Environment breakout session remains valid. Recommend to continue cooperation in the field of environmental protection within the framework of the U.S.-Russia Agreement on Cooperation in the Field of Protection of the Environment and Natural Resources, and the Environment Working Group of the U.S. Russian Bilateral Presidential Commission.



Mark Dudley



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