

THURSDAY 22 NOVEMBER 2007

Present

Hamilton of Epsom, L
Hannay of Chiswick, L
Roper, L (Chairman)
Truscott, L

Witnesses: **Mr Eneko Landaburu**, Director General of the Directorate-General for External Relations, **Mr Gunnar Wiegand**, Head of Russia Unit and Acting Director, Eastern Europe, Southern Caucasus and Central Asia, **Mr Paul Vandoren**, Deputy Head of the Delegation of the European Commission to Russia, **Mr Frédéric Maduraud**, Co-ordinator of Trade and Economic Affairs, Russia Unit and **Mr Lars-Gunnar Wigemark**, Political Officer, Russia Unit, examined.

Q269 Chairman: Good afternoon, Mr Landaburu. Thank you very much for finding the time to give evidence to us today. I know you have a very busy afternoon, but you are going to be able to be with us for the first part of our time here and you are going to be accompanied by some of your colleagues. We are one of the Sub-Committees of the House of Lords European Union Committee which is responsible for looking at problems of external policy, defence and development. We are carrying out a thematic study on the European Union's relations with Russia. We have taken evidence in London from a number of people who know a good deal about Russia and we are going to Moscow in December where we are seeing people there who know about it, but we felt it was absolutely essential that while we were in Brussels we should be able to see people from both the Commission and the Council to talk about the way in which you saw the development of our relationships. I am here with three of my colleagues from the Committee. We would like to take our evidence formally and, therefore, we are taking a note of what is being said, but if at any stage you feel there is something you

would rather say to us privately, please would you indicate that and speak off the record and we will then stop taking the note and that will not be published with the report of the meeting. We will be sending you a copy of the transcript in a few weeks' time for you to be able to make small corrections. We want to avoid any misunderstanding about what is on the record, and for us to be able to use formally in evidence, and what is not. Would you like me to begin, even though perhaps one or two of your colleagues are not yet here?

Mr Landaburu: Please.

Q270 Chairman: We would welcome your views as to what should be the fundamental objectives of European Union policy with regard to Russia, and in which areas do you feel relations between the European Union and Russia have made the most progress in recent years?

Mr Landaburu: Thank you very much indeed. First of all, I would like to welcome you to Brussels and to this Directorate General. We are very honoured to receive you. I would like to say that the subject of your inquiry is a really challenging, very topical and very important one. Speaking more generally, we highly appreciate your reports here in general. I am sure that we will read this one with interest when it is finalised. I know about the rules, that you are transcribing all of what we say, but maybe during this conversation I will give you some personal opinion and I would prefer to do that off the record, as you proposed to me. My colleagues are coming very shortly. It is the team dealing with Russia. Mr Gunnar Wiegand is the head of this unit and he is the Acting Director for Russia now. As I will have to leave you at some point, Mr Wiegand and other colleagues will remain at your disposal to continue the talks and the debate. We have also an information pack which you may find useful for your work. Before going to the specific questions, I would propose to make an opening statement, first of all, in a nutshell, on the main assessment we are doing as far as our links and relationships with Russia are concerned and then, of course, we will come to all the

questions you raise and will try to answer them. Some of them are very, very precise and focused and difficult to answer, but we will try to do our best. If I had to define in a word the relationship we have with Russia, I would say that this relationship is complex and there are many reasons for that. The first is that Russia is a neighbour but, at the same time, it is a strategic partner. What does strategic partner mean? Strategic partner means that they are among our most important partners in the world. We have only eight strategic partners in the European Union: the United States, Canada, Japan, Korea, Russia and now China and Brazil. This means that with those kinds of countries we want not only to develop our relationship, to strengthen our co-operation, to deepen our links but, at the same time, we want to raise with them some horizontal issues at international level in order to try to be part of the solution to those big questions. I am referring to climate change, energy, security, poverty, disease questions and these global issues, so Russia is one of these partners. The second reason why our relationship is complex is because we are still living with the consequences of what was in the past the Soviet Union. The enlargement process, which was very successful for the Union the last time, of course provoked some kind of reaction from Russia. We have to manage this kind of shock for them to now have in the European Union a process of sharing our values, our principles with a lot of countries that were under the control or the influence of the Soviet Union. More than that, some of them were inside the Soviet Union, the Baltic countries. This provoked a political and psychological difficulty which explains some of the difficulties we have in our relationships. Another reason why our relation is complex is that this country has changed a lot over the last few years, and we come from the economic and political catastrophe of Yeltsin to a new-found assertiveness on the crest of high energy prices. This is very different from where we were some years ago at the beginning of the mandate of President Putin and now and this, of course, has provoked some dramatic changes in our relations. Another general point I would like to outline is that there is a paradox in our

relationship. Our trade and investment is booming. We have very strong energy interdependence. European businesses are rushing to the Russian door and there are huge profits made in the Russian market. I had a meeting yesterday with some representatives of our European firms in Russia and despite a lot of difficulties, of course, they are making a lot of money and are doing a lot of business. This is a trend which is booming but, at the same time, we are going to have more and more difficulties with our relationship and dialogue at a political level. This is the paradox of where we are. What are the difficulties? First of all, of course, in expressing our concern on the implementation of democratic principles and human rights. We were concerned with the limitations placed on OSCE observers to monitor the Duma election. We know it was an awful decision and this is not very positive. We are not happy with all the limitations on press freedom, attacks on journalists, pressure on NGOs, not to mention the situation in North Caucasus. This global development of democracy, or lack of democracy in a certain way in Russia, is something which is difficult. Why? Because some years ago we tried to set up our relationship on the basis of sharing the same values and principles. What we have to consider is that maybe we have not got exactly the same kind of values or principles. This is why we need to assess the situation for the future. What are the bases of our relationship? What do we share? What do we not share? What do we need to do? These are important questions for the future. Of course, the EU does not seek to lecture Russia, we have no monopoly of democratic principles, but it is really important to continue to discuss all those important issues in the future. The other difficulties come at an international level, for example Kosovo. I mention that because it is a very topical issue. There it is obvious that we are going to have a difficulty with Russia. I remember two years ago at the Helsinki Summit that President Putin mentioned the point and told us, "Take care with Kosovo because if we accept the independence of Kosovo, this will have some consequence on our relationships to deal with other kinds of frozen conflicts". Of course, he

explained to us that so far we had agreed to defend the principle of territorial integrity against the principle of expression of self-determination and if we changed the application of those principles, this would have some consequences in Abkhazia, he did not mention specifically the point, but we understood what he meant. We cannot say that we are surprised by what they are doing now through Mr Lavrov, the Minister of Foreign Affairs, or the others because they mentioned this. Nevertheless, as I do not expect they will accept any kind of resolution at UN level, we will have to try to make a deal with the Secretary General of the United Nations, Mr Ban Ki-moon, in order to see which way legally we can support some form of independence. This is my own feeling. Russia has linked Kosovo with the frozen conflicts. If in South Ossetia, in Georgia, there are now better expectations, it is not exactly the case of Abkhazia where they are stronger and it is difficult to see any kind of solution in the short-term, as in Nargorna-Karabakh in Armenia. Those would be the questions of friction. On other important international issues we are not exactly on the same line; Afghanistan and Iran, we know what is happening now. With Burma, we are trying to work in the same direction, but there are still some differences. There is a third main point that I would like to mention. The first was the paradox, the second was the international questions, and the third is energy. Energy is a key issue for us and for them also. We are weak there because we have no European policy. We have an accumulation of national energy policies, we understand that, it is a fact, but the lack of strong European policy, as a consequence, has weakened us a lot. With the Russians, if we are united we are strong; if we are divided we are very weak. There is competition among a lot of our Member States. This does not help building up the conditions for Europe to speak with one voice, able to better defend the interest of all of our members. This is the position of the Commission and it is why we proposed a comprehensive legislative package some time ago which will promote the capacity of having a united voice and, in our view, better defend the interests of all of us. We are discussing the fact that the

Russians have not reacted in a positive way to some of the proposals included in this package and we will continue to work in that direction. The fourth point I would like to mention in this introduction is the movement of people, it is another big and important issue. As you know, we have visa facilitation and re-admission agreements which entered into force on 1 June. Now we have a tool, an instrument, in order to co-operate and try to implement a policy on the mobility of people. This is not perfect at all. We will need to improve the provisions of these agreements a lot. Russia is pushing to have the free movement of people without visas. We are a little bit reluctant because we have to take into consideration a lot of elements, including security. I have to say, the situation is much better than it was some years ago because now we have something. It is not perfect, but it is a way to progress. I would like to say as well something on solidarity. Solidarity for us is very important and it is linked with the united position. On this very difficult issue of launching the Partnership and Co-operation Agreement, blocked by a trade problem with Poland, the Russians had to accept our position because Europe had a voice, a position, and this was expressed by Chancellor Merkel and President Barroso at the EU-Russia summit in Samara, Russia. Then we were expressing solidarity with our Polish friends. This is what we need to develop in the future to strengthen our position, there is no other way. I would like to conclude this introduction by mentioning three issues. We succeeded in putting in place the co-operation through four spaces. This co-operation is going well and now we have a lot substance. There are difficulties in all of the spaces but, nevertheless, we are progressing and this is a stable thing that we have in front of us. In my view, we need to launch the negotiations on this Partnership and Co-operation Agreement as soon as possible because this will provide us and the Russians with an adequate framework which we need in order to have a real negotiation process, including the energy question. In my view, the energy question will be solved or will improve with this global framework and this is important. The question of the WTO accession of Russia is another

important issue because all of us have an interest in having Russia among the members of the WTO. The PCA that we have today as a framework is not working well and that is why it is useful to have a new one for one main reason. There are a lot of reasons, but the main reason is we have no structure for implementing this agreement which is able to deal effectively with the problems we have to solve. Russians always want to politicise all the questions and raise the questions at the level of ministers, but it is impossible. There is a lack of a level of officials group in order to be able to solve a lot of difficulties. This would ease it a lot and for the next time it would be very important question. I would like to make my last remark off the record (There followed a discussion off the record)

Chairman: Mr Landaburu, thank you very much indeed for a very full introductory remark and we note that those final remarks have not been recorded and, therefore, will not be in the transcript. If I could turn to Lord Hannay and ask him if he would like to follow up some of the things you were saying on the institutional arrangements.

Q271 Lord Hannay of Chiswick: I would like to focus on the institutional arrangements, although I think you have given us the beginnings of answers to some of the questions. How well does the current institutional framework, the PCA as it is now, work and how well do the common spaces work? You spoke quite enthusiastically about common spaces. How does the Northern Dimension work? What are the strengths and weaknesses of this current institutional framework, and in what way could it be improved? Are there other mechanisms and structures for co-operation with Russia? We will come on in later questions to the Energy Charter which is there. All that leads to a question which I would like to ask, and I think you are right in saying that this is, as our American friends would call it, payback time for the Russians. They are paying us back for what went on in the 1990s, for which they were largely responsible themselves, but they are still paying us back for that. Does it make sense to run after them in the context of a new PCA? Does that not simply encourage them to go on

paying us back in a fairly unpleasant way? Is it realistic to talk about a negotiation of equals with a country that considers that the only equal in the world is the United States, an illusion which they still seem to nurture?

Mr Landaburu: I will try to provide some elements of the answers and I will ask my colleagues to add some additional comments on that. Lord Hannay, for me what is really crucial, if it is possible to have an equal partner relationship in the future, is to be sure that we are interdependent because we need to have a good relationship with our big neighbour and we need the energy which comes from there. We have to try to set up this condition of equal and fair partnership. From their side, they need to have a stable, mature and clear agreement with us in order to be sure that they will have the resources to set up the conditions of their growth. They have no alternative if they want to progress as a big important and modern country. They need to have our investment and our technology and they need to deal with the European Union, which needs to have a good relationship with Russia. That is my first remark. My second one is that this team of President Putin, and probably the successor of Putin, has made the strategic choice to have a good relationship and to increase the relationship with the EU and its Member States, with the western countries, because they are also Europeans. Despite all the difficulties we have, at the end of the day it is much easier to have an agreement with them than with a lot of countries very far away. We have the same roots, a common culture, not in everything, but we share a lot of things. Despite the differences of our political personnel, there is a strong capacity to set up something. In my view, this is why we have to try to find a specific way to have a relationship with Russia and not always follow what Washington and the United States are thinking, because they have other kinds of problems and we do not have exactly the same. This does not mean that we have a different kind of approach, but maybe an autonomous one. In my view, it is not by developing assertiveness and aggressiveness that we will have some positive consequences in

our defence of our interests with Russia. It is obvious that today there are different sensitivities in the European Union among Member States. It is obvious that the new Member States coming from the Soviet Union influence are much more aggressive. Maybe they want the European Union to have a much stronger position. The western countries and the big ones, the UK, Germany and France, in a certain way are much more pragmatic in defending their own interests. What we need to do is to define some strategic objectives and to try to convince all of our Member States to have this common approach. As far as the PCA is concerned, of course we are progressing a lot in the implementation of the four spaces. We are making a lot of progress, but I do not think the structure of this PCA is an adequate structure in order to make the progress that we need to. Maybe my colleagues will have a lot more concrete knowledge on this.

Q272 Chairman: For the record, perhaps they can introduce themselves when they make their first intervention.

Mr Wiegand: My name is Gunnar Wiegand. I am the head of the unit for Russia and also Acting Director for Eastern Europe, Southern Caucasus and Central Asia. To complement the answer given by the Director General on the Partnership and Co-operation Agreement, it was obviously negotiated at a time when Russia was in a particularly weak situation and we were providers of massive food safety assistance and technical assistance to help in the transition process, both in the political and economic transition process. Therefore, it was a Russian wish to change the agreement and have a different agreement, taking into account the new realities. At the same time, since the conclusion of the negotiations in 1994, and the entering into force in 1997, also a lot has happened on the EU side in terms of our deeper integration. Therefore, there is an objective interest on both sides already for political and institutional reasons to have a new framework. In addition to this there are very concrete interests which the Director General referred to for both sides. It is not only the interests of energy security

of supply, it is also the interest of energy security or demand. It is the interest of modernisation and diversification on the Russian side, and on our side it is the interest in new trade and investment opportunities for European companies. While this is a very good, solid framework agreement, it has no preferential access and it has no rules on deep economic integration, which can only be done by a free trade agreement of a very modern type to be included in a new post-PCA agreement. We have no specific provisions at all on energy issues, and we will come to the difficulties later on as regards the Energy Charter Treaty, I would argue, to complement whatever exists at a plurilateral level with bilateral provisions. Beyond the strategic and institutional considerations, there are very concrete economic considerations which argue for entering into such negotiations. I think on this one, also, we have a unanimous position of all of our Member States being in favour of it because we have an agreed mandate which covers a very ambitious comprehensive agenda agreed at the level of Coreper, but not yet agreed at the level of ministers. In the meantime, however, the problem with the institutional structure of the PCA is that the Russian side perceived that it was not delivering the results that the agreement was designed for. Notably, the Co-operation Committee was disbanded and also the one Co-operation Council existing at the time was replaced under the common spaces concept with a series of permanent partnership councils which allowed different sector formations of ministerial meetings. The problem is that our civil servant senior level which would have an overview over all the areas of this relationship, simply does not exist anymore and there are no regular meetings between the people who have an impact in their own system and on the overall relationship. However the common spaces are much more successful than is commonly known and it is probably our fault that we do not make this sufficiently known. The info pack will give you a lot of information about what is happening. Just to give you an idea, alone under the common economic space there are about 40 specific dialogues, including a number of sub-groups which have been

established, ranging from an investment dialogue to seven different dialogues on industrial standards in certain key areas like, for example, the automotive or chemical industry. The purpose of all this is to lead towards regulatory convergence and to prepare, therefore, for future negotiations on deep economic integration. There is a lot of simply getting to know each other, the actors in the different ministries or DGs here, the knowledge about the legislative situation as it is now, how you regulate industries, and there is a strong wish on the Russian side to know how it is done in Europe because 52 per cent of their exports currently go to our market. Finally, on the Northern Dimension, that is even less well known but that is a real success story. I have just come from a senior officials meeting we had yesterday in St Petersburg and we have a very satisfactory and co-operative situation there. As the Deputy Foreign Minister Grushko said yesterday, “It is about projects, not policies”. We have a well functioning partnership on environmental protection. We have also an increasingly well functioning partnership on social issues and health. Next year we will establish, if the ministers will agree, a partnership on transport and logistics, helping to develop the northern axis of the EU interconnections between the north-west and the north-east of our common continent. We will also go into the area of energy efficiency and cultural co-operation. There is a huge number of stakeholders in all this. It is not a centralised top-down process, it is a decentralised bottom-up process and that works very well. A lot of funds of international financial institutions could be mobilised through project grants.

Q273 Lord Hannay of Chiswick: Can I mention one slight paradox. With the United States, the European Union has never had a structure of this sort and most people would say that is one of the reasons why the relationship in the economic field with the United States is such a successful one, why investment flows grow and grow and why regulatory convergence can be achieved and so on. Why should that not be so with Russia?

Mr Wiegand: I had the privilege of being head of the unit for relations with the US for several years. We worked closely with Lord Brittan and his successors in getting ever closer transatlantic relations in the economic field. You had recently at the last EU/US summit another major effort to deepen our ties. It remains by far the most important economic relationship. Still, we have a situation where very often companies have to produce according to two different sets of rules and incur heavy costs for this. Apart from the fact that the United States is not a physical neighbour and we do not have as much untapped potential as we have with Russia, there are two key differences. One is that the United States is a member of the WTO, Russia is not a member, therefore we have an interest in creating bilateral rules with Russia and making sure that our markets can integrate. The other reason is that the investment relationship is by far the most important one in the transatlantic relationship, with €1.4 trillion of investment stock compared with something like €39 billion between the EU and Russia. What a difference this is. Since we have that difference, our companies basically produce, having invested on the other side of the Atlantic, for the needs of the respective market, while with Russia we are very far away from that.

Q274 Chairman: We learned today that the Russian mission here in Brussels to the European Union is probably the largest mission of any third country. How much of the business which you have been talking about occurs here in an interaction between people in the Commission with that mission, or how far does it occur in Moscow between your delegation and Russian ministries? Is it people coming from Russian ministries to Brussels and vice versa? How are the mechanics? This is a very big mission. Is this an important factor in the relationship?

Mr Landaburu: Giving you a more precise answer, it is obvious that they try to have some deep links and deep co-operation at the level of Brussels. The appointment of Mr Chizhov, who previously had been Deputy Minister in charge of Europe for many years, as

Ambassador of Russia is something which is a very clear and important signal. For the negotiation of the next framework agreement they have appointed Mr Chizhov as the chief negotiator. This means they want to have a lot of things dealt with in Brussels and from Brussels. On our side, we would prefer to have contacts in Moscow with the ministries and the people. This does not mean we do not want to have a relationship with Mr Chizhov at all, but we have a very important delegation there in Moscow, Mr Vandoren is the number two of our delegation in Moscow. To do our work at a good level and with some quality and to provide to our Member States all the information they and we need, we need to be in close contact with the ministries and not only have a relationship with Chizhov. Of course, a strong delegation from Russia here in Brussels is helpful as well to solve a lot of difficulties. When we prepare, for instance, the summit, and we have two summits every year, having some people who are able to take some decisions at this level is very helpful and this eases the process a lot.

Q275 Chairman: Can I go back to your earlier answer. You quoted figures, first of all, of 1.4 trillion for the cross-investment with the United States and 39 billion, but was that euros or was it dollars?

Mr Landaburu: Euros.

Mr Wiegand: We always count in euros.

Q276 Chairman: I just thought since you were talking about the United States you might be talking about dollars.

Mr Wiegand: The Russian mission to the European Union has a bit more than 100 staff, of which I think something like two-thirds are diplomatic staff. The Ambassador has four permanent Deputy Heads of Mission, which is quite unusual, who cover the four common spaces essentially. Indeed, I think their basic reasoning had been, with the common spaces

and the future new agreement, that they would acquire a little bit of the functioning of a Permanent Representation of a Member State to the EU. They also call themselves “Permanent Mission” and that is quite interesting. Certainly there can be no monopoly of contacts via this mission as we have many contacts, but I think our delegation cannot complain about a lack of need from our side of EU interaction in dealing with the government.

Mr Vandoren: In the Delegation of the Commission in Russia we cover everything which is on the scene in EU/Russia relations, in particular with regard to the four spaces, obviously.

Q277 Lord Truscott: On the four common spaces, do you find more engagement from the Russians on some of the spaces they are more interested in and less engagement on the area of common spaces they are less interested in? I am thinking of the development of democracy and justice compared with the economic space.

Mr Vandoren: In my view, the common economic space works relatively well. In that context, we have a number of road maps and dozens of working groups and dialogues which do not necessarily lead to concrete results but, nevertheless, do bring the relevant and competent officials from both sides together to discuss all matters which are relevant on the trade side. Clearly, with regard to justice and home affairs, there is strong co-operation and there is also a strong interest on both sides, as has been demonstrated by the signing of the visa facilitation agreement and the re-admission agreement. There is increasing good co-operation on matters in the fields of culture, education, science and technology, research and development. I would say that probably where it is the most difficult is the common space on external security where, for almost obvious reasons, at least for the time being, we do not see eye-to-eye on a number of key issues and, therefore, the deliverables are less frequent.

Mr Wiegand: I would concur with this and would like to say that the most successful in terms of actual deliveries so far has been the second common space, which is on home and justice

matters. There is a very well functioning Permanent Partnership Council, which includes also significantly not only the Russian Ministers of Interior and Justice but also the key Presidential Adviser in this area, Mr Victor Ivanov.

Mr Landaburu: They will meet here tomorrow.

Mr Wiegand: Certainly we have there an area where there is strong commonality of interest to reach concrete results quickly because there is so much impact on our trade, travellers, businessmen, students and so on. The common space with the greatest number of activities, however, and the greatest number of people involved clearly is the common economic space, where, again, I would say that there is huge interest on both sides, but we do have a strong long-term common vision where we want to go, that is deep economic integration. It is much more complicated to reach results, therefore these dialogues need more time. The growth area is the fourth common space, education, culture and research. Research is an area which perhaps did not need the common space because we have an agreement in this area with each other. We had the Sixth Framework Programme and now the Seventh Framework Programme. Russia is the most successful third country taking up the possibilities of our research co-operation. Currently there are 220 projects worth some €2.3 billion where the Russians also put their own money in, so there is very strong co-operation between our research communities. That is positive and, indeed, that is Russia engaging in one of the areas where it has major value-added. The reference to the external security space, the Commission's only stake in this is the civil protection area where we do have now a Memorandum of Understanding and we want to further expand on this between our civil protection mechanism and EMERCOM in Russia. You will certainly see colleagues in the Council Secretariat, or have already seen them on this common space.

Q278 Chairman: We will be seeing them tomorrow.

Mr Wiegand: They will tell you tomorrow about our intensive political dialogue on common neighbourhood related issues where the Commission fully participates but is not in the lead. The one interesting area where both sides have repeatedly said, “We need to work together”, is peacekeeping, and colleagues will tell you more about this tomorrow. There is great interest on the Russian side in this.

Q279 Chairman: What will change under the European Neighbourhood and Partnership Instrument? I know Russia is not a neighbourhood in this sense, but would there be any change in terms of funds available for Russia in the future under the new initiative?

Mr Wiegand. When we started our co-operation with the Russian Federation we had the technical assistance instrument Tacis and we started with annual volumes of support of something like 120-130 million ecus at the time and it was support for transition processes. It was a process where all kinds of potential beneficiaries could come up to our Delegation, or the National Co-ordinating Unit, and come up with ideas for funding and we had broad priorities. This has changed a lot over the years, and particularly since the beginning of this year we have the European Neighbourhood and Partnership Instrument, which does not only include our ENP neighbours but also Russia. The basic approach here is one of financial co-operation, which includes co-financing from the Russian side in a number of areas and to an increasing degree it means ownership on the Russian side, it means projects are identified together, but also the priorities in the programming phase are fixed together. We have had good experiences in the programming phase on the National Indicative Programme 2007-2010, which was endorsed a few months ago by the Russian side. The phasing in of the new instrument was a bit slower than we had expected, therefore in the first year, 2007, we have not committed as many funds as we wanted. We have the possibility of committing about €30 million a year. We did commit €17 million this year and next year we would target something between €30 and €40 million. The main emphasis in all this now is rather than providing

assistance to a country which requires our help to underpin the implementation of the common spaces, plus specific support for Kaliningrad and, complementary to this, participation in several cross-border co-operation programmes. There is a total of seven cross-border co-operation programmes which involve both Member States and Russia, from the Bering Sea to the Black Sea, and that facilitates a lot of border crossing problem solutions. On the project identification phase we are also trying to work with the Russian side to a very detailed degree, more detailed than in the past. To give you an example, we would like to extend the idea, which we have successfully tested in other industrialised countries, to establish a network of EU study centres in Russia, not as creating something new but as supporting Russian universities which teach European or EU studies. For this purpose, we will conduct a feasibility study and call for proposals from Russian partners, hopefully to start such action within the academic year 2008-2009. What is interesting in co-operating with the Russians on this side, and that is a new tendency, is that our Russian partners wish to engage also with us in the other direction. They would like to place the basic Framework Agreement on conditions for the delivery of co-operation in a mutual context and they would like to agree with us on framework conditions for the delivery of Russian financial assistance for projects in our Member States. In addition to this, we have an interest in seeing Russia become an important international donor. In our political dialogue, we certainly call Russia frequently to provide assistance in managing regional hotspots, like Somalia, Sudan, Palestine or other places. We think it is very important to work with Russia on this.

Q280 Chairman: I hope that as far as encouraging studies, although obviously there are places where there are concentrations of universities and research institutes, such as Moscow, you will think very seriously about widening it throughout the whole of the Russian space.

Mr Wiegand: That is our intention.

Q281 Chairman: I think that is very important. Mr Wiegand, you were not present at the very beginning when I said that although we are taking a note of this, there are some parts of the conversation which we may want to have off the record and I just wanted to repeat that. If that is the case, we will stop taking a note, as happened during the closing remarks, as you know, of Mr Landaburu's remarks. I want to move into an area where this may be the situation. Mr Landaburu, in his remarks, made some comments on the range of attitudes which occur among different Member States and the possible complications which this diversity of opinion may make for those who are attempting to conduct a policy. I wonder whether you would like to say anything further about that or whether you feel that is something one should more appropriately address to Member States rather than the institutions of the Community.

Mr Wiegand: On this issue, I would like to continue with my remarks on the record. It is a normal and integral part of our business, in trying to find the common interests, in trying to formulate EU interests and project them externally, to deal with different approaches Member States have to different relationships. Having dealt with transatlantic relations before, this challenge is not completely unknown to me. We see this with regard to many relationships, in fact, because of the great diversity of history, cultures and political developments in different Member States. However, I would recognise, as the Director General did before, that our most recent rounds of enlargement have placed a considerable challenge on the institutions in Brussels in trying to correctly identify our common approaches and remaining effective in achieving results. However, I think we can say with some pride that throughout the development of EU external relations and successive rounds of enlargement, each round of enlargement gave an additional dimension and impetus to the development of relations of the EU as a whole with different parts of the world and I do not think this will be different this time.

Q282 Lord Hamilton of Epsom: Can I follow on that because, at the end of the day, as we do enlarge Europe we get nearer and nearer to Russia and we keep on saying, “Europe goes on and on until we reach Russia, but there is no question of them being members of the European Union”. Well, they have got a population of 140 million and dropping, Turkey has got a population of 70 million and rising, and the British Government thinks the Turks ought to be in the EU. The GDP of Russia is that of Belgium and Holland put together. This is not a gigantic country. Perhaps this ought to be off the record. (There followed a short discussion off the record)

Mr Wiegand: (There followed a short discussion off the record)

Q283 Chairman: This has already been touched upon in the introductory intervention, but I wonder if you would like to come back to this question as to on which areas of policy does the European Union most need to present a united front in its relations with Russia. Linked to it, what does the European Union have to offer Russia in the context of negotiations? What are the most important chips that we may have available? How can we best influence Russian thinking on policy?

Mr Wiegand: I will answer the first part of your question, but to answer the second part in a public recording is perhaps not the most appropriate thing to do. On the first one, I think there is a common understanding that the most important part of our future negotiations will be to clarify rules for trade and investment in general and there is a very important component which requires specific rules and that is energy. I would clearly like to underline that there are strong interests on both sides in this, that we have, both overall in our economic development but also with regard to energy in particular, a situation of mutual interdependence and there is huge potential for modernisation and diversification with engagement of European industry in Russia. The current President has in his important speeches repeatedly pointed to how much Russia lags behind in terms of having competitive

industries, how much Russian infrastructure has to be modernised to be competitive and says so also at our summit meetings regularly. Our industry is interested in not being only traders and exporters but also being present and being present with clear rules which can be tested where dispute settlement exists. We have to achieve the situation both via WTO accession and via a bilateral agreement. I would not like to single out exclusively, as some people do, the energy area. I think it is a general challenge for both sides to have clear rules for trade and investment, but there is a particular interest on both sides to have this also in energy, spelt out in more detail because there are no general rules available for the energy side beyond the Energy Charter Treaty, which is a different chapter.

Q284 Chairman: I do not know whether you want to go off the record to attempt any of the others, but if you do not, we can continue with our next question.

Mr Wiegand: (There followed a short discussion off the record)

Chairman: Moving on now to energy, if we may. Lord Truscott?

Q285 Lord Truscott: Could you outline what you see as the obstacles to the EU having a common energy policy? You mentioned the Energy Charter and we mentioned the PCA in terms of energy, but I know there are moves afoot to have a new energy directive in terms of access to European markets, for example for Russian energy companies. Can that be seen as protectionist? How do you deal with the balance of encouraging constructive engagement with Russia, yet, in developing this energy directive, avoiding an element of protectionism?

Mr Wiegand: Will you also be seeing colleagues from the energy side of the Commission?

Q286 Chairman: No, we are not seeing anybody from the Directorate General on this agenda.

Mr Wiegand: As President Barroso has said, the proposal which the Commission made in the Third Energy Liberalisation Package is not a proposal for protectionism, this is a proposal to liberalise the internal market, essentially with an unbundling approach between companies which have a production supply function and companies which have a distribution function. The proposals are limited in the whole energy chain from production to retail distribution to wholesale distribution or, as we call them, the transmission networks. There are no restrictions proposed for any other part of the energy chain. That is the first misconception which some have. For transmission networks, the proposal is to simply apply the same rules to external investors as to domestic investors. We want to ensure that third country investors have to obey by the same rules as our own companies to have a level playing field assured. How can this be done? First, they would have to respect the same principle that a company which would be involved in supply or production activities could not acquire more than a minority share, the same thing for European Union companies, but, secondly, in order to have this made possible for third country investors, there would have to be an agreement which spells out the rules in energy between the country from which these companies would come and us. We think that is an invitation for negotiation but not a protectionist measure.

Q287 Lord Truscott: By minority share, are we talking about less than 50 per cent or are we talking about a blocking share? Obviously with countries like Russia and also some Middle Eastern states where they have heavily state controlled sectors, there is no way they are going to be able to meet the unbundling requirements which we may develop here in the EU, so by its very nature they could say that will impact unfairly upon them.

Mr Wiegand: On the first question, I am not specialised enough to answer that question, so I will have to ask my colleague Frédéric Maduraud whether he can. On the second question, I guess this will be a company decision to be taken by the companies of the type you describe on how they would like to organise themselves if they really want to invest in transmission

networks, but it is not possible that we would let the internal market related decisions in the EU be governed by considerations of how companies from third countries are structured. We should not forget that the main purpose of unbundling is to have better and cheaper energy prices in Europe, to have a wider choice for consumers and not to regulate a situation for third country investors.

Q288 Lord Truscott: That is fair enough, providing we do achieve unbundling in the EU, but that is not going to work if we do not achieve it, is it?

Mr Wiegand: That is correct, therefore this will not be the only proposal in this area.

Mr Maduraud: My name is Frédéric Maduraud. I am responsible for the co-ordination of trade and economic co-operations, and I am working with Mr Gunnar Wiegand. I think the proposal does address the issue of control, which could be below the threshold.

Q289 Lord Truscott: Below 50 per cent?

Mr Maduraud: Yes.

Q290 Lord Truscott: We will move on to a completely different subject. To what extent do EU interests and Russian interests coincide in terms of their relationship with countries in the former Soviet Union? I am thinking particularly of countries in the Caucasus and Moldova. How can the EU and Russia collaborate to diffuse some of the tensions in what Moscow used to regard as its backyard?

Mr Wiegand: We will give you our vision and then you will hear the vision of our colleagues on the other side of Rue de la Loi, but we tend to share the same vision. We see huge potential here. We do not use the same term as some of our Russian colleagues do who still like to use the term “post-Soviet space”, we use the term “common neighbourhood” and it means a lot to us. We have included the countries you referred to, Moldova, Ukraine and the three countries

of the Southern Caucasus, Georgia, Azerbaijan and Armenia, in the European Neighbourhood Policy. It is worth reading the ENP Action Plans which we have agreed with each of these countries. These are very precise plans with very precise benchmarks where the EU supports politically and with financial means the Reform Agenda of these countries in different policy spheres. This is not an imposition of EU policies, this is support for the domestic reform agenda and it is something which is undertaken upon these countries' own initiative. It is an offer which we have made. This is not in order to get these countries away from their traditional links, sometimes they are more intensive than in other cases with Russia, but it is to fully take into account the fact that these are sovereign states which take their own decisions about their own policies and the European Union is one of the players in these regions. In fact, there are many beyond even Russia and the EU. We are convinced that we could work very closely with Russia in finding solutions to the problems of the so-called "frozen conflicts", which unfortunately are not always completely frozen. We would like to work more strongly with the Russian Federation on this. We have, perhaps, the most constructive dialogue with Russia on the situation in Transnistria and the least detailed discussion in terms of finding solutions for the situation in Georgia, and Nagorno-Karabakh is somewhere in between.

Q291 Chairman: Thank you very much. You will be pleased to know that the European Neighbourhood Policy Action Plans do come before our Committee, so we look at them when they are going through. You were saying earlier that we do not necessarily know what is being done, and we have certainly learned a lot this afternoon, but in that particular area, because there is a document which comes before our Committee, we at least are aware.

Mr Wiegand: That is fantastic. We are not used to such close attention to the ENP Action Plans!

Q292 Lord Hannay of Chiswick: These subjects I am about to refer to, I suppose, are a bit more the other side of the road than your side, but in theory one can see lots that the EU and Russia could do on foreign and security policy, co-operation on non-proliferation, nuclear safety, multilateral disarmament, crisis management and peace-keeping. The theory is clearly quite positive, the practice at the moment seems to fall some way short of that promise because the Russians themselves do not seem to be terribly interested, other than in paying lip service to these. I wonder if you could comment on how it looks. There are a number of areas in which the Russians are basically frustrating what the European Union is trying to do, whether it is over Iran's nuclear ambitions or many other areas, in particular in Kosovo, where I do not know whether you have managed to identify a Russian national interest which they are defending there but, I am afraid to say, I have not, and where they seem to be pursuing something much closer to a pre-First World War balance of interest policy than one based on the sort of values we all pursue now.

Mr Wiegand: (There followed a short discussion off the record) I would say most of the answers to this question will indeed have to be given by our colleagues at the Council Secretariat, however we are in charge of the Community instruments in some of these areas. In particular in this unit we are dealing also with the programming of our nuclear safety operations where we have spent all the funds since the early 1990s so far on the former Soviet Union with the lion's share going to Russia and Ukraine, linked to Chernobyl. We have just made a shift for the first ten years of Soviet assistance, which consisted of a lot of upgrading nuclear power stations to higher safety standards, with delivery not only of technical assistance but also of hardware, to a situation where we basically work much more now on regulatory assistance, supervisory assistance and training assistance. We have a new instrument for this purpose, which is called the Instrument for Nuclear Safety. This provides us with a substantial sum over seven years of €572 million where we will also be able to go to

different countries in the future. The lion's share remains with Russia and Ukraine for the time being. Russia is quite a good partner in working with us on nuclear safety improvement. We are also working with other instruments and there is now the new Stability Instrument which provides for funding also on non-proliferation, living up to the commitments which the EU made at the G7 Summit in Canada a number of years ago. President Prodi made the pledge of delivering €1 billion of funds from the Community budget for non-proliferation related actions. Our nuclear safety is part of the answer, but we also work in a number of other areas. There is Community support here. You are right, these are important challenges going well beyond Russia obviously, particularly on non-proliferation. I guess on the work with Russia with regard to the case of Iran, you will hear many interesting details tomorrow.

Q293 Lord Truscott: It seems to me that one of the issues of with dealing with Russia, especially the EU dealing with Russia, is this question of Russian identity. To a certain extent, it seems like an academic point, but I am not sure it is because it has been said several times during this meeting that Russia is a European country or a European nation or at least has a European attitude. Is it not more a Eurasian country than a European one? If you go to the reindeer herders of the Chuckchi nation in the far north and say, "Well, you are European", they hardly feel Russian, let alone European. Is it perhaps this identity crisis that Russians have had since the 19th century which in a way makes it difficult for them to deal with us as part of the European family of nations?

Mr Wiegand: Do all nation states not have an identity crisis at some point?

Q294 Lord Truscott: It has been rather a long one with Russia, has it not?

Mr Wiegand: I think we have to be respectful of the incredible size of the country, the incredible diversity of different groups of population in Russia and of the different traditions which this reflects. For the European Commission dealing essentially with very concrete

issues, notably of economic relevance, we know that 80 per cent of the Russian population lives geographically in the European part of the country, we know that more than 80 per cent of the industrial capacity is in that part of the country and we have seen repeatedly, the latest in May when the EU turned 50, a strong expression of the European-ness of Russia by its leadership. We have no doubts to express as to the European choice of Russia and we welcome this. However, it is clear to us that Russia has very important interests in Asia, it is also an Asian power and has Asian neighbours as well as European neighbours.

Mr Vandoren: There are perhaps two aspects to what has been said. I think from our point of view, Russia is certainly a difficult partner to do business with, but the Russians see the EU also as a difficult animal or mixture of institutions to do business with.

Mr Wiegand: Not to speak of the Member States!

Mr Vandoren: I am talking about the EU as a whole. I think we have to acknowledge that as well. This is why, if I may say in front of this distinguished audience, that, at least in my view and, I think on the Commission's side in the view of many, it is very important that the Reform Treaty is put into place so that we will be a stronger partner to negotiate with any third country, in particular with regard to Russia. It is also true that if you look at what happens sometimes, or what has happened sometimes at summit meetings, there is not always the necessary trust to do business with each other for a number of reasons, which could lead us very far, but this should not be insurmountable. What is important is that we look ahead at the new elections as another new phase to start next year.

Q295 Lord Hamilton of Epsom: All I would say to Lord Truscott is that I do feel Russia looks a lot more European than Turkey! You commented about the four spaces and the one which seems to be working least well is the political situation, democracy and the rule of law and so forth. Has any progress been made in improving it, it does not look like it on the face of it, in terms of the EU's influence on Russia in terms of democracy and all those areas?

Mr Wiegand: What we can observe is that the Russian leadership and the civil servants working with the Russian leadership have become much more assertive in establishing and defending their interpretation of our common commitments under the Council of Europe or the OSCE instruments, not to speak about the UN. While the Russian Federation fully recognises that there exist these commitments, it is interesting to observe, and I think it should be noted, that in the Russian legal system the rulings of the European Court on Human Rights are being increasingly observed and used as case law, which was not the case before. It is not only about that Strasbourg Court having an impact on actual rulings in individual cases as a last instance, it is that its rulings are being used by judges in Russia. That is real progress. What certainly is not real progress is that Protocol 14 of the Council of Europe Human Rights Convention is not yet ratified as the only country of the Council of Europe, and certainly the Director-General already referred to our continued human rights concerns in a number of areas, notably violations in the Northern Caucasus. We are worried also about the question of media freedom, for example. While people can express their opinion, it appears that self-censorship is something which is widely spread and certainly the ownership of most of the mass media is also a point which is questioned. What can we do about it? We think each state obviously has to be first and foremost its own judge under its own procedures and participatory processes. What we can do in all this is remain engaged and continue to express how we interpret the common commitments we all have entered into. This is done at the political level on different occasions. It is also done in biannual human rights consultations where I can assure you there are no taboos, all issues are discussed *in extenso* and we appreciate that openness of the Russian side. We only deplore that the participants of these events are the human rights experts of the Foreign Ministry and do not include colleagues from the competent Interior and Justice Ministries. We would also appreciate if we could have these dialogues in Moscow at times as well and not only in Europe and that the outreach

session, which we have with NGOs before this, would be attended also by our Russian counterparts and not only by us. In addition to these consultations and the political dialogue at high level, we have also a number of projects under the European Initiative for Democracy and Human Rights instrument, EIDHR, which decides centrally about all projects in third countries. There are many projects in terms of the promotion of civil society and support for human rights organisations in Russia. Finally, I would like to underline that obviously the Russian side has every right to defend its own interpretation and does so in an increasingly vocal fashion. You may have seen at the Mafra Summit recently that Russia proposed the creation of an Institute for Freedom and Democracy in the EU and the reaction of Prime Minister Sócrates and President Barroso was, “There is no problem, you are free to establish any institute anywhere in the EU. You are welcome to do so”.

Q296 Lord Hamilton of Epsom: We have heard concerns about the independence of the judiciary as well. Do you share that? A lot of the judges look over their shoulders and wonder what Putin might think.

Mr Wiegand: There are many observers who say that the creation of a full state of law requires, indeed, additional efforts. By the way, that is something you do not only hear from human rights organisations but also a lot from business.

Mr Wigemark: My name is Lars-Gunnar Wigemark. I also work together with Mr Wiegand. On this point specifically on what the EU could be doing more of, of course we speak often first and foremost that the very basis for our relationship on strategic partnership dealings with Russia is common values and I think we, within the European Union, know what those common values are, and specifically we are often thinking of the Copenhagen criteria as the basis for membership of the European Union. When we convey this concept or mantra of common values to the Russians, I do not think it is always clear what we are talking about. We could perhaps be more specific about which commitments Russia has already undertaken.

Under international law, Russia is a member of the Council of Europe and it is a member of the European Convention on Human Rights. Mr Wiegand already mentioned the European Court of Human Rights. There are a number of decisions which have been handed down specifically on Russian cases. Where we have seen implementation on the Russian side, even in terms of payments of damages and so on, in other cases there has not been proper follow-up. One piece of advice would be to be more specific in very concrete terms what we mean by common values, otherwise it will turn into a discussion of cultural values, which I think we are seeing coming more and more from the Russian side.

Q297 Chairman: My own experience going back a long way was when one had specific cases which one was able to point out where there were the problems and one often, even in earlier times, was able to make more progress than by trying to get agreement on generalities. May I just say, we have come to the end of the questions which we wanted to address on the subject of Russia, but something you said earlier made me wonder if I could ask you a further question, which is on the other study we are undertaking at this time and which we are also seeing some other people in Brussels about. We were not intending to ask you questions, but we are doing a study as well on the European Reform Treaty and its implications in these areas. It was when you made a remark about hearing your view and then going to hear what the view was on the other side of the Rue de la Loi. It made me wonder whether when we have a European External Action Service, and both of you are working within that framework, do you think it will mean you will all be singing from the same hymn sheet.

Mr Wiegand: The answer is very simple. We are already now singing from the same hymn sheet with different voices perhaps and in the future we will do it with one voice! We have just one boss and we will be part of one integrated service, so that will make things much easier for everybody. I would like to add one sentence on the previous issue. When we talk about democracy, freedom, human rights and common values, what is important in the new

way of interacting with Russia is that we do not discuss these things, as the Director-General said before, with us being the lecturers. We should not forget that the majority of our Member States - and this I can say as a German - are countries which have come out of authoritarianism themselves, be it from left or right, and many are very young democracies. Many of our countries have undergone similar processes as in Russia and have known similar challenges and there are different ways and means to achieve the same standards in the end. What is important in this process is that we accept also when Russia raises critical points with us. Not everything is perfect in EU Member States, and there is one regular item which always comes up and this is minority rights. I can tell you that we are in close contact with a number of Member States to clarify exactly what is happening in this area. We have to be careful there that it is not a one-way dialogue but a two-way street. Finally, on your last question, you can be sure that over the last few years we have learned to interact ever closer together, to put together the Community instruments and policies in external relations with the emerging now much more operational CFSP and ESDP. We are convinced that if we manage to put all these instruments and policies together, not only our citizens would not wonder anymore who speaks for Europe, but also third countries would not wonder anymore, and we would be able to be even more effective than we are currently. We hope that the Reform Treaty will be ratified soon.

Q298 Chairman: Mr Wiegand, on behalf of my colleagues, can I say that we are very grateful to you and all of your colleagues for giving up so much time. I am not quite sure whether it was you or the Director General who said at the beginning that you were not sure that people were aware about how much was being done in this area and perhaps the responsibility took place in various places. We have learned a great deal, and I think our report will be a great deal richer because of what we have been able to hear from you this afternoon of the sort of work which is going on in practice. Therefore, we hope when we do

come to report, it will at least make sure there is a little bit of wider knowledge in some areas of some of the very important things we have heard about this afternoon. As I say, we are extremely grateful to you all for coming and we have learned a great deal. We look forward to receiving these dossiers. I do not know whether we are going to formally take them as written evidence, it may be that if we wish to we might be able to incorporate some part of it into our report, but they are available for that if we so wish.

Mr Wiegand: On behalf of my colleagues, I would like to thank you very much for the interest you have in the work we do. We are used to interest, but we are not used to such extremely well prepared expressions of interest. I do not know whether you have learned more because you knew a lot of it already, but perhaps you have heard what it means in actual implementation in everyday work. Thank you.

Chairman: Thank you very much indeed.