

FRIDAY 23 NOVEMBER 2007

Present

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

Witness: **Mr Patrick Child**, Head of Cabinet of the Commissioner for External Relations, Benita Ferrero-Waldner, RELEX, examined.

Q343 Chairman: Good morning, Mr Child. I wonder whether we could begin by talking a little bit about the present basis for the arrangements and the links between the European Union and the Commission and the Russian Federation. I wonder if you would be able to talk about the sorts of projects and technical assistance programmes which we are carrying out and how far this will change with the new European Neighbourhood and Partnership Instrument as part of the financial perspective.

Mr Child: Thank you very much. I know you have already had a session with some of my colleagues yesterday, including the Director General in DG RELEX.

Q344 Chairman: Indeed, it was very helpful.

Mr Child: I will try and add something to what they have said. On your first question about the sorts of projects we are supporting in our relations with Russia, I guess things are in quite a phase of change as Russia becomes a more developed and economically successful partner. The need for the sort of development-related technical assistance we were doing under the Tacis Programme is evolving quite quickly. Under the new European Neighbourhood and Partnership Instrument we will be reducing quite substantially the overall financial volume devoted to our Russia programme. In the new period, we will concentrate on three or four

areas. Firstly, education, people-to-people contact and scholarship programmes, and that sort of thing and, secondly, on the work we have been doing in Kaliningrad, supporting the economic and social integration of Kaliningrad into its new immediate neighbourhood. That has been a particular focus of the work of Mrs Ferrero-Waldner as Commissioner. We are also encouraged by the recent signs that the Russians themselves are ready to contribute to the Cross-border Co-operation Instrument which we have in place under the Neighbourhood Instrument and that, therefore, again, will be an important theme. Another area I would mention in the context of the Northern Dimension, is our work on environment issues, particularly in the North of Russia and the Baltic Sea, and I hope that will continue. We are also doing a number of things through our separate Human Rights Instrument in terms of supporting the rule of law, democracy and civil society in Russia, which I think is an increasingly important thing given the recent political developments. Those are the broad lines, but if it would help the Committee, I could certainly ask our services, if they have not already done so, to give you some further background information.

Q345 Chairman: Yes, we have had a copy of this report and we are going to be in Moscow in December and we have an appointment to call upon the Head of the Delegation, so we will have a chance then. We saw his deputy yesterday because he was with your colleagues who we met in RELEX.

Q346 Lord Hannay of Chiswick: Have you had any real problems in handling your programme to work with NGOs as a result of the Russian tendency to clamp down on NGOs generally and, in particular, NGOs who have anything to do with foreigners and, particularly, NGOs who have anything to do with foreigners who would convey money to them? Have you had any problems in that area? Secondly, have you conducted any evaluation of what the consequences of these programmes you have described could be, what the effect has been? It

does not seem to us from the evidence we have taken so far that Russians generally have a very benign view of the European Union any longer. Have you conducted an evaluation of that?

Mr Child: It is a difficult area and it is an area which has not become easier recently. There has been a particular project, which may be familiar to the Committee, that we have supported, the Moscow School of Political Studies, which I know has got a lot of sympathy. It has not only been challenging for us to find ways through our financial procedures to ensure the level of support which we believe to be politically justified for that organisation, but also the climate in which it works politically in Russia has not been straightforward. At the last summit with the Russians a few weeks ago, President Putin raised a particular concern about a somewhat similar project we were doing to look at human rights' issues based in St Petersburg. He was questioning whether this was an initiative which the EU should be supporting and went as far as to suggest that maybe Russia would consider, in return, setting up a similar or other sort of organisation in the EU to look at those sorts of issues in the EU. I think the response from President Barroso was, "Well, we have a free society and if you wish to fund such an organisation, that would be perfectly acceptable" we will see where that will lead. As to the question of whether we evaluate the global impact of these sorts of programmes, I am sure it is a drop in the ocean and Russia is a very large and complex society. We have not had the sort of scale of resources to make a very seismic change to the way that these issues are pursued by the Russian Government. Of course, we do have procedures where each individual project is assessed against its objectives and the evaluation of the results. I do not have details of all that, but it is a very difficult environment and it would be foolish of me to pretend that things have got easier in recent months, particularly as the political climate in Russia has developed in light of the presidential elections.

Q347 Lord Hamilton of Epsom: I am interested in the work you are doing on Kaliningrad. Clearly it is in need of help at the moment, but if you are successful in what you are trying to do in linking up locally and whatever - I hesitate to say too successful - then there may come a moment where it is looking like a Hong Kong of Russia, and will that cause problems for Russia?

Mr Child: In all our discussions with the Russians on Kaliningrad, we have stressed, and will continue to stress, the importance of Kaliningrad as part of Russia and that there is nothing in our strategy which intends to call into question the territorial integrity of the Russian Federation. That is a very important message in order to begin a discussion with our Russian friends, not only the ones in Moscow, but also the authorities in Kaliningrad itself where there is a very strong interest. Something Mrs Ferrero-Waldner has sensed clearly in her several visits there is the willingness of the local leaders to take advantage of the economic opportunities which their situation offers in relation to the enlarged Union. There is no prospect of a more fundamental change in the status of Kaliningrad as part of Russia and, of course, to some extent it is for the Russian authorities to decide what sort of economic and social regime to allow to develop there by comparison with other parts of the Russian Federation.

Q348 Lord Hannay of Chiswick: Can we ask you a couple of questions now about the institutional framework of the EU-Russia relationship currently, that is to say things like the PCA, the common spaces, and the Northern Dimension. Are they working reasonably well? What are the strengths and weaknesses of the framework which exists, and what scope is there for improving it without going outside what is currently there? The second half of the question is what priority do you, therefore, attach to negotiating a new institutional framework for the relationship? Is it a high priority, because what you want to do, what the EU wants to do, cannot be done without a new framework, or is it a lowish priority to be

pursued as and when circumstances become a little bit more propitious than they are at the moment?

Mr Child: Firstly, I would say that any institutional framework is as successful or as unsuccessful as the political environment in which it is expected to operate. Against that background, I think the PCA and the common spaces are providing a good basis for the relations that we have with Russia. It would be wrong to conclude from the difficulties we have had recently in the discussions on the new PCA that somehow the relationship with Russia had ground to a complete halt. We continue to work and co-operate with Russia on a very large number of issues through, in particular, the PCA and its various sub-committees, also with the specific Northern Dimension Framework in the north and with the framework of the four common spaces. Given the political environment today, both in terms of the EU's policies and attitudes towards the relationship, which I hope we can come on to in some subsequent questions, as well as the political climate in Russia itself, the present framework is working as well as can be expected. The PCA is, however, very much a product of the time when it was negotiated. It was at a moment when Russia was very much struggling with the challenges of transition, not benefiting from the economic strength which flows from its present energy relationships in particular and, therefore, at a moment when perhaps the readiness on the Russian side to sign up to the core principles and common values, which is very central to the present Partnership and Co-operation Agreement, was greater than perhaps would be the case today. Similarly, I think at the time the political mood in the EU, in the face of the very exciting changes which were taking place in the continent and the opportunities that were perceived there, was perhaps a mood of optimism about the speed and direction of political reform in Russia, which has not completely materialised since. Therefore, if we now take another look at this relationship, clearly the whole discussion on whether we really have a strategic partnership based on common values is one which I think

merits a bit more discussion. My first answer is we should not think that because we do not have a new PCA there is nothing to be done with Russia, on the contrary, the relationship will continue on the present basis and, in particular, until the present political milestones in Russia are behind us, I suspect. However, it is useful, for the reasons I have indicated, to have another look at the relationship and whether we have got the balance right, and I think the discussions on a new PCA provide a good vehicle for that to happen. For example, are there issues like the environment, like energy, which I would hope would have a more prominent place in a new agreement than they do at the moment? It is also quite important to avoid the EU looking as if we want a new PCA at all costs because I suspect we could then find ourselves in an environment where the costs turn out to be quite high, so it is important we keep some balance in that. That is where the EU consensus is today, that we will continue to work within the existing framework, giving emphasis to those things which are important to us at the moment and also present common interests. We do have the important provisions on the shared values, which are things we must keep reminding the Russians about, particularly against the background of various recent developments and that when the political mood is right for us to return to perhaps a more serious discussion on a new framework relationship, then the new PCA text, or something like that, will be the basis for those discussions.

Q349 Chairman: On the negotiations with the Russians and the amount of business that goes on, we have been quite impressed while we have been here by discovering the size of the Russian mission to the European Union. Presumably most of the work it does is with different parts of the Commission, it tends to be Pillar 1 business on the whole. How much of the totality of work is done here and how much of it is done through your own mission in Moscow? Is it possible to get an assessment of the relative weights of where business is done? That may be an unfair question.

Mr Child: It is difficult to give a scientific answer.

Q350 Chairman: Yes, impressionistically?

Mr Child: Certainly there is a very strong Russian mission here, just as we have a well developed and well resourced delegation in Moscow and each contributes in a constructive way. There is also the Member State that has the Presidency, particularly in terms of preparing big set piece meetings like the Summits and there is always a big input from those countries. The emphasis of the political work would be coming through the mission here directly to the Commission Services and also to our colleagues in the Council Secretariat when we are talking about some of the CFSP issues which they work on, whereas the more day-to-day co-operation, implementation of our technical-assistance programmes and other financial programmes, there is more emphasis through our mission in Moscow. That is a crude way of looking at the division of labour but, of course, when we come to preparing a Summit, it is all hands to the pump and everybody is involved in it in a very energetic way.

Q351 Lord Hamilton of Epsom: In which areas of policy does the EU most need to present a united front in relationships with Russia? What does the EU have to offer in the context of negotiation? How best can Russian thinking be influenced by the EU?

Mr Child: There was a useful discussion of EU-Russia relations at the informal "Gymnich" meeting of foreign ministers at the end of the summer where there was, more than I have certainly noticed in the past, a shared sense that we urgently need to present a clearer common front to Russia on a large number of issues. Maybe the background of the changes flowing from the EU enlargement, both in terms of attitudes within the EU and also the way the Russians perceived them has made it even more necessary for us to work together on presenting a common front to Russia. I guess the area where most specific questions and issues arise is in the commercial relationships which some Member States have, particularly in the energy sector, but perhaps not only there, where some Member States are more ready to tolerate certain behaviours on the part of Russia than others because they have a different

appreciation of the commercial dimension of the relationship. I would say that was perhaps the economic and commercial area where the divergences in Member States' positions are most felt. Although, of course, the result of that is you can see differences also in their position on some of the other issues, like foreign policy or, indeed, the core values we share with Russia. Across the board there is a need for greater coherence and commonality of position among Member States. I very much welcome that there is a growing awareness of Member States of that need and I look forward to that awareness of the need being translated into a reality of fact.

Q352 Chairman: Can I ask you a follow-up question to that because we had a meeting this morning with five of the ambassadors from Member States to the PSC, including the British one. There were two quite interesting things that they said: first of all, the fact that they very rarely did have a discussion about policy in Russia, they discussed immediate particular points obviously and Russia came up in that direction but, secondly, they also felt that because of the structure of the Union, foreign policy was being done there and energy was being done somewhere else, therefore not only was there not even a full discussion within the Second Pillar as to common policies, but even more so at a macro level, bringing together the different dimensions of the relationships of Russia, not only political, it was that you might make good remarks at a summit, you might make good remarks at a Gynnich, but where was it that this could be put together as a common basis for analysis and reaction development?

Mr Child: I am not surprised that you got that impression from that group of people. Indeed, there are questions which I hope will be easier in the future when we have greater coherence in our external relations which the new Reform Treaty should bring, which will help to bring together the different components of relations with important partners like Russia . There are issues which are not best addressed to me, but to colleagues in the Council about in particular the relationship between the PSC and its very clear focus on CFSP issues and the Coreper,

which has a broader responsibility, for example, for the preparation of summits, including the summit with Russia. I would certainly encourage anything that can be done within the structure of discussion within Member States to find a better place for those discussions to be conducted. I think the reality is that it does only come together at the level of ministers in the General Affairs Council and, even then, they may not have the full awareness of what is being discussed in energy or the Interior Minister's Council or other formations of the Council dealing with different topics.

Q353 Lord Hamilton of Epsom: You referred earlier to enlargement, can I ask it the other way around. How are the Russians reacting to the fact that enlargement gets nearer and nearer, enclosing them almost, their borders certainly on the west?

Mr Child: The Russian response to enlargement, and a desire to be more deeply involved and consulted in the enlargement process and decisions, has been a big feature of the EU-Russia relations in the eight years I have been following them. It is certainly true that some of the more acute discussions we have had recently over, for example, the Polish meat issue or, indeed, the Estonian War Memorial, are part of a broader sense of unease in Russian political circles about what the process of EU enlargement means for what they have traditionally considered to be part of their immediate zone of influence. I guess similar issues arise in the context of NATO enlargement, although that is not something for which we have responsibility, but it is very present in Russian thinking. It also explains why it is so difficult for us to engage in the sort of discussions which I would like to see with Russia on some of the frozen conflicts and issues that arise in the context of our common neighbourhood and in the implementation of the European Neighbourhood Policy in some of the countries of Eastern Europe.

Q354 Lord Hamilton of Epsom: Of course, Poland and the Baltic States are already in, but how about future enlargement? How are they reacting to other countries being candidates in future tranches?

Mr Child: At the moment we have commitments for enlargement in the Western Balkans. Of course, we have quite a difficult discussion with Russia at the moment, specifically over the question of the status of Kosovo, but I think that has got less to do with enlargement than broader issues. There are accession negotiations ongoing with Turkey and I am not aware that Russia has a particular axe to grind there. If we were ever to move to a discussion about other candidates, countries that are today covered by the European Neighbourhood Policy, then we might, I guess, provoke some other Russian reactions.

Q355 Lord Hamilton of Epsom: Would you consider the Russian concerns legitimate? If Ukraine, for instance, at some stage said they wanted to be a member of the EU - in theory, that is subject to discussion between the EU and Ukraine, Russia are not a party to that - would we loop them in on the basis that they have a legitimate concern?

Mr Child: Few days go past without Ukraine saying they would like to be a member of the European Union. The European Union's position on that is clear and well established that the focus of the relationship today is the European Neighbourhood Policy. It is perhaps easier to answer that question in relation to how we have handled past enlargements where, indeed, the message from Russia was, we want to be more directly involved in discussions on how Poland or other countries should be brought in and what would be the consequences for Russia on trade in certain key sectors, and whether there are things we should then be discussing with Russia about mitigating the effects of accession in certain areas. The EU has said in response to those Russian concerns, "Of course we are ready to talk to you at any time about the process of enlargement we are working on and we are also open to a discussion on specific issues, but that we were convinced overall the process of enlargement is beneficial for

the European Union, for the candidate countries, but also for Russia". We sought to convince the Russians of those benefits and I think we still have some convincing to do, although the temperature of that debate has diminished.

Q356 Lord Hamilton of Epsom: They have a legitimate concern but they do not have a veto.

Mr Child: We would expect them to take a very close interest in the enlargement process and in the consequences that it would have for them, but that is a different question from giving them a direct seat at the table when we are discussing with the candidate country the terms and conditions of its accession into the European Union.

Q357 Chairman: The Kaliningrad transit case was a very particular case and it was unlike almost any of the others because it did have an implication, presumably, for Russia.

Mr Child: Yes, the Kaliningrad transit case was very interesting because it was also linked with the immediate conditions of accession of Lithuania in particular, but also Poland, and also the aspirations of Lithuania to become a full member of the Schengen system within a reasonable time. Therefore, the negotiation that we had to lead at that time was to convince the other Member States that the special regime with the special trains which we were introducing for people transiting from Russia to Kaliningrad was compatible with a future Schengen visa environment while, at the same time, for Russian public opinion demonstrating that there was not a fundamental change which would cut off this important part of the Russian Federation from the rest.

Q358 Lord Truscott: On energy policy, I know this may be more appropriate for Commissioner Piebalgs and his *cabinet* to a certain extent, but obviously I am interested in your input and RELEX's input into this. What do you think are the obstacles to a common

EU energy policy? Do you think the focus should still be on trying to implement the Energy Charter Treaty as far as Russia is concerned, which seems to be a bit of a dead duck at the moment, or should they be focusing on a different approach? What issues do you think will arise with the whole question of unbundling of supply and distribution assets and the new Energy Directive which is being discussed?

Mr Child: I would be very pleased if you were able to talk Mr Piebalgs and his colleagues because they are also involved in this. We have a fairly clear understanding of what we would like from Russia as a partner in energy, where we want to have reliable supplies which are not influenced by political considerations, but are based on sound and reliable commercial relationships. We would like to have the same sorts of opportunities and access for EU firms and Western firms to get involved in the Russian markets as they have given our open markets in the EU. We think that is particularly important because what we think is needed in Russia is investment and upgrading of the infrastructure, transit infrastructure in particular, which probably requires the capital investment of outsiders and will not only come from inside. If that investment is not made, then the risks for future supply for the EU's needs are that much greater. Whether, given the political baggage that it now carries with it, the Energy Charter is going to be the vehicle which will help us to deliver that, I do not know. I think it would be wrong for us to abandon that as the central element in our discussions with the Russians, but it may be that at the end of the day we can achieve the same results in other ways and for me that would be very acceptable. If I could answer at least two sentences off the record on the unbundling story and then I will give you another answer. (There followed a short discussion off the record) It was very interesting that the most prominent public reaction to the proposals the Commission made in September on unbundling, which were primarily intended to improve the operation of the internal market, was the possible external consequences and, in particular, what it meant for Russia. If the Commission set out to

include some quite tough provisions on reciprocity and what we would expect from third country actors becoming involved in the EU internal market, that was a deliberate and quite important political signal in order to create the conditions within the EU which would make those proposals domestically acceptable.

Q359 Lord Hamilton of Epsom: We were told earlier that in terms of the internal market there should be plans to share, so if somebody gets their gas supply from Russia shut off, they can be bailed out by their neighbour. On the ground, are we making any progress on that front?

Mr Child: I confess, I am not an expert on the details of the interlinking between different energy markets and the debate on strategic reserves, which is sometimes part of the same thing. It is a growing area of discussion, but I think the existence of strong national monopolies in some Member States is a break on progress in that direction, which is precisely the reason the Commission has made the unbundling proposals that we have.

Chairman: Mr Child, thank you very much indeed for taking the time to come and give evidence to us here this morning. It has been very useful preparation for our visit to Moscow next month where we hope to pursue the matter and prepare our report in the early part of next year. Thank you very much indeed. We are most grateful.