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**THE EU AND RUSSIA IN 2007:  
NEGOTIATING A NEW RELATIONSHIP**

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It is a great pleasure to be here in Riga to talk about the EU- Russia relationship. And to give you a view from Brussels and from the European Commission. As you said this is an opportune time to talk about that subject soon after the Samara summit, which caused quite a lot of interest in press. I can tell you that, as seen from Brussels, the relationship is a lot more nuanced than the press would seem to think after Samara. There are certainly difficulties in the EU relationship with Russia, but there are a lot of good points, as well. There is a lot of good cooperation going on. Unfortunately, some of the problems seems to attract more headlines than the good cooperation. That is a pity, but the spectrum of our relations goes from hot to cold. And it is certainly not all called by any means. The Union of course recognizes Russia as a strategic partner. And we are neighbors. Those are two basic facts, which dominate our relationship which has a great future potential. We in Brussels want to start the negotiations for a new EU-Russia agreement to replace the existing one. Let me quickly say that this is not because we need a new agreement from a legal or a technical point of view. As already has been said, the existing agreement has provided the basis for a number of innovations in the EU-Russia relations including the agreement on four common spaces and road maps, including the setting up of permanent partnership councils. And all these things work well and are important for looking forward. Never the less we do agree that it would be good to have a new basis for relations, which would reflect the changes that have taken place since the old one came into force, and which would outline the potential for the future. We understand that from the Russian point of view the agreement was negotiated in a completely different geopolitical context from that which is now and that the new agreement should reflect the situation of the EU and Russia as equal partners. We have absolutely no problem with that. The new agreement will be negotiated by a more mature European Union as well as a Russia in a much more stronger position that it had particularly from the economic point of view in the 1990-ies. So why the delay in launching negotiations, as everybody knows? There is the problem with the meat in Poland. Lithuania has its hesitations because of delays from Russia in giving explanation about the status of the *Druzhba* pipeline. This is perhaps symptomatic of the new situation. Russia is now dealing with an EU of 27 members. Of course, it is very different from the situation that existed in the past. The commission has fully supported both Poland and Lithuania in the issues which they have and we have done our best to try to sort out those problems and we will continue to do so. At Samara president Barroso said very clearly that a problem with Poland, Lithuania or Estonia is a problem for the EU and therefore we would like to try to solve those problems. So Samara showed there is EU solidarity and I think that was a good thing. It was a good thing from the EU's point of view, but also a good thing from Russia's point of view. Russia needs to know that it has an EU which can express solidarity with, and which has common positions on various issues so that these can be satisfactory settled and can be taken into account in our future relations. So we have every confidence that the issue with the bans on Polish meat will be sorted out and negotiations will begin. When they do, the commission has its mandate. The EU has agreed on what we want with the outcome from these negotiations. We are into no illusions that they will be easy with Russia. Negotiations with Russia are always a formidable task; they may take some time but we are confident what we can reach an outcome. What we would like to achieve through these negotiations is as I said a partnership that reflects both what we have achieved since the PCA came into the force and a potential for our future. In particular, we have a joint interest in making progress towards

the further integration of our economies. The EU is by far Russia's main supplier, customer and investor. We account for more than half of Russia's foreign trade and the bulk of foreign direct investment. The same time Russia is our third largest trading partner after the US and China. But still we consider that the trade investment flows between the EU and Russian remain below their potential. They can be further expanded and, in particular, they can be further diversified. We have therefore been working under the four common spaces and particularly under the common economic space to work towards regulatory convergence and approximation of legislation between the EU and Russia which will help to create a stable and transparent economic environment. For us the first and most important step is for Russia to join the WTO. This will integrate Russia firmly into the world trading system into a rules-based system, which will be an important signal of political will, of stability, of adherence to the principle of good economic governance, and to standing, abiding by international rules in trade which will increase economic confidence in Russia and abroad. Once that is achieved, and we hope very much it will be achieved soon, it is for us quite illogical that Russia should be the only large economy outside the WTO. Once that is achieved, we will want to use the new agreement to make progress towards much greater, deep and comprehensive economic integration. Minister Greff and Commissioner for trade Peter Mandelson have been discussing this for some time, they already have, I would say, a fair degree of consensus on the sort of the relationship and the way the relationship will look in future and we ready to start work on that just as soon as the WTO process is complete. I would like to say a few words on energy. I know it is going to be discussed this afternoon, but you can't talk about the EU-Russia relationship without discussing energy. It is a clear area of mutual interest and interdependence. To put it crudely, the EU is looking for a predictable and secure energy supply. Russia is looking for predictable demand and a prosperous market for its exports. So Russia has been and will continue to be, I am sure, a reliable supplier for oil and particularly gas to the EU, but Russia does need more EU investment in production and infrastructure and it needs more of the help which the EU has already been providing to improve its own energy efficiency. Russia otherwise will not, in due course, produce enough gas to meet its own needs and that will put to risk the EU's future energy needs and the major source of foreign aid currency earnings. Russia is already now the origin of some 25% of our imports. The growing demand for energy, and in particular gas, means that there will be even higher volumes of energy imports into the EU. So when we talk about diversifying our energy supplies and the need to choose from where we get our gas that is not in any way a threat to Russia but it's a response by the EU to a threat which exists to the EU and it would be prudent for us to ensure that we have reasonable security of our own supplies for the coming years and of which it is absolutely certain that Russia will be a major part. At the same time, Russia needs to as far as possible to ensure a predictable market for its investments in the EU, a share in the downstream energy assets; that we fully understand. In order for that to continue to happen, and that is happening already (Gazprom is well present on the EU market and so other Russian companies). For that to carry on in the future, we need better and more mutual trust, better open competition and transparency and proper functioning of economic governance, environmental protection and safety rules. We are intending to increase the transparency of the EU energy market for the future. The Commission has put some proposals on the table and they are being discussed by the Council of Ministers. Gazprom should see that as an opportunity and not a threat for the future, because that is what would trigger necessary investments and confidence, which will benefit both the EU and Russia. So, energy will undoubtedly have to be an important part of the new agreement. We have put on record many times that we expect the principles of the Energy Charter treaty to be the key principles, to be the basis of the new EU-Russia relationship. President Putin had said that Russia respects the principles of the energy-charted treaty even although Russia hasn't ratified the treaty. That being the case, there will not be a difficulty actually in coming to an agreement on a form of words, which will bind the two sides in the context of the new treaty. Of course, our cooperation goes well beyond the economic sphere. In the area of justice and home affairs there is a lot of good news to tell. We've got now agreement on visa facilitation and on readmission which will enter into force on the first of June. They will open the way for easier travel and contacts between Russians and EU citizens. And at the same time, they will improve the conditions for fighting illegal immigration. We have very good

cooperation on fighting terrorism and on organized crime. That needs to be developed further and the new agreement can be a framework to do that. We have agreed that visa abolition between the EU and Russia is a long-term perspective. We've now set in place a dialogue between officials, which will talk about how we can create the conditions in which visa abolition can take place. There are number of concerns which the EU has about document security in Russia. As you know, an important part of the bargain, if you like, on free movement of people concerns the registration of foreign citizens in Russia. We find the procedures, cumbersome; they discourage European Union tourists from finding themselves wanting to go to the Russia. We would hope and there is a commitment under the visa facilitation agreement that these procedures can be lightened. Unfortunately, there was recently legislation in Russia which was aimed to reduce the procedures. Our practical experience so far is actually that in practice it can make things in some ways more difficult rather than easier, but we could talk about that and that is certainly an area where we need to work together for the benefit of ordinary citizens. We can't talk about EU-Russia relations without talking about human rights and democracy and the question of common values. We have consultations regularly, every six months; we express our concerns, and the Russian side expresses its concerns. For our part, we are not at all happy at the situation as regards media freedom in Russia, restrictions on journalists, the killing of journalists such as Anna Politkovskaya and others, which means in fact that Russia is now cited by the Committee to protect journalists as the third most deadly country after Iraq and Algeria. That can't be good for Russia's reputation. That is something that we need to improve. We will also, of course, be looking at the situation in the run up to the elections which we certainly need to insist are carried out according to OSCE & ODIHR procedures as they are in the European Union, but I think that we need to move beyond that in terms of dialogue on what is called common values. I mean there is certainly a discrepancy between what we see, but we are not going to get over that by simply trading insults by simply trading insults and accusations. We both have problems. We don't need to accuse each other. For example, the question of integrating immigrant communities. There are certainly real problems inside the EU about integrating immigrants. There are real problems in Russia, too. It would be very good if our experts got together and had discussion, not in accusatory way, but more in a cooperative way, about how we can improve things there. That brings me on to another point; I think a major area for expansion in the future is the question of contacts between young people, between students, researchers, professors. It is an area that is covered by the Common spaces, but it is a common space which has not yet achieved its full potential, in our view. I think that the new agreement should provide the basis for many more exchanges on equal basis. They should be co-financed; Russia should finance its share; the EU will finance its share to improve contacts among young people, among students. We just started the European studies institute in Moscow. We are in the future setting up a scholarship scheme for Russian students to participate in the College in the Europe. Much more needs to be done in that area.

I would like to come back to Estonia which I haven't mentioned yet - deliberately. Of course, the difficulties between Russia and Estonia are on all our minds. Our view is though, we certainly criticize the overreaction, and I think there may be now a certain acceptance in Russia that there was an overreaction to what happened in Estonia. We certainly accept that this is a very sensitive issue for all concerned. We are talking here about the interpretation of history on which there is not agreement at the moment. We fully understand these sensitivities. What we could do in the context of exchanges among universities and academics is to try to set up, to bring together historians from the EU, from Russia, to look into documents (and I hope the archives could be opened) and see what happened and to come to, not necessary an agreed view, but various interpretations that try to reconcile some of the interpretations of history.

Finally, I haven't mentioned external security, because this is perhaps the area where the Commission plays less of a role than other institutions of the EU. And nevertheless we are a player in external security. And I think also this is an area where we really must improve cooperation with Russia, particularly in terms of working together in Europe itself. For us

there is pretty good cooperation in terms of effective multilateralism. When we are talking about Iran, for example, we certainly have common objectives even if we disagree sometimes in tactics in achieving them. Same goes to peace in the Middle East, same goes for North Korea. But when it comes to issues closer to home, e.g. Kosovo, the frozen conflicts, it is much more difficult to agree. I do think that we nevertheless need to provide under the new agreement and to the extent what we can do so using the provisions of the existing agreement and existing cooperation mechanisms, to work together toward joined foreign policy initiatives. It is clearly much preferable that the all the European members of the UN Security Council have a common view on future status the Kosovo rather than they are arguing about it. If we do have a common view, that would be a major achievement for the future of Kosovo. The same applies for the future of the frozen conflicts in Transdnestria, in Abkhazia and in South Osetia. I don't actually think that either side has an interest in having a conflictual view of how we solve these issues. So we need to work better in the existing international forums and using the provisions of the Cooperation agreement. I also think that under the new agreement the Commission will be taking steps in that area. We don't necessary have the main responsibility, but we are allowed to have a view. We need to envisage in the new agreement a possibility to work together on the European Security and Defense Policy. We have mechanisms for working together on crisis management, on peace keeping. There are at the moment obstacles to having joined peace-keeping operations, but we will be able to find the way for overcoming these obstacles, and for working together in the future.

So, just to end by summing up, there are certainly problems, and maybe the next months when clearly the internal situation in Russia is undergoing quite a few changes and uncertainties, the next coming moths probably are not conducive to making a major new change in our relationship. But it is important that we carry on with what we have at the moment - the common spaces and the existing agreement - and we move forward towards a new agreement which will take some time to negotiate and ratify. But it is all the more worthwhile in my view to take a necessary time to get a good outcome. Thank you.