



HOUSE OF LORDS

Corrected transcript of evidence taken before
The Select Committee on the European Union
 External Affairs (Sub-Committee C)

Inquiry on

THE EU AND RUSSIA

Evidence Session No. 3

Heard in Public

Questions 29 - 51

THURSDAY 24 JULY 2014

10.05 am

Witnesses: Sir Tony Brenton KCMG and Mr John Lough

Members present

Lord Tugendhat (Chairman)
 Baroness Bonham-Carter of Yarnbury
 Baroness Coussins
 Lord Foulkes of Cumnock
 Baroness Henig
 Lord Jopling
 Lord Lamont of Lerwick
 Lord Maclellan of Rogart
 Lord Radice
 Lord Trimble
 Baroness Young of Hornsey

Examination of Witnesses

Sir Tony Brenton KCMG, former British Ambassador to Russia, and Fellow of Wolfson College, Cambridge, and **Mr John Lough**, Associate Fellow, Russian and Eurasia Programme, Chatham House

Q29 The Chairman: Good morning, Sir Tony and Mr Lough. Thank you very much for coming before us. This is the first meeting that we have held since the tragedy of MH17 last week, so I thought I should start the formal proceedings of this Committee by registering on our behalf our deep regret at the terrible tragedy and expressing our sympathy and condolences to the families and friends of those who lost their lives. I would be grateful if that could be minuted.

As I say, this is a formal meeting of the Committee, so what you say will be taken down. We have a great many questions to get through and I would like, if possible, to finish this aspect of our meeting by about 11.15 am, so perhaps I could ask you to be brief with your answers. Do not feel that you are both obliged to answer everything, but by all means, if you have differing views or want to express support, please do so. If you feel that a question we put to you is outside your area of expertise or you do not feel confident in expressing an opinion, please do not feel obliged to answer, but we should very much value your opinions on the issues that we are going to raise.

As a result of rules on declarations of interest, I am afraid that each of us has to preface our first question on this occasion by declaring our relevant interests. That is why I will do that now, otherwise you might wonder what we are doing. The relevant interests that I have declared are my chairmanship of the European Policy Forum and my membership of the advisory council of the Official Monetary and Financial Institutions Forum.

I have mentioned MH17 but I think I have to start by asking you both to what extent you think the tragedy impacts on EU-Russia relations, which obviously it does. Does it do so for good or ill? Do you feel able to make any preliminary judgments about what the result of that tragedy is, both in terms of Moscow's reaction and what might be appropriate on the EU side? Sir Tony, I turn to you first.

Sir Tony Brenton: That is a big question. Briefly, it obviously impacts on EU-Russian relations. It has intensely sharpened the pressure on EU governments to be tough with Russia in the whole Ukraine context. We have seen a lot of discussion in the EU already on that subject. On the Russian side, they are still registering how much difference it has made. Putin is in a rather narrow circle. I think that Angela Merkel in particular has been talking pretty frankly to him, but I am not sure which other foreigners he listens to, and they are still waking up to how much damage the MH17 tragedy has done to them.

Mr John Lough: I completely concur with that. There is no doubt that this puts a spotlight on Moscow. It increases the level of impatience and frustration on the part of a number of leading European countries that wish to address the Ukraine situation in a meaningful way. In Moscow at the moment we are seeing preparation, if you like, for a probable further set of sanctions. It was significant that two days ago Mr Putin chaired a session at a security council to talk about the threats to Russia's territorial integrity. It concluded that there were none but went on to talk about Ukraine and the possible consequences of this crisis. That is an effort perhaps to prepare people for the fact that there is more coming down the line.

Lord Radice: Just following on from that, does this focus rather more sharply our attention on the flood of arms that is apparently coming over the border from Russia into eastern Ukraine? There is a report in today's *FT* which talks about Russia building up an army—not a Russian army but an east Ukrainian army—that is extremely well armed in all sorts of ways. What do you feel about that?

Sir Tony Brenton: Yes, this is depressing news. There was a sign earlier, when the Russians backed away from supporting the east Ukrainians—when they demobilised their troops,

ended the legal authorisation for direct intervention in east Ukraine and recognised the Poroshenko election, and all that—that they were backing away from too vigorous a pursuit of their interests in Ukraine. I think they began to decide to reverse that when it became clear that the Ukrainian rebels were losing. They are maintaining their approach of equipping those rebels with heavy arms, and no doubt training them and placing people among them, even though the tragedy of MH17 has happened. So they are playing for pretty high stakes now.

Q30 The Chairman: This is a general question. Looking back at EU diplomacy towards Russia, not only in response to the situation in Ukraine but going back further, what do you think the EU has done right and what mistakes has it made? Clearly, there have been mistakes. Again, can we start with you, Sir Tony?

Sir Tony Brenton: It is easier to answer the second part of that question, although I can give one answer to the first part, which is that what the EU is good at is trade. There is exclusive community competence on trade and the EU played a key role, for example, in getting Russia into the WTO. It continues to play a sharp and effective role on trade, but on general political and security questions its problem is that its member states are very sharply divided in their approaches to Russia. To take two extremes, Germany and Italy have huge economic stakes in a good relationship with Russia at the one end, and Estonia and Poland are deeply suspicious of a resurgent Russia at the other. It is very difficult for the EU to arrive at a coherent position in any case. Also, the EU's whole approach to diplomacy is slightly Utopian. It believes in vast documents signed by both sides. When I was ambassador there, we dealt in a thing called the four common spaces. It was ghastly. I shocked my staff by actually reading it. It was full of wishy-washy good intentions but there was nothing substantive there. It is fair to say, therefore, that the Russians really do not take the EU very seriously as a diplomatic actor.

Mr John Lough: I would simply answer that the EU is not a geopolitical organisation. It does not have a geopolitical bone in its body. But apart from the development of trade, it is very good at encouraging standards of governance. It has achieved fantastic things in parts of central Europe, notably in an important country on Ukraine's western border, namely Poland, and to a lesser extent in Romania and Bulgaria. But if you are a Ukrainian citizen looking out at the world, you are very cognisant of the fact that a significant neighbour has made extraordinary progress over the last 25 years while your country has stood still or even regressed. From that point of view the EU has been the beacon of hope, but the fact is that it got way out of its depth in pushing this association agreement. There was nothing intrinsically wrong with that but it played into a developing political crisis in Ukraine. Even two years ago, some people warned that if Yanukovich carried on looting the country in the way he was, the lid was just going to blow off in Ukraine.

Two things merged. Russia was increasingly turning away from Europe, defining itself in anti-European terms and suddenly feeling that it was being challenged by the Eastern Partnership. In a way, it had simply ignored that before. I think it thought that it was a totally underresourced and hopeless initiative that was being conducted by an organisation with so many divisions in it. It suddenly woke up to the fact that there was a challenge and a couple of crises then simply merged. We then saw these remarkable events in Kiev in February, which I think simply stunned the Russians. They had not seen that coming.

The Chairman: Lord MacLennan has a supplementary.

Lord MacLennan of Rogart: Sir Tony, you spoke about the lack of geopolitical impact, but would you agree that the Union is trying to do something about this?

The Chairman: Remember to declare your interests.

Lord Maclellan of Rogart: I have nothing to declare.

There is the setting up of the External Action Service, the activity in Iran and so forth.

Sir Tony Brenton: It is fair to say that the EU is keen to play a larger role on Russian policy, but it was very striking that at the moment of the crisis in Kiev back in February, when the Maidan was occupied and Yanukovych fell, the EU's interests were not pursued by the EU machinery. They were pursued by the so-called Weimar triangle, which is the French, the Germans and the Poles, because they have the deftness and political weight to co-operate in that very chaotic environment and to get results in a way that the EU simply could not manage.

Q31 Lord Lamont of Lerwick: Lord Chairman, I refer to the register of interests and the interests that I declared before this inquiry began. I am an adviser to Stanhope Capital and, like you, I am on the advisory board of the Official Monetary and Financial Institutions Forum. I am also on the advisory board of the Eurasian Council on Foreign Affairs.

This question to some extent overlaps with the first one, as it is about the effectiveness of British diplomacy at the EU level and in bilateral relations with Russia. How effective is that? Is the UK a constructive player and does it promote a coherent strategy on Russia with its EU partners?

Sir Tony Brenton: As an ex-British diplomat, naturally I think that our diplomacy is pretty good. Our relations with Russia have been dogged by a succession of problems that have placed us at a distance. Boris Berezovsky lived here in London and there are a host of other people who the Russians would dearly like to get their hands on living in London. The positions we take are seen in Moscow as being in the shadow of the United States, and therefore if they want to hear the hard western line they will go to Washington rather than come to London. So there are issues of that sort.

On the other hand, we have some assets. We have very big energy investments there and our energy companies are active in the area. Moreover, I think that Mr Cameron has worked very hard, up until about now, at trying to improve relations and to get over some of the issues. The particularly huge problem we had when I was there was, of course, the murder of Alexander Litvinenko. It meant that everything was frozen by the end of my time and we are still living with the aftermath of that. There are still sanctions in place, and of course a public inquiry has just been announced, which is just going to make things worse again. We are as effective as we can be against a background of difficult core factors in the relationship.

With regard to the EU, as I say, on the trade side I think that we are supportive and involved, and that is all reasonably straightforward. On the political side, certainly in my time and I do not think it has changed very much, the disposition is to regard the EU as a not very useful instrument for most of the time. It can be. If you want to protest about an appalling thing that the Russians have done and do not want to raise your own head above the parapet, the EU is a natural route to go through. I think we did that with regard to certain pressing human rights cases. But even that does not always work. I go back to the Litvinenko case. When we here in the UK were directly affected and hit by the Russians—probably—getting EU backing for us in those circumstances was extraordinarily difficult. The EU fragmented because everyone was far more worried about their own interests with Russia than they were in backing a member state. Similarly, when the Estonians underwent a huge cyberattack from the Russians, there was a total lack of EU unity in response.

Lord Lamont of Lerwick: Could I go back to your answer to the Chairman at the beginning, because I think this question has to be asked? Some people think that the EU was a bit

provocative and too active—in among the crowds and so on—when the demonstrations against Yanukovych were developing. Do you think there is anything in that criticism?

Sir Tony Brenton: I think the failure probably happened earlier than that. As John has said, the EU, in its approach to the association agreements no doubt—in fact, I know it was—kept the Russians informed of what it was doing, but it would have been very careful not to give the Russians any impression that they were being given a *droit de regard* over what the Ukrainians, the Georgians or anyone else was going to be able to sign. So there is no evidence that the Russians really took to a high level the extent to which the EU was pursuing this and there is no evidence that the EU—more than any of the member states, actually—really appreciated how tough the Russian reaction was going to be. There was a lack of purely simple thinking about how the Russians were behaving at that stage.

That leads us up to the fall of Yanukovych and the Maidan revolts. I am not sure that the situation was saveable at that point. By the time Yanukovych had fallen, the Russians had decided that there was a great western plot against them, probably more American than EU, to displace them from their oldest and closest friend, Ukraine, and they were determined to roll that back as far as they could, hence the annexation of Crimea in particular.

Q32 Baroness Henig: Following on from that, a previous witness talked to us about the issue of basing relationships on interests rather than values, and we went on to have a discussion about that. In the current state of relations, do you think, first, that the EU should continue to raise values such as human rights, the state of Russian democracy and so on? How are the Russians going to view EU attempts to reform Russia? Secondly, you said that you thought that British diplomacy was very effective. I am sure that was the case some years ago, but if we look at the position today, do you feel that the UK raises difficult and thorny issues with the Russians effectively?

Sir Tony Brenton: I shall take the second question first. British diplomacy towards Russia and elsewhere has suffered because of a loss of language skills, particularly in the Foreign Office. There was quite a lot of complaint in Whitehall after the annexation of Crimea that the Foreign Office had not been able to give the sort of advice that was needed at the time. I think that is regrettable and it marks a change from when I was there. That is all I can say. Certainly when I was there we felt that we understood Russia pretty well. We knew which buttons were worth pushing in Moscow, which were rather few, and which were the buttons it was pointless to attempt to push. For example, when that boat was seized right beside Iran with a bunch of British sailors on board, the Russians happened to have close relations with the Iranian Government. We were able to get in very quickly with the Russians and through them send a message to the Iranians that we wanted the sailors to be released. That was quite a helpful piece of bilateral business that we were able to do. I am sorry, but I have lost the first question.

Baroness Henig: Of course. The first question was about human rights.

Sir Tony Brenton: Oh yes. I am absolutely convinced that we and the EU should continue to remind the Russians of our discomfort with their whole approach to human rights. It costs nothing. They are used to these lectures and they do not pay a lot of attention. However, if we stopped doing that, it would be seen, first, as a signal that we had lost interest. Secondly, there is of course a brave minority in Russia—the persecuted—who take heart from the fact that they have our and EU support. We need to maintain that support.

Q33 Baroness Coussins: I should first declare my interests. I am an independent consultant to four companies that are listed: Brown Forman, Mars Chocolate UK, Heineken and

Camelot. I advise them on corporate responsibility. It is very difficult to think of anything that could be win-win in this situation, but would not one helpful thing that the EU could do, which is something that Putin is always complaining about, be to make sure that the EU does all it can to ensure that all the member states are doing what they should do, which should be compatible with EU values anyway? They should stop discriminating against Russian speakers, Russian nationals, ethnic Russians—however they are defined—who are perceived by Putin and Russia to be at a disadvantage in various other member states. Would it not be helpful for the EU to be seen to be taking some steps to make sure that that kind of discriminatory treatment, where it exists, is eliminated or at least condemned?

Sir Tony Brenton: When I was ambassador in Moscow, the Russians regularly complained to me about EU double standards, particularly with regard to the Russian minorities in Latvia and Estonia, the two places where they are disadvantaged largely by language tests being the route to civic rights. I did ask London about this and I was reassured that the practices of the Latvians and the Estonians were defensible in terms of EU values. I have to say that my private instinct at the time was the same as yours: that more could be done. The Commission has to be quite careful about how it handles its relations with member states, but as I say, my instinct was the same as yours in that more could have been done, even though in purely legal terms I was told that Latvia and Estonia were acting within the parameters of EU standards.

Q34 Lord Foulkes of Cumnock: I have no relevant interests, you will be pleased to hear. Sir Tony, I want to continue to ask you about your time as the ambassador. I was astonished to read, I think it was in the *Daily Mail*, that you had been harassed by members of Putin's youth wing and that you were in constant fear of Russian espionage at the British embassy when you were there. Do you think that some of us have assumed that things have changed in Russia when really they have not?

Sir Tony Brenton: Things have undoubtedly changed in Russia. It is not a communist country. There are opposition parties; they are pretty feeble, but they are there. Believe it or not there is an opposition press, and the internet is still much freer, even despite recent restrictions, than it is, for example, in China. Discussion is relatively free. If you are an opposition candidate who looks as though he is going to win, you might have some problems, but as long as you are an opposition candidate who looks as if he is going to lose, you are fine. That said—John may have something to say about this—bits of Russia remain very unreconstructed, most notably the security agencies. Yes, in the embassy we knew that we were being subjected to constant surveillance—microphones and other stuff in our houses and so on. The harassment of me personally was a bit worse than we normally expect, really. I will not give you all the background. I had to give a speech at an opposition conference that largely consisted, I have to say, of quotations from President Putin but nevertheless so aroused their anger that a group called Nashi was set on me for several months. If you want an insight into the psychology of paranoia, you should try living with that. It did not work. They were demanding an apology from me which I was not going to give. That is a sign of how the Russian state is willing to be nasty even to diplomats when it chooses to, and I think the Russian capacity for that sort of nastiness has gone up in the past few years. Let us consider the death of Sergei Magnitsky, for example. I think John has some stories that he may or may not want to tell you, but the hand of the Russian state intervening wherever it likes in Russian society by applying unpleasant pressures on those whom it takes an interest in has, I think, become stronger.

Lord Foulkes of Cumnock: John's stories might be an insight into that.

Mr John Lough: I am not sure that I am prepared to relate them here when we are on the record, but we may speak privately about them if you wish. What I will say is that I agree

absolutely with Tony that we have seen the security apparatus return in a very significant way. It has re-energised itself and it has managed to impose on society a certain view of the outside world. Many of those old instincts that we thought might be on the way out because they are incompatible with the modern world of the internet, access to global media and that sort of thing seem to have returned with greatly increased vigour. If you have the misfortune to watch Russian state media at the moment, it is actually a tragic experience. You can see what is being done to public opinion, if we can call it that in Russia. This is deeply destructive and it is going to leave a horrible legacy for western countries to deal with.

Lord Foulkes of Cumnock: We have seen that in the Malaysian Airlines air crash, have we not? Is that not a good example?

Mr John Lough: Absolutely. First of all there was complete denial that it had had anything to do with Russia—of course it was the Ukrainian armed forces. Then there was the mythology about how the Ukrainians were trying to shoot down President Putin's plane. Any sort of idea can be fabricated and it suddenly seems to acquire momentum in the Russian information space, which has been severely restricted. It is now much more difficult to gain access to certain global media than was the case just a few months ago.

The Chairman: Presumably, given the way in which diplomats are treated, people in business—westerners in business—are having much the same experience.

Sir Tony Brenton: Or worse, because of course they do not have the protection of diplomatic immunity.

Q35 Lord Lamont of Lerwick: I totally agree with what you have said about the Magnitsky case and the treatment of human rights. I say that because I want to raise a question relating to things from the Russian viewpoint. You were asked about the position of Russian speakers in the Baltic countries and I was rather surprised by your answer. You said that you had been assured that that treatment was consistent with European human rights or the European Convention on Human Rights. Mr Putin, in an article he wrote a few months ago, of which all members of the Committee have a copy, referred to this at great length and said, "We cannot tolerate the shameful status of 'non-citizen'. How can we accept that, due to their status as non-citizens, one in six Latvians and one in 13 Estonians are denied their fundamental political and electoral rights?". The recent referendum in Latvia on the status of the Russian language again demonstrated how acute this is. Some 300,000 non-citizens were once more barred from taking part. I tabled a Question here to ask whether the British Government had ever taken up with the Latvian or the Estonian Governments the issue of Russian speakers in those countries. The response was that they had never taken it up. Are we really just ignoring something that the Russians have some reason to have a bit of a grievance about?

Sir Tony Brenton: As I said, I agree that it looks bad. The justification that the Latvians and the Estonians offer for their position is that it is a language test for other citizens' rights. Most of these citizens are actually military pensioners who on the whole, with the greatest possible respect to this audience, are too old to master the local language and therefore remain excluded from civic rights. The Russians are angry about it, as Putin's article demonstrates, and they raised it quite regularly when I was there. I am inclined to agree that the EU, and maybe privately the UK, should be encouraging the Latvians and the Estonians to do more.

Lord Foulkes of Cumnock: But are these not people who had been sent in by the Soviet Union to keep the Latvians and the Estonians under control?

Sir Tony Brenton: No. When the Soviet Union existed, a lot of retired Russian military people retired to those countries because they could live anywhere in the Soviet Union.

Frankly, they wanted to live by the seaside or whatever it was. That is where the population came from.

The Chairman: I know that Lord Trimble has a supplementary question for you, as does Lord Jopling.

Lord Trimble: Actually, Mr Chairman, I was going to move on the question.

The Chairman: If Lord Jopling's question is directly related to this issue, perhaps we should take it first.

Q36 Lord Jopling: I do not think that we are due to come back in the course of the meeting this morning to Estonia and Latvia, which are the two Baltic states that share a border with Russia. Thinking of the Russian-speaking minority, how much of a danger do you think there is that Putin will be tempted to do another Ukraine in those two countries by surreptitiously arming those who live there and surreptitiously moving his Chechen-trained thugs to go in there in the same way as he has done in Ukraine?

Sir Tony Brenton: That conjures up a sort of "Dad's Army" image. I think it is very unlikely. The core reason why it is so unlikely is because, of course, both Latvia and Estonia are members of NATO. If the Russians did not take NATO membership seriously and hold back on the whole from constituting security threats to NATO members, we would not be having the problem that we see now in Ukraine and we would not have had the problem that we had in Georgia in 2008. The Russians take NATO membership seriously. In my estimation, they are not going to seriously threaten the security of NATO members, including Latvia and Estonia.

Lord Jopling: How firm do you think NATO itself is about Article 5?

Sir Tony Brenton: Article 5 is the *raison d'être* of NATO. If NATO failed to live up to that article, the organisation would be demonstrably worthless and it would collapse.

Lord Jopling: Thank you.

Mr John Lough: I would like to point out that I agree with Sir Tony. If the Russians were to get into some sort of direct confrontation with the Baltic states, that would lead to a dramatic escalation of tensions with western countries. They know that is a risk they simply cannot take. However, that does not mean that a series of covert actions could not be taken to test the will of the Estonian and Latvian authorities to deal with the problem, and to see what kind of reaction it generates in a number of western capitals. We saw that in the removal of the monument of the bronze soldier seven or eight years ago—I have forgotten the exact year—and in effect there was a riot in Tallinn. Part of the local Russian population was then radicalised so that in that tiny country of 1.5 million people, you suddenly had a serious problem on your hands. Could the Russians stoke up a bit of trouble there? I think they could do it very easily, but it would be risky.

Q37 Lord Trimble: This question relates to the Eastern Partnership and the association agreements, and taking into account Russian views about them. You have largely covered that by saying that the Russians have now adopted a firmly hostile attitude both to the association agreements and to the Eastern Partnership. Evidently we did not realise that they were adopting such a hostile attitude. How did we make this mistake?

Sir Tony Brenton: I think we sort of knew it—"we" being at the middle-ranking level in the European Commission and the action force. I was over there to see Catherine Ashton about something else and I spoke to a few people then. They said that they were pursuing it. At the same time the Russians are of course pursuing their Eurasian Union, so we are in competition.

However, we intend to pursue this because we do not see it as a direct threat to Russia, and we hope that the Russians see it in the same way. There was certainly an awareness that there was a competition was going on, but as I say I do not think that awareness was felt at a high enough political level in the EU for people who really understand Russia actually to be asked how tough the Russian reaction was likely to be. It became apparent only towards the middle of last year when the Russians imposed economic sanctions on Ukraine as the first step towards stopping Ukraine from, as they saw it, signing the association agreement. People then began to wake up to how Russia was feeling. But even then, actually, the EU pursued the association discussions with Ukraine—with Yanukovych as the co-partner to the EU in them—with a reasonable level of confidence that they were going to be brought to a successful conclusion.

Lord Trimble: And without realising that the Russians were going to take a very negative position.

Sir Tony Brenton: They knew that the Russians were—“hostile” is too strong a word—did not like what was happening, but they assumed that whoever it was, Ukraine could simply ride over that.

Lord Trimble: Did they have any grounds for making that assumption?

Sir Tony Brenton: In a sense, Russia’s behaviour has been very uncharacteristic. I saw quite a lot of Putin when I was the ambassador, and one of my conclusions about him was that he is a very risk-averse man—a cautious man who does not expose himself or his country to real danger. I saw him get into various confrontations with the West, most notably over Georgia, where Russia finally stepped back from the brink even after it had fought its war and won it. The annexation of Crimea was not the Putin whom I had known. As I talk with Russian experts, that is the general feeling. No one, but no one, anticipated the annexation of Crimea. There are various explanations in retrospect for why Putin did it, and therefore the assumption that “the Russians don’t like this but they will probably live with it” was reasonably consistent with the Russia that we thought we had prior to the Maidan revolution.

Lord Trimble: I should have said something about the register of interests, which records me as being a trustee of the Henry Jackson Society. That might be thought to be relevant to this witness session. However, I ceased to be a trustee nearly a year ago. It is another thing on the register that is now a matter of history and which I have not yet got around to updating, but I will do it soon.

The Chairman: Thank you. I think that Mr Lough would like to speak.

Mr John Lough: Thank you, Lord Chairman. I will try to respond to Lord Trimble. It is important to keep two things apart here. The EU did indeed underestimate the determination of the Russians to ensure that Yanukovych would not sign the association agreement. They put tremendous pressure on him, having taken those trade measures last summer. A lot of weight was put on his fingers to make sure that he was not going to sign. The Russians believed that they had been successful. There was a Russian official who said in December, “Ukraine is ours. We have solved this problem”. That triggered some relatively small demonstrations in Kiev—the initial pro-European Euromaidan, as it was called. People thought that this was going to come to a fairly rapid end, and it looked as though it might simply peter out. Then Yanukovych used force. Whether he was under pressure from Moscow to do so, who knows? However, the demonstrations then became directed against Yanukovych personally and his regime. I think that is what the Russians completely misread. There was a mood in Ukrainian society, a degree of civic organisation that simply does not exist in Russia, and some very courageous people who were prepared to go out in front and

lead the effort. Moreover, this was coming from the street. There was no proper political leadership of the movement. Within a very short space of time, Yanukovych had completely lost control of the situation and the Russians had given up on him. I absolutely agree with Sir Tony that no one saw this coming—that the Russians would simply annex Crimea within three weeks. Is Putin risk-averse? I think that one of his KGB instructors gave Putin a reference saying that one of his problems was that he had a low sensitivity to risk. It may be that as the President he overcame that insensitivity to some extent, but it really looked as though he and that small cohort around him were somewhat bounced into reacting to the situation in Ukraine. They believe fundamentally that western countries are responsible for this revolution in Ukraine, that it is a model that has been tried out elsewhere and that one day it might indeed come to Russia. These so-called “coloured” revolutions are seen by them as an extraordinary threat. Putin has personally experienced two colossal humiliations in Ukraine. The first goes back to when President Yanukovych won a fraudulent victory in the presidential election in 2004 and there had to be a rerun of the second round. Putin had a lot of egg on his face because he had been the one who first congratulated Yanukovych on his victory. The Russians misread the situation then and they misread it again 10 years later. They have a capacity to get Ukraine wrong because they think it is like Russia. However, Ukrainian society is in many ways very different.

Q38 Lord Jopling: I did not declare my interests in my earlier question. I receive funds from the common agricultural policy, I am a member of the British delegation to the NATO Parliamentary Assembly, and I am chairman of the committee there on civilian aspects of security. Last week, our witness told us that the EU had to decide between on the one hand a functional relationship with Russia, and on the other in deepening its relation and co-operation with the countries in the eastern neighbourhood. Do you recognise that, or do you think that it is not a stark choice and that a working balance can be struck in that neighbourhood? Finally, leaving aside Ukraine, do you think there are other red lines for Russia like Ukraine? I am thinking of Moldova, Georgia and Armenia. We had a delegation from there a couple of weeks back and they told us of the massive bribes that the Russians are offering them to join up with the Eurasian Economic Union.

Sir Tony Brenton: No, I do not think there is a stark choice between the EU having tolerable relations with Russia and with the countries that are now involved in the Eastern Partnership. What goes wrong, and what has gone wrong in Ukraine, is when the EU behaves as if it is looking seriously to attract those countries into the western orbit, with association agreements in the past being a preliminary to those countries joining the EU, which in the past was always a preliminary to those countries joining NATO, which is really the Russian red line. It is perfectly possible for the EU to have good, close, economic and political relations with those countries, provided that it is not seen to be trying to pull them in that general direction. It is a political choice for the West as to whether it wants to enter into that sort of competition. We have now seen the consequence of our entry into that sort of competition in Ukraine. I have forgotten the second half of your question.

Lord Jopling: Are there other red lines for Russia?

Sir Tony Brenton: The Russians have been very clear, right from the very beginning, about what they want as regards Ukraine. They want two things: first, no route into NATO; and, secondly, autonomy, federalisation, or whatever you want to call it, but protection for the Russian-speaking minority in Ukraine. That concern extends to Georgia, although it has a much smaller Russian-speaking community, and no doubt extends elsewhere.

You asked, with regard to the problems that we have hit in Ukraine, whether the Russians feel as intensely in other parts of the world, for example in Moldova. The answer is no. Ukraine is

a very special case in the Russian view. Of course, half of Ukraine had been part of the Russian empire since the 16th century or so, speaks Russian, is as close to Russia—I hesitate to make this comparison—as Scotland is to England. That is one reason why the Russians have reacted so violently to what they see as Ukraine slipping off into someone else’s orbit. That said, they feel pretty strongly about Georgia as well. They have become tougher, it is fair to say. It is worth watching—if this Committee has not done so—Putin’s speech on 18 March when he announced the annexation of Crimea. It was pure Putin, and it was the Putin I knew. He said, in effect, “The West has been humiliating us and encircling us and getting into our sphere of influence for years and years, and”—this is his phrase—“the spring finally has to push back. I am not going to let this go any further”. That is the sort of psychological and political background to where we are now in Ukraine, to where we were in Georgia in 2008, and where we could conceivably be in other places.

Mr John Lough: I would like to respond on that point. It is important to keep in mind that countries on Russia’s periphery should be able to make choices. Russia has signed up to a security order in the form of the Paris Charter, going back to 1990, where the choices of others need to be respected. In the case of something as provocative—as the Russians would see it—in the form of NATO membership, obviously those things have to be finessed, and it is for countries on Russia’s periphery to work out how to manage these things. However, we sometimes make a mistake in forgetting that a lot of people in Ukraine look at Russia and the direction in which it has been going in recent years, particularly after Mr Putin came back to the presidency in 2012, look at countries on their western borders and can see that there are different models of development here. If countries on Russia’s periphery decide that they prefer not Russia’s model of development but the EU’s, that is the Russians’ problem and not ours. We need to be very clear that these are sovereign countries. Ukraine is a very large country, even with Crimea having been lopped off, with 42 million people. It sometimes acts as if it were a smaller country, but that of course is because it is next to Russia. It is therefore fundamental that we continue to respect the rights of Ukrainians.

Q39 Lord Trimble: This is going off a little bit from other red lines. One little area around there which has not been mentioned is the territory of Kaliningrad. Might there be problems there? I think I saw a report not so long ago that the Russians have deployed some new missile systems in Kaliningrad.

Sir Tony Brenton: They threatened to. Kaliningrad is of course an exclave, and is part of Russia now. To use the phrase “threatened territory” would be to overstate it, but the Russians are concerned about its attachment to Russia. Originally it was part of Germany, and the Russians picked it up at the end of the Second World War. It is now surrounded by EU territory, which is an extra source of insecurity for the Russians. At the time the Americans were contemplating setting up missile defence in Europe, which the Americans said was directed against Iranian missiles but the Russians regarded as being partly directed against them, the Russians threatened in response to base missiles in Kaliningrad. The Americans then, as part of the reset, backed away from missile defence, therefore the Russians have not sited the missiles there.

Lord Lamont of Lerwick: Could I come back to Tony Brenton’s first answer to Lord Jopling? The first part of his question was about whether the EU had to make a choice economically between Russia and the countries that border it. We were told by earlier witnesses that the association agreement with Ukraine would be compatible with arrangements that Ukraine might make with Russia if it wanted to develop free trade with Russia. Is that generally true of these arrangements? Secondly, I notice that Putin, again in the article that he wrote, talked about having a free trade zone going right from the EU to the

Pacific coast. That may have just been rhetorical visionary stuff—I do not know how much he really meant it. However, has the EU itself done enough in its economic relationship in freeing up trade with Russia itself?

Sir Tony Brenton: On the first half of the question, I am not an expert on the association agreements. They were pretty feebly drafted, because of course there is limited enthusiasm in the EU itself toward attracting Ukraine. There is no membership perspective, for example, for Ukraine. These are unique association agreements in that they do not contain a membership perspective. Yes, the EU has subsequently claimed that it told the Russians, “Whatever trade arrangements you want to pursue with Ukraine, Georgia, or whoever, will be compatible with what we are pursuing”. I do not think that message was understood by the Russians. Even if it was, the Russians saw the association agreement, as I said, as a step towards membership, even though that was not the EU’s stated intention, and therefore a step towards NATO. That is why it reacted so violently. The Russians are quite suspicious of free trade as a whole. It took them something like 18 years—I invent this number—to join the WTO. They were the last major economy to do so.

Lord Lamont of Lerwick: That was because of American opposition, as well.

Sir Tony Brenton: Not just American opposition. A lot of the problem came from the economic fact that Russia exports oil and gas, and those exports are not affected by its WTO membership. That membership is very good for those of us who are trying to export things into Russia, but not good for Russia exporting stuff which the WTO does not govern in any case. Therefore in a way it would be quite easy for Russia to back away from all these free trade arrangements. Part of the consequence of all this talk about sanctions in the EU and the United States is that a statist mindset that has been pretty quiet in Russia in recent years says, “Entangling ourselves economically with the West in the way we are doing is dangerous. We should take advantage of the western sanctions to back away from that, to have a more autonomous, state-led style of economic development”. Given the way things are going with regard to Ukraine, which look bad to me, my guess is that that line of thinking is going to gain more strength in Russia over the years to come.

Lord Lamont of Lerwick: Could the EU have done more to develop a free trade relationship with Russia?

Sir Tony Brenton: The EU has basically ridden on the back of these principal thrusts, which, over the time I was there and indeed up to the time the WTO entry was done, aimed towards getting Russia into the WTO. There was something called the Partnership and Co-operation Agreement, which anticipated WTO membership, the renegotiation of which then waited for WTO membership to happen. However, that was a sort of amplification of all the rights given by the WTO.

Mr John Lough: I will just respond to Lord Lamont on this question about the compatibility of the free trade arrangements. As I understand it, now that Ukraine has signed the association agreement, part of that is this Deep and Comprehensive Free Trade Agreement. That is incompatible with simultaneous membership of the Russian-led customs union. However, I also understand from my economist friends that that does not affect a free trade agreement between Russia and Ukraine, so that is compatible. Publicly, in its public messaging, an error the EU made was simply not to respond to the arguments that Mr Putin and others were making—and making quite vociferously—that if Ukraine signed the DCFTA, the Russian market would be deluged by European goods coming into the Russian market, displacing Russian goods, or displacing cheaper Ukrainian goods over the border, which would therefore inflict damage on the Russian economy. We just never responded to that. When you do not respond in these conditions, it looks to the Russians as if they scored a point and they can

make those arguments effectively in certain western capitals. We missed a serious opportunity there.

The Chairman: I must remind the Committee that we are getting a bit behind schedule and that we are hoping to have a discussion after the question and answer session.

Q40 Lord MacLennan of Rogart: I wish to ask two specific questions about the Russian attitude to NATO and the proper response of the European Union to these concerns. First, there has been growing discussion in Sweden and Finland about accession to NATO—stronger, I think, in Finland than in Sweden. Should the European Union take a careful view bearing in mind what you, Sir Tony, described as Putin’s risk-averse attitudes to this Nordic development? Should the EU get involved?

Secondly, neighbourhood countries, being sovereign, have the right to apply to join NATO. Should the EU be considering whether there should be conditionality, and making recommendations along those lines, in order to calm the Putinesque concerns about NATO?

Sir Tony Brenton: The EU, it has to be said, is very cautious. It might never have commented on NATO and NATO membership matters. There are tensions between the EU and NATO, which I will not trouble you with but which stem from the fact that Turkey is a member of NATO and Greece is a member of the EU, so this is not really a matter for the EU in any case. If the substance of your question is, “How should we be handling Sweden and Finland’s interest in joining NATO?”, if that is what it turns into, and “Should we be worried by the Ukrainian and the previous Georgian examples, and be cautious about letting them in?”, my instinctive answer is no. Certainly, the Russians do not like NATO and they will be irritated by NATO’s expansion to include Sweden and more particularly Finland, which of course used to be part of the Russian empire a long time ago. But I think the Russians regard Sweden and Finland, which are now long-time EU members, as sufficiently outside their orbit that their entry into NATO would be an annoyance, but no more than that. This is not like a former part of the Soviet Union joining NATO, although of course that has happened already with Latvia, Lithuania and Estonia. There will be angry words, but I am much more relaxed about handling the NATO future of Finland and Sweden than I am about Ukraine and Georgia.

The Chairman: Lord Jopling wants to follow up on that.

Q41 Lord Jopling: We are going to have a situation at the NATO summit in September with a lot of pressure from Georgia to move towards a Membership Action Plan. It seems clear now that the Germans have always been strongly opposed to it. I think the UK Government will also be opposing such a MAP in September but, as I understand it, both Germany and the UK are using a whole lot of sweeteners, albeit less than a MAP, with regard to moving towards NATO membership for Georgia. Do you think that Putin will see much difference between a MAP and whatever is offered to Georgia? On the other hand, if the summit decides to give Georgia no encouragement, do you think that would encourage Putin to be even more aggressive than he is already?

Sir Tony Brenton: Obviously it depends on what the alternative package is, but I think the Russians will see a decision not to give MAP to Georgia as being an acceptable outcome. They would see MAP or any very visible step towards Georgian membership of NATO as being a direct provocation, given their present mood. There is a question for us here. It is a question not just for the Georgians but for the UK. Bits of Georgia, in our legal view, are occupied by Russia at the moment—Abkhazia and South Ossetia—so in any case there is a complication about extending the Article 5 commitment to Georgia. The question for us is:

are we ready to extend that Article 5 commitment to Georgia? Are we prepared to go to war, if necessary, to defend Georgia?

Q42 The Chairman: May I turn to energy? I do not know whether this is a subject that you feel qualified to talk about, but do you think that the recent events mark a substantial turning point in the political willingness of member states to diversify their energy supply from Russia, bearing in mind that in some cases the energy relationship goes right back to Soviet days and is of very long standing?

Sir Tony Brenton: As you say, it has been a long-standing arrangement and the Russians have worked very hard at being reliable suppliers, particularly to Germany. That said, over the time I was ambassador in Moscow, the Russians turned off the energy twice to Ukraine and, one way and another, to a number of other countries around them. They are less than reliable to countries they take less seriously than Germany. At the moment, I think the gas is off to Ukraine because it has not paid its bills.

The EU is right to be looking for ways to reinforce its capacity to be independent of Russia. The prospects for this are very limited because Germany is about to abandon nuclear power, so German imports of Russian gas are about to go up. I read somewhere quite recently that as the North Sea runs out we are about to start importing Russian gas in significant quantities. So in the short term the prospects of getting away from dependence on Russian energy are the reverse of good, as our dependence is going to go up rather than down. But in the longer term there is all sorts of stuff there, with the prospects of US exports of shale and so on, which we certainly should be working on developing.

Mr John Lough: Having worked in the Russian energy industry for some years, Lord Chairman, I have a view on this. It is the following. This is of course a relationship of interdependence, and in recent years it has to some extent just become unmanageable because the political relationship has deteriorated. This is at a time when people are suddenly acutely aware that the Russians have in some cases been using energy as a political lever. That is an undeniable fact.

We have simply become a little bit complacent about Russia. Sir Tony Brenton is absolutely right that the Russians had been reliable suppliers, over a long period, but they damaged that reputation seriously during two Ukrainian gas crises: in 2006 and 2009. We are now on the verge of another serious crisis. At the moment, it is the summer months and no one is too worried about heating their homes right now. But we have this issue out there: how is gas going to transit through Ukraine this winter? There are no alternative options, so we are going to have to sit at a negotiating table, doubtless together with the Russians and the Ukrainians, to find a formula. We should certainly be looking at ways to diversify our energy sources and that can be done over time. Russia, in any case, will be operating in a more competitive energy market in Europe, which is going to change one or two things. There are already indications of that, but at the end of the day Russia is going to remain a significant energy supplier to Europe and we have to find a way of managing that relationship better.

Q43 Baroness Young of Hornsey: This follows on from what Mr Lough said in relation to our need for energy supply. I should say that I have no relevant interests to declare on this subject. We have heard the view that Russia needs things from the EU, such as access to finance, technological advances and so on. Is there a way in which this relationship of dependency could be slightly recalibrated to make it a more effective one between the EU and Russia?

Mr John Lough: The answer is possibly. There was a thought, at least in the energy sector, that with increasing cross-investment—for example, with European companies going into the Russian upstream and Russian companies buying downstream assets in Europe, in which they clearly have an interest—some sort of balance could be found. The difficulty, of course, is that the legal and operating environments in those places are very different. I would suggest that it is rather easier to protect your investments in the European markets than in the Russian upstream. While there has been some progress in that area, it has not been decisive. One of the difficulties has been that Gazprom has been a major force in the acquisition of downstream assets in Europe, which has then created the whole problem of market dominance, with Gazprom effectively being in contravention of certain provisions of the Third Energy Package, which require the unbundling of assets. We might see demonopolisation on a greater scale within the Russian energy sector—it is quite possible that Gazprom's export monopoly will be further eroded in the coming years—and if that were to happen and the Russian energy industry was run in a different way, there might be more opportunities to balance the relationship in that way.

Yes, finance and technology are important things that the Russians want, but I suggest that that market access is a very important lever. The other thing that we have not spoken about in this context is their desire for visa-free travel to Europe. That is perhaps the trump card that EU countries hold.

Q44 Lord Lamont of Lerwick: Given what you say about the dependency of Germany—I have a chart here, which shows that 37% of its gas comes from Russia, and that figure is about to go up—is it not unrealistic to expect Germany to agree to effective sanctions of the kind that America is demanding? It is totally unreal, surely.

Sir Tony Brenton: Yes, is the short answer. If we are talking about very deep economic sanctions, those are not going to happen, and for all sorts of reasons. I am rather hostile to sanctions; they never work, and they certainly never work with regard to Russia. Quite apart from that, there are things that can be done. Look at it this way: for the Russians, turning off the gas to Germany is the thermonuclear option. They are going to do that only in extremis. At the moment, the argument we are conducting with the Russians about what is going on in Ukraine is taking place at a lower level. There are measures that the EU could, if it chose, take at that lower level that are not likely to unlock that thermonuclear option, and the Germans know that.

Mr John Lough: I have just two points on this. First, the Russians make vastly more money from exporting oil than they do from gas. Yes, the Germans are dependent at the moment, and that cannot be changed just overnight. But over time it could be addressed, and in extremis Germany does not have to shut down its nuclear power facilities. Although I think they are going to go ahead and do that, it is at least another option.

I happen to take a different view from Tony on sanctions. I think that sanctions can work. There is some evidence that they worked in the case of Iran. There is also some indication that they may be working in the case of Russia, however limited they may be at the moment, because the threat of sanctions has chilled markets on the western side, not just in Russia. Looking at Russia's economic situation at the moment, former Finance Minister Alexei Kudrin gave an interview to ITAR-TASS this week, saying in effect that sanctions are having an effect on the Russian economy—that is, a negative effect—and that this position in Ukraine is not sustainable and the country's interests are being damaged.

Sir Tony Brenton: Perhaps I may respond to that. I fully accept John's point: everybody knows that the sanctions are having an effect economically but they are not having any political effect at all.

Q45 Lord Foulkes of Cumnock: Do we have a clear picture of exactly what assets Russia owns within each of the European countries?

Sir Tony Brenton: Not that I know of, no.

Mr John Lough: I have certainly seen some evidence to the effect that the EU knows which energy assets Russia owns within EU countries. How far our knowledge goes beyond that, I cannot say.

Lord Foulkes of Cumnock: How could we find out? Surely, if they have an interest here, we could use that in some kind of political way as well.

Mr John Lough: We do not operate in the way the Russians do when it comes to ensuring the reliable protection of others' interests. However, what we can do—and there is some evidence that we are doing this over the South Stream pipeline—is in effect freeze Russian plans to develop certain projects. But even on that, the noble efforts of the European Commission have not always been supported by certain member states. Mr Putin made a visit recently to Austria, where he received the red-carpet treatment and signed a deal over Austria's participation in the South Stream pipeline.

Lord Foulkes of Cumnock: Yes, but I am thinking wider than that. In Britain, for example, we know that Russians own huge amounts of property, newspapers, football clubs—I could go on. Could we chronicle or list them? Could that not be used to influence them politically?

Sir Tony Brenton: As John has said, we do not work like that. We run an open economy. We have rules. People come in, buy things and trade who are of all nationalities—Russian, North Vietnamese or whatever. A move to restrict ownership on grounds of nationality—

Lord Foulkes of Cumnock: No, no, but if we can see that there is money-laundering and other such activities going on, which the Russians are very adept at, surely that gives us an opportunity. We seem a bit scared to do anything about them, do we not?

Sir Tony Brenton: The point about money-laundering is not a Russian-specific point.

Lord Foulkes of Cumnock: No, no.

Sir Tony Brenton: We have very effective criminal police, and so on, who pursue money-laundering cases *erga omnes*—against whatever nationality commits it—and we look to them to protect us from money-launderers. It is nothing specifically to do with Russia.

Mr John Lough: I would add that we also have banks, accountants and other providers of professional services who have their own codes of conduct. Knowing your customer is a very important part of that, and there are probably indications that due diligence work in recent years was done in a sloppy way or that people simply could not find where the beneficial ownership was. These things are sometimes very hard to trace, but there is a strong suspicion that the City of London, for example, could do a good deal better in this area.

Lord Foulkes of Cumnock: Perhaps some UK people have their own vested interests.

Sir Tony Brenton: I am sure they do; it is a major source of business for the City.

Mr John Lough: It is a source of business, but I do not think we should exaggerate its scale. The think-tank Open Europe has done some very good work in this area that indicates that in

fact it is minimal [compared to the overall stock of European assets invested in the UK, in fact only 0.5%.]

Q46 Baroness Bonham-Carter of Yarnbury: I have to declare an interest—I am not sure how relevant, but it is on the books. I am the Prime Minister’s trade envoy to Mexico—a different bit of the world. Picking up on the money-laundering point, my noble friend Lord Chidgey argued recently in a debate in the Lords that the UK must act in the financial sector. He said that the financial authorities believed that between £23 billion and £27 billion has been laundered through the City of London each year and that major changes are required if the UK is to detect, freeze and seize corruptly obtained assets. Earlier, Sir Tony, you said that the EU was good at trade and that the UK was pretty straightforward on that front. Specifically with regard to Russia, has the EU’s anti-money-laundering directive proved effective? I think that Mr Lough just mentioned it. How should the fourth iteration of the directive be structured to ensure that the EU can effectively combat Russian money-laundering in the EU?

Sir Tony Brenton: I am afraid that I simply do not have the expertise to answer that question.

Mr John Lough: I do not have the expertise either. I am not aware that the EU anti-money-laundering directive has been a huge disincentive to Russian investors coming here. In fact, I confess—I betray my ignorance—that before we met today I had never even heard of that directive. That perhaps says something about my ignorance.

This is a matter for forensic experts—we have a lot of them in this country who can do that sort of thing very well. If we wish to take firmer action in this area, I am sure that we can.

Q47 Lord Radice: I declare my interest. I am an unpaid board member of Policy Network, which, as far as I know, does not have any interests in Russia, but I might as well declare it. Are there members of the Russian elite, as far as you know, who are troubled by the direction in which President Putin has been taking Russia, and what is the evidence for that?

Sir Tony Brenton: I know some members of the Russian elite and I talk to people who come here. The answer is that the business community is really quite concerned but is maintaining a very low profile, because raising your profile against President Putin in Russia can cost you. As John said, the most visible expression of that was the interview that Alexei Kudrin gave a couple of days ago. So, yes, there is concern out there in the business elite, and I am sure among liberal economists, that this is forcing Russia, as I mentioned, into a more protectionist, statist style of managing its economy. But there is no sign—to repeat myself again—of those concerns having any impact at all on Russian policy.

Q48 Lord Lamont of Lerwick: This question is for Sir Tony Brenton. When I was in government in the early 1990s, I had quite a lot to do with economic relations with Russia, and I dealt quite a bit with both Gorbachev and Yeltsin. My strong impression at the time was that both of them wanted to be a partner of the West. When Putin succeeded Yeltsin, do you think that he had from the beginning a fundamentally different view of what the relationship between Russia and the West should be, or did something change while he was President?

Sir Tony Brenton: Something changed. When Putin took over, more or less his first action was a suggestion that Russia should join NATO. When he came in, he had lots of domestic problems. He had the oligarchs to deal with, disorder and all that. Yeltsin left him a mess and he was very focused on sorting it out. His approach, therefore, was that he wanted no external problems. He wanted a co-operative relationship with the West and he maintained that co-operative relationship, but against a background of growing disenchantment.

I cannot date these events precisely, but there was a string of things that the West simply upset him by doing: the Kosovo war, the further expansion of NATO, a sequence of things of that sort that finally soured him to where we now are. From what I hear, he operates in a very restricted circle of officials, who are friends basically—"cronies" is the current word—in Moscow, all of them securocrats. So access for the liberal economists who surrounded Yeltsin and Gorbachev is close to zero. Part of the problem is that that restricted group is intensely focused on Russian security to the exclusion, probably to the disadvantage in the long term, of developing relations in other ways with the West.

Mr John Lough: In response to Lord Lamont, I think the critical thing that changed—Tony has referred to a number of factors here—is that the oil price rose exponentially and Russia became a wealthy country, relative to what it had been when Mr Putin came to office in 1999-2000. As a result of that wealth, a degree of confidence returned. The adrenaline started to course through the system, and it seems in a very bizarre way, despite the greater confidence about Russia's place in the world, to have reactivated a sense of grievance about the way the Cold War ended and what happened to Russia: the trauma that Russia lived through with the amputation of some of the former Soviet republics. Tony has referred to some things that western countries have done that have been perceived in a certain way. It seems to have built up and built up.

Putin suppressed some of his instincts for a while, but then something detonated in February this year and made him do something that up to that point, I think, had been inconceivable. Our problem now is that he has got so deep into this that we now have a public opinion problem in Russia: he has to save face. I just cannot see how he can save face and extricate himself from this situation at the moment. I believe that this crisis will have profound effects on Russia itself, not just on Ukraine or Europe but on how Russia develops.

Lord Jopling: I suggest another scenario. One read before recent months that Putin's position within Russia was not all that sound. Some commentators were saying that there was some doubt as to whether he would survive his term. Nothing endorses and enhances the reputation of a leader more than flag-waving and becoming the great champion of the nation. I remember in particular the effect of the Falklands on the reputation of our Prime Minister of the day, which dramatically changed the public esteem for Margaret Thatcher. Do you see any parallels, in that he might have felt that by being belligerent he might strengthen his domestic position?

Sir Tony Brenton: We are in an exceptional position now, but if you go back to a year ago, before Ukraine blew up, Putin was already pretty popular. He was enjoying 60% popularity. Let us not kid ourselves that what is going on is a frenzy that will pass and then Putin will be in real trouble. That is nonsense. Putin is the President the Russians like. He has delivered economic growth, although that is going to slow. He has delivered a feeling of national pride and self-confidence, which the Russians feel is part of their birthright.

I do not share John's view that we are looking at some conflagration in Russia in the near future. I think that Putin has the place sufficiently wrapped up that, barring some huge cataclysm, he will not go. We will get through this Ukraine problem, one way or another. Russia will suffer from it; its economy will be hit. At the moment, he is redoubling his bets by continuing to arm the rebels, but at the end of it he will claim that he has stood up for Russia's rights and has seen the West off, and all that, and he will, I am pretty confident, remain President.

Mr John Lough: First, for the record, I did not refer to any conflagration in Russia; I referred to the fact that I think that this crisis will have a serious effect on Russia. It is very difficult to say what it will do to Mr Putin personally, but I do not think that the 85% popularity ratings

are sustainable. The economy will definitely take a hit. We saw when he returned to office in 2012 that he had something of a wobble, but he got over that, in effect by enunciating a certain view of the world and his call to so-called conservative values—he was playing to a certain part of society—but I do not see that the bit of society that was agitated by his return in 2012, the urban classes and a sizable part of the middle-class, will be particularly comfortable with some of the things that are happening. I think that all bets are off in terms of how Russia is going to develop and what Mr Putin's position is going to be in the coming years.

Q49 Lord Trimble: The last exchanges were about when Putin changed. By coincidence, yesterday, in an address by Rodric Lyne to the Association of Conservative Peers the change in Putin was dated to 2003 as the time when he moved away from a pro-western stance to adopting a stance hostile to the West, which came after the economic improvement and the oil price going up, which produced a degree of prosperity.

The other thing that happened in 2003 was the Khodorkovsky affair, which came about because Khodorkovsky was challenging Putin over corruption. Corruption has become hugely more significant in Russia since then. I suggest that reinforces the fragility of Putin's position. Because of the rise in corruption, he needs the oil price now to be up at a very high level. It is round about that now, but the outlook for the next few years is of the oil price declining. Consequently, Putin's position will become more fragile. He is buoyed up at the moment by the Ukrainian crisis, but surely that effect will be shortlived.

Sir Tony Brenton: You are right that corruption has got much worse. Corruption is central to the system. The way the Russian governmental system now works is that you get impunity in exchange for loyalty, and you use your impunity to extract rent from whoever you have control over, so the whole system is sucking funds out of Russian society, and that depends on funds coming in from oil and gas. With the greatest possible respect, I think it is a mug's game to try to predict oil prices. I look at a world where Iraq and Libya are in flames. I do not necessarily see a world where the oil price is going to go down. The other point you make, which is absolutely correct, is that the movement of the oil price is absolutely crucial. If the oil price descends sharply, Putin has very real problems.

Mr John Lough: On the oil price, I think Tony is absolutely right. Mr Putin said himself quite recently that the only people who can really change the oil price at the moment are the Saudis, and they have no interest in an oil price below, I think he said, \$90, so we are going to stay where we are. I think that for the moment that probably gives him a lot of confidence that he can continue his policies. Certainly we saw that fairly dramatic drop in the oil price, I think in 2008-09, and, again, the Russians had a wobble. It got up very quickly, but it is absolutely clear that the dependency on the oil price has become greater in recent years, not less, and there is indeed a very long-term problem for the Russian economy.

Q50 Lord MacLennan of Rogart: This question has not been raised before. Could you say how the Russian leadership would respond to greater initiatives from the European Union on culture, education and science? It seems to me that we have a long history with the Russian leadership in that regard. I refer to Pushkin and Rachmaninoff in this connection. It seems to me that if we were to take a more active role in those areas and in collaborating on science and on educational exchanges, we might help to reduce some of the frictions.

Sir Tony Brenton: I agree entirely. Ordinary Russians think of themselves, obviously, as Russian, but if they ask themselves what they are beyond being Russian, they tend to say European. The cultural, educational and all other such links with Europe are an important

component. What has been going on in Russia since the collapse of communism has been a gradual spread of European values and systems and all that. One of the great tragedies of where we are now, with all the sanctions, the coldness and all that is that that process looks as if it may stop and go into reverse. We have a whole raft of senior Russians now who simply cannot come to Europe. We have a whole set of links that we are systematically cutting off. One of the more ludicrous sanctions that has been imposed in recent times is that concerning the EBRD, which funds small Russian private businesses, which is exactly the component in Russian society that we want to develop if we are thinking about Russia post-Putin. One of the EU sanctions has involved trying to stop funding from the EBRD. The whole thing is insane. Sanctions are simply going to make worse and slower what I am confident is eventually going to happen, which is that Russia will become a much more normal and democratic European state. Those sorts of links are an important part of moving towards that objective.

Mr John Lough: If I may, I do not think that Russia is going to become a much more normal and democratic state under Mr Putin's leadership, although I share the long-term hope, of course, that the country will go down that route. I think that culture, science and education, which were referred to, are extraordinarily important. We must maintain those links. This is the UK-Russia Year of Culture. A remarkable exhibition has just opened at the Tate Modern, the Malevich exhibition, and there are other excellent things happening at the Science Museum this year. This is also the EU-Russia Year of Science, as I discovered quite recently. I do not know what evidence there is to point to its successes, although it is said that in the scientific area there has been a lot of effective collaboration, just as there has between NATO and Russia in the area of science. It is extremely important in this context to differentiate between the Russian leadership that we are trying to influence at the moment in its policies over Ukraine and Russian society, with which we wish to have much stronger relations. We wish to see Russians able to travel more freely, to come to this country more easily and to receive visas more easily, which is a massive problem. It is still a relatively small number of Russians who are travelling abroad. When their numbers increase, of course, this will have an effect.

Baroness Bonham-Carter of Yarnbury: This is a very small point, but the cultural connections have been affected by the anti-gay legislation in Russia.

Q51 Lord Lamont of Lerwick: A lot of our witnesses, in particular a lady from one of the think tanks in Moscow, expressed the desire to have a greater rule of law and a rules-based society. Obviously, the massive corruption has increased, but is it possible to say anything optimistic? Has there been any positive development as regards the rule of law? Did Medvedev have no influence at all on this aspect?

Sir Tony Brenton: Yes, that is the case. I have not looked at the situation recently, but certainly when I was ambassador and for a few years subsequently, in commercial issues the courts were functioning better and more objectively and corruption was, in fact, diminishing. I was meeting Russian businessmen who said, "Gosh, I just fought a case against the tax authorities and won". The objectivity of law at that level was getting better. Of course, law is a huge British export in the sense that British legal firms have big offices there and are doing a lot of business with Russians, part of which contributes to their own legal system. I cannot comment on what has happened in the last two or three years, but there were optimistic signs there.

The Chairman: You have both been very understanding and kind. Can I just ask one tiny question? I have been very restrained. You said at the beginning, Tony, that you thought there had been a loss of language skills at the Foreign Office and that the Foreign Office had been

less adept than perhaps it had been in earlier times. Do you think the same applies in other EU member states: that the expertise on Russia that has declined in London has declined in Paris, Berlin, Rome, The Hague or anywhere else?

Sir Tony Brenton: I do not know whether it has declined. In my embassy, all the front-line officers—that is, those who dealt actively with Russian society and business—spoke Russian. I do not know whether that is still the case in our embassy, but it was much less the case in other European embassies, and much less the case in the US embassy as well. We were good.

Mr John Lough: On that point, I would add that the language issue may reflect a broader point. My feeling is that over the past 25 years we have lost a lot of our overall capacity—

The Chairman: “We” being Britain?

Mr John Lough: And other major European countries. We have lost a lot of our capacity to deal with Russia. Of course, having a common language is part of that, but it is also an understanding of the historical factors that have shaped Russia’s existence, the idiosyncrasies of the Soviet Union, and the legacy of that Soviet experience. Without that it is difficult for policy-makers to make sense quickly of what Russia is doing in Ukraine, what its logic is and where this might lead. That is a huge deficiency right across our systems. One of the reasons we have got into this situation is because we thought that Russia was not such a problem. It was an irritation and it made a noise at certain points, but the country was getting wealthier and it seemed logical that it would get on to another track. But it has not done that, so we need to rediscover some of the skills that we had in the past.

The Chairman: And the Commission too, presumably?

Mr John Lough: I think that applies to European institutions as well, absolutely.

The Chairman: You have both been extremely patient and kind, have given us a great deal to think about and have helped to refine our thoughts. You were modest at the beginning in saying that there were some things that you did not feel able to respond to. However, I think you have responded with great eloquence to everything we have asked. Thank you very much indeed.