



HOUSE OF LORDS

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

Inquiry on

THE EU AND RUSSIA

Evidence Session No. 16 Heard in Public Questions 240 - 252

THURSDAY 4 DECEMBER 2014

10.05 am

Witness: Dmitry A Polyanskiy

Members present

Lord Tugendhat (Chairman)
 Baroness Bonham-Carter of Yarnbury
 Baroness Coussins
 Lord Foulkes of Cumnock
 Baroness Henig
 Lord Jopling
 Lord MacLennan of Rogart
 Lord Radice
 Lord Trimble
 Earl of Sandwich
 Baroness Young of Hornsey

Examination of Witness

Dmitry A Polyanskiy, Deputy Director, First Department of CIS Countries, Russian Foreign Ministry

Q240 The Chairman: Mr Polyanskiy, first of all, on behalf of the Committee, I thank you very much for agreeing to appear before us. As I think you know, we are a sub-committee of

the House of Lords with responsibility for looking at the EU's external relations: that is to say, the EU as a whole, as distinct from simply the UK. Our last inquiry was into the Transatlantic Trade and Investment Partnership. Our present one is into EU-Russia relations, which has turned out to be a little more fraught than perhaps we thought at the beginning, so we are very grateful to have an opportunity to talk to somebody from the Russian government. This is an official meeting, so it is being broadcast, and there will be a written transcript, which you will have an opportunity to see. We have sent you a number of questions, but I should warn you that my colleagues will have other questions as well, and we might deviate somewhat from the questions that are on the piece of paper.

As I think everybody is going to want to ask you questions, could I ask you to keep your answers brief so that we can get as many in as possible? If there is anything at the end that you feel we have not covered or understood, or that you would like to reinforce, then please by all means submit written evidence in addition afterwards.

That is what we are going to do. Would you like to start with a brief statement, or shall I ask you the first question and you develop your ideas in answer to questions?

Dmitry Polyanskiy: Thank you very much, my Lord. It is a great honour for me to be here, and I am absolutely at your disposal. I hope that my statement will contribute to the improvement of the overall relations between Russia and the EU and to the establishment of good and friendly relations between the Eurasian Economic Union and the European Union. That is why I am open to your questions.

The Chairman: Thank you very much. My first question is very straightforward. It would be very helpful if you could give us a brief explanation of the Eurasian Economic Union. Why was it formed, and what in your view is the state of relations between the European Union on the one hand and the Eurasian Economic Union on the other?

Dmitry Polyanskiy: Thank you for this question. The establishment of the Eurasian Economic Union between the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation is the third stage of economic integration between our three countries. The first, as you might know, was the establishment of the customs union; the second, the creation of the Single Economic Space. The treaty on the Eurasian Economic Union was signed in Astana on 29 May this year, and this is quite an important document.

The algorithm of the forming of the Eurasian Economic Union does not differ very much from that of the formation of the European Union, as far as I can understand. Of course, there are certain things that differ in these two blocs. The first is that our co-operation is totally limited to the economic agenda. That was our choice, and this was highlighted several times by our Presidents, specifically President Nazarbayev of Kazakhstan, who was the author of the idea, launched more than 20 years ago, of the re-establishment of the Eurasian Economic Union. He was very keen that we should first build the ground floor and then start with the first floor and the second floor. This ground floor is economic integration. There are also some differences between the European Union and the Eurasian Economic Union here. For example, we do not envisage in the near future anything related to a single currency. We do not have justice and home affairs, the second pillar that you have in the European Union, and we do not have a common foreign and security policy.

Those are the major differences between the Eurasian Economic Union and the European Union.

We also have two candidate countries. One is Armenia, and we have already signed a treaty with Armenia on it joining our union. We expect this treaty to enter into force by the end of the year, so hopefully Armenia will become the fourth member of the Eurasian Economic Union very early in January. There is also a second country, Kyrgyzstan, which is very keen to join our club. There are two road maps, established jointly between Eurasian Economic Union member states and Kyrgyzstan. They are being implemented, and we have every reason to believe that early next year Kyrgyzstan will also join the Eurasian Economic Union.

One thing I would like to point out in answer to your question is that, as in the EU, we have a supranational body that enjoys certain competences transferred from a national level. This is the Eurasian Economic Commission, which can be more or less considered comparable to the European Commission. We have members of the board of the commission who have the rank of Ministers, and we also have a chairman of the board.

The basic principle of our work is equality. We all have three representatives on the board of the commission. The body takes certain decisions, including direct decisions implementing international legislation, within the scope of its competence. The principle of equality is also written into our new treaty. That means that the two countries that are joining will also have the same number of board members as Russia has, for example. It also means that the level of influence of Russia within the union is the same as the level of influence of Armenia when it joins the union, so this is a basic principle that I would like to reiterate.

I do not think it is necessary to point out the competences that were transferred from national to supranational level. They are easily available everywhere. Of course, in certain areas the commission enjoys close to 100% competency, such as custom regulations, technical regulations, sanitary measures, and the establishment of trade regimes in respect of third countries. For some of them, such as energy policy or industrial policy, it enjoys some competence, but these very much remain at national level. Gradually, we will see whether we need to transfer more competences to this supranational level. This will be done gradually, step by step, and maybe in a year's time there will be a good opportunity to review what we have achieved and to see whether we need further openings for our common work.

The second part of your question was about the state of relations between the EU and the Eurasian Economic Union. Since the very beginning, when we were about to establish the customs union, we tried to alert our European partners to the fact that, given that we will transfer certain competencies at supranational level, it is logical that there should be some sort of a dialogue between, for example, the European Commission and the Eurasian Economic Commission in the spheres of competencies that are transferred to this body. Unfortunately, one cannot say that this dialogue was very fruitful. The European Union was always very unwilling to engage in such relations. I do not remember a single official opportunity for a meeting between somebody from the European Commission and the Eurasian Economic Commission, although we proposed this several times. For example, it would have been logical for Slepnev, the member of the board who is responsible for trade regimes, to meet his European counterparts. There were enough topics to discuss at these meetings, but unfortunately that did not happen. We were forced to limit our contacts to

the participation of commission experts in Russian delegations that visited Brussels and other cities.

This was very problematic for us, because as you know the European Union was very eager to conclude the new basic agreement between Russia and the EU, and certain parts of this agreement already dealt with the spheres of competency that were already transferred to the Eurasian Economic Commission. That was why Russia was no longer in a position to discuss it on its own, in the same way as the United Kingdom, for example, is no longer in a position to discuss certain trade arrangements on its own with foreign partners. We tried to explain our position to the European Commission, but in vain. Until now, as I have already said, there were no official contacts. I heard, as you all heard recently, the very optimistic words of the German Foreign Minister, Steinmeier, that the EU will be ready to engage in certain relations with the Eurasian Economic Union. There were also remarks by the outgoing Commissioner, Füle, in this regard. Hopefully, things will change after the official establishment of the Eurasian Economic Union on 1 January next year, but we will see. For us, it is very important to see such kinds of relations. Russia will continue to have good relations with the EU; we will continue to develop our co-operation, but the spheres of this co-operation are limited, and on certain issues we already have to develop it in the format of three, four or five countries, the members of this union.

Q241 Lord Radice: In your view, how far is the Eurasian Customs Union compatible with EU free-trade agreements?

Dmitry Polyanskiy: It is compatible with EU free-trade agreements. Our customs union is totally compatible with the WTO, so if EU free-trade agreements are WTO-compatible, they should be compatible with the customs union. For example, if country A has an FTA with the EU, it may conclude an FTA with the Eurasian Economic Union without any problems. We have a practical illustration of such a situation. Customs union countries have been involved for many years in FTA negotiations with EFTA. EFTA, as you all know, not only enjoys a free-trade regime with the EU but has common economic space, and there were absolutely no contradictions during these negotiations. The customs union members pursue common trade policies vis-à-vis third countries, and in the EU or any customs union it is the same. They have a common, unified customs tariff, and they conduct free-trade agreement negotiations together. We now have FTA negotiations with a number of countries, and we believe that they are all compatible with WTO norms and practices.

Lord Radice: So you think that there are, therefore, avenues for co-operation between the EU and the Eurasian Economic Union.

Dmitry Polyanskiy: Yes, of course.

Lord Radice: Can you give us some suggestions?

Dmitry Polyanskiy: For the two blocs, the two unions, of course there are avenues for co-operation, and since the very beginning and for many years we have spoken about common economic space, for example. There was a working group on common economic space 10 or more years ago, co-chaired by Christopher Patten and Kristenko, who is now Chairman of the Eurasian Economic Commission. There was a report, based on which four common EU-Russia road maps were elaborated on and adopted. The first road map tackled specifically the issue of common economic space. This is more about the streamlining of technical regulations, for example comparing trade regimes. This is possible right now, and

in the medium or long-term perspective we would be ready to negotiate even a free-trade agreement between the two unions. This is the only format where this free-trade agreement is possible right now. It is not possible between Russia and the EU any more.

Q242 Lord Jopling: You told us that Armenia is of a mind to join the EEU, and that is obviously a matter for them, but there are highly controversial territories. I wonder if you could tell us what relationship there will be between South Ossetia, Abkhazia, Transnistria, and the EEU.

Dmitry Polyanskiy: The establishment of the EEU, as far as I am informed, does not change anything in the situation of these territories. You are absolutely right to call them problematic territories, and their status is not very well defined. The establishment of the Eurasian Economic Union does not contribute to the further definition of their status. It does not give any idea of whether they would be involved in the common work within this union or not. I do not think that these issues are really interlinked.

Lord Jopling: It is not only their status but their relationship. What relationship will those territories have to the EEU?

Dmitry Polyanskiy: They will not be members of the EEU. While Russia acknowledged the independence of Abkhazia and South Ossetia, and we have embassies there and diplomatic relations, Belarus and Kazakhstan did not acknowledge their independence. That is why they are not participating in the union. There are certain rules, for example rules of origin, and based on these rules of origin it is very easy to detect the origin of goods if they come from these territories. For example, if Belarus and Kazakhstan do not want these goods to enter their markets, they have means and tools to prevent that, if that is what you mean.

Q243 Lord MacLennan of Rogart: I would like to ask you a question about the history of the conflict over Ukraine. We have had different views expressed to us. Could you set out your understanding of the prelude to this crisis? What mistakes were made by the European Union and Member States, and in turn what mistakes do you think were made by the Russian Federation?

Dmitry Polyanskiy: These are, of course, very tragic developments that we see right now in Ukraine. We are very worried about this. We cannot help being worried, because there are a lot of things that link us with Ukraine. We have very close and clearly seen people-to-people contacts with them; we have a lot of relatives in this country. This is why we cannot ignore what is happening there.

At the genesis of the crisis, Russia's mistake was that we were not very insistent when we tried to convince our European partners that our common neighbours should not be put in a position of choice between Russia and the European Union. For many countries, like Ukraine or Moldova, it is impossible to make such a choice. These countries should be in a position where they can develop the best possible relations with both Russia and the European Union, or now with the Eurasian Economic Union and the European Union. I mentioned already these four road maps. If I am not mistaken, there was a third road map on external security, and in the preamble to this road map we specifically stated, together with the EU, but in a very mild form, that there should be no competition of integration processes in Europe.

We tried to help Ukraine. We subsidise, to a large extent, the Ukrainian economy; we maintain specific tariffs for Ukraine, and we were absolutely ready to preserve the best possible relations with this country. A very common misperception that I came across during these days was that Russia was blackmailing Ukraine and forcing it to join the Eurasian Economic Union and that Ukraine only had the choice to pretend to be a candidate to join the European Union or to join the Eurasian Economic Union, which was not true. I was involved in this work with the Eurasian Economic Union since the very beginning, and the issue of Ukraine as a member was never on our table. We were not establishing this union for the sake of Ukraine. We had, and have, enough problems in the triangle between Russia, Belarus and Kazakhstan. There were certain opinions, and you know that there are figures showing that it would be beneficial for Ukraine to join the Eurasian Economic Union, but this is only statistical data. It is no political incentive. It was, and it is still, for Ukrainians to decide.

We made a clear signal to the EU that we were happy with Ukraine as it is. We were not pushing it to join the Eurasian Economic Union; we just wanted to point out that if Ukraine, as we heard on several occasions, wants to preserve the same level of relations with CIS countries, namely with Russia, and if Ukraine wants to fully enjoy all the benefits of the free trade area of the CIS, there are certain provisions in the draft Association Agreement that would hinder this. It would not be possible for Ukraine to sign an Association Agreement and preserve its current situation as a privileged partner.

Lord Radice: Do you mean the EU Association Agreement?

Dmitry Polyanskiy: Yes, the EU Association Agreement. That was our point, and that was the only reason why we were criticising the EU-Ukraine rapprochement. It was not possible for us, unfortunately, to examine the Ukraine-EU association agreement for quite a long time. When the Eastern Partnership was launched, we contacted the EU, of course. Since the very beginning, we made it clear that this partnership was not good for Russia, because Russia is not planning to join the European Union, and this programme is for countries that are EU-oriented. Russia, given its size and importance and its geopolitical situation, cannot afford to be part of this programme. It does not mean that we are hostile to this programme; we just think that it is not well tailored for Russia.

We contacted the EU on several occasions, trying to ensure that this programme would not lead to exactly the situation that we have right now, where our common neighbours are put in a position of choice and can no longer maintain the level of relations they want with the Russian Federation and our partners in the customs union. We got reassurances from the EU on several occasions, on technical and political levels, that everything that was being done within the framework of the Eastern Partnership would not affect Russian relations with these countries—that they would have absolute rights to continue like this.

Unofficially, the Association Agreement was published in December 2013, I think, but officially the version that was worth analysing appeared to be published last summer. Only then could we examine not only the text of the agreement but the annexes, which are very important. There were specific quotas in these annexes; there were specific, very technical data, which clearly showed to us that with such an agreement Ukraine would no longer be able to maintain the same level of relations with us on the one hand. On the other hand, there was a big risk of either EU products entering Russian markets at lower rates than we have now, or Ukrainian products being pushed from the domestic market to enter the

Russian market. We made these calculations, and showed our partners in the EU on several occasions what our concerns were. But the EU tried to present this situation as geopolitical pressure from Russia: that Russia, if I simplify it, does not want to lose Ukraine, which is why Russia is involved in this struggle, and that Russia wants Ukraine to join the Eurasian Economic Union, which was the only target of Eurasian economic integration. As I told you, that is not true.

There is also one very important point to make. I am sorry, I may be deviating a bit from answering, but it is important for me to say this. There was a question about free-trade agreements and whether they were compatible with the Eurasian Economic Union. The Deep and Comprehensive Free Trade Agreement that is part of the Association Agreement goes much further than any so-called standard free trade agreement, and this is a problem. For example, if Ukraine signed with the EU a treaty comparable to, let us say, the EU-South Korea FTA, there would have been absolutely no problems for Russia, because it does not contain provisions for South Korea to adopt EU regulations, for example, or EU technical standards. This is an agreement between two equal parties, whereas in the EU-Ukraine Association Agreement the situation was absolutely different. Those were the reasons why we were critical of this agreement, because you may also very frequently come across criticisms vis-à-vis Russia that Russia is criticising a free-trade deal between the EU and Ukraine.

Q244 Lord MacLennan of Rogart: Can I ask how you communicated these differences of opinion to the union and to its members, and when you did that?

Dmitry Polyanskiy: As I have already said, we started to do this the moment we saw the agreement.

The Chairman: Can you say that again?

Dmitry Polyanskiy: It was last summer, officially. Unofficially, of course, we were meeting the EU experts. We were saying that we had very good reasons to believe that we were facing a big problem with the EU on Ukraine, but when we asked to be given a copy of this draft agreement, we got a refusal both from Ukraine and from the EU. They said that it was a question of negotiation tactics that these agreements are not published until a certain point in time. There was, by the way, the same problem with Moldova. Moldova was eager to conduct negotiations with us on the possible consequences of signature of this agreement, but we never got the text, and without the text there is nothing to negotiate, because the devil is in the detail. We need to see the annexes, the exact figures, and these were, as we were told by the EU, secret until a certain point in time. It was revealed to us only last summer.

Since then, my colleague Ambassador Chizhov, whom you also met, was very active in communicating these concerns to the European Union. I myself was in Brussels twice, and I met Mr Gunnar Wiegand, whom I think you also know. We were trying to show with concrete figures, with concrete data and information, that we were heading towards a big crisis, but instead we got only reassurances that this was the free choice of Ukraine, that Russia should not interfere, and that Russia was trying to re-establish the Soviet Union and bring in Ukraine and our behaviour was not decent. The only practical result was achieved in September of this year, when our Minister of Economic Development, Mr Ulyukaev, visited Brussels and held talks with his colleague Mr de Gucht. They agreed on the suspension of

the implementation of the CFT parts of the Association Agreement until 1 January 2016, which means that next year there will be no immediate danger from these provisions to the customs union, because, we hope, they will not be introduced. Again, this was not written; it was just a gentlemen's agreement. I hope it will not be violated. We, on the same occasion, submitted a very lengthy paper not only to the EU but to individual Member States. I am absolutely sure that in the UK your colleagues in the Foreign Office also received this information.

Lord MacLennan of Rogart: When was the paper submitted?

Dmitry Polyanskiy: September, or maybe the beginning of October. In this paper, we summarised all our concerns about this agreement, where we saw dangers, and what the reasons were for our position. There was also a written message from our President, Vladimir Putin, to his counterparts across the European Union, with an appeal to start common work and see what can be changed in this agreement, because our position is that suspension of this agreement is of course a good decision—it is better than nothing—but it does not solve the problem. The problem is in the text, so if we want to reword the text, given the fact that Russia was not consulted at the very beginning about these provisions that affect us directly, we should find a common formula for how to change these provisions of the text and the problem will be solved.

Until now, what we have heard from the EU side has not been very encouraging, because the position is that suspension is one thing but changing the text is absolutely unacceptable to the EU. I need to say that this was mostly the position of the previous commission. The new commission, I think, was not very clear about its position vis-à-vis this agreement, but this will happen quite soon, I think. Commissioner Malmström will formulate her position on this issue. We already proposed a number of meetings with our EU counterparts in the new European Commission, and we hope that they will help us to understand what the new position is of the new group that has come to leadership in the European Commission. This is more or less the situation.

The mistakes of the European Union are quite clear, from what I am seeing. The problem with the European Union approach in general is that it is very difficult for the European Union to accept that there are countries in Europe that are not EU-oriented, if I can put it that way. Russia is a big country. We want to have as friendly relations with our neighbours as possible. The same is true for the EU, but there should be equal relations with Russia. We cannot afford to change our legislation, and the partnership does not work one way. The EU is not eager to change anything in its ways of behaviour or its legislation because of Russian interests, for example. I have been dealing with the EU for more than 10 years, and the only time I remember the EU changing something in its legislation was the situation with Kaliningrad transit, when two transit documents were introduced with EU regulations: a facilitated rail travel document and a facilitated transit document. Two pieces of legislation were introduced because of Russian concerns. All the other things are limited to “take it or leave it”: if you want it, you accept it; if you do not like it, well, that is your problem.

This is a problem for us, because we live on the same continent and we do not want to become a member of the EU, for many reasons. We are a big country. I may be mistaken, but my perception is that the EU does not view this situation as normal. The EU cannot accept that there can be other countries, such as Ukraine, Moldova and Georgia, that can be neither in the EU nor in the Eurasian Economic Union. They can live like they are, and there

is no problem with such a situation. This mentality pushes the EU towards certain moves vis-à-vis these countries, towards trying to embrace them into the European family without any reason. It is up to Ukrainians, of course, to decide, but they do not have a concrete prospect of membership in the European Union, and at the same time they are forced to make concessions that are comparable to the concessions that countries like Poland or the Baltic states made on the eve of EU entry. These countries—Poland and others—had Europe agreements that consisted of many financial instruments that are not available to Ukraine, so the logic is the same but the situation is different. That is the problem for the European Union, in my understanding.

Q245 Baroness Young of Hornsey: Briefly, because you have already covered some of the points I would expect from you, given your account of the build-up in tensions and your ascribing particular characteristics to the EU and mistakes that have been made on both sides, and with the benefit of hindsight, was there a point that you could identify where the escalation could have been stopped? Was there a point at which the tension could have been de-escalated, and what kinds of actions might have been taken in order to take some of the heat out of what was building up?

Dmitry Polyanskiy: You mean the specific situation with Ukraine?

Baroness Young of Hornsey: Sorry, yes.

Dmitry Polyanskiy: Yes. My understanding is that we had a good chance to avoid these problems, and you may not agree with me, but this was the situation when former President Yanukovich decided not to sign the Association Agreement. He explained that he did not want to do so because the consequences of the implementation of this agreement were not clear, and were doubtful for the Ukrainian economy. He clearly stated this, and he also proposed a three-party format for discussion between the EU, Russia and Ukraine for how to move forward. But instead of accepting this proposal and creating such a mechanism, which it was not too late to establish at this point, the EU—again, this is my estimate—did everything to facilitate the power change in Kiev, and the team that came to power after that seemed pro-European. But at the same time if you thoroughly analyse even the declarations that were made by Prime Minister Yatsenyuk, he was also doubtful about the effects of this agreement, so he also understands that it is not 100% clear how this agreement will affect relations between Ukraine and Russia, or Ukraine and the customs union. Again, the message was the same: let us sit together and compare notes, and let us see what we can do to avoid such a problem.

Was it really worth losing a lot of innocent people's lives to come to this situation once again, where this agreement is de facto suspended? The arguments are the same. The genesis of the problem is the same, but you are absolutely right: the situation has now gone very far. My opinion is that back in November, when there was the Eastern Partnership summit in Vilnius, and before the summit President Yanukovich made a U-turn that was very surprising to many when he said that he was not going to sign this agreement in Vilnius, that was the point at which we could have avoided everything that is happening right now.

Lord Jopling: Mr Polyanskiy, I do not follow your arguments, quite frankly. You have twice this morning used the phrase—I wrote it down—"It is for Ukrainians to decide". You have twice said that, implying that Ukraine as it is is a sovereign nation and that it is for them to decide. When this Committee took evidence from Mr Demarty, the Director General of DG

Trade, he told us that the implementation of the free-trade area would mean, “gradual development of a level playing field in the Ukrainian market. That means that EU and Russian products would compete on equal terms”. He went on to say that, “that is what Russia means by detrimental impact on its economy”. It seems to me that on one hand you are saying that Ukraine can make its own decisions, and then you are telling us that you do not like a situation where the Ukrainian market will be open to both sides on an equal footing. I am totally confused as to what your argument is. If you think that it would mean a fair and open market in Ukraine for both sides, and that is what you do not like, will you tell us why?

Dmitry Polyanskiy: Thank you for this question. Such questions are quite frequently asked of us, and I reiterate with pleasure for the third time that it is up to Ukraine to make such decisions as a sovereign nation, and we respect these decisions. I have pointed out since the very beginning that our whole approach towards this situation was based on the declarations of the Ukrainian leadership at that time—President Yanukovich and Prime Minister Azarov—that they wanted to keep the same level of economic relations with the EU and with Russia. If they were not saying this—if they were saying, for example, that they were interested only in the development of good trade and economic relations with the EU and that they would sacrifice their interests in the Russian market—we would have absolutely no reason whatever to voice our criticism. But we tried to analyse whether it was compatible to move in both directions, as Prime Minister Azarov and President Yanukovich wanted. Was it possible to create specific economic relations with the EU on the basis of the draft Association Agreement, and to preserve the same level of economic relations with Russia? We came to the conclusion that it is not possible.

I will explain it to you, and it may be a bit primitive. It is more sophisticated than I put it, and this sophistication is well reflected in the document that I mentioned. We transferred this to the European side. It is about 40 pages, so I do not think I need to enumerate all of these problems. We now enjoy free-trade relations with Ukraine, so there is a zero tariff. As for the EU, we apply the “most favoured nation” treatment. There is a certain tariff for goods that enter from the European Union. If we take, for example, Ukrainian agricultural products, the free trade zone is established between the EU and the Ukraine in this regard. But when you try to analyse this agreement, you will see that, first of all, only the Ukrainian products that meet European technical requirements are entitled to enter the European market. Secondly, for many such products, there are very small—even laughable—quotas. After the implementation of this agreement, Ukraine will be able to export quite a lot of agricultural goods in much lower quantities than it does right now.

On the other hand, there are no limitations for EU products entering Ukraine. Let us take butter, for example. European butter will enter Ukrainian markets. Ukraine, having the right to export butter to the European market, will use only a tiny fraction of the possibilities, because the production of butter does not meet EU technical regulations, and the quotas are laughable. Then, of course, Ukrainian butter will be pushed from the Ukrainian market by European butter, because it is more competitive; you know that there are subsidies in the European Union, and the initial price of butter is lower than in Ukraine. Also, Ukrainian consumers—it is a psychological phenomenon—will try to buy new products, so where will Ukrainian butter go? Where do you think it can go? Of course, it will go to Russia. Almost the whole quantity of butter that is now domestically produced in Ukraine will try to enter the Russian market, and we also have our producers of butter.

We thought that this situation was covered by Annex 6 to our free-trade agreement within the framework of CIS. It means that when we see that there is the great danger of inflow of goods to our market, we can introduce certain defensive, protective measures in our market, and that is what we were speaking about. We were planning to downgrade, I would say, instead of zero tariffs, to introduce most favoured nation treatment to Ukrainian butter. That is quite legal, and it corresponds to the requirements of the WTO and at the same time the requirements of the CIS free-trade agreement. No one could criticise us for this. It is not only butter, of course, but other products. I am not even speaking about the danger of smuggling of European butter through the Ukrainian border. We unfortunately faced this situation in Moldova. When Belgian butter came to Moldova, it simply changed cover and went to Russia. They did not even bother to change the contents of the package, which said that the butter was produced in Belgium, but the cover said that it was Moldovan butter. Of course, there will be people who are tempted by such illegal practices, but I am not mentioning that right now.

There are also problems in, for example, industrial production. When Ukraine introduces EU technical regulations, it will no longer be able to export many products of the steel industry, for example, or railroad vans to Russia, because they will not meet Russian technical regulations or customs union technical regulations. We are always for dialogue between the European Union and Russia—now the European Union and the Eurasian Economic Union—to make these technical regulations compatible, but they are far from being so at the moment, and in practice this will mean that these plants, which account for quite a big portion of Ukrainian GDP, will simply cease to exist, because their production will not be welcome in the European Union and will be no longer welcome in Russia. It is up to Ukraine to decide. We do not even raise these points when we speak with our EU counterparts, but we are afraid of the social implications of such a situation—unemployment, social protests, the impoverishment of the population, and so on and so forth—because we are neighbours. You know that there are quite a lot of Ukrainian migrant workers in Russia who are interested in continuing to work in Russia.

If I may just continue this idea, you say that it is the choice of the Ukrainian people and that we need to respect it. We will respect it, I assure you, but let us take another situation. Let us take Moldova, for example.

Q246 Lord Jopling: Can I just come back to you on the point that you have just been making? Does it not occur to you that there are factories around the world that are producing different products within a factory to match the market that they are supplying? It is perfectly possible that if Ukrainian businesses are making whatever it is, they would, in the same plant, be making equipment that was necessary for the European market, and different equipment, altered slightly, to deal with regulations in Russia. There is nothing new in that, and I do not see why you have to make a point about it.

Dmitry Polyanskiy: You are absolutely right. There are such factories, but the only question is about money and investment. You need a lot of money to be invested in such plants, and there is no such money for Ukraine, I think, in this Association Agreement. There was such money for Poland, for example, when it joined the European Union, but not for Ukraine. The financial scheme of such a situation was not elaborated on. This is a good solution, but our technical experts, when they met our European and Ukrainian counterparts, could not find a

magic formula that would accommodate our concerns, Ukrainian concerns and European concerns.

Lord Radice: When was this?

Dmitry Polyanskiy: Again, after we saw the text of this agreement for the first time, in the summer of last year or sometime in the autumn. I myself was present at a conference in Kiev maybe two weeks after the publication of the official text of the draft Association Agreement. It was the first conference that the Ukrainian Government conducted on this topic, and for me the situation was very strange. There were very optimistic declarations from Ukrainian officials, which were met with absolute, industry-specific criticism from the point of view of business, agricultural associations, fishermen, and so on and so forth. They were all trying to show their concerns, because these issues were very badly elaborated on before proposing this agreement. Business was not involved in the negotiations, the trade unions were not contacted during the negotiations, and so on and so forth. I got the picture, being in Kiev, in Ukraine, in July, I think, last year, that for Ukrainian society this agreement and its contents were a total revelation. Of course, certain people are in a position to make a choice for the whole country. They are elected and they enjoy certain power, but when an elected President says that there are enough reasons to believe that this agreement needs a second thought, this opinion should also be respected.

If I may say several words about the will of the Moldovan people, of course we respect the will of the Moldovan people as well, and we are absolutely sure that Moldova will take the right steps and decisions according to the interests of the country. But we all saw the latest parliamentary results in this country. You all saw that despite very active efforts—I would not use the word “propaganda”—to show the Moldovans the benefits of the European choice, this country is still divided almost 50:50. You can also add to these votes the number of people who could not vote, for example, in Russia. There was a scandalous situation in Moscow. There are about 1 million Moldovans working in Russia, 700,000 of them in the Moscow region, and there was only one polling station there. About 600,000 people could not cast their vote, and there were, if I am not mistaken, only five polling stations in the whole of Russia. For comparison, in Italy, where there are about 200,000 immigrants from Moldova, there were 27 polling stations. It means that these 600,000 votes, which presumably could have been cast in favour of the customs union, simply were not mentioned. They were not counted properly.

I am not criticising the result of the elections. I am telling you this to show that no matter how active the agitators are for the EU choice, these countries are still divided, and when a certain option is being forced on them, it leads to problems. Russia, the Eurasian Economic Union and the European Union should simply accept the reality that our common neighbours should not be put in a position of choice. They should enjoy similar good relations—trade, economic and others—with the European Union and with the Eurasian Economic Union.

The Chairman: Lord Trimble has a supplementary. Could I ask you to be a little briefer? Time is passing.

Lord Trimble: Just following on from what you have just said about people making a choice, and the choice being respected, do people also have a right to the territorial integrity of their state, and should that not also be respected?

Dmitry Polyanskiy: Yes. Do I need to comment, or was that your opinion?

Lord Trimble: I just wanted to get you on the record saying that you were going to respect the territorial integrity of Ukraine.

Dmitry Polyanskiy: There is also people's right to self-determination, which is part of the UN charter as well, and this right should also be respected. I know that this is a dilemma of international law, but there are still such provisions.

Q247 Baroness Coussins: We have heard from other witnesses that within the institutions of the EU there has been a decline in Russian language skills and in analytical capacity on Russia. Would you agree with that? In the context of the discussions that you are involved in with the EU and Ukraine on the DCFTA, how would you assess the capacity and the expertise of your counterparts within the EU?

Dmitry Polyanskiy: I think the problem is a bit different. On language skills, I do not think that there is a problem with EU experts speaking the Russian language, for example, because there are a lot of new EU member states whose citizens still speak or understand Russian. I know that a lot of them now work in EU institutions, and my experience shows that in every negotiation we came across certain persons speaking Russian at the same level as we do, so it is more or less their native tongue. This is not the problem. The problem is that when the EU was about to enlarge, we spent many hours with our counterparts in the European Commission showing them that the degree of rhetoric and the arguments used in certain Eastern European or Baltic states were too critical vis-à-vis Russia, and too unjust. These countries were, if I may use this expression, playing the Russian card for their internal politics. We asked the European Union what the forecasts were—what they thought would happen after these countries joined—because we were afraid that this would be the voice of the EU. We got reassurances that these countries were, at this point, alone. Russia is a big country. They were vulnerable because of their proximity to Russia, and when they joined they would be calmer and the rhetoric would change, and of course the EU would speak to Russia with the same voice. But unfortunately this never happened.

What happened is that first of all the EU is now speaking the same language that I heard 10 years ago in the Baltic states or in Poland. Very importantly, also, a lot of specialists from these countries try to be employed in the DGs or units dealing with Russia. Of course, they introduced their own understanding and experiences of how to deal with Russia and how to solve problems with Russia. I do not know whether it is deliberate or not, but there are fewer and fewer citizens of Germany, Great Britain, France and Spain—the so-called older member states—working in these units. This contributes to the fact that the analysis of situations in Russia during recent years has changed a lot from what it was five, six or seven years ago. That is maybe a more correct explanation of what is happening right now.

Q248 Lord Foulkes of Cumnock: Can we go back to relations between the European Union and Russia? You gave us lots of detail about problems in trade and economic relations, but we have heard from other witnesses about the decline in relations between the European Union and Russia over the last decade in particular, and it has been suggested that Russia has grievances about NATO expansion and that perhaps the European Union is trying to exploit the fall of the Soviet Union. Do you, personally, think that the European Union has had a malign attitude towards Russia?

Dmitry Polyanskiy: I would not single out the European Union in this regard, because the European Union is an economic bloc, and a bit political as well.

Lord Foulkes of Cumnock: I mean as well as the union itself—the Member States of the European Union.

Dmitry Polyanskiy: That is quite a personal question, and I will try to give my opinion of what is happening and what has happened. The fact is that we had a very good chance after the break-up of the Soviet Union, after the end of the Cold War, to turn a new page in our relations with the West and to integrate Russia into the whole big European or trans-Atlantic family. I remember how enthusiastic we were at this time, how new everything was to us, and how we were astonished to discover that another world existed behind the Iron Curtain. But the fact is that not one of us really had the feeling that we lost this Cold War. Everyone thought that we were also the winners, because the whole world was the winner. We got reassurances—at least, that was how Mr Gorbachev translated them to us, or others, such as Minister Kozyrev, translated them—that there would be no further expansion of NATO: that NATO was something from the past, that there would be new mechanisms, that there would be inseparable security for everyone, including Russia, and that this mechanism would be created and so on and so forth. Everyone was very optimistic.

But then it turned out—and now this is very clearly felt—that the main starting point of the new antagonism was that one nation was the loser in the Cold War, and as a loser it has to bear certain consequences of this defeat. This opinion is not popular in Russia; I am not even speaking about the leadership of Russia, but about common Russians. We are now, more or less, the same as you are. If you visit Russia, you will see that we are normal people. Of course, we have certain peculiarities in our democracy, but no one will compare the Russia of today with the Soviet Union of the past.

Lord Foulkes of Cumnock: I agree with that.

Dmitry Polyanskiy: There are economic freedoms in Russia. We are ready to engage in this co-operation, but we are now on the brink of a confrontation comparable with the Cold War, and we are also asking, “Why is this so?”. Nothing has changed for us. We are different, so how can the same approach be taken 20 years ago and now to us common Russians living in this country?

Lord Foulkes of Cumnock: I am not sure that you are right in assuming that there has been this attitude—that we are the winners and you are the losers. I remember the Soviet Union very well; I visited different parts of it on a number of occasions. I have also been back, since it is now Russia, and I can see the differences, and I am very encouraged by many of the differences, but I just wonder if there is an attitude there that there has to be a loser and a winner. We can both be winners, and we both should be winners. That is the whole idea of how we see it, but do you think that Mr Putin sees it that way, or is he somehow concerned that the Russian people will blame him if he does not, figuratively as well as literally, flex his muscles?

Dmitry Polyanskiy: Mr Putin is our President. He is an elected President. He enjoys big support in Russia, and these are not merely figures; you can see in Moscow and in other places that he is very popular. He is very popular also because he preserves Russian dignity. It is not that Russia wants to dictate its will to the whole world, but Russians want to be respected. We have our own interests. We think that there can be a partnership of

interests between us and the West. That is why President Putin put forward quite a lot of initiatives that are now on the shelf that could have helped to solve this situation. You will remember the treaty on European security, for example. It was put forward by Medvedev, but we all worked on this. You will remember a lot of initiatives on how to use the OSCE format, for example. But in any case they were rejected, and Russia felt a bit cornered and in a situation where it had to somehow defend itself, not physically but to give arguments for why it was doing this or that thing.

Lord Foulkes of Cumnock: Who do you think are the antagonists, or the agitators, in the West? I do not like the phrase “the West”, so who in the European Union and America? Who do you think are the main problems as far as recognition of the position of Russia is concerned?

Dmitry Polyanskiy: My personal perception—and there are a lot of people who share my position—is that the role of the United States is quite clear and quite negative in the whole situation now about Russia. The United States’ role in Ukraine, for example, is quite clear for us. We had very many situations where we got the clear impression that the EU was acting because the United States had a strong urge for the bloc to act like this. We do not know why. Maybe it is because we do not have such big trade and economic interests with the United States as we do with the European Union.

Lord Foulkes of Cumnock: What do you think of the German role specifically?

Dmitry Polyanskiy: You know that Germany is one of our most important partners in Europe, or in the world. We have very big interconnections in business. We feel that Germany is now a bit frustrated because of what is happening, but we all hope that common sense will prevail and that our German friends will play the role that they usually played in the European Union and elsewhere, when they understood our positions and how to present our positions and our arguments. What is very disappointing is that we are now losing the channels for dialogue with Germany. The Petersburg Dialogue is now at risk, and when we need to solve problems we need to speak. When you do not speak, of course, you do not solve problems.

Lord Foulkes of Cumnock: There are a lot of mutual problems that you have and we have: Islamic terrorism and how to deal with Iran, for example. We should be working together on those. If the channels are not there, what channels, or what mechanisms, would you suggest?

Dmitry Polyanskiy: My opinion is that a lot of principles of international behaviour that were somehow formed during these 10 or 15 years could have been revised to make these things possible. We absolutely share your position that we have a lot of challenges in front of us to tackle, and these challenges are far more important in comparison to what is happening right now. We are now losing channels and roads to dialogue to deal with these important problems. That is why we think that a certain rethinking of what is happening right now, a certain brainstorming about why we are in such a situation, is necessary, and the sooner we do so the better but, of course, without any preconditions. Some sort of reset of what we are having right now, including the situation with NATO and the situation with European security, would be helpful, and I think it is inevitable at some point.

The Chairman: What do you see as the United Kingdom’s role in this?

Dmitry Polyanskiy: Our countries have been linked with each other during history. It is very difficult to cast a shade on our relations with the UK or with other countries because of what has happened over only 10 or five years. The Chinese, for example, think in centuries. For them, 10 years is nothing, and they need to look forwards and anticipate problems. We know that the United Kingdom is a very influential member of the European family—and of the western family, if I may put it this way. We see that a lot of people understand, and try to make their own impression of, what we are doing. That is very encouraging. We think that the United Kingdom can be one of the locomotives of such change, and of course any scheme for a way out of what we have right now would need the United Kingdom, that is for sure. My colleagues from the embassy will also confirm that we are in favour of very good relations with your country, and we have a lot of mechanisms and means to ensure this.

Q249 Baroness Henig: What was just said rather leads to my question, so maybe I will put it in next, because I am very interested in everything you have had to say. My question concerns the future, which is, in a way, what you are talking about as well. You have told us why the Russian Federation was critical of the Eastern Partnership, but you also referred to the new Commission team in Europe, and I think you said that you hoped that might bring some change in approach. Now, we know that the EU is going to undertake a review of the Eastern Neighbourhood Policy, including the Eastern Partnership. In your view, what do you think the review should consider, and what could be the possible principles of a revised EU Neighbourhood Policy that could serve to bring the sides together rather than perpetuate the problems?

Dmitry Polyanskiy: Thank you for this question. I already mentioned that the EU needs to understand that there can be other countries in Europe that do not try to be, or feel like being, in the orbit of the European Union—that do not put in front of themselves the target of becoming a member of the European Union. This situation is not a danger for the EU. That is a basic assumption from which our European friends can proceed when revising the Neighbourhood Policy. It is not the expansion of the bloc. I do not think that the only way forward for EU-Ukraine relations in the long term should be membership of Ukraine in the European Union, or membership of Turkey in the European Union. There can always be a formula for the interests of all parties to be respected without becoming a member of the European Union. That is my perception.

As for the Eastern Partnership, we know that there will be a summit in Riga next year, where the EU seems to be preparing a revision of this programme, but my humble opinion is that it would be very difficult to proceed with the Eastern Partnership as it is right now. There are three countries that signed Association Agreements, or were, since the very beginning, preparing to do so: Ukraine, Moldova and Georgia. You all know the situation of Armenia. Armenia hesitated for a long time, because it also wanted to preserve the best possible relations with the customs union, and then it decided to join the customs union, but it could not find in the draft Association Agreement provisions that would allow it to act so. That is why it had to reject it. It means that the whole concept of the Eastern Partnership, in my opinion, was a bit erroneous, and maybe the EU should think of something new—some idea that would be closer to the frank and mutually beneficial dialogue between the two unions, a so-called integration of integrations. We would be very helpful here, and very eager to make our contribution to such a dialogue, but of course it requires a certain boldness on the part of the EU, and I do not know whether it is possible to do so in such a short period of time.

Q250 The Earl of Sandwich: Mr Polyanskiy, you are obviously a very patient negotiator. You have been at it for 10 years with the EU. I hope it is not going to be 10 more years, because we need a breakthrough at a high level. Some of us have just been in Berlin, and we are very impressed by the commitment of Chancellor Merkel. Now, is it going to be settled over the question of territorial agreements in Ukraine? That is what I am increasingly thinking. There is no trade content in the big breakthrough, and we have to have a breakthrough. Do you see that being at a European Council level, or just between Heads of State? Chancellor Merkel and Mr Putin are trying that, but they seem to have failed so far. Or is it going to be at a higher, UN level? How do you think it is going to be resolved?

Dmitry Polyanskiy: Only through dialogue, that is for sure—dialogue between all the parties that want to make a contribution. Every input is very valued. I would not limit it to discussions between my President and Chancellor Merkel, for example. There can be discussions with the UK, with Italy and France, so why not with Poland and other countries? We need to find a long-term solution. It is not only finding a way out of the Ukrainian crisis. The way out of the Ukrainian crisis is rather in the hands of the Ukrainians. You may disagree with me, but none of the keys is in Moscow or in Brussels. Some of them are in Washington, and most of them are in Kiev. If Ukrainians want to solve the situation in their country, they have all the possibilities and means to do so. That is my opinion.

Q251 Lord Trimble: When do you think Russia will withdraw its troops that have invaded Ukraine?

Dmitry Polyanskiy: What troops? Do you mean in East Ukraine, or in Crimea?

Lord Trimble: You have acknowledged that there are Russian troops inside Ukraine as we speak.

Dmitry Polyanskiy: There are Russian troops in Crimea, of course, and they were there even before the situation with the peninsula. As for the troops in the east of Ukraine, frankly speaking I have never heard about this. NATO generals sometimes show us certain very vague maps that turn out to be part of some computer games, or something with very low resolution, but personally I never came across real proof that there are Russian troops. I do not expect you to agree with me in this regard. I know that you have a different position.

Lord Trimble: It is not a question of position. It is a matter of the truth, and it is a pity that you cannot speak it.

Q252 Lord MacLennan of Rogart: You have talked about the need for dialogue. Not all 28 members of the European Union have identical views, and in particular, considering the issues of partnership, that may be especially so. What forum do you think might be set up in order to have a continuing understanding of each other? The trade directorate of the European Union may not altogether work closely with the political sections, but we do need to have a continuing and directed dialogue so that we can all understand each other, and so we do not have calamities such as we have had in Ukraine in respect of other countries. What sort of forum would you like?

Dmitry Polyanskiy: Well, we need to find out a certain format for dialogue between the two unions, that is for sure. It does not mean that there will be no Russia-EU relations. Of course there will be, but as I told you there are certain limits to our interactions with the EU in our national capacity in certain spheres that have been transferred to supranational

competence. There are now quite good mechanisms that should be revised, or somehow better used, maybe. I do not think that we have totally explored the potential of the OSCE, for example. It is a very good discussion club, and provided there are no preconditions and no set positions based on erroneous data, which unfortunately happens very often, this organisation could serve a role.

I would also say that we should base it very much on the Security Council. The Security Council remains the pillar in our understanding of world stability and prosperity. We have very strong diplomats in New York. We are ready, absolutely, to engage in negotiations and discussions, formal and informal, on all these topics. The history of diplomacy knows quite a lot of examples of international conferences, for example, that somehow help to reset international relations and solve problems.

Lord MacLennan of Rogart: I was speaking about a continuing forum.

The Chairman: We have been going for nearly an hour and a half. If you could just answer quite briefly, then we will terminate.

Dmitry Polyanskiy: One of the solutions is the OSCE. There should be discussions within this organisation, but of course we can think of some special format. It will not emerge tomorrow. It is very difficult to say that we want this or that format, because it should be the result of negotiations from different positions. The main thing is that all the parties need to not have preconditions, and they should respect each other. They should really want to find a solution and not blame this or that party for some things that are questionable, doubtful or not proven.

The Chairman: Mr Polyanskiy, thank you very much. We have kept you a long time, and we have, I think, a clear understanding of your point of view. Thank you very much indeed.

Dmitry Polyanskiy: The pleasure was mine. Thank you.