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 Inquiry on
THE EU AND RUSSIA

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Witnesses: Dr Tom Casier, Mr Josef Janning and Dr Marat Terterov

Members present

Lord Tugendhat (Chairman)
 Baroness Billingham
 Lord Lamont of Lerwick
 Lord Maclellan of Rogart
 Lord Trimble

Examination of Witnesses

Dr Tom Casier, Jean Monnet Chair, Senior Lecturer in International Relations, University of Kent, **Mr Josef Janning**, Senior Policy Fellow, European Council on Foreign Relations, and **Dr Marat Terterov**, Executive Director and co-founder, Brussels Energy Club

Q110 The Chairman: First, I thank you all very much indeed for agreeing to put evidence to us, and for being here early, which is very kind of you. We have just this moment arrived. I am sure that it has all been explained to you but we are doing an inquiry into the relationship between the EU and Russia. We will be reporting in the first quarter of next year; we need to report before Parliament comes to an end, with the general election. This is a formal meeting of the inquiry and there will therefore be a note taken of the discussion and everything is on the record, but obviously if there is something that you wish to say off the record, please do

so. If at the end you feel that we have not covered something sufficiently, or that you have an esprit de l'escalier of some sort and you want to come back to us, please do, but I repeat what I said at the beginning: we are very grateful to you for agreeing to meet with us at our first meeting in Brussels.

Let me kick off the questions. If you all agree, obviously do not feel the need for everyone to say the same thing, but if you have different views, please make that clear. Let me ask a very obvious question: with a new Commission and a new Parliament, who do you think is likely to lead on policy towards Russia? Would you expect any particular policy shifts arising from the change of personnel and anything happening in capitals that would suggest that there might be? Shall I turn to you, Dr Janning, as you are opposite me?

Mr Josef Janning: Thank you very much. Thanks also for the opportunity to speak here and, hopefully, inform you. As I read the development of the European Union, over recent years the emphasis of key decision-making and core agenda-setting has moved to the European Council. So I see that more clearly now than before that the European Council will be the institution in the lead, despite the considerable experiences of the new President of the Commission and his reputation among his former peers in the European Council. He will not be able to compensate for that, so the tone and substance will be set in the European Council. None the less, I believe that it makes a difference to have Donald Tusk as President of the Council. Tusk will not simply be able to play out the preferences or perceptions he may have or may have had as Prime Minister of Poland. He will need to build a consensus around member states. It helps greatly that he has a very good personal relationship with the German Chancellor. While he would bring to the table a rather keen and sober assessment of what Russia could do wrong and could do badly, with Angela Merkel he has a counterpart who shares his view in principle but is also determined not to close the door on Russia. So in this kind of chemistry alone, you have in a nutshell the principal elements of the compromise that the EU will need to reach. That would rather reinforce the lead role of the European Council.

Dr Marat Terterov: There are two questions here. One is on leadership and one is on, maybe we could say, continuity or change on Russian policy—on our external policy towards Russia. Certainly, they are interrelated and probably the second one, to some degree, is more important for us to see what will actually happen, as opposed to just who will lead. On the question of who will lead, if we talk about the institutions themselves—that is, the EU institutions—I think it would fair to prognose or suggest that there would be significant leadership taken in the Council. There is certainly substantial European heavyweightedness there in terms of personalities. Certainly they are very experienced people who can take it on themselves to show leadership. Yes, we will see that.

I would add two caveats from my humble experience of having lived in the city for seven years and working for an international energy agreement, the Energy Charter Secretariat, as well as being very much involved in the NGO environment that deals with the institutions. One caveat is that I would certainly like to see more leadership from the Office of the High Representative for Foreign Affairs. In principle, we had a lot of scepticism, on the record and off the record, about the last—outgoing now—High Commissioner for Foreign Affairs in terms of capacity to deliver change and policy of genuine interest to, let us say, the EU 27—now EU 28, of course. You have to appreciate that I am a historian as well as a geopolitical analyst and given the geopolitical climate in which we are operating at the moment—with the Ukraine, Middle Eastern issues, Eurasia and energy security issues—we probably have not seen as much delivery from the last high official for foreign policy as we would have liked to. We hope to see more from the current Italian Foreign Minister who is just coming in to that post. However, there is, I must admit, some degree of scepticism within the EU institutions

and in the member states, as well as broader, analytical stakeholdership community about the capacity of the new person to deliver. Certainly, I know that there is a lot of, let us say, scepticism within members of the so-called new European circles—eastern European countries—and there was much more, let us say, hope that someone such as the Polish Foreign Minister, Radolsław Sikorski, would in fact be endorsed as the new representative and that in this time of geopolitical challenge with Russia—

The Chairman: But he was not.

Dr Marat Terterov: But he was not, so let us say that I am sceptical about the Office of the High Representative. I would also like to say that the European Commission should not be ignored in this context. We have certainly seen in the past the EU-Russia energy dialogue—the formal energy dialogue, which was founded in 2000—which came from the Commission, from individuals within the Commission who were very much involved in engaging Russian counterparts in the Ministry of Energy and other government circles. There are still a few people around in the Commission, who would probably play a more supporting role. So I would qualify the question of overall leadership.

Dr Tom Casier: Thank you very much for the invitation, first of all. I would agree with Professor Janning that I would expect the President of the European Council to play an important role, especially given his past and the way in which the role has been developed by his predecessor, Van Rompuy, who played quite a high-profile role in international relations in the foreign policy of the EU. What will be interesting is to see to what extent the line will be pragmatic, or whether we will see the new leader develop a more strategic vision for relations with Russia. This is what has mainly been lacking—a strategic vision for relations with Russia as well as for the European Neighbourhood Policy and the Eastern Partnership.

Mr Tusk is potentially an interesting person to take the lead on that because he is known as being rather pragmatic, but he has a very clear opinion on Russia. He has enough political weight to fulfil the expectations, not only because of his role as Prime Minister but indeed because of his close links with Germany and the German Chancellor.

The second important point will be the link to the European Commission and the question as to whether Mrs Mogherini will fulfil a different role there, being better at establishing that bridge between the European Commission and the European Council. I am curious also to see what role Mr Timmermans—the former Dutch Foreign Affairs Minister—will play, especially as he played an important role after the downing of MH17 and was maybe one of the builders of a new consensus, which may create the right momentum within the European Union for a more coherent and consistent policy, vis-à-vis Russia.

Mr Josef Janning: If I may, I would like to add a sentence to this because it might come back in the discussion. I think that the new strategic vision argument is a very interesting one, because most of the time during EU discourse it means that we are taking the moral high ground.

Dr Marat Terterov: I agree.

Mr Josef Janning: If the new leadership of the EU is all about the strategic vision, it probably has to be a rather pragmatic or realistic one. It would probably be the departing point from present policy, which is very good on paper but has little effect on Russia. If we are really going strategic, then first of all we will have to face the realpolitik. That would be the driving element of a strategic Russia policy.

The Chairman: That leads on to your question, David.

Lord MacLennan of Rogart: Before that, I just wanted to ask whether it would not be more difficult to reach a consensus within the Council than it would be within the Commission. I am thinking particularly of Hungary and Viktor Orbán at this point. I wonder if he will align himself.

The Chairman: We will be coming to that.

Q111 Lord Trimble: A number of witnesses who have already given evidence to the Committee have said that the EU—by which they were referring to both member states and the institutions—has suffered a loss of collective analytical capacity with regard to Russia. The result is that the EU may have lost the capacity to act strategically in its dealings with Russia, which is a polite way of saying that they blundered into this confrontation. Is there a need to rebuild capacity and how could the European External Action Service be, as it were, bolstered?

Dr Marat Terterov: I will answer because it follows on from what you have just said. In fact, you have already started talking about strategy and the moral high ground. That is the line of discussion. We are not quite the United States of Europe so it is not that straightforward either in the way the institutions themselves work or in the positions of the member states, particularly after 2004. I have always said that, since the big-bang enlargement of 2004, we have not really considered the situation properly in respect of our energy security, in particular our transit security. No one was talking about transit security before 2004. After January 2006 we started to talk about it, while after January 2009 it was a hot topic. That is the first thing.

The second thing is that, broadly speaking, I would agree with the statement. The question before me states, “Do you agree with the statement that we have lost collective analytical capacity?” At the moment, just commenting in purely tactical terms, we do not as an EU28 have a strategy towards Russia. What we have is strategies towards the neighbourhood. We have a strategy, let us say, towards the Eastern Partnership countries because they are more relevant to Russia than the countries of the southern Mediterranean. If we look at our engagements with Ukraine, particularly after the Vilnius summit in November last year, that strategy becomes de facto our Russia strategy and our Russia policy. So, de facto, by not engaging with Russia or by applying a strict policy of sanctions together with our friends the Americans—I came back from Washington just a few days ago—our Ukraine policy becomes our Russia policy. This, I would argue, is significantly different—I would call it a major distinction—from what was happening in the early 1990s. In the early 1990s, when we had the new euphoria around the end of the Cold War—Francis Fukuyama talking about the end of history—we did have a strategy. We were talking about the Eurasian economic space, at least in a framework context. The Energy Charter Treaty, the organisation by which I am partially employed, is a great example of that because the Energy Charter Treaty and the whole process around it is about integrating the energy markets.

Q112 The Chairman: I am not clear. The key thing is this: have we lost analytical capacity? What you are saying is very interesting, but do you think we have lost analytical capacity?

Dr Tom Casier: To a large extent I do not think that we ever had analytical capacity. Russia has always been one of the most divisive issues in the European Union, but we cannot really blame the European Union for that because in the main it has been dependent on the member states. I think that it was mainly a problem of the member states having different visions of their relations with Russia and pursuing their own business interests. Now we are in a rather unique situation where there is a momentum on which there is a broad consensus. We have managed to impose sanctions on Russia, which is a unique thing. We never managed to do

that before. But the big challenge will be how to get out of this situation. You can feel that there is increasing pressure from certain member states to return to business as usual, and that will be a challenge. In particular, when we talk about Crimea, we have a situation where one of the most important European taboos has been broken. The annexation of a country is something that is unacceptable by all standards, but it will be very hard to do anything about the situation. I hear in diplomatic circles that it is already very much accepted as a done deed, a *fait accompli*. So the big challenge will be there.

I think that there is a huge need for more knowledge about the local situation both in Russia and in the Eastern Partnership countries. One of the points where the EU went wrong is that we did not see coming, first of all, the decision by Yanukovych not to sign the EU association agreement. Then we did not expect the Euromaidan to follow because we underestimated how serious an issue it would be for Russia. That is where we have to build much stronger analytical capacity. In terms of policy, we have to think about a much stronger link between the European External Action Service and the Commission. That is because, in contrast to the Eastern Partnership, the links between the Commission and the EEAS are much weaker. It greatly depends on informal mechanisms and how people in the two institutions interact with each other. That is really crucial for the future.

Mr Josef Janning: A lot of the analytical expertise that the question refers to resides, I presume, outside of Governments and the EU institutions. It is where you have scholarly expertise and relevant policy research work. If you look at that, you can say that through the Cold War years many European countries built up significant resources in this area, but actually most of them have been lost. If you wanted to make a list of the top research institutions, you would come up with only two in Europe. One is the Aleksanteri Institute in Finland and the other is the Ośrodek Studiów Wschodnich in Poland. These are only two policy research institutions in the European Union where there is significant expertise on eastern Europe, including on Russian domestic affairs. I have no problems with this being on the record: when I speak with people in charge at the Foreign Ministry in Berlin, they tell me, “We don’t have counterparts any longer in the policy research community whom we could turn to and expect an authoritative and fast response”. On the EU level itself, not a single institution is dedicated to policy research in the field. We have the European Union Institute for Security Studies, but while that is part of its wider mandate, it does not have the specific expertise. I do not want to speculate about the United Kingdom because I do not know enough about the situation there, but I know that, particularly in Germany, this has been recognised. The German Parliament recently passed a resolution calling on the Government to reinvest in this knowledge because it was discovered that over a period of about 20 years when everyone was studying Russia from the inside, that knowledge was of no real use. The expertise had kind of evaporated.

Q113 The Chairman: I see what you have said about the United Kingdom. It is our impression that back in the Cold War a lot of people in the Foreign Office knew a great deal about Russia and had made a life’s study of it and there was a lot of expertise outside government in London, but that has withered on the vine. We found that the awareness, the depth of knowledge, of Russia and what makes it tick in London is certainly not what it once was.

Mr Josef Janning: You will still find, in London as well as Berlin—in Warsaw, as well as other places—serious, knowledgeable diplomats with years of experience of this. These people will all tell you that, over the past 15 years, the space that we have in our day-to-day routines to sit back, reflect, go through the options and do analysis has become ever smaller. Administrations today are squeezed into a much more rigid timeframe. That goes not just for

Russia but for many other issues as well. One of their key complaints is that what they sometimes call strategic space—that is, the space to not write the next paper or speech, or to not copy and paste from previous positions—in which to have some open discourse has been shrinking. That is why they have an increased interest in being able to reach out to people who understand the constraints and interests of policy-makers and Administrations but bring to the table a profound knowledge of the subject. That is why the focus on policy research institutions is so urgent now.

The Chairman: The EU was talking to the Ukraine about the association agreement for some time. I do not want to put words in your mouth, but my impression was that people were taken by surprise by the Russian reaction and that they did not anticipate that the Russians would react as strongly as they, in the event, did.

Mr Josef Janning: A lot of people in the small community that exists have pointed to the fact that Russia may not be ready to buy into this kind of post-modern argument that it is all about economic integration, functionally defined contacts, approximate legislation and implementation institutions. They have pointed out that the Russians still think very geopolitically. They project their own thinking on to us, as we often tend to project our thinking on to them. That position has not been heard much, because people thought that it was not relevant. Russia may think geopolitically, but what do they have and what could they do? The Ukraine crisis told us that they actually could do something.

Q114 Lord Lamont of Lerwick: Looking to the future on which the EU-Russia relationship should be built, we have covered how much Europe should be willing to invest in those interests, but what are our fundamental interests vis-à-vis Russia? I was particularly interested in Dr Casier's paper and what it says about free trade areas and making association agreements compatible with Russia's Eurasian free trade area as well. How the hell do we get out of the situation that we are in? As desperate as it is, are there things that we can build on to move, ever so slowly, towards a slightly better relationship?

Dr Tom Casier: Absolutely, and that is the reason why I spoke about the strategic vision and my impression on the free trade area specifically. It is important to see what the core of the problem of EU-Russia relations is, independent from the crisis in Ukraine and the annexation of Crimea. I would like to highlight two core problems. One is that the EU is pursuing two conflicting projects: the Eastern Partnership and the now defunct strategic partnership with Russia. These are two projects that have turned out, since November last year, to be incompatible. We need a fundamental strategic solution for that.

The second is a structural problem, an age-old problem, which has to do with the place of Russia in the wider Europe. That goes back many centuries, but it is back on the agenda and we will not be able to ignore it. Even if we solve this crisis, if we do not find a structural solution for it, it will keep coming back. We will move from crisis to crisis. The most important thing, apart from the short-term action that we have to take, is to think about this long-term policy. I have made a couple of suggestions to deal with the external aspects, such as what has to happen with EU-Russia relations. You also have to deal with the internal aspect: what has to change within the European Union in terms of how you deal with Russia.

Externally, we have no possibility to continue with the Eastern Partnership policy as it is now without involving Russia. We have to think in the longer term—beyond this crisis, maybe even beyond President Putin—about some sort of trilateral construction involving Russia. The feeling of humiliation in Russia is enormous. That also explains why there was so much support for Putin when Crimea was annexed. There was a lot of support because this feeling that Russia has been humiliated by the West is very strong. We can discuss whether it is

rational or not, but it is definitely present. The first thing we have to do is indeed to make sure that the association agreements, which the EU have now signed with Ukraine, Moldova and Georgia, are compatible with the Eurasian Customs Union and the economic union that Russia is creating. The core of the problem is that the customs union has its own common external tariff and cannot be combined with free trade arrangements. So, for Ukraine, it is impossible to be part of the customs union and have free trade arrangements with the European Union. That is the first thing that we have to solve.

In the common spaces that Russia and the EU have agreed on, this objective is already there. They mention a free trade area from Lisbon to Vladivostok that would encompass the EU and former Soviet states, which would make it compatible. It will be extremely hard to realise that in the first years, but it has to remain a core strategic objective. We may also think in terms of what you could call a system of double concentric circles. There was a lot of talk back in the 1990s about concentric circles around the EU with more integrated countries in the core and, as you move further away from the EU, you would have less integrated but still countries associated with the EU. I think that we have to accept that there is a second circle around Russia. We have to accept that there will be concentric circles around Russia as well, with different levels of integration and engagement.

Lord Lamont of Lerwick: But they would overlap, the concentric circles.

Dr Tom Casier: We have to make it possible for them to overlap. It should not be a forced choice: for Ukraine, the choice between Russia and the EU was unwelcome. It was portrayed as being for economic reasons and not in their interest. We should avoid forcing these sorts of choices upon neighbouring countries. Linked to that, the crisis in Crimea and eastern Ukraine has proven one thing: we have no effective collective security mechanisms in Europe. We have the OSCE, but at the beginning of the crisis it was humiliated. The OSCE lacks the legitimacy in Russia to function in an efficient way, so we need to rethink some sort of collective security construction, which is beyond the European Union. It is a major challenge but there is no choice, because security in Europe will never be achieved without including Russia in one way or another. Internally, the European Union probably has to realise that its policy—and maybe I slightly disagree with Dr Janning here—is perhaps more geopolitical than it realises. I am not saying that the EU is consciously thinking in a geopolitical way, but the implications of the association agreement and a deep and comprehensive free trade area with Ukraine are geopolitical in terms of influence and control—without calling it a “sphere of influence” or anything. It has very much been read like this by Russia. We have to remove these fears through closer integration of the two projects.

Lord Lamont of Lerwick: But when you talk about a free trade area from Lisbon to Vladivostok, is this just a rubric, a temple on the hill? Is it something that you would really go for? When you think of what that would involve, and when you think how complicated something like TTIP is involving the United States that is absolutely up for this, the idea of integrating so much legislation and so much economic regulation between the EU and Russia would be a massive undertaking.

Dr Tom Casier: Absolutely.

Lord Lamont of Lerwick: Do you think one would move towards it or is it just a long-term goal?

Dr Tom Casier: Once we get out of the current crisis, we should slowly move towards it. There is no doubt that it would be a longer-term goal. The EU and Russia have been negotiating on a new agreement for many years. The old PCA—partnership and co-operation agreement—was supposed to be replaced in 2007. We have not been able to make any real

progress towards a new agreement. It will be very difficult to reach that. First, we need to create the right conditions by tackling the structural issues in EU-Russia relations by taking away these fears on the Russian side, without justifying in any way what Russia has done in eastern Ukraine and Crimea, of course.

Q115 Lord Trimble: I find your analysis quite persuasive but I have difficulty with the problem that Russia has created as a result of what it has done with Crimea. We cannot acquiesce in that. How can we defuse their fears and establish something more positive while that is still there? Is there any possible way of doing something with Crimea which does not involve humiliating Russia or us having to acquiesce or endorse annexing other countries by force and changing boundaries without agreement? We cannot acquiesce in breach of those principles. Is there some way of reconciling this?

Dr Tom Casier: It is extremely difficult because I hear more and more in diplomatic circles that it is accepted that Crimea is 'lost'. It will be very hard to win it back. It is almost impossible to imagine that. I am not saying that we should accept it. It is very ironic but it is an easier situation in a way than the situation of Abkhazia and South Ossetia. They need to be recognised as independent countries. In Crimea, we can continue business as usual with Russia and just keep mentioning in all sorts of documents that we do not accept the annexation of Crimea. But it does not stop us from interacting with Russia. That being said, we should follow a two-track approach in which we link the sanctions to long-term prospects for Russia and try to think about how we can involve and integrate Russia better.

Lord Trimble: Would the way out of this be to move Crimea into being an independent state distinct from Russia.

Dr Marat Terterov: Impossible.

Dr Tom Casier: Russia would never accept that. It is a key issue but the annexation is unacceptable by all standards.

Lord Trimble: It cannot be treated in the way in which we treated the Baltic states because the relationship with the Soviet Union was completely different from our current relationship or any future relationship with Russia.

The Chairman: Historical analogies are almost always inaccurate. One that comes to mind is the Saar and the way in which it was restored to Germany, which is what it wanted. The referendum was quite elegant and you could have another referendum in Crimea which would probably result in voting to join Russia but it would be a properly constituted referendum.

Mr Josef Janning: That could be an option, if the general conflict had been somehow overcome or had been overshadowed by new modes of co-operation, but in principle there is no way around it. You could get into all sorts of problems. Think of the problems the EU has with goods from Palestinian territories. You would have the same problems with goods from Crimea. Think along the lines of the association agreement with Ukraine. We could not treat Crimean goods as foreign but we could not admit them easily to the European Union. There would be all sorts of problems. For the interim, the pragmatic solution will be to see: is Poroshenko and the newly elected Parliament ready to say, "Well, for the time being we don't accept it but we live with it"? If it takes that position, we could take that position too without speaking much about it and then see what we could do in developing terms between Ukraine and Russia. If things go well and there is an opportunity for another referendum, that would be an option.

Lord Trimble: For the Ukrainians to do that, there would have to be something substantial coming from Russia.

Mr Josef Janning: I see the Ukrainians almost ready to do it to solve the problems already on the table—for example, energy in this winter and restarting the economy. For Poroshenko that is vital. Crimea, in spite of the normative position and the legal position on that, is not vital to him.

The Chairman: You look as if you disagree.

Dr Marat Terterov: It comes back to an earlier point and the whole thing about our collective ability to analyse Russia and our knowledge deficits, let us say. I was born in the Soviet Union, although I grew up in Australia. I watch Russian TV. My father-in-law is a retired naval captain of the Russian Baltic fleet and my wife is from St Petersburg. I listen and I talk. One of the most popular things on Russian TV is the talkback shows with the experts and one of the main topics on the airways is what is going to be done with Ukraine. The perception and narrative that comes out of that, which shapes narratives to do with policy towards the West, let us say, broadly speaking, is that the current constitution of the Parliament that is evolving is not really one that is willing to make peace on the type of terms that we would like.

Dr Josef Janning: The Parliament in Kiev?

Dr Marat Terterov: Yes, exactly. First, there is a huge critique about the Parliament. There are two main blocs—the Poroshenko bloc and the Yatsenyuk bloc—and then there are two right-wing blocs. Yulia Tymoshenko’s bloc is towards the bottom. At least, it was at midnight last night; I did not see the news today. All these Parliaments have their own oligarchs. Basically, this parliamentary structure we, in essence, are supporting. Again, I was just in Washington and US senior decisions-makers last week were making all kinds of positive statements towards Ukraine, including about diversification away from Russia on the gas side, which was one of our questions. In essence, our policy is reinforcing oligarchy in Ukraine. Russia is also an oligarch country. All former Soviet Union states are neo-oligarchical political economies. But they are not happy with that.

Lord Lamont of Lerwick: You mean each party has an oligarch? You said each Parliament.

Dr Marat Terterov: Yes. Sorry, I apologise. Each party is dominated by an oligarchical clan, if you like. So, that is the essence. None of these blocs is able to form a coalition that we would call a peace coalition—certainly, not one that Russian public opinion, which goes into policy-making, would be willing to accept as a peace coalition. The perception is that Yatsenyuk—a man whom Victoria Nuland called “Yats”, which is ridiculed very much in the Russian political establishment—is seen as a neo-Saakashvili and as someone who is representing American interests in the Ukraine. We heard this from the horse’s mouth last night. You cannot believe how sensitive it is for the Russians. It is psychological more than geopolitical. In April when I was there for three weeks, my father-in-law said that his pension had been delayed. If your pension is delayed here, you let the pension authorities know about it. His response was, “I don’t mind for the moment because everything needs to be concentrated into the Crimea. We have spilt too much blood over Sevastopol”. For the Brits, Sevastopol is well known as a place in the Crimean war. There is tourism et cetera. For the Russians it is a holy of holies, so the perception is that if you have a pro-West and pro-American Government, in particular, there is a genuine risk that Sevastopol could host NATO vessels.

The Chairman: But this is not inconsistent with what Dr Casier said. You were pointing towards a resolution in which basically a way was found that would leave Crimea with Russia.

Dr Tom Casier: I am not promoting that idea. I think that it will be very hard to ‘gain’ it back. It will be unacceptable and non-negotiable for Russia.

The Chairman: Exactly. I think that we see that.

Q116 Lord Lamont of Lerwick: Could I ask Dr Casier something else? To go back to your point about the overlapping or concentric circles, one of the people whom we are going to see here wrote us a letter in which they said this, and I wondered if you agreed or disagreed with it: “Those post-Soviet countries that are between the two integration spaces, the EU and the Eurasian Economic Union, must be offered the prospect of EU membership, otherwise it will be a geopolitical vacuum”. So there must be for the partnership countries a clear perspective of EU membership. Do you agree with that or is it in conflict with what you are saying?

Dr Tom Casier: I do not think that it is a good idea, because we have seen now that simply having the association agreement with Ukraine has upset Russia so much and created broad support for Putin. I am not saying that Ukraine is not entitled and does not have the right to become a member of the EU, if certain conditions are fulfilled, but it will make the geopolitical situation worse. We have to think about a different model for a wider Europe, where the two projects are no longer clashing with each other and become compatible.

Dr Marat Terterov: Exactly.

Dr Tom Casier: We have to do that first, before talking about EU membership. Maybe in that context, EU membership will become easier and we will be able to offer it to Ukraine. What we absolutely have to avoid, at least in the longer term, is a policy that leads to more confrontation, because even if Russia is hurt by the sanctions, by capital flight and by its weak economic growth right now, it is not going to give in. I think they are willing to hurt themselves to a large degree for the simple reason that Putin and the elite have identified their position so much with power and Russian pride that it will be very hard to force them, by sanctions or whatever, to step back. We need to rethink the situation in wider Europe rather than trying to impose more sanctions on them. We should probably keep the sanctions as they exist now but discuss longer-term prospects for Russia’s position in Europe and maybe link them to building the sanctions down.

Q117 Lord Trimble: We also have the impression from what people have said to us in evidence that it is not just the association agreement and the prospect of European membership to which the Russians object so deeply. What affects them as much as anything is that, if Ukraine becomes a successful country by developing in the way that Poland has done, and if it becomes a genuinely democratic country rather than having those rather curious arrangements that so many post-Soviet countries have, the Kremlin regards those developments in themselves as posing an existential threat to Russia. It is not just about the issues over Crimea and all the rest of it; it is the fact that a successful, democratic Ukraine in itself is something that they cannot tolerate.

Dr Tom Casier: I would agree. We cannot look into Putin’s head but I think that he developed a view in 2004 that the Orange Revolution and the other colour revolutions of that time were very much masterminded by the West—that they were very often, in the first place, US-steered revolutions. Indeed, he may even have a personal fear that this could be repeated in Russia. We should not forget that only a couple of years ago, around the time of the parliamentary and presidential elections in Russia, we saw huge mass demonstrations. The potential is always there. It definitely plays a role and this fear also goes hand in hand with Putin’s concerns over the enlargement of NATO.

Lord Lamont of Lerwick: Yes, one is a precursor to the other, historically.

Dr Tom Casier: Precisely. Relations with the EU develop very much in the shadow of American policy and NATO policy because the things that have happened in terms of NATO enlargement, especially to the Baltic states but also with the missile defence system, for example, were received very badly in Russia. Russia felt that its concerns were not heard. Also, on that point, we have to make sure that we can think about a collective security system to replace or overshadow NATO to a certain degree.

Q118 Baroness Billingham: Can I come to a fairly practical question? In fact, you raised it in your introduction, Dr Janning. It is about the role of Germany as far as all these problems are concerned. I wonder if you could help us by telling us what the views are in Germany on Russia and the Russian policy. Is the very hard line that we know there is in the Chancellor's office supported among the political parties and in the legislative chambers? How has German business, which is in such high profile given the news in the last couple of days, responded to the new line on Russia, because that is going to be imperative to the future of the German people?

Mr Josef Janning: I am not sure whether I agree with the assertion in the question that says that the Chancellery's line is harder, but it looks harder. I still see the German political class, at least that part of the class holding office, as subscribing to the longer-term strategic approach to Russia, which is to say, "Russia is different, difficult and can do harm but it will always be there, and we will have to find a way to live with whatever Russia we have. Once the Russians understand that we are ready to live with them wherever they go, they may be ready to listen to us to a certain degree". Chancellors from Adenauer to Merkel have tried to capitalise on the traditional prejudice that the Russians have vis-à-vis the Germans: that if there is anyone west of Russia who could be useful to help Russia, it would be the Germans. That goes back to Peter the Great. Germany has always been the reference point for ambitions to become something else—more modern, more efficient, better organised, having a better military or what have you. The focus has been Germany and, into modern times, German Chancellors have tried to use that.

Angela Merkel does the same but she has a very clear position on the legal and normative side of it and, in her view, that is part of the success of such a strategy. Talking as Chancellor, as Schröder is doing now as an ex-Chancellor, she would think it would weaken the German position. Why should the Russians respect a Germany that is willing to compromise its principles? The Chancellery's analysis is: "The Russians need us". They can sustain quite a while not listening but, at the end of the day, they will find no better partner in the West than Berlin, so whenever they want to do something, they will have to come back anyway. For that matter, the Chancellery's line has been to make it very clear to Russia that they do not like this but, at the same time, to say: "We are ready to listen to you. We are ready to talk to you when you are". Merkel is the one western leader who has talked most to Putin since the outbreak of the crisis, but she and her people have also signalled to the Kremlin, "We can't continue calling you if there is no result". There has to be some result and I believe that, if you asked in the floors of the Chancellery, they would say, "A little bit of the Minsk movement, with Putin and Poroshenko trying to set something up, was also due to us because we have insisted that at some end Putin has to deliver, otherwise it will simply be impossible for us in our own western framework to continue calling them". Merkel's line has a domestic element to it, because for the first time we have a rather principled debate in Germany about its Russian policy. The line that I described in the beginning is now being contested—and within Merkel's own party. Her former Russian co-ordinator, Schockenhoff, who was good and knowledgeable on foreign policy and an active Member of Parliament, has launched some very critical resolutions calling for a more principled approach to Russia and for clearer gestures of discontinuing formats. The latest conflict was the Petersburg dialogue, which is a

sort of second-track meeting of think-tankers, government and NGOs, along with the bilateral summits that were created a number of years ago. That has been postponed now because on the German side, the NGOs did not want to participate. The Chancellery does not really like that because it makes its own business a bit more complicated. But Merkel has to be fairly outspoken domestically, so as not to let the rather Russia-critical voices in her own party—there are also some among the Social Democrats and a lot among the Greens, who are very hard-line on Russia—get out of hand. Also, public opinion in Germany is rather disappointed in Russia. Many Germans would say, “We do not love the Russians but we do not fear them”, as the Poles do. The Germans do not fear the Russians; they think that we are far superior to Russia.

Baroness Billingham: Really? I am surprised by that.

Mr Josef Janning: Russia has never really been superior to us other than exploiting Germany’s foolish ideas to rule the world. That is what many average Germans think. They have no fond memories of the Red Army in Germany, absolutely not, but if you talk to the people in the streets they are not afraid of Russia.

The Chairman: You were going to ask a question, Robert, about the other countries.

Q119 Lord MacLennan of Rogart: I really want to go back to Norman Lamont’s question about the long term and the future, with free trade being an objective. Listening to you, it sounds like the day after tomorrow, how we expect countries to move in the short term. How does the EU get the show on the road? Do we have to be led by one country? How do we formulate those goals? We have had a lot of cross-currents this afternoon and I would like to know what we should be doing as a—not quite unified—union.

Mr Josef Janning: One of the principal issues that we are still struggling with is that although we have these unique and dense structures of integration and interaction in the EU, we still have not fully overcome the rivalry that exists among EU member states—large versus small, small versus small, large versus large. One would think, from what I said earlier, why should we not ask the Germans to lead EU policy on Russia? I think it is a non-starter, even though Germany probably has a view that is fairly balanced and brings in a lot of interests from other member states. But it would immediately generate mistrust from other member states and would thus limit the effectiveness of German leadership. Leadership signals have to come through the European Council. It would very much help the dynamics in the European Council if member states began to cluster around issues in a slightly more reliable way, so that you do not begin to build coalitions—a Russia coalition or a Russia strategy coalition—every time Russia pops up as an issue, but you already have something; you have the Swedes, the Finns, the Baltics, the Poles and the Germans reaching out to some other member states not immediately in the neighbourhood in order to create a meaningful policy cluster that would seek to come to the table with a common position.

Lord MacLennan of Rogart: Going back to the concept of free trade from Lisbon to Vladivostok, if we do that, how do we involve countries such as Azerbaijan and Armenia? Do they look towards Russia to be their spokesperson? How do we bring the whole lot together, if that is the long-term goal? I think Dr Casier said it should be.

Dr Tom Casier: It would definitely be a challenge, but if the EU and Russia take the lead on free trade it will be easy to extend that model to other countries. Obviously, the case of Azerbaijan is a very peculiar one because of the oil and its conflict with Armenia, its geostrategic interests. But the fact that Armenia has now chosen Russia’s side—it was the first country to defect from the Eastern Partnership back in September last year, which did not get so much media attention—has a lot to do not just with Russian pressure but the fact that is

has close links with Russia, in terms of trade but also in terms of people going to Russia to work there and sending the money back home, the money that is badly needed in Armenia.

We need an approach in which we come up with a model for free trade that is open to other countries. I admit it is not necessarily a very concrete plan. It will take time and creative thinking to get there. But the basic idea should be that now we have this model of integration around the EU which is making borders more and more irrelevant—we are taking borders away—but the implication of the EU enlargement and the association agreements is that we have created new borders in Europe and have run into the limits of the Eastern Partnership policy. The free trade area is a way of taking away these borders, of trying to make them as irrelevant as possible in this model of double concentric circles. They will always be there. Russia will not become a member of the EU at any point in time but at least we can make the borders less relevant so that the tough choices do not have to be made.

Q120 Lord Maclellan of Rogart: How does the Commission's indication that we should not enlarge the European Union for five years assist that process?

Dr Tom Casier: Personally, to start with, I think it has a lot to do with enlargement fatigue. The Commission and Juncker realise that there is not much support for enlargement in the short term. But it is also an easy quote in the sense that there is probably no country that is going to be ready to become a member of the European Union in the next five years, during the Commission's term. If there are candidates on the waiting list, they are in the first phase in the Balkans, and it definitely will not be one of the associated countries under the Eastern Partnership because they are not ready by far. We should also keep in mind, not just for Ukraine but also for Moldova and Georgia, that there are huge internal problems in those countries, with democracy, with corruption, (and this problem also has to do with this loss of analytical capacity), which we have ignored for far too long. The EU has often referred to Ukraine under Yanukovich as the best pupil in the Eastern Partnership class, while there were very serious issues with democracy. There were free elections but that was more of an institutional façade. What happened behind the scenes was anything but democratic. We also have to be very careful not to make the same mistake again, and to understand the situation on the ground. We can be hopeful that Poroshenko will be successful in carrying out reforms, but it is far from guaranteed because the situation in Ukraine is extremely complex.

Lord Maclellan of Rogart: What about the revision of the European Neighbourhood Policy? If we are not going to have new membership in the next five years, can we do anything about that? We have heard that there will be a review. Can we envisage what it might do?

Mr Josef Janning: We need a much more flexible instrument. For quite a while the EU followed the line to say, "Let's make all possible use of group dynamics". That is why there was always this emphasis on the group. The more interaction we can create in this group, the stronger the pressure will be on Belarus to say, "Why are we not part of this?" because they were always there on paper. Russia has destroyed that policy by breaking Armenia away—Azerbaijan was going in a different direction anyway—and now creating trouble with Ukraine. The Eastern Partnership or neighbourhood is basically Moldova and Georgia. The indications are that they do not want us to press on that issue too much because Russia can create trouble at any time in either country.

What it comes down to is that the EU will say, "Our neighbourhood will remain our neighbourhood, because they will not be joining the European Union and they will cease to be a problem in the wider sense of the word"—that applies to the eastern and the southern neighbourhood—"and we will not pursue this kind of collective, group-based neighbourhood

policy. We will look at it as a group but we will have very specific policies with each of these countries. We will not walk into the trap once more like we did with the southern neighbourhood, where we said ‘More for more’, and find ourselves now in Egypt in the situation that we are considering doing more for less, against our earlier assumptions”. This all comes down to the point of saying, “Let’s try to be more individual, more situation-specific. Let our own neighbourhood philosophy be our philosophy and not necessarily be the acquis of all those countries involved”.

Q121 Lord Lamont of Lerwick: I want to ask Dr Terterov a question about Mr Putin. He was the successor chosen by Yeltsin. Yeltsin had a completely different view. He talked about Russia becoming a member of NATO. He certainly envisaged a sort of absolute partnership with the G7, which then became the G8—Russia being a capitalist country. He chose Putin; he must have known what Putin was like. In his first term in office, Putin seemed to go along with all the things that Yeltsin had. Then in his second and his third term, and in his period as Prime Minister, he was a different man. Was he always different or did he change, or did something cause him to change?

Dr Marat Terterov: First of all, we tend to have this view of Russia during the 1990s as being a little bit more allied to our interests—you said that Russia was a capitalist economy, a market economy. Russia gave more favourable terms to energy companies—for example, to acquire assets such as oil and gas, particularly oil deposits in the Russian Federation. We tend to have this view that, yes, Russia was a bit more chaotic, and then Putin comes in and starts to stabilise. However, Putin was someone who came into power. Maybe he was endorsed by Yeltsin and had a certain view of what Russia should be like. Maybe he wanted to, let us say, develop this position. But a couple of things happened that are very important to note. From about 2002-03, oil prices start to rise structurally and continue to do so until a decline in 2008. Obviously, this allowed the Russian state to be far more powerful fiscally. That is also linked very much to a second issue, with which many of you are probably familiar: the case of the Yukos oil company and Mikhail Khodorkovsky. I am simplifying it a little bit, but Putin had a certain deal with the oligarchs at that time, including Berezovsky, Abramovich—those sort of people, whereby it was said, “If you play by certain rules, your assets and interests will be, let’s say, maintained”. We tend to consider Khodorkovsky as a black sheep in this sort of get-together. Therefore, Yukos is dismantled and a lot of those assets go to Rosneft, some go to Gazprom, and therefore, with buoyant oil prices, the Russian fiscal state becomes far more significant, which expands the power of Putin. I would not say that Putin was inimical to western interests from the beginning. There was an interview with Putin on “Breakfast with Frost”—the late David Frost—where he spoke positively of possible Russian membership of NATO. You can have a listen to that interview. So I would not say that he was inimical. In fact, his Prime Minister at the time—someone well known in London—Mikhail Kasyanov, was directing a lot of Russian economic and financial policy. Of course, Tony Blair met Putin at the time, I think in the Mariinsky Theatre. It was still quite a positive phase of relations.

However, it comes down to one or two fundamental issues and to your question about the principles on which we should base our relationship with Russia and a lot of the things that Tom was saying about the incompatibility between the Eastern Partnership and our Russia strategy, which from an EU perspective is the PCA, the partnership co-operation agreement. Basically, in the mid-2000s, Russia felt itself more comfortable and stronger as a fiscal state. You do not need to be a classic, private-property, rule-of-law British or western economic model to be a market economy. The state can act as a capitalist as well. If you go to our friends in Saudi Arabia and the UAE, you see that these are very much state-capitalist economies which are very pro-business and pro-market. Basically, in the mid-2000s, we start seeing adjustments when Russia feels that we in Europe are being overly paternalistic in our

Russia policy. “Paternalistic” means that we are not listening to them when they are asking, “Why are you expanding NATO to the borders of our country? Why are you seeking to accuse us of playing divide and conquer by dealing with the member states bilaterally and not with Brussels?”—which Russia used to do very much before the last Commission. “Then again, you’re encroaching right on our doorstep; you’re encroaching right on our borders with NATO, with EU enlargement, with the Eastern Partnership”. The Eastern Partnership was, in a sense, a source of great frustration, which fuelled very effective careers for a lot of Russian spin doctors, such as the ones who were on this TV show that I was watching, who then say, “Look, we can no longer work with the West. We tried to work with them in the 1990s. We tried to engage the Brits, Tony Blair, and with George W Bush, but look at what they give us in return, instead of trying to develop a more common vision for Europe”. Again, you have to understand the psychology. The Russian elite spend their time in London, in Miami or shopping on the Ku’damm in Berlin or in Vienna and all these sort of places. They love the West; they love everything that is western. Putin, for example, loves Abba; it is one of his favourite bands. They love the West, but they feel that it is being hypocritical, paternalistic and almost too Westphalian supremacist, if you like—if I can use this sort of terminology—in its treatment of Russia. There is some similarity, by the way, with Turkey and the EU as well as China—which is a bit further away—and the EU. Therefore, you tend to get nice, cosy relationships between the political elites from these countries. That is one of the key issues for me in your question. If we really want to develop a durable, long-standing relationship with Russia, we need to implement philosophies of mutual respect, not trying to engage Russia as a distant partner or to pull some of these countries towards us or create that perception in the public narratives within Russia. We need to work together with them.

On your question earlier, Lord MacLennan, about whether we can work on this free trade space, the huge Eurasian landmass, it may be a bit of a pipe dream. However, if we start creating the perception that we are trying to move in that direction, I guarantee that it will change the chemistry in our relationship with Russia. It will change the way they look at us; it will change the way they act as an interlocutor. But at the moment they feel, “We are supplying you with gas. When have we stopped the gas supply to the Brits, to the Germans or to mainstream west European countries? On the other hand, you’re promoting these diversification projects. You’re going to the Azeris and saying, ‘Give your gas to us. Don’t work with the Russians.’” They see this as being a little hypocritical and not trusting Russia as a partner. They do not see a basis for that.

The Chairman: We are going to have to pack up soon.

Dr Marat Terterov: Could I just add 20 seconds?

The Chairman: Okay, quickly, please.

Dr Marat Terterov: There is one fundamental issue that we must understand. We have a certain understanding of the world: sovereignty, rule of law, private property—these are all concepts that are all very understandable and dear to us. We cannot just automatically assume that these concepts will work and be embedded in the same way in the former Soviet Union.

The Chairman: I do not think that we assume that.

Dr Marat Terterov: But here in Brussels we do and that is a big problem

Q122 The Chairman: Dr Casier, you were very interesting on how you saw a long-term relationship. We have ratcheted up the sanctions. On what basis, do you think, and by what criteria could we ratchet down? What do the Russians have to do that would enable us to ratchet down?

Dr Tom Casier: In the first place, Russia has to give a clear signal that it is willing to help to stabilise the situation in eastern Ukraine, withdrawing Russian troops who are obviously there on the ground. That would be the most important signal. I see some signs of hope, because, since the Minsk agreement, although the ceasefire did not hold, at least the parties on both sides are willing to pretend that it is more or less holding. That may indicate that there is a willingness at least to resolve the conflict. There is a real risk that Russia does not control the situation entirely, because other forces are at work there that are not fully under government control. That may complicate the situation, but eastern Ukraine should be the most important and first case where Russia has to make very clear concessions. Only then can we start thinking about reducing sanctions. In parallel, we have to hold talks on Crimea. At the end of the day, as Dr Janning said, the position of the Ukrainian Government will be a determining factor and perhaps create some opportunities for co-operation. It will be an extremely difficult process. The major challenge is that Russia had a strategy of denial and of surprise. Its next steps have always been very unclear. The annexation of Crimea came as a total surprise, as did developments in eastern Ukraine. That makes it of course very unpredictable. The question is: is Russia now playing for time or is it more willing than it was a couple of months ago to work towards a political solution of some sort?

The Chairman: I am really sorry that we have to finish. Thank you very much. You have each brought a somewhat different view, but I think that there is a certain coherence to what we have heard. Thank you, all, very much indeed.