House of Commons
Foreign Affairs Committee

Global Security: Russia

Second Report of Session 2007–08

Report, together with formal minutes, oral and written evidence

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Foreign Affairs Committee

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Context

1. We are concerned that the potential significance of the Shanghai Cooperation Organisation’s development is not fully understood or appreciated by the FCO. We ask that in its reply to this Report the Government give a full assessment of the Shanghai Cooperation Organisation’s impact to date, its potential growth in membership (particularly in relation to Iran, which now enjoys observer status), and its potential for development in the commercial, economic and security spheres. (Paragraph 19)

2. We are concerned about the reduction in the number of international observers whom Russia is inviting to the December 2007 Duma elections. (Paragraph 31)

3. We conclude that, driven partly by changes in Russia’s economic position, and partly by the cumulative effects of the country’s post-Cold War relations with the West, the results of Russia’s recent rethinking of its international role are likely to endure beyond the presidential election scheduled for March 2008. In the period before the presidential election, the UK should be especially realistic not to expect movement from Russia on areas of difference with the West. We recommend that in its response to this Report, the Government set out what consideration it has given to the likely impact of Russia’s forthcoming election season on Russia’s foreign policy, and how it considers the UK might respond. (Paragraph 34)

4. We conclude that it could benefit bilateral relations, as well as a greater UK appreciation of Russia’s new foreign policy, if the UK were explicitly to welcome and engage with Russia’s foreign policy review document. We recommend that in its response to this Report, the Government set out what work is under way in response to the shift in Russia’s foreign policy, and specifically in response to the Russian foreign policy review document. We further recommend that the UK should consider sponsoring a conference, to discuss and explore the Russian and UK analyses of the international environment and foreign policy responses. (Paragraph 39)

Democracy and human rights

5. Developments in Russia overall contrast with the UK’s declared goal of promoting democracy, human rights and the rule of law there. We recommend that the UK continue to press its concerns about democratic and human rights standards with the Russian authorities, including in public, ensuring that public and private messages are the same. However, we recommend that the Government make some changes to the terms in which it does so, in order to improve the likely effectiveness of its message. We recommend that the Government stress to a greater extent that the political and human rights standards at issue are often not Western, but international, and that they are not foreign impositions but commitments to which
Russia has voluntarily signed up, including under the Helsinki Final Act. We further recommend that the Government couch its wish to see improved democratic and human rights standards in Russia primarily in terms of interests rather than values—specifically, Russia’s interest in being taken seriously as an international actor which respects its international commitments, and the UK’s interest in the development of a credible international partner likely to generate fewer security risks. We further recommend that the Government be prepared seriously and publicly to address the charges of human rights shortcomings which Russia is likely to make against it in the course of further engagement on human rights issues. (Paragraph 70)

6. We conclude that mutual discussions—such as those underway between the UK and Russia on racially-motivated violence—are to be welcomed, as potentially a more fruitful approach to human rights issues than a one-way dialogue. We recommend that this approach be extended to a discussion of the protection of human rights in the context of combating terrorism. (Paragraph 71)

7. We recommend that the Government continue to implement programme and project work in Russia, with NGOs and other groups, in the interests of democracy and human rights promotion. We recommend that the FCO seek new opportunities in particular to work with professional groups. We further recommend that the FCO take care to ensure that no well-functioning DFID projects that address the UK’s priorities in Russia come to an end as a result of the closure of DFID’s Russian programmes. (Paragraph 74)

8. We conclude that the FCO is correct to identify the North Caucasus as a region of serious human rights and security concerns. There is potential for a violent anti-Russian insurgency across the region which could have security implications beyond it. We recommend that the FCO continue to fund work in the region aimed at ending impunity, improving human rights and governance standards and encouraging inter-ethnic understanding, and that it updates us on its projects in the region in its response to this Report. We further recommend that the FCO continue to impress on Russia the importance of meeting its human rights obligations in the region. (Paragraph 85)

9. We urge the Government to do all it can to secure Russian ratification of Protocol 14 to the European Convention on Human Rights as soon as possible. We recommend that the Government impress on Moscow that the UK will regard its cooperation with the European Court of Human Rights as a key indicator of Russia’s willingness to work as a responsible member of the international community. (Paragraph 91)

**Bilateral UK-Russia relationship**

10. We conclude that the UK’s relationship with Russia has been impacted negatively by London’s stance vis-à-vis Washington. We recommend that the Government should seek to improve its relations with Russia without damaging its relations with the US. (Paragraph 96)

11. We recommend that in its response to this Report the Government should volunteer more information surrounding the apprehension and deportation from the UK in
June 2007 of the Russian individual suspected of planning Mr Berezovsky’s murder. (Paragraph 104)

12. Although we regret the difficulties that contested asylum and extradition decisions are causing in the bilateral relationship, we support the Government’s insistence on the independence of the legal process regarding Russian extradition requests to the UK. We recommend that the Government continue to offer assistance to Russia in the preparation of extradition requests to the UK and in the development of the country’s judicial system in accordance with principles of independence and professionalism. (Paragraph 108)

13. The deadlock surrounding bilateral extradition issues is conducive neither to improving the UK-Russia bilateral relationship nor to advancing the interests of justice in either Russia or the UK. We recommend that the Government invites its Russian counterpart to renegotiate extradition arrangements between Russia and the UK, in an endeavour to satisfy the considerations of courts in both the UK and Russia which are charged with interpreting human rights obligations and Russia’s constitution in the light of extradition requests. (Paragraph 109)

14. We conclude that the Government was correct to send a strong signal regarding Russia’s refusal to extradite Andrey Lugovoy. We recommend that in its response to this Report, the Government detail as far as possible the considerations which led it to take the specific measures announced on 16 July 2007, and the discussions which it has had—if any—with its Russian counterpart about possible ways of working around Russia’s constitutional ban on the extradition of its nationals. We further recommend that in its response the Government update us on any practical impact that the UK and Russian measures are having on government-to-government cooperation, on progress in the UK’s review of cooperation with Russia, and on its discussions with EU partners on including issues arising from the Litvinenko case in the EU-Russia dialogue. (Paragraph 124)

15. We agree with the Government that the BBC World Service provides a valuable source of independent news, especially in Russia’s current media climate. However, we also conclude that partnerships with state broadcasters could be seen to undermine the BBC’s independence. While recognising the difficulties of the current Russian media scene for the BBC, we recommend that the World Service pursue an independent FM broadcasting licence and that it seek to improve and expand its medium wave transmissions, in order to reduce the Service’s dependence on FM broadcasting through Russian partners. (Paragraph 131)

16. We are deeply concerned about the termination of British Council English language teaching in Russia, and the difficult environment that the British Council has faced in Russia in recent years. We recommend the FCO does all it can with its Russian interlocutors to secure conclusion of a new Cultural Centres Agreement as soon as possible. (Paragraph 137)

17. We recommend that the Government continue to foster people-to-people contacts as a potentially effective way of improving UK-Russia relations and bringing mutual benefits in the longer term. (Paragraph 141)
Energy security

18. We conclude that Russia is dependent on EU energy markets for a considerable part of its revenue. We further conclude that the diversion of Russian energy supplies away from EU markets eastwards, including to China, is not a realistic prospect in the short or medium term. We recommend that the Government draw on these conclusions to continue to encourage its EU partners to take a robust and united approach to dealing with Moscow, in the energy field and beyond. (Paragraph 162)

19. We conclude that the prospective shortfall in Russian gas production represents an urgent energy security concern for the EU, and a greater one than the risk of Russia disrupting supplies for political reasons. The intensified competition for Russian gas which appears to be in prospect between Russian domestic consumers, Russian CIS customers, and the EU, has the potential to aggravate a number of political relationships. We welcome the Minister for Europe’s apparent awareness of the urgency of the problem. We recommend that the Government work to achieve a common understanding of the likely Russian gas shortfall with both EU partners and Moscow, and that it inform us in its response to this Report of the steps being taken in this regard. (Paragraph 170)

20. Given the apparent detrimental impact of Russian state control on efficiency and output in the Russian energy sector, we conclude that EU consumers have a direct interest in liberalisation in the sector and in Russia remaining open to meaningful foreign participation in the development of its energy resources. Although large global energy companies are likely to remain interested in the Russian sector under almost any conditions, we recommend that the Government continue to impress on Moscow the mutual benefits that can come from the existence of transparent and stable conditions for foreign investment in the Russian energy sector. (Paragraph 176)

21. We welcome signs on the part of the EU and its Member States of increasing commitment to energy supply diversification schemes. However, we conclude that Russia and the EU could come to be direct competitors for Central Asian energy resources. Under current circumstances, the EU’s aims of achieving supply diversification through independent access to non-Russian Caspian energy resources may also aggravate Russia. We recommend that in continuing to pursue supply diversification, including at the EU level, the Government take full account of the geopolitical sensitivities involved and seek greater integration of sectoral and foreign policy considerations. (Paragraph 184)

22. We recommend that in its response to this Report, the Government inform us of its initial response to the European Commission’s latest proposals for the energy sector, its assessment of the likelihood of their acceptance by other EU actors, and its assessment of their likely impact on EU efforts to win greater Russian compliance with international regimes governing the energy sector according to liberal and transparent principles. We further recommend that the Government continue to impress on its EU partners the way in which bilateral dealings with Russia in the energy sector can undermine the EU’s declared common interest in encouraging Russian compliance with shared international energy regimes. We recommend that the Government therefore continue to encourage its EU partners to act in
accordance with a credible common EU energy policy towards Russia. (Paragraph 196)

23. We conclude that the FCO is correct to have identified the potential for significant improvement in energy efficiency in Russia. We support the FCO’s project work in this area, and a strategy of using Russia’s interest in enhancing the efficiency of its energy sector as a means of further engaging Russia in the wider climate security agenda. We recommend that the FCO seek opportunities to expand work with Russia in the energy efficiency field, through both bilateral and multilateral mechanisms. (Paragraph 201)

24. We commend the cross-departmental cooperation which is taking place on energy security matters. We recommend that the Government continue to foster a cross-departmental approach to energy security and that it advocate the benefits of this approach to its EU partners and the EU institutions. (Paragraph 203)

EU-Russia relations

25. We conclude that the UK is correct to pursue its relations with Russia both bilaterally and through the EU. Where the EU pursues policies towards Russia which are in line with UK goals, the UK position is strengthened. In this context, we commend the Government for having secured EU Presidency statements in support of the UK position on the Litvinenko case. However, the EU is too often divided with respect to Russia, weakening its capacity to engage effectively. We conclude that there are fundamental difficulties in the EU-Russia relationship and we are not confident that these can be addressed effectively until the EU has a common stance towards Russia. We therefore recommend that the Government make the development of a united and coherent EU-Russia policy an explicit goal of its work in the EU in 2008. We further recommend that, in its response to this Report, the Government outline the steps it proposes to take towards this goal. (Paragraph 223)

26. The imposition for over a year of trade blockages on two EU Member States by a third country is unacceptable. We recommend that the Government impress on the European Commission and Moscow the urgency of resolving Russia’s trade disputes with Poland and Lithuania. Even if Poland were to lift its veto on negotiations with Russia on a new EU-Russia agreement, however, we conclude that the launch of such negotiations in the near future would be probably fruitless and possibly unhelpful. We recommend that the Government revisit the question of the advisability of a new EU-Russia agreement as part of its discussions with EU partners on EU Russia policy, and that it report on initial discussions in its response to this Report. (Paragraph 236)

27. We conclude that the Government is correct to support the EU’s European Neighbourhood Policy. We also strongly endorse the FCO’s identification of a need to develop a shared understanding with Russia of the future of the common neighbourhood, involving the countries concerned and on the basis of their sovereign choices. However, the evidence is that this goal remains distant. We recommend that the Government seek to inject greater strategic awareness into the EU’s policies for the former Soviet space and encourage greater coordination
between the EU’s policies for Russia and for other former Soviet states. (Paragraph 242)

**European security issues**

28. We conclude that, whilst in principle we support the concept of “supervised independence” for Kosovo, we are concerned that the Government may have underestimated the damage to the authority of the Security Council, to bilateral relations with Russia, and to the very fragile democracy in Serbia. (Paragraph 263)

29. We regret that, eight years after the Kosovo conflict, disagreement over the province may once again cause the UN to be sidelined. We conclude that Russia may be adopting an intransigent position now on the Ahtisaari plan for Kosovo in order to demonstrate its strength. It may also be using the issue as a way to encourage divisions within the European Union. However, Moscow would find it much harder to do so had the plan been accepted by Serbia. We conclude that the Government underestimated Russia’s likely opposition to the Ahtisaari plan. We recommend that in its response to this Report, the Government inform us of the steps it is taking to try to win Kosovar Albanian and Serbian acceptance of a modified version of the Ahtisaari plan and to prevent a further outbreak of violence taking place. (Paragraph 264)

30. We conclude that Russian opposition to US ballistic missile defence (BMD) plans in Central Europe largely reflects Moscow’s sensitivity about the presence of NATO infrastructure in its former satellite states. As such, Russian opposition will be hard to overcome. We welcome signs that the US, Russia and the NATO allies may be engaging in a more substantive dialogue and search for cooperation on BMD. As long as it remains committed to the US BMD plans, we recommend that the Government seek ways to build cooperation around them, both within NATO and with Russia, so that they do not become a source of further divisions in Europe. (Paragraph 273)

31. We regret the manner and timing of the Government’s announcement that RAF Menwith Hill is to participate in the US ballistic missile defence (BMD) system, and the resulting lack of Parliamentary debate on the issue. In its response to this Report, we recommend that the Government inform us of the date on which it received the formal proposal from the US to include Menwith Hill in the BMD system. We recommend that there should be a full Parliamentary debate on these proposals. (Paragraph 275)

32. We are concerned by Russia’s decision to suspend its participation in the Conventional Forces in Europe Treaty with effect from mid-December 2007. We recommend that in its response to this Report, the Government provide us with its assessment of the practical and political impact of Russia’s step. We further recommend that the Government update us on the steps it is taking to encourage Russia to fulfil its Istanbul commitments. (Paragraph 285)

33. We recommend that in its response to this Report, the Government provide us with its assessment of the likelihood and possible implications of a renunciation by Russia of the Intermediate-Range Nuclear Forces Treaty. (Paragraph 290)
34. We recommend that in its response to this Report, the Government share with us its assessment of the likelihood of Moscow retargeting its strategic missile forces if the US ballistic missile defence deployment in Europe goes ahead. (Paragraph 295)

35. We welcome the Government’s appreciation of the importance of the NATO-Russia Council. We conclude that the body has the potential to become a much more effective forum for ongoing security consultations between Russia and the West, and we recommend that the Government work with its partners to exploit its full potential. (Paragraph 298)

36. In the perspective of the country’s NATO membership aspirations, we recommend that the Government continue to encourage Georgia to resolve its internal conflicts and to develop more stable relations with Russia. (Paragraph 301)

International security issues

37. We regard Russia’s willingness to export arms to destinations where they are likely to exacerbate conflict and human rights violations as unhelpful to international security. We are concerned about the profound lack of transparency which surrounds Russian arms sales and which heightens international suspicions of Russia’s behaviour in this field. Given the scale of Russian production and export, we are of the view that conventional arms control initiatives supported by the UK cannot be fully effective without Russian participation. We recommend that the FCO consider ways in which it could include activities on arms trade transparency in its programme work in Russia. We further recommend that the FCO continue to seek to win Russian support for the Arms Trade Treaty, as a potentially important expression of Russia’s desired status as a respected and responsible international power. We also recommend that in its response to this Report the Government update us on progress regarding Russian support for the Arms Trade Treaty following the 2007 UN General Assembly session. (Paragraph 314)

38. We welcome Russia’s participation so far in international anti-proliferation efforts regarding North Korea and Iran, and Russia’s willingness to be represented by the EU High Representative in international efforts to encourage Tehran to abandon uranium enrichment. To maximise prospects of winning Russian support for the strengthened sanctions against Iran which it seeks, we recommend that the Government work to bring closer together the Western and Russian assessments of the Iranian nuclear threat. We further recommend that the Government do all it can to encourage Russia to use its leverage over Iran in the interests of the latter’s compliance with its nuclear obligations. (Paragraph 328)

39. We conclude that the UK’s Global Partnership programme is making a significant contribution to reducing security risks from WMD materials in Russia. We welcome Russia’s growing financial contribution to the programme. We recommend that the Government continue to work, with due regard to legitimate Russian sensitivities, to overcome the lack of transparency that is impeding further progress in some areas. We recommend that the Government explore ways of further enhancing re-employment prospects for Russian nuclear scientists. We further recommend that, in common with its G8 partners, including Russia, the Government start to consider
options for the post-2012 period that will allow any remaining Global Partnership work in Russia to continue. (Paragraph 336)

40. Given our position, stated in our recent Report on the Middle East, that the Government should consider ways of engaging with moderate elements in Hamas, we recommend that the Government explore whether Russia’s contacts with Hamas could be a useful channel to pursue. (Paragraph 342)
1 Introduction

1. This Report, Global Security: Russia, is the second in our series of Reports on Global Security. We published our first Global Security Report, concerning the Middle East, in August 2007.1 Our third Global Security inquiry concerns Iran.

2. We announced our inquiry into Global Security: Russia in February 2007. We decided to look at Russia in large part because of its role in UK and EU energy security. Supply disruptions in January 2006 and January 2007 had highlighted Russia’s role as an EU energy supplier and accelerated the rise of the energy security issue up the UK and EU policy agendas. We were also aware of the wide range of other international security issues important to the UK where Russia has an impact, and of tensions in the bilateral UK-Russia relationship which had been underlined by the murder of Mr Alexander Litvinenko in London in November 2006.

3. Reflecting Russia’s international role, the terms of reference for our inquiry were broad. We decided to “inquire into Russia’s impact on global security and foreign policy aspects of the United Kingdom’s relations with and policy towards Russia.”2 Under our terms of reference, issues to be considered would include:

- energy security;
- international and regional security issues, including Russia’s role in the UN Security Council and the international non-proliferation regime, and its relations with a range of other states, international processes and international organisations, including NATO;
- engagement with Russia on climate security and anti-terrorism;
- the promotion of democracy and human rights in Russia;
- EU-Russia relations, particularly prospects for a successor to the current Partnership and Cooperation Agreement (PCA); and
- UK-Russia relations, including the activities in Russia of the Foreign and Commonwealth Office (FCO), the BBC World Service and the British Council.

4. During our inquiry, relations with Russia became a major foreign policy issue for the UK. July 2007 saw the most serious deterioration in bilateral diplomatic relations since the end of the Cold War, as the UK expelled four Russian diplomats in connection with Russia’s stance regarding the investigation into Mr Litvinenko’s murder, and Russia expelled four UK diplomats in response. During our inquiry, relations with Russia also became more problematic for the West in general, including the US and the EU. Disputes during 2007 between Moscow on the one hand, and Western states and organisations on the other, raised broad questions about the West’s post-Cold War relationship with Russia.

1 Foreign Affairs Committee, Eighth Report of Session 2006–07, Global Security: The Middle East, HC 363
2 Foreign Affairs Committee, press notice 16 (Session 2006–07), 23 March 2007
This was additionally the case because during this period Russia was itself explicitly rethinking its international role.

5. The Foreign Affairs Committee last published a report on Russia two Parliaments ago, in February 2000. ³ That report came at the outset of Vladimir Putin’s presidency, one month after Putin had become acting President and one month before he was elected in his own right to succeed Boris Yeltsin. Under the terms of the Russian constitution in force as of autumn 2007, President Putin is obliged to leave the presidency—although not necessarily for all time—at the end of his second successive term in March 2008. Our current Report therefore reflects the state of affairs towards what is likely to be the conclusion of President Putin’s (first) presidency.

6. Our inquiry into Russia straddled the change of Government in the UK. We received most of our evidence before the Rt Hon Tony Blair MP stepped down as Prime Minister on 27 June 2007. However, we held our main ministerial evidence session on 18 July 2007 with Mr Jim Murphy MP, Minister of State for Europe in the new Government led by the Rt Hon Gordon Brown MP, shortly after the Minister’s appointment. Our evidence session with Mr Murphy took place two days after the UK announced its expulsion of the four Russian diplomats. We were able to put further questions to Mr Murphy during an evidence session on 12 September. During our inquiry, we also put questions on Russia-related matters to the then Foreign Secretary, the Rt Hon Margaret Beckett MP, on 19 June, and to her successor, the Rt Hon David Miliband MP, on 10 October. We were also able to put questions concerning the work of the BBC World Service and British Council in Russia to representatives of those organisations when they gave evidence in June to our separate inquiry into the FCO’s Annual Report 2006-07.⁴

7. Altogether, we held three dedicated evidence sessions for our inquiry into Global Security: Russia. We would like to thank all those who gave oral evidence: prior to our July evidence session with Mr Murphy, we heard in late April from Dr Roy Allison, Senior Lecturer, London School of Economics and Political Science, Dr Derek Averre, Senior Research Fellow, University of Birmingham, Ms Katinka Barysch, Chief Economist, Centre for European Reform, Ms Jackie Gower, Visiting Lecturer, King’s College, University of London, Professor Margot Light, Professor Emeritus, London School of Economics and Political Science, and Dr Alex Pravda, University Lecturer and Fellow, St Anthony’s College, University of Oxford; and in mid-May from Ms Anne Aldis, Head, Conflict Studies Research Centre, UK Defence Academy, Professor Bill Bowring, Birkbeck College, University of London, Mr David Clark, Chairman, Russia Foundation, Professor Yury Fedorov, Chatham House, Dr Andrew Monaghan, Senior Research Associate, Conflict Studies Research Centre, UK Defence Academy, and Mr John Roberts, energy security specialist at Platts. We would also like to thank all those individuals and organisations who submitted written evidence to our inquiry.

8. As part of its inquiry, the Committee visited Moscow in June 2007. Some Members of the Committee also visited Azerbaijan, as an example of a post-Soviet country which represents an important alternative to Russia as a source of energy supply. Other Members

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³ Foreign Affairs Committee, Third Report of Session 1999–2000, Relations with the Russian Federation, HC 101
visited a number of international organisations relevant to the Global Security inquiry in Vienna, including the Organisation for Security and Cooperation in Europe (OSCE), the Office of the UN Special Envoy for Kosovo, and the International Atomic Energy Agency (IAEA). We would like to thank all our interlocutors in these locations, and the relevant Ambassadors and other FCO staff who facilitated our visits.

9. Our Report focuses on the main security and other issues featuring in the UK’s relations with Russia in 2007, and on key aspects of the UK’s policy towards Russia. The UK’s relations with Russia are taken to be those which it has both bilaterally and as a member of international organisations such as NATO and the EU. A Report of this kind cannot be exhaustive; the Report’s content and conclusions are driven by the evidence we received. Many of the issues which this Report addresses in separate chapters are closely linked; we indicate such linkages but have arranged the material so as to lay out most clearly the issues for UK policy. Chapter 2 provides context for our consideration of the UK’s dealings with Russia by highlighting recent developments in Russia’s own thinking about its place in the international system. Chapter 3 considers the promotion of democracy and human rights in Russia, as a central element in UK policy towards Russia which forms the background to much else covered in this report. Chapter 4 examines the bilateral UK-Russia relationship more generally, covering both state-to-state and other forms of ties. This chapter includes consideration of the Litvinenko case and the UK’s response. Chapter 5 looks at energy security, a key issue for both UK-Russia and EU-Russia relations. Chapter 6 considers the EU-Russia relationship more generally, including the arguments surrounding a successor to the PCA. Via some consideration of the EU’s European Neighbourhood Policy (ENP) and other approaches to the former Soviet space, this chapter points towards broader questions of European security and geopolitics. Chapter 7 considers a number of European security issues where the UK and Russia are engaged, namely Kosovo, missile defence and the NATO-Russia relationship. Chapter 8 broadens the perspective to the international arena, considering Russia’s role as regards several international issues of importance to the UK.
2 Context

Russia’s new foreign policy thinking

10. As stated by Dr Pravda, “everyone has noted that there is a new confidence—almost a defiant confidence—in Russian foreign policy attitudes”. The FCO concurred that “Russia’s foreign policy has become increasingly assertive […] over the last few years.” Russia’s increased assertiveness in 2007 has been manifested in a range of ways and across a range of policy fields, many of which are considered further in this Report. These range from speeches and articles by President Putin and other leading Russian officials—most notably President Putin’s speech to the security conference in Munich in February 2007—to new missile tests and military flights, steps asserting Russian state control over energy resources, trade measures against a number of states, the suspension of Russia’s observance of a major arms control treaty, and Russian rejection of several draft UN Security Council resolutions on Kosovo, bringing to an end—at least temporarily—the UN process on that issue.

11. Several aspects of Russia’s current stance, and areas of friction between Russia and Western states and organisations, are not new. When the Foreign Affairs Committee last reported on Russia in 2000, Moscow had only recently frozen temporarily its relations with NATO—over Kosovo, after the Alliance used force against Serbia without a UN Security Council resolution, in the absence of Russia’s agreement to such a text. In its 2000 report, the then Committee found that “the early pro-western stance of the Yeltsin regime has shifted towards a more independent ‘Russia first’ stance.” In April 2000, concerns over human rights violations in Russia were already such as to cause the Parliamentary Assembly of the Council of Europe to suspend temporarily Russia’s voting rights in the Assembly. During our current inquiry, the Conflict Studies Research Centre (CSRC) reminded us that President Putin’s criticism of NATO enlargement in his February 2007 Munich speech “did no more than summarise previous complaints over breaches of commitments by NATO”.

12. Notwithstanding elements of continuity, in several respects the Russian stance which has emerged in 2007 represents an important change compared to the late Yeltsin and early Putin periods. Dr Pravda told us that that Russian foreign policy had entered a “new […] phase” in 2007. For one thing, according to Dr Pravda, “Rather than responding to Western moves, as has been its tendency for most of the post-Soviet period, Moscow [now] wants to play a more proactive part in setting the international agenda.” Moreover, Russia
now feels that it has the resources and the legitimacy to take such a proactive global role. According to Dr Allison, Russia’s chairmanship of the G8 in 2006 “reinforced [Russia’s] perception” of itself “as a leader in its own right”. Russia also now locates its new foreign policy thinking in an analysis of a changing global environment. Dr Pravda told us that “It is a good time to look at Russian foreign policy, because the Russians themselves are taking stock of how best to capitalise on shifts in the international system and on Russia’s own assets”.

13. As regards resources, Russia’s new foreign policy assertiveness is being driven most immediately by a transformation in the country’s economic position. This transformation is the result primarily of high world prices for the oil and gas which Russia exports. Russian economic growth has been averaging 6.7% a year since 1999. Russian public finances, in contrast to their parlous state for much of the 1990s, are now “strikingly robust”, according to Professor Hanson. At the end of 2006, Russia had a federal budget surplus of 7.6% of GDP and foreign exchange reserves worth almost twice the year’s merchandise imports; by March of that year, it had built up from taxes on oil exports a stabilisation fund worth around 10% of GDP. Whereas in 1998 Russia defaulted on its foreign debts, triggering turmoil in international financial markets, it has now repaid its borrowings such that public debt to non-residents fell from $147 billion in 2000 to $49 billion in 2006, equivalent to only around 5% of GDP. Moreover, only $9.3 billion of this was owed to the international financial institutions, and only $0.6 billion to the Paris Club of foreign governments. Professor Hanson put the implication starkly: Russia’s previous debts “gave Western governments some leverage over Moscow. That leverage has now gone.” We do not think this reality is always understood or acknowledged by some key players in the West, including the Government. In addition to their impact on Russia’s public finances, high world prices for oil and gas express a rising international need for the energy resources in which Russia is rich; under these circumstances, Moscow’s energy resources are another key source of its new confidence.

14. As regards Russia’s analysis of the global environment, Moscow’s new foreign policy thinking has been set out in the document “A Survey of Russian Federation Foreign Policy”, endorsed by President Putin and published by the Foreign Ministry in March 2007. Dr Pravda called the foreign policy review “the most comprehensive and authoritative in recent years.” On the basis in particular of the foreign policy review document, our witnesses identified several key tenets of Russia’s new foreign policy thinking:

14 Ev 17
15 Q 1
16 Ev 109
17 Ev 109 [Professor Hanson]
18 Ev 112 Table 1 [Professor Hanson]. Public debt is here defined as debt of the government plus Central Bank.
19 Ev 111
20 The use and economic impact of Russia’s energy resources are discussed in Chapter 5.
21 An unofficial English translation was made available on the Russian Foreign Ministry website in May 2007, via www.mid.ru.
22 Ev 19
• Multipolarity: According to Dr Pravda, “Rather than merely lamenting the dangers of US dominance and stressing the advantages of multipolarity, Russian officials now assert the collapse of US-led unipolarity as a fact.”23 In Russia’s view, Dr Allison told us, the US- and Western-dominated system is “gradually being displaced by a multipolar constellation and a more pluralistic international system.”24 In this, according to Professor Fedorov, Moscow sees “the global balance of forces […] shifting in Russia’s favour.”25 The rise of “new power centres”26 such as Brazil, China and India, as well as Russia, primarily reflects these countries’ economic growth—and in Russia’s case its energy export capacity—but in Moscow’s view the phenomenon will erode Western primacy beyond the economic sphere. Dr Allison quoted to us Russian Foreign Minister Sergei Lavrov’s stated belief that the West “is losing its monopoly on globalization processes”.27 In the geopolitical sphere, Russia already identified the terrorist attacks on the US on 11 September 2001 as bringing some strategic gain, as they caused the West to need Russia as an anti-terrorist partner in Central Asia, and allowed Moscow to frame its actions against Chechen separatism as part of the ‘war on terror’.28 The key development undermining US-dominated unipolarity, in Russia’s view, has been the war in Iraq.29 Professor Fedorov told us of “a belief in Russia that […] a kind of post-Iraq syndrome might emerge in the United States, which means that isolationist trends [there] will increase”.30 Overall, Russia identifies a favourable set of circumstances for it “to return to its former status of major global power.”31

• International leadership through the UN: Given what it sees as the failure of US-dominated unipolarity, Russia perceives a need for new international leadership. Moscow adheres to its view that this should take place primarily through the UN. According to Ms Aldis, “Russia is very keen to see the United Nations as an international arbiter with legitimacy, force and the ability to engage all member nations in a dialogue.”32 In particular, Moscow insists that only the UN can legitimise the international use of force.33 As the inheritor of the seat held by the Soviet Union, Russia is a founder member and permanent, veto-wielding member of the Security Council.

• Regional hegemony: While our witnesses highlighted Russia’s new sense of itself as an independent global actor, they emphasised that the former Soviet space remains its pre-eminent concern. Professor Fedorov told us that “the No. 1 issue for Russia is to assure its special role and its special position within the post-Soviet space.”34 Dr Pravda
concurred that “Moscow seems bent on establishing regional hegemony” within the Commonwealth of Independent States (CIS).

- Rejection of Westernisation: Alongside Russia’s perception of the rising economic and geopolitical power of non-Western countries is “the belief that the normative system associated with [Westernisation] can be challenged legitimately by other principles rooted in the experience of other states, including Russia.” As regards Russia, Dr Allison told us that in official thinking a Westernisation of Russia is now seen as “a threat to the unique character of Russian statehood”. Mr Clark similarly identified an explicit rejection by the Russian leadership of a Western understanding of democracy as applicable in the Russian context. The rejection of Westernisation is one element of the notion of ‘sovereign democracy’, the most prominent concept associated with the later stages of Putin’s presidency. Moscow’s new confidence in the legitimacy of non-Western forms of democracy and economic development is one source of its resistance to democracy and human rights promotion activities in Russia by Western states, which are seen as promoting particular Western interests and values rather than universal ones.

- National sovereignty: Russia is a robust defender of the principle of national sovereignty. This too is bound up in the notion of ‘sovereign democracy’. In particular, Moscow is often resistant to action on human rights issues by external states or organisations which it often construes as interference in states’ internal affairs not warranted by genuine international security concerns. This view has, for example, characterised Russia’s position in the UN Security Council regarding Burma; along with China, Russia vetoed a resolution on Burma in January 2007 and in September 2007 rejected the imposition of global sanctions against the regime. Given Chechen separatism and potential demands for independence from other parts of the Russian Federation, Russia would also claim to be “adamant” about the principle of territorial integrity.

- Deployment of economic resources: The CSRC told us that “The Kremlin unabashedly regards trade, investment and energy supply as means of securing political influence as well as profit.” This applies especially to the energy sphere. The CSRC drew our attention to Russia’s official Energy Strategy to 2020, which “describes Russia’s energy complex as ‘an instrument for the conduct of internal and external policy’ and states that ‘the role of the country in world energy markets to a large extent determines its

35 Ev 20
36 Q 1 [Dr Allison]
37 Ev 17
38 Q 91
40 Democracy and human rights issues are discussed in Chapter 3.
41 “As Burmese troops open fire at monks, China and Russia block global sanctions”, The Guardian, 27 September 2007
42 Q 13 [Professor Light]
43 Ev 25
geopolitical influence’.”

According to Dr Pravda, “Rocketing prices and fast-growing demand have persuaded Moscow that oil and gas are the key means by which to realise its foreign policy ends in an international system increasingly shaped by geo-economics.”

Indeed, Dr Pravda suggested that Russia risked developing “Dutch disease in foreign policy”, owing to some policymakers’ over-reliance on the energy tool.

15. Beyond the general characteristics of Russia’s new foreign policy thinking, Professor Fedorov identified as the “principal innovation of recent months” Russia’s casting of the US, specifically, as a threat to international security. This occurred most notably in President Putin’s Munich speech in February 2007, in which the Russian President effectively accused the US of violating international law, acting undemocratically and with regard only to its own political expediency, spreading conflict and encouraging an arms race.

The CSRC told us that Russia’s identification of the US as a security threat was affecting its planned reformulation of its military doctrine.

16. Overall, the evidence is that Russia now positions itself as a non-Western power. Several witnesses referred to the metaphor used in an influential Foreign Affairs article by Dmitri Trenin of the Carnegie Moscow Center in 2006:

Until recently, Russia saw itself as Pluto in the Western solar system, very far from the center but still fundamentally a part of it. Now it has left that orbit entirely: Russia’s leaders have given up on becoming part of the West and have started creating their own Moscow-centered system.

This represents a major shift from the Yeltsin and early Putin periods, when Russia sought and gained membership in a variety of Western organisations by espousing its own political and economic Westernisation. In Dr Allison’s summation, Russia now “will work with the West when it needs, but not follow the West.”

17. Russia’s new foreign policy is not necessarily anti-Western. Western disapproval will not deter Moscow from dealing with particular states or organisations, particularly where energy, arms or other trade deals may result. However, our witnesses felt overall that Russia would eschew any enduring geopolitical alignments, having come to the view that no other power truly welcomes a strong Russia.

According to several of our witnesses,
Russia’s policy is wholly pragmatic, and might involve cooperation with any state or group of states inasmuch as this can advance Russian national interests.\(^{53}\)

18. Our witnesses were sceptical, in particular, about the prospect of a general anti-Western alliance between Russia and China. The two countries both reject US- or Western-dominated unipolarity, are often allies on the UN Security Council—especially in resisting steps which they regard as interfering in states’ internal affairs—and have converging interests in the energy sector, as the needs of China’s booming economy are converted into new markets for Russia’s energy resources. Moscow and Beijing also have a shared interest in preventing Islamist extremism or secessionist movements from destabilising Central Asia or China’s western Muslim province of Xinjiang. The Shanghai Cooperation Organisation (SCO), which brings Russia and China together with four of the Central Asian states to address regional security issues, has been gaining in prominence, for example through the military exercises conducted in Chelyabinsk in Russia in August 2007.

19. Dr Allison nevertheless pointed out that the building-up of the SCO as “a putative counterweight to NATO” in a strategy of “geopolitical balancing is not formally part of Russian policy.”\(^{54}\) He felt it “unlikely that the SCO will develop into a mutual defence or even a real collective security organisation.”\(^{55}\) Professor Light suggested that the SCO was valuable to Russia mainly as a means of “containing China”.\(^{56}\) In our 2006 report on East Asia, we reported on frictions in the Russo-Chinese relationship and on Russian fears of China’s rising power.\(^{57}\) In the view of the CSRC, “Russia’s relationship with China continues to be one of mutual respect rather than enthusiastic friendship.”\(^{58}\) For its part, China would not want to be part of an avowedly anti-US pact. *We are concerned that the potential significance of the Shanghai Cooperation Organisation’s development is not fully understood or appreciated by the FCO. We ask that in its reply to this Report the Government give a full assessment of the Shanghai Cooperation Organisation’s impact to date, its potential growth in membership (particularly in relation to Iran, which now enjoys observer status), and its potential for development in the commercial, economic and security spheres.*

**Russia on the defensive**

20. While Russia’s new foreign policy thinking and behaviour in many respects reflect the country’s new economic strength, several of our witnesses highlighted phenomena which Moscow regards as losses or failures. These are also playing a crucial role in shaping Russian foreign policy.

21. The Yeltsin period is regarded at both elite and popular levels as one primarily of chaos, weakness and humiliation for Russia. President Putin’s overriding agenda, both at home

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53 See, for example, Ev 25 [CSRC].
54 Ev 19
55 Ev 19
56 Q 20
57 Foreign Affairs Select Committee, Seventh Report of Session 2005–06, East Asia, HC 860-I, paras 253-260
58 Ev 33
and abroad, has been to reverse the experience of the Yeltsin years. In foreign policy, this manifests itself in general terms as the wish to be seen to be exerting influence and receiving respect as an equal partner. Russia’s wish to correct what are seen as the weaknesses of the Yeltsin era also has an impact because most formal elements of the West’s post-Cold War relationship with Russia were put in place during that period. Dr Allison characterised Russia as “increasingly a challenger state” and said that Russia wishes “to rethink the rules and commitments that it assumed in the early 1990s at a time of weakness”, including as regards its relationships with “a number of key international organisations. It feels that it now has the capacity to renegotiate its relationship with those institutions, as well as its broader role in the international system.”

Institutions which Russia regards as no longer serving its interests include, for example, the Energy Charter Treaty (ECT), which Russia signed in 1994; and the OSCE. We were told that Moscow now regards the latter as a “subversive organisation”, owing to what it sees as the OSCE’s excessive focus on human and political issues—especially election monitoring—in the former Soviet space, to the detriment of dealings between member states on more traditional hard security issues.

Moscow has faced the enlargement of NATO in 1999 and 2004, and of the EU in 2004 and 2007. These enlargements have mostly encompassed former communist states outside the former Soviet Union; but in the shape of the Baltic states, membership of both NATO and the EU now reaches to Russia’s border and encompasses territories which between World War II and 1991 were part of the Soviet Union. This is despite the fact that, in the view of much of the Russian elite, NATO made an implied commitment not to expand any further when the then Soviet Union accepted in 1990 that the former East Germany would accede to the Alliance as part of the reunified Germany. In the new NATO members, in addition to its plans to deploy missile defence installations in the Czech Republic and Poland, the US is planning to open military bases in Bulgaria and Romania. Membership of NATO and the EU has increased the international political weight of former communist states which are typically cool or hostile towards Russia (albeit to varying degrees at different times).

The prospect of Georgia’s accession to NATO will doubtlessly further Russia’s feeling of ‘encirclement’ by the Alliance.

The ‘colour revolutions’ in Georgia, Ukraine and Kyrgyzstan in 2003–05 have had a profound impact on Russian political thinking. The ‘revolutions’ brought more Western-oriented leaderships to office in the three states and were accompanied by significant popular mobilisation. The ‘revolutions’ were enthusiastically supported by many Western

59 Q 1
60 Ev 38 [Mr Roberts]; the ECT is discussed further in Chapter 5.
61 Ev 33 [CSRC]
62 Q 84 [Professor Bowring]
63 European missile defence is discussed in Chapter 7.
64 Russia’s relationships with the EU and NATO are considered further in Chapters 6 and 7, respectively. For a recent survey of EU Member States’ attitudes towards Russia, see Mark Leonard and Nicu Popescu, “A Power Audit of EU-Russia Relations”, European Council on Foreign Relations Policy Paper, November 2007.
65 NATO enlargement to Georgia is considered in Chapter 7.
politicians, especially in the US, which framed the events in terms of what the US Administration sees as the global battle for freedom and democracy. In Ukraine, however, Russia publicly backed the defeated, pro-Russian presidential candidate. Among both the political elite and the public in Russia, the majority view is that the events in Georgia and Ukraine were the result of “US special operations […] not the product of civil society.”

According to Dr Allison, “The Putin leadership interpreted the Orange Revolution in Ukraine as a product of external, Western, political manipulation and a geopolitical loss to Russia.” Furthermore, we were told that the Russian leadership fears that the West will encourage another ‘colour revolution’—in Moscow, in March 2008.

The dominant Russian interpretation of the ‘colour revolutions’ has produced increased suspicion of Western governments, of their involvement in the former Soviet space and, in particular, of their sponsorship of NGOs in Russia as part of their democracy and human rights promotion activities. However, Russia also perceives that the ‘colour revolutions’ have not necessarily led to the smooth consolidation of stable democratic orders in the countries concerned. The ‘revolutions’ have thus reinforced disdain among the Russian political elite for political change ‘from below’, and confidence in the wisdom of Russia’s ‘managed democracy’.

25. The ‘colour revolutions’ were significant also because they took place on ‘core’ former Soviet territory, that is, in former Soviet states other than the Baltics. Such territory is now also in play for the enlarged EU, as it develops its European Neighbourhood Policy (ENP) for states which are now on its borders, and as some EU politicians contemplate enlargement to Ukraine, Moldova and the Transcauscasus; and for NATO, where possible future membership for Georgia and Ukraine is now on the agenda.

Furthermore, to support operations in Afghanistan, since 2001 the US has maintained a military base in Kyrgyzstan—where Russia too has a base. While Russia initially accepted a US military presence in Central Asia as part of its post-September 11 alignment with Washington, Moscow now opposes the US base in Kyrgyzstan. Referring to the Russians, Ms Aldis told us that “In the cold war days, there were maps of the NATO military bases up against the Warsaw pact border; now, the maps show NATO military bases up against the Russian border. That scares them.”

26. Despite Russia’s wish to assert its hegemony in the CIS, a key trend in the region in recent years has been greater foreign policy and economic independence on the part of several CIS states, partly as a result of the ‘colour revolutions’. This greater independence has often been manifested in a more pro-Western orientation. In the foreign policy sphere, for example, we have already referred to the wish of Georgia and Ukraine for NATO membership—although Ukraine’s pro-Western or pro-Russian orientation remains the...
subject of its tortured domestic political battles. In the economic sphere, Azerbaijan, for example, has achieved an export capacity for its oil and gas which is independent of Russia, and the country no longer relies on gas from Russia for its own needs while offering to Georgia an increasingly important alternative to Russian supplies.\footnote{Ev 106 [FCO]. Energy issues are discussed further in Chapter 5.} For CIS states, as for their counterparts in Central Europe and the Western Balkans, the Western foreign policy orientation involves the acceptance—at least in principle—of a degree of Western interest in their having more democratic and pluralistic domestic political arrangements and improved human rights records. By contrast, and in the face of Western democracy and human rights promotion policies and support for the ‘colour revolutions’, Russia’s close relationships with Central Asian states are increasingly based on “Moscow’s unconditional acceptance of the political legitimacy of regimes in these states.”\footnote{Ev 17 [Dr Allison]} As a result of these trends, and Russia’s claims to regional hegemony notwithstanding, “The region of the former Soviet states is dividing into [a] group of authoritarian states with particularly close relations with Russia and a group whose Euro-Atlantic orientation reflects a different set of priorities and values.”\footnote{Ev 17 [Dr Allison]; see also Alexander Nikitin, “The End of the ‘Post-Soviet Space’: the Changing Geopolitical Orientations of the Newly Independent States”, Chatham House, February 2007.}

27. The turn away from Russia in several CIS states is especially notable because Russia’s energy leverage is strongest here. According to Mr Clark, “energy is Russia’s main asset in sustaining a hegemonic position in its ‘near abroad’.”\footnote{Ev 58} However, several witnesses suggested that Russia’s somewhat crude use of its control of energy resources was contributing to the shift away from Moscow in some states. Azerbaijan has pursued a more balanced policy between Russia and the West than has Georgia under President Mikhail Saakashvili, but Russia’s large gas price rises have caused even Azerbaijan to stop taking Russian supplies and halt its own transfers of oil to Russia.\footnote{Ev 106 [FCO]} Russia’s disputes with Georgia have disrupted energy supplies to Armenia; and according to the CSRC, in this previously staunchly pro-Russian state “The rise in the price of energy has been a major factor in beginning to raise doubts amongst the Armenian population about Russia’s attractiveness as their single ally.”\footnote{Ev 34} Similarly, even Belarus began to complain about Moscow and appear to seek openings to the West after the energy price row with Russia in January 2007. Overall, Dr Pravda suggested that energy leverage “does not always bring the kind of longer-term political regional influence the Kremlin would like to achieve.”\footnote{Ev 20; Russia’s use of its energy leverage is considered further in Chapter 5.}

28. Taking energy and other factors together, Ms Barysch suggested that “Russia has done a lot in the last couple of years to really drive the countries of the former Soviet Union away—not only Georgia, but Ukraine, and now even Belarus”.\footnote{Q 40} Professor Fedorov went as far as to say that for Russia “There are no successes within the post-Soviet space”,\footnote{Q 65}
although the CSRC distinguished greater Russian success in Central Asia compared to other regions.82

29. Russia’s perception of many recent developments in Europe and the post-Soviet space as losses rests on a continued view of the West as Russia’s competitor, and of international politics as a zero-sum affair. Mr Clark argued that, for Russia, “The zero-sum mentality means that any diplomatic convergence between Russia’s neighbours and the West must necessarily constitute a hostile act.”83 Ms Aldis also drew attention to the way in which, in this context, developments such as NATO enlargement and the ‘colour revolutions’ were seen as part of a deliberate “encirclement” of Russia by the West.84 Zero-sum thinking and fears of encirclement are deeply rooted elements of the dominant Russian worldview which persist into Moscow’s new foreign policy thinking.

**Electoral effects**

30. Russia is scheduled to hold elections to its lower legislative house, the Duma, in December 2007, and to the presidency in March 2008. Having served two successive terms, President Putin is obliged by Russia’s constitution to step down. As President Putin is healthy, relatively young and extremely popular, and given the weakly-established nature of constitutional politics in Russia, there has been much speculation as to whether the current constitutional provisions will be observed. Some senior politicians and officials are known to want President Putin to stay on. Alternative scenarios are not entirely ruled out, perhaps involving the constitution’s suspension rather than its amendment. However, our witnesses thought it most likely that Putin will leave the presidency in March 2008, although not necessarily for all time, and not necessarily to withdraw from public life altogether. Professor Light told us that she thought “it would be very difficult for [President Putin] now to go back on his word.”85 In October 2007, President Putin appeared to give the clearest indication yet of his plans, accepting first place on the list of the pro-Kremlin United Russia party for the December 2007 Duma elections and saying that it was “entirely realistic” to suggest that he might become Prime Minister after he leaves the presidency,86 although later the same month he maintained that he had still not “decided yet in what capacity [he would] work” once no longer head of state.87

31. In October 2007, the head of Russia’s Central Electoral Commission, Vladimir Churov, announced that Russia would be inviting 300-400 foreign observers to the December Duma elections. This figure compares with the 1,165 foreign observers present for the previous Duma elections in 2003.88 *We are concerned about the reduction in the number of international observers whom Russia is inviting to the December 2007 Duma elections.*

82 Ev 33
83 Ev 58
84 Q 69
85 Q 17
86 “Putin looks to retain power as PM”, *Financial Times*, 2 October 2007
87 “Pressure grows for Putin to stay”, *Financial Times*, 27 October 2007
88 “Russia cuts back on poll observers”, *Financial Times*, 31 October 2007
32. To outside observers, the forthcoming election season might appear to give the Russian leadership few reasons for anxiety. Given President Putin’s popularity, the opposition’s weakness and the resources at the command of the state, it is assumed that the Duma elections will deliver a compliant legislature and the presidential poll a popular mandate for President Putin’s chosen successor. However, above all as a result of the ‘colour revolutions’ in other former Soviet states, the political elite may not be as confident in their control of the political scene as might appear warranted. At least until it was mitigated somewhat by his early October announcement, there had been genuine uncertainty about President Putin’s intentions beyond the presidency, and there is an intense but opaque struggle among elite factions for the succession. President Putin’s appointment of the virtually unknown Viktor Zubkov as Prime Minister in September 2007 did little to dispel the prevailing uncertainty. Finally, although formal popular endorsement of President Putin’s chosen successor may not be in doubt, the elite is not indifferent to popular sentiment towards the head of state, and will be concerned about his or her popular reception.

33. According to several of our witnesses, this political environment explains at least some of Russia’s more assertive foreign policy rhetoric and behaviour in recent months. According to Dr Pravda, for example, “all the polls show that one of the strong points in Putin’s enormous popularity ratings is foreign policy, and the achievement of Russia as again a proud, international actor”. Dr Pravda therefore concluded that “The strident tone of President Putin’s criticism of the West owes something to a concern to appeal to voters in the upcoming parliamentary elections, especially those who might support nationalist parties”.

34. Short-term electoral pressures notwithstanding, our witnesses agreed that Russia’s more assertive foreign policy stance reflected longer-term factors which would endure beyond the polls. The CSRC told us that there were “sound reasons” to expect current Russian foreign policy thinking and behaviour to persist, “[d]espite the uncertainties and potential hazards of the presidential succession process”. Similarly, Dr Allison said that the March 2007 foreign policy review was “likely to frame Russian foreign policy thinking for some time to come, and certainly beyond the 2008 presidential election.” We conclude that, driven partly by changes in Russia’s economic position, and partly by the cumulative effects of the country’s post-Cold War relations with the West, the results of Russia’s recent rethinking of its international role are likely to endure beyond the presidential election scheduled for March 2008. In the period before the presidential election, the UK should be especially realistic not to expect movement from Russia on areas of difference with the West. We recommend that in its response to this Report, the Government set out what consideration it has given to the likely impact of Russia’s forthcoming election season on Russia’s foreign policy, and how it considers the UK might respond.
Implications for the UK

35. Like Russia, in recent years the UK has explicitly been engaged in analysis of the changing international environment and its implications for foreign policy. This process has been expressed in the publication by the FCO of strategic international priorities for the UK, first in 2003 and then in updated form in 2006.\(^\text{94}\) Initial indications from the new Foreign Secretary David Miliband are that—although the number of UK strategic priorities may be reduced—the process of thinking about the international environment and foreign policy will continue.\(^\text{95}\)

36. There are several respects in which the UK and the Russian analyses of the global environment coincide. For example, the UK also identifies the rise of new power centres, with the Foreign Secretary suggesting that “within 20 years political, economic and military power may be more geographically dispersed than it has been since the decline of the Chinese empire in the 19th Century.”\(^\text{96}\) Just as Russia awards weight to the UN, the FCO told us that “It remains an important aim of British foreign policy to work successfully with Russia to ensure the UN [Security Council] operates with maximum effectiveness in addressing threats to international peace and security.”\(^\text{97}\)

37. In some areas, the UK and Russian positions diverge. The UK is more accepting than Russia of the idea that domestic political and socio-economic conditions can have international security implications, with the consequence that the UK is more willing than Russia to countenance external engagement with states’ internal affairs. However, the debate about the balance between international values and interests and national sovereignty is a legitimate and difficult one. The same applies to the debate about the balance between the territorial integrity of states and groups’ right to self-determination. Both the UK and Russia can speak to the difficulties of upholding a principled commitment to multilateral governance through the UN while following national interests.

38. The Minister for Europe’s evidence to our inquiry indicated that he was aware of the changes underway in Russia’s foreign policy and the process of rethinking that has been accompanying them. For example, the Minister spoke of “about one of the most significant issues that we face: Russia’s role in the world”.\(^\text{98}\) We welcome the fact that the Minister characterised “confidence based on material and economic wealth […] [as] a core part of how we would like to see Russia develop.”\(^\text{99}\) However, the FCO’s approach to Russia still seems to consist of very general statements of Russia’s importance, accompanied by issue-by-issue dealings in practice. For example, in its evidence to our inquiry, the FCO noted the increased assertiveness of Russian foreign policy but did not formulate an overall UK view on, or response to, this development.\(^\text{100}\) We are not assured that the FCO is


\(^{97}\) Ev 78

\(^{98}\) Q 136

\(^{99}\) Q 155

\(^{100}\) Ev 78
sufficiently thinking through, in a coherent fashion, the possible implications of Russia’s foreign policy shift.

39. The wish to be taken seriously as an independent international actor is a key element of Russia’s new foreign policy. **We conclude that it could benefit bilateral relations, as well as a greater UK appreciation of Russia’s new foreign policy, if the UK were explicitly to welcome and engage with Russia’s foreign policy review document. We recommend that in its response to this Report, the Government set out what work is under way in response to the shift in Russia’s foreign policy, and specifically in response to the Russian foreign policy review document. We further recommend that the UK should consider sponsoring a conference, to discuss and explore the Russian and UK analyses of the international environment and foreign policy responses.**
3 Democracy and human rights

UK policies

40. The promotion of democracy and human rights is a major element in the UK’s policy towards Russia. The promotion of “security, prosperity and democracy” in Russia, as one of the EU’s neighbouring states, is part of the Government’s strategic international priority of “building an effective and globally competitive EU in a secure neighbourhood” (strategic priority 4).\(^{101}\) The FCO told us that “the UK Government is committed to continue its bilateral and multilateral engagement with the Russian Government, its support for civil society, and its financing of project work, to advance international standards in Russia.”\(^{102}\) According to the FCO, the UK pursues this work because “we believe that an open and democratic Russia will provide better opportunities for Russians and consolidate Russia as a stable and reliable international partner.”\(^{103}\)

41. The UK is pursuing its democracy and human rights promotion policies in Russia in a context in which it espouses a commitment to democracy and human rights in general and is ‘mainstreaming’ these goals across its international action.\(^{104}\) Of the UK’s strategic international priorities, as updated in 2006, strategic priority 7 consists of “promoting sustainable development and poverty reduction underpinned by human rights, democracy, good governance and protection of the environment”.\(^{105}\) According to the FCO:

> The UK’s long-term interests and values are best protected by the spread of democratic values, good governance and respect for human rights, which reduce the likelihood of conflict, combat poverty and support sustainable development across the world. Respect for human rights is important in its own right, but it is also an essential element in building states which are effective and accountable.\(^{106}\)

42. The UK shares its democracy and human rights promotion goals in Russia with other Western states and organisations. For example, although the EU seeks to focus largely on practical cooperation with Russia, the European Commission’s Country Strategy Paper for Russia for 2007-2013 says that “EU cooperation with Russia is conceived in terms of, and is designed to strengthen, a strategic partnership founded on shared interests and common values […] the EU places emphasis on the promotion of democracy, the rule of law and good governance, as well as respect for human rights and fundamental freedoms, in line with its development policy.”\(^{107}\)

43. Russia has committed itself to observe a number of international human and political rights standards, by signing up to international regimes and joining relevant international

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102 Ev 82-83
103 Ev 83
107 Section 2, text via http://ec.europa.eu/external_relations
organisations. For example, Russia joined the Council of Europe in 1996 and ratified the European Convention on Human Rights (ECHR) in 1998. The Partnership and Cooperation Agreement (PCA) between the EU and Russia, which came into force in 1997, says that “Respect for democratic principles and human rights as defined in particular in the Helsinki Final Act and the Charter of Paris for a New Europe, underpins the internal and external policies of the Parties and constitutes an essential element of partnership and of this Agreement.”

44. One strand of the UK’s democracy and human rights promotion policies in Russia consists of support for NGOs, including financial support, and the implementation of projects with both NGOs and official partners. There has been an important recent change in this aspect of the UK’s democracy and human rights work in Russia, with the ending of the programme work of the Department for International Development (DFID) and the closure in March 2007 of the devolved DFID office in Moscow. DFID now regards Russia as too wealthy to receive direct project assistance, and plans instead to deal increasingly with Russia as a partner country, on issues such as climate change, energy efficiency, sustainable development and development assistance to third countries.

45. UK financing of human rights and democracy programme and project work in Russia which takes place directly through Government departments now takes place only through FCO instruments, primarily the Global Opportunities Fund and the Bilateral Programme Budget. In addition, some of the cross-departmental Global Conflict Prevention Fund projects in Russia have human rights aspects. The FCO has taken over some projects formerly receiving DFID funding. In financial year 2006–07, the FCO committed around £1,000,000 to projects in Russia in the fields of democracy, human rights and the rule of law. Recent UK funding has supported, for example, the extension of a system of prison inspectors, work on the development of alternatives to—and improved human rights observance in—prison, and work on the development of dedicated procedures and facilities for juvenile offenders; work by the Russian Union of Journalists in defence of journalists’ rights, and other work in support of independent media; work by the Britain-Russia Centre and others with law students, young lawyers, judges and other legal professionals; a project on hate speech in the media; and training of professionals in the handling of sexual assaults. During our visit to Moscow in June 2007, we met representatives of several NGOs receiving UK support. In 2006, five FCO ministers, including the then Foreign Secretary, had meetings with Russian NGO representatives.

46. The Westminster Foundation for Democracy (WFD), which is funded by the FCO, has also carried out democracy promotion work in Russia, although neither it nor the UK

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108 Article 2, text via http://ec.europa.eu/external_relations
109 Ev 88 [FCO]
110 Ev 83 [FCO]
111 Ev 83 [FCO]; FCO, Human Rights Annual Report 2006, p97, 186
112 Ev 83 [FCO]; FCO, Human Rights Annual Report 2006, p 97
113 Ev 117 [Britain-Russia Centre]
114 FCO, Human Rights Annual Report 2006, p 255
115 FCO, Human Rights Annual Report 2006, p 97
116 Ev 83 [FCO]
political parties through which it in part works have projects there at present. In recent years, for example, the WFD has supported a project helping Russian municipalities to develop structures for public consultation, and a project supporting the development of committees for standards in public life in the federal Duma and four regions. The WFD currently receives £4.1 million a year from the FCO.\footnote{117 www.wfd.org}

47. A second strand of the UK’s democracy and human rights promotion work consists of diplomatic discussions and representations made in private to the Russian authorities. In addition to the raising of political and human rights concerns as an element in general official contacts, including at ministerial level, there is a regular structured bilateral human rights dialogue between the FCO and the Russian Ministry of Foreign Affairs.

48. The third strand of UK democracy and human rights promotion work in Russia consists of voicing concerns in public. In this area, there was a shift during the premiership of former Prime Minister Tony Blair. In the earlier part of his premiership, Mr Blair seemed to prefer to raise concerns largely in private, and not to embarrass President Putin in public. By the latter part of his premiership, Mr Blair was openly criticising the quality of Russia’s democracy and human rights observance under President Putin’s rule. For example, at the June 2007 G8 summit the former Prime Minister told President Putin that “people in the West were ‘becoming worried and fearful about what is happening in Russia today’.”\footnote{118 “Cordial but still icy: Blair and Putin fail to bridge the gap”, The Times, 9 June 2007} Before going to the summit, Mr Blair had told the House that:

> We want good relations with Russia, but that can be achieved only on the basis that there are certain shared principles and shared values. If there are not, there is no point in making hollow threats against Russia. The consequence is that people in Europe will want to minimise the business that they do with Russia if that happens. A closer relationship between Europe and Russia is important, but it will be a sustainable relationship only if it is based on those shared values.\footnote{119 HC Deb, 6 June 2007, col 253}

**Russia’s democracy and human rights performance**

49. Despite the policies of the UK and other Western states and organisations, the trend overall in Russia in recent years has been towards a less open and plural political environment, combined with continuing serious human rights concerns. In its evidence to us, the FCO admitted that “Russia has not made the democratic progress that optimistic observers in the mid-late 1990s had hoped for.”\footnote{120 Ev 82} In its *Human Rights Annual Report 2006*, the FCO classed Russia as a “country of concern” and devoted 12 pages to it, more than to any other country, and twice what Russia had received in the 2005 report.\footnote{121 FCO, *Human Rights Annual Report 2006*, pp 86-98} Our witnesses shared the FCO’s assessment. For example, Professor Bowring told us bluntly that Russia “is moving in an authoritarian direction”.\footnote{122 Q 91} Mr Clark judged that “None of the non-electoral prerequisites of democracy are there”\footnote{9125} and Ms Gower told us that “The gap
between Western concepts of democracy and the practice under President Putin’s ‘sovereign democracy’ has widened significantly in recent years.”  

50. The *Human Rights Annual Report 2006* detailed the FCO’s human rights concerns regarding Russia. These concerns included: racism and xenophobia, especially racist attacks and their handling by the authorities; brutality and torture by the police; human rights abuses in the armed forces; limitations on religious freedom, primarily the difficult conditions that exist for several religions not traditional in Russia; a lack of respect for lesbian, gay, bisexual and transgender (LGBT) rights, manifested in particular in the denial of permission for pro-LGBT rights parades; and prison conditions, including overcrowding and disease.

51. The FCO’s concerns also included the environment for NGOs in Russia. Legal amendments came into effect in April 2006 which imposed new registration and reporting requirements on NGOs. The Britain-Russia Centre reminded us that “The recent legislative changes have a rationale that all governments would recognise—to prevent the creation and activities of organisations with objectives that include terrorism or other criminality.” However, when we met NGO representatives in Moscow in June 2007, we heard that the extra administrative burden arising from the new requirements might in itself render smaller NGOs unable to pursue their work effectively. Moreover, the Britain-Russia Centre also pointed to the weakness of the rule of law in Russia and the generally unsympathetic official attitude towards NGOs. Under these circumstances, the new legal regime has—at the least—increased already considerable opportunities for official harassment of NGOs, and the fears of NGOs about their potential vulnerability. According to Amnesty International, “It appears the Russian authorities have attempted on several occasions to use the new provisions in order to interfere in the lawful work of human rights organisations and other civil society activists.” Amnesty cited, for example, the case of the Russian-Chechen Friendship Society, which was closed down by the authorities in January 2007. According to Amnesty International, some Russian human rights organisations are reporting the souring of contacts with officials simply because the latter no longer wish to be seen cooperating with NGOs.

52. The new legal regime for NGOs has in particular increased the concerns of NGOs which are local branches of, or are funded by, foreign organisations or governments. This has direct implications for the UK’s own programmes and project partners in Russia. Concerns have increased in this regard owing to language from Russian officials suggesting that NGOs receiving foreign funding are working against Russia, and that foreign funding of such bodies is “political”, representing a foreign policy tool aimed at subverting the government in favour of a more pro-Western administration. Official Russian suspicion of

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123 Q 91
124 Ev 23
126 Ev 115
127 See also evidence from Amnesty International at Ev 143.
128 Ev 143
129 Ev 143
130 Ev 143
foreign-funded NGOs reflects the dominant Russian interpretation of the ‘colour revolutions’ in other former Soviet states, as the product of Western manipulation, including through NGOs.\textsuperscript{131} Dr Marshall told us that the ‘revolutions’ have served to “increase Russian distrust of the role of Western NGOs in the whole of the former Soviet space”.\textsuperscript{132}

53. The FCO told us that it was “concerned about the regularity with which Russian official representatives complain that other governments’ support of NGOs is part of a subversive or hostile agenda” and that it had “made particular efforts to show that the mechanisms and objectives of all our support for NGOs in Russia are entirely open and transparent.”\textsuperscript{133} The most prominent incident in connection with NGOs’ foreign links occurred in January 2006 and with specific reference to the UK, when the Russian Federal Security Service, the FSB, implied that NGOs receiving funding from the UK’s Embassy in Moscow were engaged in espionage for the UK, by accusing the diplomat who had approved the grants of being a spy.\textsuperscript{134} When we met representatives of NGOs in receipt of UK funding during our visit to Moscow in June 2007, we heard that this incident made them even more determined to continue to work with the UK.

54. In its \textit{Human Rights Annual Report 2006}, the FCO also listed a concern about corruption and political influence in the Russian judiciary.\textsuperscript{135} The key development in this field has been the prosecution and imprisonment for fraud and tax evasion of the ‘oligarch’ Mikhail Khodorkovsky—founder of the private Yukos oil company—and several of his associates at Yukos, which has been dismantled and effectively taken over by the state.\textsuperscript{136} While some of the other Russian ‘oligarchs’ who emerged in the 1990s had reached an accommodation with the Putin leadership, Khodorkovsky appeared to be preparing to use his wealth to move into anti-Putin politics. According to the FCO, Khodorkovsky’s case “highlighted weaknesses in the Russian judicial system and raised serious concerns about the application of law in a non-discriminatory and proportional way.”\textsuperscript{137} Professor Bowring was blunter, stating that the Yukos cases have “destroyed any hope for independence of the judiciary or a fair trial.”\textsuperscript{138}

55. In its 2006 report, the FCO also discussed limits to freedom of expression as a further area of human rights concern in Russia. These limits take a number of forms. Recent amendments to the law on extremism have raised fears that the legislation could be used to stifle critical opinion. The FCO also pointed out that, as a result of ownership takeovers and legal actions, there is now no independent national TV station in Russia.\textsuperscript{139} The dominance of pro-Kremlin coverage and the state’s demonstrated willingness to take

\begin{footnotesize}
\begin{itemize}
  \item 131 This interpretation was outlined in Chapter 2.
  \item 132 Ev 136
  \item 133 Ev 83
  \item 134 FCO, \textit{Human Rights Annual Report 2006}, p 92
  \item 135 FCO, \textit{Human Rights Annual Report 2006}, p 94
  \item 136 The Khodorkovsky case links into the arguments between Russia and the UK over extradition, discussed in Chapter 4, and developments in the Russian energy sector, discussed in Chapter 5.
  \item 137 FCO, \textit{Human Rights Annual Report 2006}, p 94
  \item 138 Ev 53
  \item 139 FCO, \textit{Human Rights Annual Report 2006}, p 94
\end{itemize}
\end{footnotesize}
action against independent TV broadcasters is creating a climate of self-censorship, especially in the broadcast media, which reaches a larger audience than print. Incidents in which journalists are intimidated, attacked or murdered further contribute to this climate. The EU-Russia Centre reminded us that more than 25 journalists have been murdered in Russia in the last five years.\textsuperscript{140} The most well-known incident of this kind came in October 2006, when the journalist Anna Politkovskaya, who had published extensively on the situation in Chechnya, was assassinated.\textsuperscript{141} We welcome the arrests made in the Politkovskaya case in August and September 2007.

56. In its evidence, the FCO also drew attention to recent developments regarding political parties’ electoral participation and the management of anti-government demonstrations. In March 2007, in four regions the opposition liberal party Yabloko was denied permission to contest regional legislative elections on procedural grounds. Spring 2007 also saw rising activism by the ‘Other Russia’ opposition movement. While some ‘Other Russia’ demonstrations were allowed to proceed, others were obstructed, leading in some cases to clashes with police. Amnesty International reported police violence against demonstrators,\textsuperscript{142} and said that peaceful demonstrators had sometimes been detained even after fulfilling the legal requirement to inform the authorities of their intention to demonstrate.\textsuperscript{143}

57. In addition to the areas of concern identified by the FCO, Amnesty International told us of its worries about the harassment of individuals and organisations promoting ethnic minority rights, such as those of the Mari in the Republic of Mari El.\textsuperscript{144}

Policy responses

58. Given the recent deterioration in Russia’s human rights and democracy performance, as outlined above, it would appear that UK and Western efforts to promote democracy and human rights in Russia are failing. This raises the question of whether a different approach could have yielded results closer to UK policy goals, and should be adopted in future. Views on this question cover the spectrum, from those who hold that the UK has pressed human rights concerns with Russia too much, to those who hold that it has done so too little. Judgement is complicated by the fact that the UK shifted its stance over time.

59. Several of our witnesses felt that Western criticism and urging of higher democracy and human rights standards were currently making the Russian authorities less likely to try to make improvements in this area. Such witnesses argued that such a Russian reaction would occur primarily because the standards and practices in question were seen as ‘Western’ and inappropriate to Russia’s historical and cultural specificities. Furthermore, under the doctrine of ‘sovereign democracy’, Russia was now resistant to prescriptions handed to it from outside powers.\textsuperscript{145} Finally, several witnesses told us, Western demands for higher

\textsuperscript{140} Ev 161; see also evidence from the BBC World Service at Ev 163.
\textsuperscript{141} See Ev 146 [Amnesty International].
\textsuperscript{142} Ev 144
\textsuperscript{143} Ev 144
\textsuperscript{144} Ev 143
\textsuperscript{145} The notion of ‘sovereign democracy’ was outlined in Chapter 2.
human rights standards were frequently undermined by what Russia perceived as Western hypocrisy and double standards, with regard both to Western states’ own behaviour—for example in prosecuting the ‘war on terror’—and to their treatment of other states with poor human and political rights records. For example, Professor Light told us that “it is increasingly […] counter-productive to try to impose on Russia a set of values or standards”. Dr Pravda agreed that:

Voicing loud public concern about the general direction of Russia’s political development only seems to produce more stubborn defiance from the Kremlin. The mood of defiance makes Moscow less prepared to respond constructively to specific Western concerns about violations of human and democratic rights.

60. Other witnesses argued that the West and the UK had not been tough enough in prosecuting their democracy and human rights agenda in Russia. Mr Clark told us that the Russian political elite “feel no consequences” from “rowing back from the democratic standards and the direction of political reform that existed in the 1990s” and urged that this situation should change. Some voices have urged that Russia should be ejected from the G8 because of its failure to observe international democratic and human rights standards. The case that action of this kind might bring about improved Russian observance of international human and political rights standards rests on Russia’s declared wish for international status and respect. On this argument, Russia’s exclusion from Western ‘clubs’—but with the promise of readmission on fulfilment of certain conditions—might encourage it to introduce more democratic and liberal governance.

61. We heard counter-argument against both these opposite views. Witnesses including Professor Light argued that if the UK were to stop pressing democracy and human rights concerns with Russia, it would undermine its credibility as an agent for improved political and human rights standards, both in Russia—with those groups and organisations that look to the UK for support—and elsewhere, including in other former Soviet countries. The UK would risk losing credibility in particular because of Russia’s resource-rich status. Professor Light observed that “clearly Britain would be open to considerable criticism if it had a set of standards that it applied to other countries but not to Russia because it was such a strong energy supplier.” We heard this suspicion from opposition and NGO figures during our visit to Azerbaijan, who saw the West as having been more supportive of the ‘colour revolutions’ in Georgia and Ukraine than it had been of the opposition in Azerbaijan and attributed this to the latter country’s energy wealth—although it was often recognised that the UK was more engaged on political and human rights concerns in Azerbaijan than most other Western states.

62. Professor Light also highlighted the dangers of isolating Russia, given that Russia’s continued engagement in a variety of bilateral and multilateral fora offered the potential...
for the West to exercise more effective influence. Professor Light expressed the hope, for example, that “engagement will lead to emulation of […] values and standards.”\textsuperscript{152}

63. Another key point raised by witnesses was that since Russia no longer necessarily defines itself as ‘Western’, and has either already joined, or is not seeking membership of, Western organisations which set political and human rights entry standards, the West has less leverage than it did or does over many other former communist states. The CSRC told us that:

In countries which have set their sights on NATO and/or EU membership, internal affairs have a legitimate place in our discourse, and this is accepted by our official interlocutors in the Western Balkans, Ukraine and Georgia. But in Putin’s Russia, where no such goals have been declared, no such legitimacy is conceded, and such discourse arouses resentment.\textsuperscript{153}

Similarly, with respect to the EU, Ms Gower told us that:

It has been rather belatedly recognised in Brussels that because Russia has no current ambitions for accession, and no great need for aid, the EU has far less potential leverage over her domestic political development than has been the case with respect to candidate countries.\textsuperscript{154}

64. Rather than abandon its democracy and human rights message, or sanction Russia, the dominant view from our witnesses was that the West should modify its message to Moscow in ways that might make it more effective. In Ms Gower’s words, “it is not a matter of giving up on the values but of how best to convey them and develop them in Russia. It is clear that merely giving it long lectures and telling Putin that he has been rather bad is totally counter-productive.”\textsuperscript{155} With regard to the EU, Ms Gower said similarly that “rather than abandoning the normative agenda, the EU needs to adopt a more effective strategy than ritualistically lecturing the Russian leadership about its democratic failings.”\textsuperscript{156} Our witnesses’ suggested modifications would aim to make the democracy and human rights message less ‘Western’, and more about interests than values.

65. As regards the language of interests rather than values, for example, Dr Averre told us that “the UK approach and the EU approach should be to push common interests and to speak to Russia’s common interests in adhering to […] common European or international rules […] Europe needs to […] speak more to Russia’s self-interest rather than pushing the inflated normative agenda all the time.”\textsuperscript{157} A number of witnesses suggested ways in which improved observance of human rights and the rule of law could be put to Russia as being in its own interests. Dr Allison suggested, for example, that the UK might point out to Russia that:

\begin{itemize}
\item \textsuperscript{152} Q 9
\item \textsuperscript{153} Ev 27
\item \textsuperscript{154} Ev 23
\item \textsuperscript{155} Q 35
\item \textsuperscript{156} Ev 23
\item \textsuperscript{157} Q 30
\end{itemize}
it will be difficult for it to have sets of standards about justice and the treatment of companies that diverge radically from those of its near neighbours in Europe. We should continue to [...] remind Russia that the obligations that it undertook in treaties of the 1990s, which it upholds, on the basic issues of the relationship between state and society and human rights, are in the interests of its social and human development.158

Dr Pravda suggested that, given its experience as an international economic and financial centre, the UK might be in a particularly strong position to stress the national commercial advantages accruing from operating according to fair, transparent and internationally accepted rules.159

66. Russia might respond to this kind of position by saying that it is not for the West to tell it what is in its own or its people’s interest. We are also cautious about this kind of language since it might be interpreted by Russia as a threat that Western businesses may become unwilling to deal with the country, as a result of its poor record on human rights and the rule of law. In fact the reality is quite different. We are aware of only a few cases in which UK businesses have withdrawn from Russia, and the Britain-Russia Centre reported to us its impression that “the risk-to-reward ratio is still positive” for UK businesses there.160 International energy companies, above all, are accustomed to working in countries with poor human rights records, in the interests of potentially huge rewards.

67. Dr Pravda suggested an alternative way of potentially engaging Russia. He proposed that the UK should highlight that the observance of international standards and agreements would be important for Russia “in realising its ambitions to be taken seriously as a responsible global actor”.161

68. Some of our witnesses suggested that the UK could couch some of its concerns in terms simply of needing clarity on the ‘rules of the game’ for dealings with Russia—for example, that the rule of law and international commitments will be respected. Dr Pravda advised us that the UK “ought to distinguish very precisely between our way of doing things at home and our cultural and democratic values […] and international rules of the game, which are to do with transparency, predictability and delivering on promises.”162 The Minister for Europe appeared to show sympathy for this approach, telling us that “The issue is not about UK values; it is about international standards.”163 Similarly, the Foreign Secretary told us in October that at a recent meeting with his Russian counterpart he had:

made it clear to him that I thought it very much in Russia’s interests as a big power to develop a rules-based system of international institutions that actually works. That message needs to go not just from Governments and Parliaments […] but also from business, because the positive side of the balance sheet that I talked about depends on
a Russian rule of law and Russian business conditions that are of international standard.\textsuperscript{164}

69. Dr Pravda argued explicitly that the “‘diplomatic’ dual approach of public restraint and private complaint” about Russian democratic and human rights standards, such as that which tended to be pursued initially by former Prime Minister Tony Blair, should be rejected. According to Dr Pravda, “The gap between the two positions feeds Moscow’s suspicions about the West’s instrumental approach to these matters; failure to follow through on private warnings undermines credibility.”\textsuperscript{165} In Dr Pravda’s view, “A consistent commitment […] would impress the Russians much more than the attempt to distinguish between public and private expressions of criticism.”\textsuperscript{166}

70. Developments in Russia overall contrast with the UK’s declared goal of promoting democracy, human rights and the rule of law there. We recommend that the UK continue to press its concerns about democratic and human rights standards with the Russian authorities, including in public, ensuring that public and private messages are the same. However, we recommend that the Government make some changes to the terms in which it does so, in order to improve the likely effectiveness of its message. We recommend that the Government stress to a greater extent that the political and human rights standards at issue are often not Western, but international, and that they are not foreign impositions but commitments to which Russia has voluntarily signed up, including under the Helsinki Final Act. We further recommend that the Government couch its wish to see improved democratic and human rights standards in Russia primarily in terms of interests rather than values—specifically, Russia’s interest in being taken seriously as an international actor which respects its international commitments, and the UK’s interest in the development of a credible international partner likely to generate fewer security risks. We further recommend that the Government be prepared seriously and publicly to address the charges of human rights shortcomings which Russia is likely to make against it in the course of further engagement on human rights issues.

71. The FCO told us that, in the framework of the bilateral UK-Russia human rights dialogue, there has been a mutual discussion of ways to address racially motivated violence, as a human rights issue relevant to both countries.\textsuperscript{167} The FCO also reported its success in engaging Russia in support of UN Security Council resolution 1624, a UK initiative against the incitement of terrorism, the targeting of different religions and cultures and the subversion of educational, cultural and religious institutions by terrorists and their supporters.\textsuperscript{168} We conclude that mutual discussions—such as those underway between the UK and Russia on racially-motivated violence—are to be welcomed, as potentially a more fruitful approach to human rights issues than a one-way dialogue. We
recommend that this approach be extended to a discussion of the protection of human rights in the context of combating terrorism.

72. The debate about the most effective way for the West to press its democracy and human rights concerns with the Russian authorities assumes that such Western policies can influence domestic developments in Russia. There are grounds for scepticism in this regard. Several of our witnesses stressed that the development of secure, pluralistic, democratic political institutions and high human rights standards in Russia, governed by the rule of law, can take place only as a result of largely indigenous developments, and only over a long period. Ms Gower told us that “ultimately the EU has to accept that democratisation can only come from the people of Russia.” In this connection, several of our witnesses stressed the importance of Russia’s nascent middle and professional classes. Ms Barysch told us that “our best hope now lies with an emerging middle class and the development of civic values”, and the Britain-Russia Centre similarly argued that “the development of a middle class in Russia will be a key factor leading to pressures for more democratic government.”

The development of a middle class in Russia combined with the progressive rise of a generation that does not have a deep attachment to the centralised control models of the Soviet era, is likely to be the main motor for change—and certainly more significant than any outside interventions.

73. Given their view of the importance of societal developments in Russia, none of our witnesses suggested that the UK should abandon its programme or project work there, or its engagement with Russian NGOs and civil society. On the contrary, Ms Barysch told us that “Our best hope is in supporting civic society rather than lecturing at the political level.” Similarly, Ms Gower said that “we concentrate too much on dealing with the top political level when what is important is engagement at society level […] It is those kinds of contacts that have, at least in the longer term, the possibility of explaining our values and in some ways, of showing what Western society is like.”

74. In light of the importance they attributed to the development of a middle class, several of our witnesses stressed the potential value of engaging not only with often small and clearly oppositional NGOs, but also with mid-level professional groups and future professionals. For example, Dr Pravda identified local government officials and those running small and medium-sized businesses as groups with which the UK might usefully engage in order to try to spread good practice. Much FCO work in Russia which is not necessarily branded as democracy and human rights promotion contributes to the engagement of professional groups, such as the UK’s work on non-proliferation, anti-

169 Ev 23; on this point see also Ev 137, 140 [Dr Marshall].
170 Q 38
171 Ev 116
172 Ev 117
173 Q 38
174 Q 38
175 See, for example, Ev 117-118 [Britain-Russia Centre], 161-162 [EU-Russia Centre].
176 Q 21
terrorism and climate change. We recommend that the Government continue to implement programme and project work in Russia, with NGOs and other groups, in the interests of democracy and human rights promotion. We recommend that the FCO seek new opportunities in particular to work with professional groups. We further recommend that the FCO take care to ensure that no well-functioning DFID projects that address the UK’s priorities in Russia come to an end as a result of the closure of DFID’s Russian programmes.

North Caucasus

75. The North Caucasus, including Chechnya, has long been the area of greatest concern to the UK as regards human rights standards in Russia. According to the FCO, it remains so: “The North Caucasus remains violent, unstable and vulnerable to human rights violations”;\(^\text{177}\) “the situation in the region remains one of Europe’s most serious human rights issues”.\(^\text{178}\)

76. The major underlying source of violence and human rights violations in the region continues to be the ongoing conflict between Chechen separatists on the one hand, and the federal authorities and their local agents on the other. Chechnya itself is largely pacified. Compared to the two all-out Chechen wars, a degree of stability has been restored, under the rule of Chechen President Ramzan Kadyrov. However, military attacks and skirmishes continue from both sides.\(^\text{179}\) Moreover, Kadyrov’s rise to near-absolute control of Chechnya itself gives grounds for concern, since forces under his control are believed to have committed human rights abuses during the pacification of Chechnya under his father, former Chechen President Akhmed Kadyrov.\(^\text{180}\) At the same time, Kadyrov’s forces also contain large numbers of former Chechen separatist fighters, leading to Russian suspicions that even Kadyrov’s forces may not be fully loyal to the federal centre.\(^\text{181}\)

77. Ongoing ‘anti-terrorist’ operations by federal and local forces are the main source of the human rights concerns in Chechnya and the North Caucasus detailed by the FCO in its Human Rights Annual Report 2006 and by Amnesty International in its submission to our inquiry. Violations detailed by the FCO and Amnesty include abductions, illegal detention, torture and extra-judicial executions. Both the FCO and Amnesty were particularly concerned by the authorities’ failure in most cases to pursue complaints against officials. There have been some statements by senior Russian figures about the importance of prosecuting human rights violations allegedly carried out by the authorities.\(^\text{182}\) However, according to the FCO, on the whole the Russian authorities “appear to be doing little to tackle the problem” of impunity for official human rights violations in Chechnya.\(^\text{183}\) Amnesty told us that “The Russian authorities’ record on investigation, prosecution and conviction of state officials for serious violations of human rights and humanitarian law in

\(^{177}\) FCO, Human Rights Annual Report 2006, p 87
\(^{178}\) FCO, Human Rights Annual Report 2006, p 87
\(^{179}\) Ev 158 [Dr Russell]
\(^{180}\) Ev 157 [Dr Russell]
\(^{181}\) Ev 157 [Dr Russell]
\(^{182}\) FCO, Human Rights Annual Report 2006, p 88
\(^{183}\) FCO, Human Rights Annual Report 2006, p 87
the North Caucasus […] falls far short of its obligations under international law.”

According to Amnesty, when prosecutions do take place, their slowness “adds to the perception among the population in the North Caucasus, that their rights can be violated with impunity.”

78. Amnesty pointed to one possible institutional reason for the lack of successful prosecutions of officials: the Office of the Public Prosecutor in Russia is

responsible for the investigation and prosecution of serious crimes, and the supervision of the legality of actions of state officials. This dual role means that investigations into allegations of torture are conducted by the same Public Prosecutor’s Office that was responsible for leading the investigation during which the torture allegedly took place.

Amnesty reported that the Russian Government had recently announced its intention to establish an independent investigatory body within the procuracy to address this problem. Amnesty also reported to us its concerns about the lack of local forensic capacities in the North Caucasus to handle mass grave sites in a way that would allow effective human rights investigations and prosecutions.

79. As regards the threat of Chechen terrorism outside Chechnya, Dr Russell told us that there had been “no major terrorist incidents emanating from Chechnya” since the death of Shamil Basayev in July 2006. Dr Russell went on: “Indeed, with the exception of the mass attack on Nalchik (capital of Kabardino-Balkaria) in October 2005, the lifting of the Beslan siege [in 2004] marks the effective end of Chechen-inspired ‘international’ terror.”

80. In the past, foreign Islamist fighters have been present in Chechnya and other parts of the North Caucasus. Now, however, the FCO told us that “external support is largely confined to propaganda messages posted on jihadist websites. The financial, material and human support which was thought to have been provided to separatist groups from individuals in the Middle East has subsided.” Dr Russell agreed that “The death of Basayev and of the Jordanian-born Abu Hafs al-Urdani in November 2006 appears to have reduced significantly the influence and threat of the so-called Wahhabist ‘Arab’ mercenaries in Chechnya.” However, Dr Russell was less sanguine than the FCO, warning that “outside funding, training and insurgent activity from this source continue to be a factor.”
81. Although the traditional features of the Chechen conflict may have subsided, Dr Russell drew our attention to the potential for the issue to take on new and potentially violent forms. According to Dr Russell, the federal authorities’ “deliberate attempt to solve the political question of self-determination in the North Caucasus by military means”, the methods used to pacify Chechnya, and the authorities’ handling of previous terrorist incidents such as the Beslan siege were leading to “a spread of resistance to Russian rule throughout the North Caucasus and a concomitant spread of Wahhabist ideology, organised mainly through ‘djamaats’ (originally communal, now religion-based, military organisations).”

82. According to Dr Russell, “The focus of insurgent activity appears to have shifted from Chechnya to, in particular, neighbouring Dagestan and Ingushetia.” However, Dr Russell also identified a rise in anti-Russian feeling in the previously pro-Russian regions of Kabardino-Balkaria and North Ossetia. He suggested that such anti-Russian feeling would have considerable potential to be articulated through violence. This would be the case in particular if, as would be most likely, the Russian authorities pursued a hard-line military response. Dr Russell judged that “the spread of jihadist ideas through the North Caucasian ‘djamaats’ appears to pose as great a terrorist threat as that previously posed by the Wahhabites.” Overall, Dr Russell concluded that “The policies of the current administration, far from resolving issues likely to spawn violence, appear to be spreading the potential for insurgent violence in the form of what the administration, although not necessarily outsiders, would identify as terrorism.”

83. Any Muslim anti-Russian insurgency in the North Caucasus would have the potential to make itself felt in many of Russia’s major cities—through the large Muslim diasporas there—and beyond, including in the UK. Dr Russell reminded us that two of the four London suicide bombers of July 2005 mentioned Chechnya in their farewell messages.

84. The FCO told us that the UK has devoted particular attention to securing funding for projects in the North Caucasus. At a bilateral level, the UK has identified the North Caucasus as a priority area for projects under the Global Conflict Prevention Fund. The Embassy in Moscow also uses a share of its Bilateral Programme Budget in support of activities in the region. For example, the UK is running a £1 million North Caucasus Education Initiative through the Global Conflict Prevention Pool and the Global Opportunities Fund. The initiative aids children including some who were affected by the Beslan school massacre. The Russia/CIS strategy of the Global Conflict Prevention Pool supports the Stichting Russian Justice Initiative, which oversees the later stages of litigation.
for most Chechen cases at the European Court of Human Rights.\textsuperscript{203} Other activities in the region supported by the UK include projects on election monitoring, independent journalism and inter-ethnic tolerance. At the EU level, during its EU Presidency in 2005 the UK secured President Putin’s agreement to a €20 million Special Programme for the North Caucasus under the EU’s aid programme for the CIS, TACIS.\textsuperscript{204} The programme will support health, education and small business initiatives in the region.

85. We conclude that the FCO is correct to identify the North Caucasus as a region of serious human rights and security concerns. There is potential for a violent anti-Russian insurgency across the region which could have security implications beyond it. We recommend that the FCO continue to fund work in the region aimed at ending impunity, improving human rights and governance standards and encouraging inter-ethnic understanding, and that it updates us on its projects in the region in its response to this Report. We further recommend that the FCO continue to impress on Russia the importance of meeting its human rights obligations in the region.

European Court of Human Rights

86. The growing impact of Russia’s accession to the European Convention on Human Rights (ECHR) has been one of the main developments regarding human rights in Russia since our predecessor Committee’s Report on the country in 2000. Russia ratified the ECHR in 1998, giving its citizens access to the European Court of Human Rights.

87. Russian citizens have been turning to the European Court of Human Rights in large and increasing numbers. The number of new applications to the Court from Russian citizens each year rose from just over 4,000 in 2002 to over 10,000 in 2006. As shares of new applications to the Court, applications from Russian citizens accounted for 13.7% in 2002, 15.6% in 2003, 17.8% in 2004, 21.2% in 2005 and 22.1% in 2006.\textsuperscript{205} The total number of applications from Russian citizens between 2002 and 2006 was 36,043.\textsuperscript{206} Of the over 10,000 new complaints made against Russia in 2006, only 151 were found to be admissible.\textsuperscript{207} In 2006, 21,773 of the accumulated applications against Russia were struck off and a further 353 were declared inadmissible.\textsuperscript{208} Nevertheless, of the over 80,000 applications before the Court as of 1 July 2007, 22,150 (22.6%) were from Russia.\textsuperscript{209}

88. Of 1,498 judgements which the Court handed down in 2006, 102 were against Russia.\textsuperscript{210} In viewing these figures it is nevertheless important, for balance, to have regard for the geographical scale of Russia, its numerous nationalities and its total population, compared with the majority of European states. In several cases, European Court judgements have now been handed down against Russia in highly sensitive areas. These include the case of

\begin{footnotes}
\item[203] FCO, Human Rights Annual Report 2006, p 203
\item[204] Ev 83 [FCO]
\item[205] Ev 104 [Minister for Europe]
\item[206] Calculated from Ev 104 [Minister for Europe]
\item[207] Ev 54 [Professor Bowring]
\item[208] Ev 54 [Professor Bowring]
\item[209] Ev 104 [Minister for Europe]; see also Ev 54 [Professor Bowring].
\item[210] Ev 54 [Professor Bowring]
\end{footnotes}
the ‘oligarch’ Gusinsky, in which Russia was judged to have used the criminal justice system in order to secure a commercial deal, in connection with the takeover of Gusinsky’s television station; a case in which Russia was judged to be rendering support to the breakaway region of Transnistria in Moldova; and, above all, cases brought by Chechens against Russia on human rights grounds.211

89. In the wake of judgements which have gone against Russia, Russian politicians have criticised the European Court. In January 2007, President Putin accused the Court of bringing “a purely political decision” in one such case.212 Professor Bowring reported to us that Russia had an “increasingly tense” relationship with the Court,213 and that “Russia is now systematically refusing to give the Strasbourg Court access to the prosecution files in the cases before the Court, […] a gross violation of Russia’s obligations on accession to the ECHR.”214 Amnesty International also drew our attention to the fact that “Russia is yet to fully implement those decisions of the European Court of Human Rights finding serious human rights violations in the context of the conflict in Chechnya.”215

90. The increase in the number of Russian citizens submitting applications to the European Court of Human Rights has also had a practical impact on the Court’s operation. The increase in Russian cases forms part of the massive increase in the Court’s workload following the post-Cold War expansion of the Council of Europe. Protocol 14 to the ECHR, agreed in 2004, is designed to alleviate some of the pressure on the European Court of Human Rights by reducing the number of judges who sit for each case, thereby allowing the Court to deliver speedier judgements. The Court currently takes 5-6 years to rule in ‘fast-track’ cases and up to 12 years for other cases.216 All 46 member states of the Council of Europe have signed Protocol 14. However, the Protocol can come into effect only when all Council of Europe member states have ratified it. In December 2006, the Russian Duma voted to reject ratification, reportedly on the orders of the Kremlin and apparently as a response to the cases which Russia had recently lost.217 Russian ratification of Protocol 14 before the December 2007 Duma elections now appears unlikely.

91. The FCO told us that Protocol 14 to the ECHR was “a key mechanism to improve the Court’s effectiveness”218 and that the UK had been urging Russia to ratify, including at the January 2007 bilateral human rights dialogue. We urge the Government to do all it can to secure Russian ratification of Protocol 14 to the European Convention on Human Rights as soon as possible. We recommend that the Government impress on Moscow that the UK will regard its cooperation with the European Court of Human Rights as a key indicator of Russia’s willingness to work as a responsible member of the international community.

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211 Ev 54 [Professor Bowring]
212 Quoted in Ev 55 [Professor Bowring]
213 Ev 56
214 Ev 52
215 Ev 143
218 Ev 83
4 Bilateral UK-Russia relationship

State-to-state relations

92. The state-to-state relationship between the UK and Russia has deteriorated markedly in recent years. The deterioration is particularly notable because UK-Russian political relations became especially close when President Putin first came to office, with former Prime Minister Tony Blair appearing to make a particular effort to cultivate the new Russian leader. In March 2000, in an apparent attempt to steal a march on his international peers, Mr Blair became the first Western leader to meet Putin, when the latter was still only acting President. Mr Clark, a special advisor in 1997-2001 to the then Foreign Secretary, the late Robin Cook, told us that the official UK assessment of President Putin when he came to office was that “he was essentially a liberal moderniser by instinct who may at times be inclined to use slightly authoritarian methods to restore order at the end of what had been a pretty chaotic period of Russia’s history under Boris Yeltsin”.219 In 2003, President Putin became the first Russian leader to pay a State Visit to the UK since 1874.

93. However, these early expectations were not maintained. In more recent years, there has been a string of irritations in the bilateral UK-Russia relationship. Until the UK took steps against Russia in July 2007 in connection with the investigation into the death of Alexander Litvinenko, discussed further below, concrete incidents of aggravation in the UK-Russia relationship came from the Russian side. Some incidents fit into what Mr Clark called a “pattern of unofficial and deniable acts of hostility towards UK interests”.220 For example, the UK Ambassador in Moscow has been subject to harassment by the pro-Kremlin nationalist youth organisation ‘Nashi’. Actions against the BBC World Service and British Council are outlined separately below.

94. Other incidents have included the accusations made by the Russian Federal Security Service, the FSB, in January 2006 that diplomats in the British Embassy in Moscow were engaging in espionage via the use of an imitation rock which allegedly hid electronic equipment. The FSB further accused the Embassy of using NGOs to which it was providing financial support for espionage purposes.221

95. In Russia’s March 2007 foreign policy review, the UK is singled out from other major West European EU Member States. Germany, France, Spain and Italy are mentioned as “leading states of Europe” with which “[t]he principles of European life are being formed in cooperation […] on an equal basis.” By contrast, the UK is identified as “an important, though complicated partner”. The foreign policy review goes on:

The chief resource for the further development of Russian-British ties is economic, commercial and investment cooperation, as also joint anti-terror schemes, having though constraints in the form of the well-known stand of London on the problem of so called ‘new political emigrants’. Despite the extensiveness of our cooperation,

219 Q 71
220 Ev 178
221 FCO, Human Rights Annual Report 2006, p 92. This incident was also mentioned in Chapter 3 in the context of Russian official attitudes to foreign-sponsored NGOs.
bilateral relations and engagement on the international scene are held back by the avowedly messianic disposition of a considerable part of the British political elite, inter alia regarding the internal political process in Russia.\textsuperscript{222}

Mr Clark described the UK-Russia relationship as now “thoroughly frosty”.\textsuperscript{223}

96. Our witnesses suggested three possible reasons for Moscow’s growing irritation with the UK. The most important, namely the arguments surrounding the asylum and extradition status of individuals in both countries, is dealt with separately below. The second, namely the UK’s activism in the field of democracy and human rights promotion in Russia, was discussed in Chapter 3. The third factor mentioned by our witnesses was the UK’s relationship with the US. Dr Allison suggested that when President Putin came to office, “the UK had particular advantages, which encouraged Putin to seek a close relationship. Britain […] was then viewed as having access to the United States and, potentially, influence over its policy in a way that no other European country had.”\textsuperscript{224} Since the early part of Putin’s presidency, Russia has, on the one hand, become increasingly critical of the US and outspoken in opposition to its international policies, for example in President Putin’s February 2007 Munich speech.\textsuperscript{225} According to Mr Clark, Russia sees the UK as playing a “supporting role in upholding” US global dominance, and is therefore increasingly aligned also against London.\textsuperscript{226} Similarly, according to the CSRC, “It may be that Moscow sees the UK as too closely aligned to Washington to be an attractive partner.”\textsuperscript{227} On the other hand, Russia is now more sceptical of the UK’s ability to wield any influence over the US in any case. Dr Pravda told us that “Moscow sees Britain as very close to the US yet of little use as a source of influence on Washington.”\textsuperscript{228} We conclude that the UK’s relationship with Russia has been impacted negatively by London’s stance vis-à-vis Washington. We recommend that the Government should seek to improve its relations with Russia without damaging its relations with the US.

**Russian émigrés in the UK**

97. The most serious source of tension in the UK-Russia bilateral state-to-state relationship arises from the growing Russian émigré community in the UK, now thought to number perhaps 400,000. The Russians who live in the UK include a number of individuals who left Russia for political reasons or who are otherwise at odds with President Putin’s rule. The continued protected presence of these individuals in the UK acts as a permanent irritant to the bilateral relationship.

\textsuperscript{222} “A Survey of Russian Federation Foreign Policy”, “Europe” section, paragraph 7; unofficial English translation on the Russian Foreign Ministry website, via www.mid.ru. Russia’s foreign policy review was discussed in more detail in Chapter 2. The treatment of the UK in the 2007 document may be compared with that contained in Russia’s 2000 foreign policy concept, where the UK was grouped together with Germany, Italy and France; see Ev 136 [Dr Marshall].

\textsuperscript{223} Q 71
\textsuperscript{224} Q 11
\textsuperscript{225} Text available via www.securityconference.de; this point was outlined in Chapter 2.
\textsuperscript{226} Q 71
\textsuperscript{227} Ev 32
\textsuperscript{228} Ev 21
**Akhmed Zakayev**

98. Mr Zakayev was the chief negotiator and envoy of Chechnya’s separatist former President, Aslan Maskhadov. Mr Zakayev came to London in 2002. In 2003, a UK court rejected a Russian request to extradite Mr Zakayev to face criminal and terrorist charges, on the grounds that the extradition request was politically motivated and that if returned to Russia Mr Zakayev might well be tortured. Mr Zakayev was subsequently granted asylum in the UK.

99. The FCO told us that:

The granting of asylum in the UK in 2003 to Akhmed Zakayev [...] has caused significant tensions in the UK-Russia relationship. Representatives of the Russian government have accused HMG of double standards and of harbouring terrorists. HMG continues to assert the importance of the rule of law and independence of the judiciary. Mr Zakayev was granted asylum after due assessment by the relevant authorities of his case and of the UK’s obligations under the 1951 UN Convention on Refugees and domestic law. A grant of asylum does not imply support from the UK Government for an individual’s views, activities or statements.229

**Boris Berezovsky**

100. Boris Berezovsky was one of the so-called ‘oligarchs’ who rose to wealth, prominence and power under the rule of former Russian President Boris Yeltsin. Mr Berezovsky was still influential at the time of the handover from Mr Yeltsin to Mr Putin, but he then fell out spectacularly with the new President. Facing fraud charges, Mr Berezovsky went into exile in the UK in 2000. In 2003, Russia sought to have Mr Berezovsky extradited back to Russia. However, Mr Berezovsky was granted political asylum on the grounds that the charges against him were politically motivated, and the extradition proceedings were discharged. Mr Berezovsky is currently being tried in absentia in Russia on fraud charges.

101. In January 2006, Mr Berezovsky told a Moscow radio station that he was planning a coup against President Putin. The then Foreign Secretary, the Rt Hon Jack Straw MP, publicly warned Mr Berezovsky that his asylum status could come under review if he incited violence or terrorism abroad.230

102. On 13 April 2007, *The Guardian* published an interview with Mr Berezovsky in which he said that there was a "need to use force to change [the Russian] regime". According to Mr Berezovsky, “It isn’t possible to change this regime through democratic means.” Mr Berezovsky answered in the affirmative when asked if he was effectively fomenting a revolution.231 Mr Berezovsky subsequently issued a statement saying that he did not advocate or support violence. Mr Berezovsky’s interview prompted a fresh extradition request from Russia, and an investigation by the UK authorities. On 5 July, the Crown Prosecution Service (CPS) decided that no case should be brought against Mr Berezovsky,

229 Ev 85

230 “UK warns exiled oligarch not to plot against Putin”, *Financial Times*, 28 February 2006

231 “I am plotting a new Russian revolution”, *The Guardian*, 13 April 2007
as he was likely to be able to prove that he had expressed support only for non-violent action. However, Russia has charged Mr Berezovsky with conspiring to seize power.

103. In July 2007, shortly after the UK had announced that it was taking measures against Russia in connection with the Litvinenko case, the Metropolitan Police confirmed that they had arrested a Russian in London on 21 June on suspicion of conspiring to murder Mr Berezovsky at the London Hilton. Acting on information provided by the UK authorities, Mr Berezovsky had left the UK for some days while his suspected would-be assassin was apprehended. Having tailed him from his arrival in the UK, the Metropolitan Police apprehended the suspect and handed him over to the immigration authorities, who revoked his visa, deported him for visa violations and banned him from returning to the UK for 10 years. The police handed the suspect over reportedly because they lacked evidence of the suspect’s involvement that would have stood up in court. Mr Berezovsky accused President Putin of being behind the alleged assassination attempt. Russia’s Ambassador to London, Mr Yury Fedotov, said that the possibility of Russian state involvement in the alleged murder plot was “excluded”.

104. We recommend that in its response to this Report the Government should volunteer more information surrounding the apprehension and deportation from the UK in June 2007 of the Russian individual suspected of planning Mr Berezovsky’s murder.

105. Mr Zakayev and Mr Berezovsky are only the two most high-profile figures whom Russia has tried and failed to extradite from the UK. Other cases involve, for example, executives of the Yukos oil company. Professor Bowring told us that, on coming to office in June 2006, Russia’s new General Prosecutor had announced that he intended to re-launch 16 extradition cases in the UK, including that of Berezovsky. In a written answer in September 2007, the Government said that Russia had made 29 extradition requests to the UK since 2001, none of which had been granted. In subsequent correspondence with a Member of our Committee, the Government appeared to clarify that multiple extradition requests might have been made for single individuals, and that the number of discrete requests made by Russia since 2001 was 13.

236 “Murder, mayhem and mystery: is this the start of a new Cold War?”, Independent on Sunday, 22 July 2007
237 “Putin is behind the plot to kill me, says Berezovsky”, The Daily Telegraph, 19 July 2007
239 Ev 53
240 HC Deb, 3 September 2007, col 1842W
241 Uncorrected transcript of oral evidence taken before the Foreign Affairs Committee on 12 September 2007, HC (2006–07) 166-ii, Q 304
106. Russia’s extradition requests to the UK are failing despite the fact that Russia is designated by the UK as one of those ‘Category 2’ states under the 2003 UK Extradition Act which is not required to provide prima facie evidence when submitting extradition requests. Professor Bowring told us that there was “genuine incomprehension” on the Russian side regarding what is involved in making a successful extradition application to the UK.\(^{242}\) In November 2006, the Crown Prosecution Service signed a memorandum of understanding with its Russian counterpart to allow the Russian side to consult directly with the UK in the process of preparing extradition requests.\(^{243}\)

107. Commenting on the impact of asylum and extradition issues on the UK-Russia relationship overall, the FCO told us that:

> The relationship is overshadowed by tensions arising from the asylum/refugee status of individuals in the UK and the Russian response to the continued presence of those individuals. The Russian administration has not fully accepted that these questions are matters of law, not of politics or diplomacy. Regrettably this impacts upon other areas of potential co-operation and upon British interests in Russia.\(^{244}\)

According to Mr Clark:

> the role that the UK now plays as […] host to what I suppose we can describe as a new dissident community, brings us into direct conflict with Moscow, which sees our willingness to provide asylum to certain individuals whom it regards as enemies of the state as a deliberately hostile act.\(^{245}\)

108. Although we regret the difficulties that contested asylum and extradition decisions are causing in the bilateral relationship, we support the Government’s insistence on the independence of the legal process regarding Russian extradition requests to the UK. We recommend that the Government continue to offer assistance to Russia in the preparation of extradition requests to the UK and in the development of the country’s judicial system in accordance with principles of independence and professionalism.

109. The deadlock surrounding bilateral extradition issues is conducive neither to improving the UK-Russia bilateral relationship nor to advancing the interests of justice in either Russia or the UK. We recommend that the Government invites its Russian counterpart to renegotiate extradition arrangements between Russia and the UK, in an endeavour to satisfy the considerations of courts in both the UK and Russia which are charged with interpreting human rights obligations and Russia’s constitution in the light of extradition requests.

**The Litvinenko case**

110. Alexander Litvinenko was a former operative of the Soviet-era KGB and its successor, the Federal Security Service (FSB). In 1998, while a serving FSB officer in Russia,
Litvinenko claimed publicly that he had been given instructions to kill Mr Berezovsky. Facing criminal charges over his accusations, Litvinenko left Russia for the UK in 2000 and was granted political asylum. In 2002, Mr Litvinenko was convicted in his absence in Russia and given a jail sentence. In the UK, Mr Litvinenko was in the pay of Mr Berezovsky and part of the circle of anti-Putin Russian figures loosely gathered around Mr Berezovsky in London. Although little known in wider UK circles, Mr Litvinenko published increasingly outspoken attacks on the FSB and the Putin regime through anti-Putin outlets. Mr Litvinenko’s most famous published claim was that the FSB was responsible for the Moscow apartment bombings in 1999 which President Putin used to justify the second war in Chechnya. In 2006, Mr Litvinenko received UK citizenship.

111. On 1 November 2006, Mr Litvinenko met two Russians, Andrey Lugovoy, a former FSB agent, and Dmitry Kovtun, in a London restaurant. Mr Litvinenko fell ill the same day and was admitted to hospital. On 23 November, Mr Litvinenko died from poisoning with the radioactive agent Polonium-210. In a deathbed statement released in Mr Litvinenko’s name after his death, Mr Litvinenko accused President Putin of being responsible for his murder. This accusation is supported by Mr Litvinenko’s family and friends, including Mr Berezovsky.

112. The UK police, including anti-terrorist officers, conducted an investigation into Mr Litvinenko’s death. UK officers visited Moscow in order to conduct interviews. On 22 May 2007, the Crown Prosecution Service (CPS) announced that it wished to charge Andrey Lugovoy with Mr Litvinenko’s murder. The UK authorities therefore presented to their Russian counterparts a formal request for Mr Lugovoy’s extradition to the UK.

113. On 9 July, the UK authorities received their Russian counterparts’ formal rejection of the UK’s extradition request. The Russian authorities pointed to the fact that Article 61 of the Russian constitution bars the extradition of Russian citizens. States parties to the European Convention on Extradition, such as Russia, are able to maintain constitutional bans on extradition of their nationals in this way.

114. Russia has offered to put Mr Lugovoy on trial in Russia, if the UK were to hand over the evidence it has amassed against him. The Government has categorically rejected this option, on the grounds that Russia could not guarantee a fair trial. The Government has also rejected the possibility of trying Mr Lugovoy in a third country, an option which would in any case still run up against Russia’s ban on extradition of its nationals.

115. On 16 July, the new Foreign Secretary, David Miliband, announced the UK’s response to Russia’s refusal to extradite Mr Lugovoy in a statement to the House. Mr Miliband called the Russian position “extremely disappointing”. Mr Miliband claimed that Russia had given “no indication of any willingness to work with [the UK] to address” the difficulty represented by the Russian constitution. Mr Miliband said that Russia’s position suggested “that the Russian government has failed to register either how seriously we treat this case or

246 First published in Russian in 2001, Litvinenko’s book was published in English as Alexander Litvinenko and Yuri Felshtinsky, Blowing up Russia (London, 2007)
248 Q 102 [Minister for Europe]
249 HC Deb, 16 July 2007, col 21
the seriousness of the issues involved”. Mr Miliband pointed out that, given that Russia sought freer movement for its people across the EU, it would need to reciprocate with a commitment to cross-border judicial cooperation. The Foreign Secretary announced that the UK would:

- expel four Russian diplomats from the Russian Embassy in London;
- review the extent of the UK’s cooperation with Russia;
- suspend negotiations with Russia on visa facilitation and tighten other visa arrangements with Russia; and
- discuss with EU partners the need for EU-Russia relations to take UK concerns on the Litvinenko case into account.

Mr Miliband said that the UK measures aimed to: advance the judicial process; “bring home to the Russian government the consequences of their failure to cooperate”; and “emphasise [the UK’s] commitment to promoting the safety of British citizens and visitors”. In his statement, Mr Miliband suggested that the UK was taking a tough view because the manner of Litvinenko’s death put many hundreds of other people at risk, and in order to signal the UK’s determination to protect its Russian community.

116. In his evidence to us two days after the Foreign Secretary announced the UK measures against Russia, the Minister for Europe stressed that the Government was not striving for a “macho response” to the situation but had announced measures that were “precise”, “considered”, “measured” and “targeted”. Mr Murphy said that it was not the Government’s intention for the measures taken against Russia to affect official cooperation in other areas of mutual activity, such as anti-terrorism, non-proliferation or climate change, or to prompt, for example, business disengagement and disinvestment. Mr Murphy said that the UK’s “relationships with Russia are strong”.

117. On 18 July, the Presidency-in-Office of the EU issued a statement on behalf of the Union expressing “disappointment at Russia’s failure to cooperate constructively with the UK authorities” and urging “urgent and constructive cooperation by the Russian Federation on this matter […] which raises important questions of common interest to EU Member States.” The EU statement reportedly took longer to emerge than the UK would have liked, with the Presidency unable to find consensus straight away and some Member States preferring to leave the issue as a bilateral one.

118. On 19 July, Russia announced its response to the UK measures. Russia too expelled four UK diplomats, and imposed restrictions on visa issuance for officials which paralleled

250 Qq 94, 96, 100
251 Q 96
252 Q 99
253 Q 94
254 “Declaration by the President on behalf of the European Union on the Litvinenko case”, 18 July 2007, via www.eu2007.pt
those introduced by the UK. Moscow also said that the UK measures made “continued Russian-British cooperation impossible in the fight against terrorism”. 256

119. In further evidence to us on 12 September 2007, the Minister for Europe reported that the UK had made no changes to the measures announced against Russia in July, and remained committed to them. The Minister did not report any progress in securing Mr Lugovoy’s extradition. However, the Minister confirmed that a planned visit to Russia in July by the Minister of State for Energy, Mr Malcolm Wicks MP, had gone ahead and had been “constructive”. The Minister said it was clear that “Russian Ministers and officials have a continuing desire not to allow the very strong disagreements that we have with Russia on specific matters to contaminate a genuinely important strategic partnership.” 257

120. In evidence to us on 10 October, the new Foreign Secretary picked up on the disjunction between strong UK-Russian ties in some areas and major disagreements in others. Asked to assess UK-Russia relations, Mr Miliband said that “there is a paradox at [their] heart [….] at the moment”. 258 He went on:

On the one hand, economic integration between the UK and Russia has never been greater. Economic links have never been greater. You could even make the case that quite a lot of cultural interchange is strong at the moment. However, we are not on the same page on some very serious diplomatic issues. We are in a very different position. I am sure that I do not have to tell the Committee that the murder of Mr Litvinenko on London’s streets was an extremely serious event. 259

121. Two of our witnesses responded to an invitation to submit supplementary written evidence following the implementation of the UK measures against Russia. The two witnesses disagreed about the wisdom of the UK’s steps. While he recognised that the UK “had to take some kind of action to underline the seriousness of the Litvinenko affair”, 260 Dr Averre felt that the expulsions were hasty and overly blunt. In Dr Averre’s view, the expulsions risked creating the impression in the Russian political elite that Russia was “beyond the pale of respectable international society”, and that the UK was in fact responding to the difficulties being experienced by UK energy companies in Russia. 261 Dr Averre felt that it might have been better to wait, in order to conduct a full review of UK relations with Russia, and in order to achieve a general consensus among EU leaders about how to deal with a more assertive Russia. 262

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257 Uncorrected transcript of oral evidence taken before the Foreign Affairs Committee on 12 September 2007, HC (2006–07) 166-iii, Q 303

258 Uncorrected transcript of oral evidence taken before the Foreign Affairs Committee on 10 October 2007, HC (2006–07) 166-iv, Q 389

259 Uncorrected transcript of oral evidence taken before the Foreign Affairs Committee on 10 October 2007, HC (2006–07) 166-iv, Q 389; UK-Russian non-state ties are considered further below.

260 Ev 176

261 Ev 176. Difficulties being experienced by UK energy companies in Russia are outlined in Chapter 5.

262 Ev 176
122. Mr Clark felt that the UK measures were “reasonable and proportionate”. Mr Clark drew attention to the dangerous and costly nature of the crime, the need to “put down a marker” as regards UK attitudes to the possible import into London of violent disputes within the Russian community, and to the strong suspicion that elements of the Russian state were in some way involved in Mr Litvinenko’s death.

123. Both Dr Averre and Mr Clark drew attention to the fact that Russia’s response to the UK measures was relatively restrained and did not escalate the situation.

124. We conclude that the Government was correct to send a strong signal regarding Russia’s refusal to extradite Andrey Lugovoy. We recommend that in its response to this Report, the Government detail as far as possible the considerations which led it to take the specific measures announced on 16 July 2007, and the discussions which it has had—if any—with its Russian counterpart about possible ways of working around Russia’s constitutional ban on the extradition of its nationals. We further recommend that in its response the Government update us on any practical impact that the UK and Russian measures are having on government-to-government cooperation, on progress in the UK’s review of cooperation with Russia, and on its discussions with EU partners on including issues arising from the Litvinenko case in the EU-Russia dialogue.

**BBC World Service**

125. The BBC World Service has a large operation based in Moscow, in conjunction with staff working for other parts of the BBC. The World Service’s Russian Service accounts for 45 of the roughly 80 staff at the BBC’s Moscow bureau.

126. As regards television, BBC World is available in 1.8 million homes and over 13,200 hotel rooms in Russia. Audiences for the BBC’s online content continue to grow. The World Service told us that the BBC’s Russian site is unique in its market in offering a mix of text, video and audio. The Russian Service is one of six World Service language services recently to have launched a broadband video offer.

127. Radio is currently the most problematic platform for the World Service in Russia. BBC World Service radio in English is available at peak times on short wave, and in three major cities (Moscow, St Petersburg and Ekaterinburg) on medium wave. In Russian, the BBC World Service is again carried in the three cities on medium wave. However, Russian Service programming was taken off the two stations previously broadcasting it on FM—Radio Leningrad in St Petersburg and Radio Arsenal in Moscow—in November 2006. The halt coincided with news of Mr Litvinenko’s poisoning, but the World Service pointed out to us that the Russian authorities had said that the two stations had failed to amend their licences to allow them to take external programming. An earlier FM partner for the BBC had already lost its licence in 2005. In April 2007, the BBC launched a presence on its own
FM licence for the first time, in the form of Bolshoye Radio, in Moscow. Bolshoye Radio was a joint venture with Voice of Russia, the international arm of the Russian state broadcasting network. However, in August 2007, Bolshoye Radio was also obliged to stop broadcasting BBC content, or lose its licence. In its evidence, submitted before the ending of BBC broadcasting on Bolshoye Radio, the World Service suggested that its operations were being affected by the tensions in UK-Russia bilateral relations. The problems with FM broadcasting are affecting audience figures for BBC World Service radio in Russia.

128. In his evidence to us in September, the Minister for Europe told us that the Government continued to believe that the “World Service […] should be allowed to broadcast and go back on air” on FM. However, the FCO also noted the need to strike a delicate balance, between the results that can be achieved through diplomatic intervention on behalf of the BBC on the one hand, and, on the other, the danger of encouraging the misperception that the BBC is an arm of the UK Government.

129. In its evidence, the BBC World Service reported on a wide range of innovative and high-profile programming which it has been delivering in Russia on important topics, many of which receive less coverage in the Russian media. The BBC is being affected by the poor general climate for journalism in Russia, but it appears to have a particular problem in securing official comment, especially in English. The FCO told us that, “[g]iven the decreasing plurality of print and broadcast media [in Russia] over the last few years,” it “believes that the BBC World Service plays an important role […] as an authoritative source of independent news.”

130. A former BBC journalist, Mr Sergei Cristo, expressed to us his concerns that the World Service’s Russian Service is too careful of upsetting the Kremlin in its news coverage. Mr Cristo’s evidence largely echoed the charges made in correspondence with the BBC and in the press by a group of prominent UK-based Russians. Mr Cristo attributed what he saw as the Russian Service’s editorial bias to the World Service’s strategy of broadcasting in Russia through state-owned media. In Mr Cristo’s view, this strategy “inevitably puts the Corporation’s reputation for impartial news at risk”—and leaves the BBC vulnerable to being taken off air.

131. In response to the allegations about its Russian Service, the World Service told us that “The complaints submitted have been investigated and answered in detail, and found to

269 Ev 165
270 Ev 167 [BBC World Service]
271 Uncorrected transcript of oral evidence taken before the Foreign Affairs Committee on 12 September 2007, HC (2006–07) 166-iii, Q 303
272 Ev 82 [FCO]
273 Ev 165-167
274 Ev 82
275 Ev 168-169
276 Ev 168
277 Ev 169
have no substance.”278 We also reported on the World Service’s response to these allegations in our Report on the FCO Annual Report 2006–07, where relevant evidence was published.279 In that report, we quoted BBC World Service Director Nigel Chapman as telling our inquiry into the FCO’s Annual Report that the World Service had been “painstakingly through the observations and criticism in the letter [from the critics of the Russian Service], but the team could find no justification for them”.280 We concluded that we could find “no evidence to support claims that the BBC Russian Service was weaker than the main BBC news. However, we agree that the development of a partnership with the international arm of a Russian state broadcasting network puts the BBC World Service’s reputation for editorial independence at risk.”281 We agree with the Government that the BBC World Service provides a valuable source of independent news, especially in Russia’s current media climate. However, we also conclude that partnerships with state broadcasters could be seen to undermine the BBC’s independence. While recognising the difficulties of the current Russian media scene for the BBC, we recommend that the World Service pursue an independent FM broadcasting licence and that it seek to improve and expand its medium wave transmissions, in order to reduce the Service’s dependence on FM broadcasting through Russian partners.

**British Council**

132. The British Council reported to us a rich programme of cultural events, educational links, and English language examining which it was implementing in Russia. However, the Council also reported “an increasingly difficult operating environment”.282 For example, owing to the sudden imposition of a licence requirement, the British Council no longer engages in direct language teaching in Russia. Like the BBC World Service, the British Council told us that it believes its difficult operating environment results in part from the deterioration of the UK-Russia bilateral relationship, along with—in this case—the Russian authorities’ growing general suspicion of foreign NGOs operating in Russia.283

133. The British Council is currently operating in Russia under a cultural agreement signed in 1994. The outdated nature of this agreement and the failure to negotiate a replacement helped to leave the British Council vulnerable to the raids on it carried out by the Russian authorities in 2004. The British Council has now been registered for taxation since that date and told us that it had “settled outstanding tax issues with the authorities”. The British Council is nevertheless being subjected to a further tax inspection.284

134. The FCO told us that negotiations on a new Cultural Centres Agreement have been ongoing for nine years, involving the FCO and the British Embassy in Moscow, working closely with the British Council. Following negotiations in January 2007, a text has largely

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278 Ev 165


280 Foreign Affairs Committee, Foreign and Commonwealth Office Annual Report 2006–07, para 300

281 Foreign Affairs Committee, Foreign and Commonwealth Office Annual Report 2006–07, para 301

282 Ev 151

283 Ev 151; the Russian authorities’ attitude to foreign NGOs was discussed in Chapter 3.

284 Ev 152
been agreed, but Russia remains reluctant to guarantee consent for the British Council to establish centres outside Moscow of the type which it already runs.285

135. As a result of the difficult operating environment it faces in Russia, the British Council told us that it was changing the model for its work there. In future, the British Council will work increasingly through partner institutions, rather than directly with the Russian authorities—although even partner institutions are coming under pressure to withdraw from work with the British Council.286

136. Further to its decision to change its operating model in Russia, the British Council informed us in October 2007 of its latest steps there.287 The British Council has decided to transfer its network of nine small regional centres to local partners, by the end of 2007, and to support these centres’ subsequent operation through partnership agreements. The British Council itself will retain only its three major offices, in Moscow, St Petersburg and Ekaterinburg. The British Council told us that its regional centres in Russia “are now sufficiently established that they no longer need to be run by the British Council itself.”288 Although the British Council’s decision may in part reflect the difficult environment it has faced in Russia, the Council told us that it is introducing similar changes across Europe, and that they also reflect efficiency considerations.

137. We reported on the operations of the British Council in Russia in more detail in our Report on the FCO’s Annual Report 2006-07. In that report, we welcomed “the successful activities the British Council has been able to carry out in Russia, against a background of obstruction from the Russian authorities.” We recommended that in its response to that Report, the Government “set out what representations it has made to Russia to urge it to conclude a Cultural Centres Agreement as soon as possible”.289 **We are deeply concerned about the termination of British Council English language teaching in Russia, and the difficult environment that the British Council has faced in Russia in recent years. We recommend the FCO does all it can with its Russian interlocutors to secure conclusion of a new Cultural Centres Agreement as soon as possible.**

**Non-state relations**

138. At the non-state level, the bilateral relationship between the UK and Russia has intensified markedly in recent years, across a range of fields:

- Trade flows remain small as a share of each state’s total but are rising rapidly. The CBI told us that the rate of trade growth rose in 2006 for the sixth successive year. UK exports to Russia were worth £1.9 billion in 2006, and imports from Russia £3.6 billion.290
• In 2006, the UK was the largest foreign investor in Russia. UK firms invested $5.5 billion in the country in the first nine months alone. On a cumulative basis, the UK is the largest foreign investor in the energy sector—owing to major investments such as those of BP into the joint venture TNK ($6.75 billion) and Shell in the Sakhalin II plant ($5.5 billion)—and the fourth-largest foreign investor overall. Over 400 UK companies have investments in Russia, across a broad range of sectors.\footnote{Ev 173 [CBI]}

• Russians are an increasingly prominent presence in the UK economy. Corporate direct investments remain relatively few; they include GAZ’s acquisition of the Birmingham-based van producer LDV in 2005,\footnote{Ev 173 [CBI]} Gazprom’s 2006 purchase of Pennine Natural Gas, a supplier to non-residential customers, and Kuzbassrazrezugol’s involvement in the Hatfield colliery and power station project.\footnote{Ev 132-133 [DTI]} However, Russian firms are increasingly listing on the London Stock Exchange (LSE) and participating in other London financial markets. The CBI told us that Initial Public Offerings in London by Russian firms were worth over $4 billion in 2005 and could have risen to as much as $20 billion in 2006.\footnote{Ev 173} The Russian state may also become a player on the LSE, as it plans from 2008 to invest a proportion of its oil-derived stabilisation fund into foreign stocks and shares.\footnote{Ev 113 [Professor Hanson]}

• The UK’s Russian community, which as we have seen has grown noticeably, is having a tangible impact in UK schools, retailing and culture, the property market and football.\footnote{“From Russia, with love for the more exclusive side of London life”, The Guardian, 13 April 2007; “Stranger than Fiction”, Time, 30 July 2007}

• Travel between the UK and Russia is also up. Visa applications to the UK from Russia are rising by around 20% a year.\footnote{Ev 88 [FCO]} In 2006–07, the UK’s Moscow post received 128,261 applications for UK visas, 5% of worldwide applications.\footnote{UKVisas, Annual Report 2006–07, p 33} Russians constitute the fifth-largest national group requesting UK visas.\footnote{UKVisas, Annual Report 2006–07, p 4}

139. Flourishing UK-Russia non-state ties, especially in the economic sphere, do not exist independently of a supportive official framework. For example, the CBI commended to us the support provided to UK business delegations in Russia by the British Embassy in Moscow, and the briefings and other assistance provided by the FCO to UK business in Russia more generally.\footnote{Ev 173-174} Particularly in the context of recent difficulties experienced by UK firms in the Russian energy sector,\footnote{See Chapter 5.} the CBI welcomed the decision to reinvigorate
the UK-Russia Intergovernmental Steering Committee on Trade and Investment, and the establishment of the UK-Russia Energy Forum during a visit to Moscow by the then Secretary of State for Trade and Industry in February 2007. On that occasion, the Secretary of State took with him the most senior CBI delegation ever to visit Russia. Russia is a priority country for trade and investment activity under the UKTI Global Strategy, and the British Embassy in Moscow delivers a range of projects on best practice in the economic and business spheres as part of its Economic Governance programme, under the Global Opportunities Fund.

140. The deterioration in UK-Russia diplomatic relations which has occurred in 2007 appears to have had only a limited impact on non-state ties, although UK business representatives in Russia would prefer to see the resolution of any tensions that might make them and their businesses more vulnerable. The CBI regretted that “Recent political tensions between the UK and Russia have caused frustration in the business relationship and have adversely impacted on the level of Russian participation in some bilateral business fora.” The most notable example of the latter occurred when several senior figures withdrew at the last minute from the Russian Economic Forum in London in April 2007, reportedly on instructions from the Kremlin, although purely domestic Russian factors may also have played a role.

141. Despite the deterioration of UK-Russia relations at the highest diplomatic level, several witnesses stressed that they continued to experience quite different attitudes to the relationship in their day-to-day work at people-to-people level. For example, Professor Bowring told us that “there is a deep reservoir of respect and affection for the UK” and said that he felt there was “still considerable mileage” in the kind of exchanges of information and experience that he had been involved with in the field of the rule of law and the justice sector in Russia. Similarly, the British Council reported to us a “continuing appetite amongst influential publics for strengthened relationships between the UK and Russia.” According to the British Council, “In contrast to the mistrust of the Russian authorities, there is nevertheless still a high level of interest in partnerships with the British Council at an institutional level, and for engagement at an individual level.” Even in the dealings of Russian partners with the UK Government, Dr Monaghan in particular was keen to stress that “we have a significant amount of engagement […] that is reasonably positive.” UK-Russia engagement of this type is ongoing in areas such as military cooperation and cooperation against organised crime, as well as in areas such as the security of WMD materials which are touched on elsewhere in this Report.
recommend that the Government continue to foster people-to-people contacts as a potentially effective way of improving UK-Russia relations and bringing mutual benefits in the longer term.
5 Energy security

Russia’s energy position

142. Russia is an energy giant. It is the world’s largest gas producer, accounting for 22.0% of world output, and holds the world’s largest gas reserves, comprising 26.6% of the global total at the end of 2005. Russia is the world’s second-biggest oil producer, accounting for 12.1% of world output, and holds the world’s eighth-largest reserves, representing 6.2% of the global total at the end of 2005. Russia also holds the world’s second-largest coal reserves, representing around 17% of the proven global total.\(^{313}\)

143. Russia is especially important as an energy supplier to the EU. This applies more than ever following the EU’s enlargement to countries in Central and Eastern Europe which are particularly dependent on Russian supplies. In 2005, Russia supplied around 45% of the EU’s net gas imports.\(^{314}\) Russian supplies account for around 25% of EU gas consumption, over 25% of oil consumption and around 8% of coal.\(^{315}\) The EU is expected to become increasingly dependent on imported gas, and Russian supplies are predicted to continue to rise in volume terms, but the growing availability of alternative supplies may mean that Russian deliveries fall as a share of total EU imports and consumption.\(^{316}\)

144. The vast majority of Russian oil and gas supplied to the EU comes through pipelines across the transit states of Belarus, Ukraine and Moldova. Russia is simultaneously the major supplier of energy to these states’ domestic markets, as it is to the three Transcaucasian republics of Armenia, Azerbaijan and Georgia.

145. Russia also has major energy interests in the Caspian region. In energy terms, the Caspian region comprises the Caspian littoral areas of Russia to the north and Iran to the south; the other three Caspian littoral states, Azerbaijan on the western side of the sea and Kazakhstan and Turkmenistan to its east; and the inland state of Uzbekistan, between Kazakhstan and Turkmenistan. The Caspian region is estimated to possess reserves of oil representing 4.3% and of gas representing 4.5% of proven global totals.\(^{317}\) Russia buys Caspian energy supplies from states in the region, both for its own use and for re-export. With the exception now of Azerbaijan, Russia also controls almost all the export pipelines from the other former Soviet Caspian states, which run via Russia.

146. Overall, the CIS energy space comprises a delicate and less than fully transparent web of price and trading arrangements with Russia at its centre. Russia both receives payments from, and makes payments to, other CIS states, for both energy supplies and the use of transit pipelines. Most importantly, the CIS energy space still operates largely with below-market prices. The effort to move to world prices—driven primarily by Gazprom—is a key

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313 Ev 48 Table Five [Mr Roberts], Ev 56 [Mr Clark], 126, 129 [DTI]; International Energy Agency, Key World Energy Statistics 2007, via www.iea.org
314 Calculated from Ev 45 Table One [Mr Roberts]
315 Ev 128-130 [DTI]
316 Ev 128 [DTI]
317 Ev 41, 48 Table Five [Mr Roberts]
regional phenomenon, which has been complicating trade and pricing arrangements and acting as a source of friction between Russia and other CIS states for some time.

147. Energy dealings in the CIS space are overwhelmingly conducted by state-owned companies, which typically have close links to national political leaderships. In the case of Russia and gas, the key company is Gazprom, which accounts for 85-90% of Russian production. The Russian state holds a 50%+1 share in Gazprom.

148. The difference between the nature of markets for oil and for gas affects considerations of supply in the energy security context. Oil can essentially be transported from any production location to any market, although not all transit options may be available immediately or without extra cost. By contrast, gas “commonly requires long-term contracts linking both producer and consumer, and connections between the two on a non-interruptible basis.” Owing to this difference, decisions regarding gas supply, including those taken by the UK and EU, are likely to be more acute than those regarding oil.

149. Among EU Member States, energy dependence on Russia varies widely. The UK is one of the EU members least dependent on Russian energy. This is owing partly to the UK’s own North Sea resources, and partly to the UK’s proximity to gas available from Norway. As regards gas, it is not possible to trace the exact sources of the UK’s imports, because the UK takes supplies via two pipelines from continental Europe, but the CBI estimates that less than 2% of UK gas imports originate in Russia. As regards crude oil, Russian supplies represent around 13% of the UK’s total imports and around 9% of total UK consumption. While UK energy imports are expected to rise in future as North Sea supplies decline, the DTI told us that “Russia is not expected to become a dominant supplier to the UK.” However, owing to the way in which the UK takes gas from continental Europe, the UK could be affected by any serious disruption in Russian supplies into the continental network. Such disruption might also raise international prices, also affecting the UK. The UK is most dependent on Russia as regards coal: over 50% of the UK’s steam coal imports come from Russia, with 75% of total UK steam coal needs being met from imports.

150. EU Member States also vary as regards the ownership and regulatory structures of their energy sectors, in ways that affect their approaches to Russia. As the sector in the UK is privatised and liberalised, the achievement of energy security goals by the Government depends to a great extent on decisions taken by private companies on a commercial basis.

318 Ev 111 [Professor Hanson], 131 [DTI]
319 Ev 40 [Mr Roberts]
320 Ev 170; see also Ev 127 [DTI].
321 Ev 128 [DTI]
322 Ev 126
323 Ev 127 [DTI], 170 [CBI]
324 Q 87 [Mr Clark]
325 Q 88 [Dr Monaghan], Ev 129 [DTI]
Russia as an energy supplier

151. Since 2006, concerns about Russia’s role as an energy supplier have risen dramatically up the political agenda in the EU and its Member States. The key trigger for this was a shut-off in Russian gas supplies to Ukraine at New Year 2006, which caused Ukraine to siphon off for itself Russian gas intended for onward westward transit. This in turn caused drops in gas supply to some EU Member States of up to 40%. Russia shut off supplies to Ukraine because Ukraine would not accede to its demand, made during the last quarter of 2005, to pay $230 per thousand cubic metres for Russian gas from 1 January 2006, up from $50/thousand cubic metres. Ukraine had said that it was prepared to pay market prices, but only with a phasing-in period; its maximum offer for 2006 was $80/thousand cubic metres. Russia offered a three-month delay in introducing the full price hike, but this Ukraine rejected. After EU customers reported substantial falls in supply in the first days of 2006, Russia increased its supplies again into the Ukrainian network. Russia and Ukraine reached a complex and less-than-transparent deal on 4 January 2006 to resolve their immediate dispute. In January 2007, there was a second supply disruption incident which drew European attention, when Russia temporarily shut off oil supplies to Belarus as part of a complex bilateral dispute over oil transit and sales duties. The DTI told us that “The UK supports Russia’s move towards market pricing for gas, but is concerned at the manner in which these price rises have been implemented.”

152. The January 2006 and January 2007 incidents highlighted the EU’s dependence on Russian energy supplies, at the same time as raising doubts about Russia’s reliability as a supplier. Moreover, Russia’s actions in demanding price hikes and shutting off supplies were widely interpreted as being purely politically motivated, with the underlying price and debt issues under-appreciated.

153. The dominant Western interpretation of the January 2006 and January 2007 incidents gave rise to fears that Russia might use its energy supply position as leverage in unconnected political disputes, including with its EU customers as well as its CIS ones. This fear has encouraged some EU Member States to seek to secure Russian supplies through bilateral agreements, and to be wary of aggravating Russia on other issues. For example, in late 2006, Gazprom signed new long-term supply contracts with Eni of Italy and Gaz de France, while Germany reportedly regarded the UK’s diplomatic expulsions over the Litvinenko case as an overreaction and was reluctant about a supportive EU statement. At the same time, the new insecurity surrounding Russian supplies has helped to drive a new effort to forge a common EU energy policy.

154. The EU had already identified a need for strengthened action on energy as part of the new EU policy agenda launched under the UK Presidency at the Hampton Court summit in October 2005. At Hampton Court, the EU’s leaders said that the EU needed to “ensure a coherent and operational approach to the EU’s relationship with major energy suppliers,

326 This paragraph draws on Jonathan Stern, “The Russian-Ukrainian gas crisis of January 2006”, Oxford Institute for Energy Studies, January 2006; see also Ev 131 [DTI].
327 Ev 131
328 “Gaz de France and Gazprom strike deal”, Financial Times, 19 December 2006
for example Russia and OPEC”.330 The January 2006 supply disruption incident increased the urgency with which the EU promised to act in the energy field, including as regards Russia. In March 2006, the European Council called formally for an Energy Policy for Europe, involving increased consistency between policies and more coherence between Member States in the interests of meeting the objectives of security of supply, competitiveness and sustainability.331

155. Reflecting on recent developments regarding Russia’s role as an energy supplier, our witnesses agreed that Russia used its energy position for political ends.332 Mr Clark and Mr Roberts both drew our attention to an influential 2006 study by the Swedish Defence Research Agency which detailed over 50 examples of Russia using the energy lever since 1991.333

156. Our witnesses nevertheless stressed that, rather than a universally deployed tool of policy, Russia had used the ‘energy weapon’ only with respect to former Soviet states—although these include the Baltic states, now EU and NATO members. Mr Roberts told us that Russia “seems to use [energy] in very different ways with regard to whether it is addressing it to the former Soviet countries or to Western Europe [...] Russia has been a reliable supplier to Western Europe—to the traditional EU—but it has been anything but a reliable supplier to its former Soviet Union partners”.334 Moreover, Mr Roberts told us that “Russia […] will seek to remain a reliable supplier of oil and gas to its core EU customers.”335 Similarly, Mr Clark told us that “So far the coercive use of energy policy has been limited to countries that were formerly part of the Soviet Union and there are good reasons for believing that Russia would prefer it to stay that way.”336

157. On the basis of the distinction they identified in Russian policy between treatment of former Soviet states and of EU customers, our witnesses were sceptical about the prospect of Russia cutting off supplies to its EU customers—or threatening to do so—in order to achieve political ends. Mr Roberts did “not think that Russia necessarily has any particular concept of using energy in that way as a sword of Damocles over its major customers in, to put it bluntly and use the old-fashioned term, West Europe.”337 Mr Clark told us that “the EU (with the exception of the Baltic states and possibly Poland) is unlikely to become the direct target of politically motivated supply interruptions.”338 Professor Hanson similarly suggested that:

It is a big step from […] muscle-flexing to a deliberate manipulation of (say) gas supplies to Western Europe to compel agreement in some other area of policy. That

330 “Statement of Informal meeting of EU Heads of State or Government - Hampton Court, 27 October 2005”, via www.number10.gov.uk
332 We pointed out in Chapter 2 that this was an explicit element in Russia’s foreign policy.
334 Q 44
335 Ev 37
336 Ev 59
337 Q 45
338 Ev 59
is not to say that such use of the energy lever is impossible, but it would have high costs to Moscow in the long run, and would at the very least not be lightly used.339

Professor Fedorov similarly had “serious doubts whether Russia may practically use gas supply to Europe as a kind of political lever”.340

158. The likelihood that Russia will seek to remain a reliable energy supplier to its EU customers rests on the importance to the Russian economy and federal budget of the revenues generated by these sales. In 2006, oil and gas accounted for nearly 50% of Russian federal budget revenues, over 60% of exports and nearly 30% of GDP.341 Meanwhile, the EU accounted for 81% of Russia’s pipeline gas exports in 2005.342 The value to Russia of its EU energy sales reflects the fact that EU customers—unlike their CIS counterparts—pay world prices for their Russian supplies. Mr Clark told us that Russia “would certainly hesitate to threaten its largest and most predictable revenue stream by cutting off oil and gas supplies to most of the EU.”343 Awareness of the importance to Russia of its sales to the EU has led the two sides to their official position that the EU and Russia are interdependent in energy, rather than the EU simply being dependent on Moscow.344

159. Given their belief that Russia would not deliberately target EU customers, or wish to unnerve them, our witnesses interpreted the January 2006 and January 2007 supply disruption incidents as miscalculations by Moscow. Professor Hanson told us that the “two hiccups in supply are best understood as unintended side-effects of badly-managed attempts to alter the terms of [Russia’s] energy relationships with other CIS countries”.345 Mr Roberts suggested that “The problem that Russia may not understand is that in a globalised world, just because you have been reliable to one set of customers, it does not necessarily mean that they will continue to consider you as likely to be reliable in future.”346 Mr Roberts suggested that Russia “may not understand that its use of energy as a weapon against any state […] and as a tool of foreign policy in general has contributed greatly to consumer concerns.”347 Similarly, Dr Pravda told us that:

Moscow apparently assumed that all would understand that the ways in which it pressurised neighbours had no bearing on Russia’s energy policy in the West, and particularly in Europe. Such assumptions proved ill-founded; coercive diplomacy within the CIS spilled over and weakened Russia’s credibility as a dependable economic (and political) partner.348
160. Given Russia’s attitude to its former Soviet neighbours, and the long-term and difficult process of shifting CIS energy dealings to market prices, the risk remains that EU energy supplies from Russia could again suffer disruption as a side-effect of disputes between Moscow and transit states—although Moscow may take greater care in future to insulate or at least warn its EU customers.  

161. Russia is seeking to avoid the potential difficulties that accompany its use of former Soviet states for energy transit by “implementing a policy of pipeline development expressly designed to reduce its reliance on transit states.” This involves the construction of energy export systems that can deliver Russian supplies more directly to Moscow’s key customers. In gas, there are two key projects: the North Stream pipeline from Russia to Germany under the Baltic Sea, a joint project between Gazprom and the German companies Eon and BASF; and South Stream, a project to link Russia with the Balkans and thence to the EU, possibly via pipeline under the Black Sea to Bulgaria (see map). The proposed North Stream pipeline has provoked environmental concerns in the Baltic and political outrage in Poland, in particular, among the bypassed transit states.

Map: Selected existing, planned and possible gas export pipelines from Russia and the Caspian region, October 2007

Source: Map prepared by Chris Isles of Platts, provided courtesy of Platts

349 In a further dispute with Ukraine over gas payments, shortly before this Report was finalised, Gazprom informed the European Commission of the possibility of supply disruptions; European Commission press release IP/07/1430, 2 October 2007

350 Ev 39 [Mr Roberts]

351 Ev 39 [Mr Roberts]
162. In addition to Russia’s potential to disrupt energy supplies to the EU, President Putin has appeared to threaten to divert Russian supplies to alternative markets, primarily China.\textsuperscript{352} Our witnesses were sceptical about this threat. Although Russia does plan to increase energy exports to China, these plans largely rely on the development of new fields in Eastern Siberia and the Russian Far East. The pipelines are not in place that would allow the speedy eastwards diversion of large quantities of supplies currently coming to the EU. Professor Hanson told us that the prospect of Russia diverting supplies to Asia was “not a serious concern for the short or medium term […] Russia has few market alternatives over the next few years.”\textsuperscript{353} We conclude that Russia is dependent on EU energy markets for a considerable part of its revenue. We further conclude that the diversion of Russian energy supplies away from EU markets eastwards, including to China, is not a realistic prospect in the short or medium term. We recommend that the Government draw on these conclusions to continue to encourage its EU partners to take a robust and united approach to dealing with Moscow, in the energy field and beyond.

163. Russia’s reliability as an energy supplier may be affected not only by its willingness to meet its commitments but also by its ability to do so—that is, by the quantity of its output relative to demand. As regards Russian gas, EU demand is expected to continue to rise, in volume if not as a share of total EU consumption. At the same time, Russia’s own needs are increasing as its economy grows—Russian domestic gas consumption rose by over 1% a year over the period 2000-2005,\textsuperscript{354} by the end of which Russian consumption was taking 405 billion cubic metres out of total production of 597 billion cubic metres.\textsuperscript{355} The CSRC told us that “Russia’s domestic energy needs are growing much faster than anticipated by the Kremlin.”\textsuperscript{356}

164. However, Gazprom’s production is currently flat, and International Energy Agency analysis suggests that it could decline by around 25% by 2015.\textsuperscript{357} Professor Hanson told us that Russia’s “major gas fields are in decline”.\textsuperscript{358} The CSRC told us that:

Production at three of Gazprom’s four major fields is already declining. Even to maintain current levels of production, the International Energy Agency calculates that 200 billion cubic metres per annum will need to be produced in new fields by 2015: a project which qualified experts believe demands $11 billion p.a. in investment. But such investment is not taking place.\textsuperscript{359}

Other witnesses agreed that Gazprom is not investing sufficiently in the maintenance of production or, especially, in bringing new output on stream. Professor Fedorov told us that “the investment strategy of Gazprom is insufficient and Gazprom is under-investing in the

\textsuperscript{352} “Putin threatens to divert oil to Far East”, The Times, 27 April 2006; see also “Gazprom threatens Europe’s gas supply”, The Guardian, 21 April 2006.

\textsuperscript{353} Ev 110

\textsuperscript{354} Ev 111 [Professor Hanson]

\textsuperscript{355} Ev 38 [Mr Roberts]

\textsuperscript{356} Ev 30

\textsuperscript{357} Ev 131 [DTI]

\textsuperscript{358} Ev 111

\textsuperscript{359} Ev 30
development of new fields”. Our witnesses drew our attention to the way in which Gazprom is investing in non-core areas, such as the media and leisure industries, and pursuing what Mr Roberts called “a major focus […] on development of new export pipeline routes to core European markets, rather than on production increases capable of filling these pipelines.” As well as major acquisitions in Russia, Gazprom has also been pursuing downstream ventures inside the EU, including investments in the UK.

165. The widening gap between increasing demand and faltering supply raises the prospect of what has been called the Russian ‘gas deficit’. Our witnesses were unanimous that the prospective shortfall in Russian gas production represents a serious energy security risk. According to Mr Clark, drawing on Professor Riley’s work, by as soon as 2010 the gap between Russia’s likely gas output and its export and other commitments could be equivalent to 84% of the gas Russia currently supplies to Europe outside the former Soviet Union. Professor Fedorov characterised “whether Russia will be able to avoid or prevent a serious production crisis, especially in the gas industry, and whether it will be able both to fulfil export obligations and satisfy domestic needs” as “one of the basic problems of energy security for both Russia and Europe”. Professor Hanson concurred that “Russia’s ability to maintain and increase the volumes of oil and gas deliveries to Europe is in doubt”, and Mr Roberts was of the view that “Russia’s ability to meet anticipated gas demand from EU suppliers is so doubtful, that we may have to rethink how dependent we are going to be on gas and whether we can afford to be that dependent.”

166. The Minister for Europe offered one of the starkest assessments we received from any of our witnesses of the prospective Russian gas shortfall. The Minister said that he did “not think that it is a long-term issue. It has a much closer horizon than that […] the UK Government do not have a clear understanding of how Russia will meet the different demands on its supply to 2010.” The Minister expanded:

- it is not clear how Russia can meet its domestic demand and its expected international demand, based on its current level of investment and its current exploitation of its reserves by 2010 […] There is a real need for clarity […] about predictability and sustainability of supply, and there is a need for certainty about Russia’s ability to meet domestic and international demand within that time scale. That is something that we are working on.

167. As we encountered during our visit to Moscow in June 2007, Gazprom and Russian officials often deny that future production prospects are in trouble. Russia is planning to

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360 Q 48
361 Ev 38
362 Alan Riley, “The Coming of the Russian Gas Deficit: Consequences and Solution”, Centre for European Policy Studies, October 2006. Professor Riley draws on the work of Vladimir Milov, President of the Institute of Energy Policy in Moscow, whom we met during our visit there.
363 Ev 57
364 Q 47
365 Ev 111
366 Q 70
367 Q 131
368 Q 129
reduce the pressure on demand for its gas by switching domestic consumption towards coal. However, the CSRC told us that “Even with widespread domestic conversion from natural gas to coal consumption, as envisaged by the Russian government, Russia will find it increasingly difficult to fulfil all its export obligations without risking discontent at home.”

168. Russia decided in 2006 to begin to move to market prices for some domestic consumption. This should exert some downward pressure on consumption. However, the reductions required would be considerable: Mr Roberts told us of an estimate by an EU official that Russia would need to reduce domestic consumption by 20-30% by 2011-2012 in order to maintain its exports. Moreover, higher energy prices will be politically sensitive, especially if they come at a time when the quantities available for supply are simultaneously under pressure. The CSRC warned us that “The consequences of gas shortages in 2015 may parallel those of bread shortages in 1905”. We do not rule out the possibility of gas shortages and/or price rises causing social discontent.

169. A key plank of Russia’s plans to deal with the prospective squeeze on its gas supplies is to rely on increased imports from Central Asia, which Moscow can then re-export westwards. Moreover, this trade is one of the main mechanisms by which the oil and gas sector benefits the Russian budget. As already noted, Russia buys energy supplies from Central Asia at below-market prices; but it can re-export to the EU at world prices—which at present can be perhaps three times as high. Mr Roberts told us that “Russia’s gas export policy is predicated to a very considerable extent on continued access to […] low-cost gas purchases from Central Asian producers.” However, Dr Pravda told us that “even with additional supplies from Central Asia, Moscow will find it extremely difficult to sustain energy exports while also meeting growing domestic demand.”

170. The CSRC told us that “Impending shortages of gas […] present new risks of supply disruption to [the] EU.” It also warned of the risk that CIS states dependent on Russian energy were most likely to fall down the widening gap between demand for and supply of Russian energy resources, since, as we have seen, Russia is prepared to prioritise its higher paying EU customers. Dr Averre warned that the likely reduction in Russia’s ability to export “may be more of a problem than the idea of holding countries to ransom.” Similarly, Ms Barysch told us that “Our main concern at the moment is not that Russia cuts off the energy to us, but that it will not be able to deliver as much gas to us in the future as we would like to buy”. We conclude that the prospective shortfall in Russian gas production represents an urgent energy security concern for the EU, and a greater one than the risk of Russia disrupting supplies for political reasons. The intensified

369 Ev 30
370 Ev 39
371 Ev 30; bread shortages were among the immediate factors behind the 1905 revolution in Russia.
372 Ev 40. Central Asian supplies are discussed further below.
373 Ev 20
374 Ev 30
375 Ev 30
376 Q 37
377 Q 32
competition for Russian gas which appears to be in prospect between Russian domestic consumers, Russian CIS customers, and the EU, has the potential to aggravate a number of political relationships. We welcome the Minister for Europe’s apparent awareness of the urgency of the problem. We recommend that the Government work to achieve a common understanding of the likely Russian gas shortfall with both EU partners and Moscow, and that it inform us in its response to this Report of the steps being taken in this regard.

171. Our witnesses largely attributed the shortfall in productive investment in the Russian gas sector to the dominance there of the Russian state, in the shape of Gazprom. Our witnesses pointed to developments in the Russian oil sector as foreshadowing the pattern that seems likely to unfold in gas. Having been below 20% in 2004, state ownership of the Russian oil industry (by output) is expected to exceed 50% in 2007.378 However, Professor Hanson told us that “growth of output and export volume of oil has slowed strikingly” over recent years.379 According to Mr Clark, the two main previously private oil firms, Yukos and Sibneft, were achieving returns on total assets of over 30%. By contrast, Gazprom and the state oil firm Rosneft, which have largely taken over these two firms’ assets, achieve returns of less than 10%.380

172. Despite its apparently negative impact on output and efficiency, our witnesses agreed that a growth in the role of the state has been a key phenomenon in the Russian energy sector in recent years. Mr Clark told us that “The dominant trend in Russian energy policy since 2003 has been a reassertion of state control and the subordination of private sector companies both foreign and domestic.”381 The DTI agreed that “The last five years have seen a concerted increase in state control of the energy sector in Russia.”382

173. As regards domestic Russian companies, the most high-profile development has been the break-up and effective state takeover of the formerly private Yukos, accompanied by the prosecution and imprisonment for fraud and tax evasion of former Yukos head Mikhail Khodorkovsky and other Yukos executives.383 Professor Hanson told us that “the Yukos affair marked a change of trajectory in Russian economic policy”.384

174. Foreign energy companies in Russia—including UK firms—have also been affected by the trend towards increased state control. As already noted, the UK has been the largest investor in the Russian energy sector.385 However, in December 2006, Shell agreed under administrative pressure to sell Gazprom a controlling stake in the Sakhalin II oil and gas project in the Russian Far East, where Shell had previously been the largest partner.386 In

378 Ev 108 [Professor Hanson], 131 [DTI]
379 Ev 108
380 Ev 57
381 Ev 57
382 Ev 131
383 The Yukos cases were mentioned in a human rights context in Chapter 3 and also feature in the UK-Russia extradition context discussed in Chapter 4.
384 Ev 107
385 Ev 170 [CBI]
386 “Gazprom to pay $7.45bn to control Sakhalin-2”, Financial Times, 22 December 2006
June 2007, under similar circumstances, TNK-BP—BP's Russian joint venture—agreed to sell its controlling stake in the vast Siberian gas field Kovykta to Gazprom. The Russian Government has recently approved legislation limiting foreign investment in 40 strategic industries, including the energy sector; this is to be supplemented by a subsoil law, currently under development, setting out conditions for foreign ownership of mineral resources.

175. The FCO told us that:

The Government has […] repeatedly underlined to the Russian Government the importance for future security of energy supply of conditions, which encourage and protect investment in new production sources. We reiterated these concerns in the context of the Russian Government's approach to the operating arrangements for the Sakhalin II project.

However, there are no signs of major international energy companies pulling out of Russia. There are also indications that Moscow may still recognise the Russian sector's need for foreign investment, equipment and expertise, albeit now under the overall control of the Russian state and with foreign companies probably obliged to accept the precarious status of minority partner. For example, having said in 2006 that foreign firms would be excluded from the project except as contractors, in July 2007 Gazprom—which owns the field—agreed that France's Total could take a 25% stake in the company running the project to exploit the huge Shtokman gas field in the Arctic. The CBI expressed the hope that the new law on strategic industries might at least provide greater clarity and certainty about foreign participation, as opposed to the ad hoc decisions which have been typical recently.

176. **Given the apparent detrimental impact of Russian state control on efficiency and output in the Russian energy sector, we conclude that EU consumers have a direct interest in liberalisation in the sector and in Russia remaining open to meaningful foreign participation in the development of its energy resources. Although large global energy companies are likely to remain interested in the Russian sector under almost any conditions, we recommend that the Government continue to impress on Moscow the mutual benefits that can come from the existence of transparent and stable conditions for foreign investment in the Russian energy sector.**

**Supply diversification**

177. The prospective shortfall in Russian gas output suggests a need for the diversification of energy sources away from Russia. The possibility of further disputes between Russia and CIS states which may affect energy transit suggests also the wisdom for the EU of diversifying deliveries away from routes controlled by Russia. Energy supply diversification

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387 “BP submits to Kremlin pressure and hands Kovykta to Gazprom", *Financial Times*, 23 June 2007
388 Ev 170 [CBI]
389 Ev 78
390 “Gazprom picks Total for Shtokman field”, *Financial Times*, 13 July 2007
391 Ev 170
is also advisable in general terms, to provide insurance against technical problems, theft, sabotage or terrorism. Supply diversification should also exert downward pressure on prices for consumers.

178. Both the EU and the UK have explicitly committed themselves to the goal of energy supply diversification. At the EU level, in June 2006 the European Council said that it “underlines the need to further diversify sources of energy supply”. The European Council said that it would “give full support to infrastructure projects compatible with environmental considerations and aimed at opening up new supply routes with a view to diversifying energy imports which would benefit all Member States”.392 In March 2007, under the new Energy Policy for Europe, the European Council adopted an energy Action Plan for 2007-2009 which aims, among other objectives, to enhance security through the “effective diversification of energy sources and transport routes, which will also contribute to a more competitive internal energy market”.393 As for the UK, the FCO told us that “the Government supports diversity of supply—both of source and export route.”394

179. The Caspian resources of Azerbaijan and Central Asia are one of the main areas of attention for Western energy importers seeking to diversify their supplies. In its energy Action Plan for 2007-2009, the EU listed as an “essential element” “intensifying the EU relationship with Central Asia, the Caspian and the Black Sea regions, with a view to further diversifying sources and routes.”395 For companies in particular, including EU and UK firms, the Caspian is of interest because its energy resources are, on the whole, available for international development to a greater extent than are those of the OPEC states in the Gulf.396 However, until recently, there was no westward pipeline export route for Caspian energy resources which was not controlled by Russia. The only non-Russian export pipelines comprised a line taking gas from Turkmenistan into Iran, and a recently-completed oil pipeline running from Kazakhstan to China. However, over the last two years, Azerbaijan has achieved an export capacity for both oil and gas which is independent of Russia, instead transiting Georgia into Turkey (see map). Azerbaijan is now supplying both those countries, and it is planned that excess supplies sent to Turkey can be delivered thence onwards to the EU. BP is a leading partner in both the Baku-Tbilisi-Ceyhan oil export pipeline and the Baku-Tbilisi-Erzerum gas pipeline.

180. From a geopolitical perspective, three especially important strands can be distinguished in the current efforts by Western states and companies to pursue supply diversification in the Caspian region:397

- Increasing transit capacity to the EU through Turkey: Many of the schemes for the delivery of increased supplies to the EU rely on expanding both the quantities taken by Turkey and the transit options for onward delivery from Turkey to the EU. The key

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394 Ev 78
396 Ev 40-41 [Mr Roberts]
397 Ev 43 [Mr Roberts]
scheme in this regard is the Nabucco gas pipeline, which would run from Turkey up through the Balkans to Austria (see map). Mr Roberts told us that “If there is one project that holds the key towards major EU diversification from specific dependence on Russian supply it is Nabucco.” 398 It is envisaged that Nabucco would carry re-exports from Turkey—which might have come originally from Iran and Russia—plus supplies from Azerbaijan, plus eventually perhaps from Turkmenistan, depending on the development of trans-Caspian transit. 399 The start of Nabucco’s construction is foreseen for 2009, with completion in 2012. As part of its energy Action Plan for 2007-2009, in March 2007 the European Council confirmed Nabucco as one of four “priority projects of European interest”. 400 In September 2007, the European Commission appointed a former Dutch Foreign Minister, Mr Jozias van Aartsen, as the EU’s coordinator for the project. Prospects for progress appeared to improve further as Hungary confirmed its commitment, and as companies from Germany and France—which have previously often dealt bilaterally with Russia—expressed interest in joining the consortium developing the project. 401

- Securing Central Asian supplies: While the resources in Azerbaijan which are now coming on stream represent an important new potential source of supply, resources on the eastern side of the Caspian, above all in Turkmenistan, have the potential to alter supply prospects even further. In his evidence to us, the Minister for Europe mentioned Turkmenistan as one of the places hosting “reserves that we think can form an important part of a UK energy mix that gives the diversity that is an important part of security.” 402 Following the death in December 2006 of Turkmenistan’s former dictator Saparmurat Niyazov, there have been signs that his successor, President Gurbanguly Berdymukhammedov, may be more open to cooperation with Western companies and countries on the development of Turkmenistan’s energy resources. 403

- Trans-Caspian pipeline: Oil can be—and is—shipped across the Caspian from east to west, but the transit of large quantities of gas would probably be most efficiently achieved via pipeline, probably to link into the Baku-Tbilisi-Erzerum line that now runs westwards from Azerbaijan. A route from Turkmenistan would be shortest and geologically easiest, and the change of leadership in Turkmenistan has again renewed interest in this long-discussed scheme. 404 Mr Roberts told us that the EU is commissioning a feasibility study on pipeline versus shipping for gas across the Caspian. 405 For its part, the FCO described the prospect of transporting Central Asian

398 Ev 43
399 Ev 44 [Mr Roberts]
401 “Hopes revived for stalled Nabucco pipeline”, Euractiv.com, 18 September 2007
402 Q 126
403 Ev 42 [Mr Roberts]
404 Ev 44 [Mr Roberts]
405 Ev 43
energy resources from the eastern side of the Caspian westwards through the Azerbaijani pipelines as a “major prize for the future”.

181. Under current circumstances, Russia will be resistant to Western plans to secure Caspian energy supplies for the reasons outlined below:

• As regards transit through Turkey, although it has been suggested that Russia might seek to use Nabucco to deliver its own output, the more likely scenario is that the West’s Nabucco and Russia’s South Stream pipelines become competing projects. There is unlikely to be sufficient Caspian gas to supply both lines.

• As regards Central Asian supplies, as outlined in the preceding section Russia is relying on these to help it fulfil its own gas export commitments, and it has already contracted to buy large quantities of Central Asian output. This makes Russia and the EU direct competitors for the same Central Asian energy resources. For CIS energy suppliers, the strong incentive to participate in non-Russian schemes is that EU customers will offer world prices, while the development of alternative export options could allow the application of pressure on Russia over transit fees. Mr Roberts told us that “Russia feels threatened by any opening of Caspian gas to hard cash markets.”

• As regards trans-Caspian transit, Russia opposes such schemes, preferring to see deliveries continuing to take place via Russia. Indeed, the Caspian states have been split into a camp opposed to trans-Caspian transit, comprising the northern and southern littoral states of Russia and Iran, and a camp with interests in the development of such transit, comprising Azerbaijan to the west and the Central Asian littoral states to the east. Moreover, the legal status of the Caspian sea and the division of rights to its use have not been finally settled between the littoral states, despite years of on-off talks. It is possible that Russia could use this issue to delay or disrupt, perhaps physically, the development of any Western-sponsored trans-Caspian pipelines. Mr Roberts told us that “Russia opposes trans-Caspian pipelines and probably has both the means and determination to stop them.” At a Caspian summit in October 2007, Russia secured a declaration that the construction of any trans-Caspian pipeline would require the consent of all the littoral states.

182. Overall, Caspian diversification schemes will unavoidably weaken Russia’s relative position with regard to its neighbours and the EU, even if they have no direct impact on Russia’s own energy exports. Mr Clark told us that “Nothing would do more to change the strategic equation of EU-Russia energy relations than the opening of a new energy transit corridor to the Caspian and Central Asia.” The CSRC told us that, as a result, “Russia will

406 Ev 106
407 Ev 39 [Mr Roberts]
408 Ev 43
409 Ev 34 [CSRC]
410 Ev 41-42 [Mr Roberts]
411 Ev 41
413 Ev 60
seek to maintain a stranglehold on Central Asian supplies and transport routes—and will treat diversification schemes with hostility.” For his part, the Minister for Europe felt it was “clear that Russia […] wishes […] to get involved in a process that reduces the international market’s capacity to exploit multiple export routes out of that part of the world.”

183. The non-Russian CIS Caspian states are likely to view possible participation in Western-sponsored supply diversification schemes through the prism of their relations with Russia. Given Russia’s hostility towards the development of Caspian alternatives to its supplies and transit routes, fear of aggravating Moscow is likely to make such states cautious. For example, as regards Kazakhstan’s attitude to the development of a trans-Caspian pipeline, Mr Roberts told us that “Kazakhstan needs very strong EU political support […] Kazakhstan will be careful not to damage its relations with Russia until it believes that the EU is committed to do more than financing studies.”

184. Mr Roberts drew our attention also to the potentially delicate position of Turkey in the geopolitics of EU energy supplies. Turkey is the key transit state both for Western schemes to secure Caspian supplies independently of Russia, and possibly for the southern strand of Russia’s plans for its energy deliveries increasingly to bypass states in the Western CIS, the Baltics and Poland. Turkey maintains good relations with Russia, but may find itself caught between Russian and EU demands for the use of its energy transit network. Mr Roberts warned us that “the time is fast approaching when the EU and Turkey will have to make some very tough choices.” Turkey’s position is especially relevant for the UK given London’s strong and consistent support for Turkish membership of the EU. We welcome signs on the part of the EU and its Member States of increasing commitment to energy supply diversification schemes. However, we conclude that Russia and the EU could come to be direct competitors for Central Asian energy resources. Under current circumstances, the EU’s aims of achieving supply diversification through independent access to non-Russian Caspian energy resources may also aggravate Russia. We recommend that in continuing to pursue supply diversification, including at the EU level, the Government take full account of the geopolitical sensitivities involved and seek greater integration of sectoral and foreign policy considerations.

**International energy regimes: G8, EU and the Energy Charter Treaty**

185. The evidence presented in this chapter so far suggests a need, from the UK and EU perspectives, for transparency in the Russian energy sector, as regards output prospects and trade and price arrangements with other CIS states; and for liberalisation and foreign participation in order to boost investment and future output prospects. Our discussion of supply diversification focused on the achievement of new sources and export routes; but a third diversification mechanism would be the ending of Russian state control of the existing Russian export pipeline network and its opening to alternative owners or operators. This further points to the need for liberalisation of the Russian sector.
186. There are a number of international regimes designed to promote transparency, liberalisation, fair competition and security of investment and supply in the energy sector. The EU, and the UK, have been engaged in trying to secure Russian compliance with these regimes.

187. At their summit in June 2006, under Russia’s chairmanship, the G8 countries declared a set of Global Energy Security Principles including: effective market access and investment at all stages of the supply chain; open, transparent, efficient and competitive markets in all aspects of energy; transparent, equitable, stable and effective legal and regulatory frameworks; and the promotion of transparency and good governance in the energy sector. The CBI told us that the G8 principles “are important steps in providing for a firm framework for future energy security”.418 However, only days after the summit, President Putin approved a new Gas Export Law confirming Gazprom’s export monopoly. The DTI told us that this law, plus developments in the domestic Russian sector and Moscow’s attitude to the Energy Charter Treaty and its Transit Protocol, discussed below, “appear inconsistent with some of the St Petersburg principles.”420 In its 2006 Annual Report, the FCO commented that “there remains much to do to ensure [the G8] principles are applied and put in place consistently across G8 member states.”

188. The Energy Charter Treaty (ECT) was signed in 1994 and entered into force in 1998, on the basis of an EU initiative. The CBI told us that the ECT “plays an important role in creating a legal foundation for energy security, based on the principles of open, competitive markets and sustainable development.”422 The ECT includes provisions for: the protection of foreign investments in the energy sector; non-discriminatory trade in energy products, materials and equipment and reliable cross-border energy transit flows; a binding dispute resolution mechanism, both between participating states, and between foreign investors and host states; and the promotion of energy efficiency and environmental considerations. The European Communities comprise one of the ECT’s 52 signatories, along with the UK. Russia also signed the ECT. However, Russia has not ratified the Treaty. In Moscow’s view, the ECT is one of the international regimes to which Russia signed up in the 1990s when the country was weaker, and which no longer meets Russia’s interests.423 At the EU-Russia summit in Finland in October 2006, which failed to make a breakthrough on EU-Russia energy issues, President Putin said that Russia is “not against the principles laid down in the Energy Charter but […] believe[s] that certain provisions need to be further specified”.

189. The Energy Charter Conference, which groups ECT signatory states, agreed in 1999 that negotiations should start on a Transit Protocol to be appended to the ECT. Most of a Transit Protocol text was agreed by 2002, but the Protocol has not been finalised, owing to a lack of agreement with Russia. Under the text of the draft Protocol, Russia would have to

418 Ev 130 [DTI] 
419 Ev 171 
420 Ev 130 
422 Ev 171 
423 This element in current Russian foreign policy thinking was outlined in Chapter 2. 
424 “EU, Russia make slow progress on energy”, Euractiv.com, 23 October 2006
relinquish its monopoly control of its export pipelines. Professor Fedorov told us that there was “very little probability” that Russia would agree to the Transit Protocol.\textsuperscript{425}

190. Both the UK and the EU have been seeking Russian ratification of the ECT and acceptance of the Transit Protocol. For example, in March 2006, the European Council called for “decisive efforts” to complete the negotiation of the Transit Protocol and secure Russian ratification of the ECT.\textsuperscript{426} At the European Council in June 2006, these goals remained an EU “priority”.\textsuperscript{427}

191. Mr Clark pointed out that even without ratifying the Treaty, Russia is bound by its provisions, since Moscow did not state on signing the document that it would not be applying the Treaty provisionally, pending ratification.\textsuperscript{428} It is the contention of GML Limited, the majority shareholder of Yukos, that Russia’s actions regarding Yukos contravene its existing obligations under the ECT and constitute grounds for a compensation claim which GML is currently pursuing under the terms of the ECT.\textsuperscript{429}

192. Encountering Russia’s resistance to ratifying the ECT, the EU came to the view in the course of 2006 that the way forward should be to try to incorporate a substantive agreement on energy matters, including much of the content of the ECT and the draft Transit Protocol, into the new overarching EU-Russia agreement which was foreseen to replace the existing EU-Russia Partnership and Cooperation Agreement (PCA). The PCA expires in December 2007, and talks on its successor were originally expected to start in late 2006 or 2007.\textsuperscript{430} The EU appeared to see the negotiation of a new agreement with Russia along these lines as a possible means of securing Russian ratification of the ECT itself.

193. The Government supports the EU’s approach to the new EU-Russia agreement on energy matters. The FCO told us that “in its approach to the negotiation of a successor Partnership and Co-operation Agreement (PCA) between the EU and Russia, the Government attaches importance to a component on energy that includes legally binding dispute resolution mechanisms.”\textsuperscript{431} The Government’s Energy White Paper of May 2007 said similarly that London would “ensure that negotiations on a new set of Partnership and Cooperation (trade) agreements with third countries (beginning with Russia in 2007) reflect [the ECT’s] principles”.\textsuperscript{432} Mr Roberts told us that the incorporation of much of ECT into the new EU-Russia agreement might represent “an intelligent way forward”, if it allowed Russia to claim that it had successfully deflected the ECT itself—but only as long as the provisions in any new EU-Russia agreement remained legally binding, as under the ECT itself.\textsuperscript{433} However, the EU’s wish for a legally binding agreement substantially the same

\textsuperscript{425} Q 51
\textsuperscript{428} Ev 60; see also www.encharter.org.
\textsuperscript{429} See the evidence from GML, at Ev 118-126.
\textsuperscript{430} The EU-Russia PCA and its proposed successor are discussed in Chapter 6.
\textsuperscript{431} Ev 78; see also Ev 133 [DTI].
\textsuperscript{432} DTI, Meeting the Energy Challenges: A White Paper on Energy, Cm 7124, May 2007, p 37
\textsuperscript{433} Q 51
as the ECT returns the argument to the existing standoff with Russia over the ECT itself. Mr Roberts told us that it was “extraordinarily difficult to see” how such an agreement could be negotiated.434 Talks on a successor to the EU-Russia PCA have in any case not yet been launched, for unconnected reasons.435

194. The EU appears latterly to be attempting a third strategy to encourage Russian acceptance of ECT principles. This strategy is based on the notion of reciprocity. The strategy relies on Gazprom’s known wish to expand its presence in the downstream sector within the EU in order to try to force in return a greater opening of the Russian sector to participation by EU firms. Already in March 2006, the European Council talked of “the need for secure and predictable investment conditions for both EU and Russian companies and reciprocity in terms of access to markets and infrastructure as well as non-discriminatory third party access to pipelines in Russia”.436 The EU’s plans to pursue the principle of reciprocity with respect to Russia come as part of plans for further integration and liberalisation of the EU’s own energy market, under the new EU common energy policy. Under proposals unveiled by the European Commission in September 2007, third country companies wishing to acquire a significant interest in an EU energy transmission network would be obliged to comply with the same requirement to ‘unbundle’ their generation and supply activities from their transmission activities as is proposed for EU firms. That is, if Gazprom wished to buy into an EU transmission network, it would have to divest ownership—or, at the least, control—of its generation and supply activities. Furthermore, any acquisition of control over an EU transmission network by a third country firm would be subject to an agreement between the EU and the relevant third country.437

195. The DTI told us that the Government is “supporting the Commission in securing effective implementation of a competitive, liberal energy market.”438 Furthermore, the Commission’s approach to third country investment in the energy sector appears to be broadly in accord with that of the UK. The FCO told us that the Government has “reaffirmed the openness of the UK to all foreign investors who are prepared to operate within markets governed by competitive, liberal market principles.”439

196. The fate of the Commission’s September 2007 proposals remains unclear. The proposals are subject to the agreement of the Member States and the European Parliament, and several EU states oppose full ‘unbundling’. The precise implications of the Commission’s proposals for companies such as Gazprom—for example as regards investments in the EU which have already been made—and how exactly the proposals would be enforced remain subject to clarification. However, the Commission’s proposals appear to represent a potentially fruitful way forward, by relying on Russia’s own interests and seeking solutions to EU-Russia differences over energy within the energy sector

434 Ev 38
435 See Chapter 6.
438 Ev 132
439 Ev 78
itself, without necessarily abandoning the EU’s own liberal principles in favour of protectionism. We recommend that in its response to this Report, the Government inform us of its initial response to the European Commission’s latest proposals for the energy sector, its assessment of the likelihood of their acceptance by other EU actors, and its assessment of their likely impact on EU efforts to win greater Russian compliance with international regimes governing the energy sector according to liberal and transparent principles. We further recommend that the Government continue to impress on its EU partners the way in which bilateral dealings with Russia in the energy sector can undermine the EU’s declared common interest in encouraging Russian compliance with shared international energy regimes. We recommend that the Government therefore continue to encourage its EU partners to act in accordance with a credible common EU energy policy towards Russia.

Environmental linkage

197. The FCO told us that “Russia has been slow to recognise the impact which climate security will have on its economy.” The lesser urgency which is felt in Russia regarding climate change is due partly to the fact that Russia easily meets its emissions target under the Kyoto Protocol. This is thanks to the drastic post-communist fall in economic output which occurred after 1990, the Kyoto baseline date. The CSRC also told us that in Russia “The state places more emphasis on economic growth than countering pollution.” According to the CSRC, “Spending on environmental protection is inadequate” and “[s]ince 2000 environmental controls and monitoring capacity have in fact been reduced.”

198. Russia remains the world’s third largest greenhouse gas emitter. As such, it will be vital to secure Russia’s participation in the international emissions regime which is foreseen for the period following the expiry of the Kyoto Protocol in 2012. Given Russia’s international position, its participation may also help to encourage other emerging economies to join the new regime. Russia is therefore one of the major energy users being targeted by the FCO as it works to deliver the Government’s international climate change strategy for 2007–09.

199. Russia’s greenhouse gas emission levels are sustained partly by inefficiencies in the energy sector. As regards energy production, the International Energy Agency has estimated that gas lost in transmission or flared at source in 2004 was equivalent to just over one-third of Russia’s annual gas exports. As regards energy use, Russia uses around three times as much energy per unit of output as in the OECD. We concluded above that potential shortfalls in production represented the most urgent energy security risk for the

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440 See evidence from Ms Baryshch at Q 32.
441 Ev 85
442 Ev 31-32
443 Ev 31
444 Ev 85 [FCO]
446 Ev 85 [FCO]
447 Ev 85 [FCO]; see also Ev 46 Table Two [Mr Roberts].
EU as regards Russian gas. The loss of gas through flaring and other wastage in the Russian production process further reduces the amount potentially available for Western export. In this light, customers in the EU have a direct interest in reducing gas wastage and improving the efficiency of energy use in Russia, in addition to their interest in the downward pressure on greenhouse gas emissions which such reduction could bring.448

200. Under its Energy Strategy to 2020, Russia has targeted a 50% reduction in energy consumption. Some downward pressure will be exerted on energy use as prices are decontrolled.449 However, according to the FCO, “substantive practical action by Russia is absent”.450 It seems more likely that, in the absence of reform, the potential environmental impact of inefficiencies in Russia’s energy sector will increase as Russia’s economy continues to grow. Under these circumstances, the FCO has identified “significant gains to be made in energy efficiency in Russia.”451

201. Compared to its attitude to climate change as such, “Russia has been quicker to recognise the benefits of improved energy efficiency”, the FCO told us.452 The FCO focuses much of its work on climate security in Russia on the energy sector, implementing a number of relevant Global Opportunity Fund projects. DFID is also funding work by the European Bank for Reconstruction and Development on investment in energy efficiency projects in Russia.453 Energy efficiency issues are also to be addressed in the UK-Russia Energy Forum established in February 2007. **We conclude that the FCO is correct to have identified the potential for significant improvement in energy efficiency in Russia. We support the FCO’s project work in this area, and a strategy of using Russia’s interest in enhancing the efficiency of its energy sector as a means of further engaging Russia in the wider climate security agenda. We recommend that the FCO seek opportunities to expand work with Russia in the energy efficiency field, through both bilateral and multilateral mechanisms.**

**Whitehall cooperation**

202. The evidence presented in this chapter has demonstrated the close linkages that exist between sectoral and foreign policy considerations in UK and EU energy security policies regarding Russia. In his evidence to us, the FCO official Mr Damian Thwaites told us that he had:

daily contact with colleagues in the DTI—now the Department for Business, Enterprise and Regulatory Reform—on the issues. There are a lot of official contacts by way of ad hoc meetings and work under the aegis of the Cabinet Office. Those are very strongly co-ordinated. A lot of collective Whitehall work went into producing the Energy White Paper in which the FCO actively participated.454

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448 Q 51 [Mr Roberts]
449 Ev 111 [Professor Hanson]
450 Ev 85
451 Ev 85
452 Ev 85
453 Ev 86 [FCO]
454 Q 127
203. We were pleased that, by agreement of all three parties, the then DTI—rather than the FCO—submitted the Government’s evidence to our inquiry on energy security matters. We commend the cross-departmental cooperation which is taking place on energy security matters. We recommend that the Government continue to foster a cross-departmental approach to energy security and that it advocate the benefits of this approach to its EU partners and the EU institutions.
6 EU-Russia relations

Deteriorating EU-Russia relations

204. The current legal basis for the EU-Russia relationship is a Partnership and Cooperation Agreement (PCA) which came into force on 1 December 1997. The EU-Russia PCA is one of a series of such agreements which the EU concluded during the late 1990s with former Soviet states apart from the Baltic countries. The PCA framework treated all such states equally, and distinguished them from former communist countries which were on the path to EU membership. The EU-Russia PCA runs for an initial 10 years to December 2007, but it will be extended automatically if it has no replacement by then and if neither party objects; the two parties have already indicated that the agreement will be extended in this way.\textsuperscript{455} The PCA established a system of formal contacts and joint institutions between the EU and Russia. The PCA also included provisions governing trade, investment and competition, and allowing for cooperation in a range of fields including energy, transport, science, technology, education and training.

205. In addition to the PCA, the EU and Russia have a number of sectoral agreements and arrangements for consultations in a number of specific areas. These include the EU-Russia Energy Dialogue, established in 2000. Since 2005, there have also been twice-yearly EU-Russia human rights consultations.

206. In 2003, the EU and Russia agreed on the creation of four ‘Common Spaces’ within the framework of the PCA, to try to give greater substance to the agreement’s provisions and improve the process of practical cooperation. The four ‘spaces’ are: a common economic space; a common space of freedom, security and justice; a common space for cooperation in external security; and a common space of research and education, including culture. In 2005, the EU and Russia established ‘Road Maps’ for the Common Spaces, setting out in somewhat greater detail areas and tasks for cooperation.

207. Most recently, EU-Russia relations have centred on the possible replacement of the PCA, as it approaches its initial expiry date of December 2007. Both sides are officially committed to the negotiation of an overarching PCA successor agreement. Such an agreement would differentiate Russia both from the Western CIS states, which now fall under the EU’s European Neighbourhood Policy (ENP), and from the Central Asian countries. At the May 2006 EU-Russia summit in Sochi, both sides looked forward to the “start of negotiations for a new agreement which should provide a comprehensive and durable framework for the EU-Russia strategic partnership”.\textsuperscript{456} The European Commission—which would conduct the negotiations for the new agreement—presented a draft negotiating mandate to Member States in July 2006, with the aim of securing their approval for it by the end of the year.

208. As of November 2007, Member States had not approved the Commission’s negotiating mandate for PCA successor talks with Russia. The PCA successor process

\textsuperscript{455} Ev 161 [EU-Russia Centre]

stalled because Poland vetoed the opening of negotiations until Russia lifts a ban on the import of Polish animal and plant products, imposed on hygiene grounds in 2005. Poland’s stance is supported by Lithuania, which has seen Russian oil supplies to its only refinery at Mazeikiu halted since July 2006, after a claimed leak but also after a Polish firm beat Russian rivals to buy the plant.\(^{457}\) The European Commission—which is responsible for EU external trade matters—took up the Polish-Russian dispute in December 2006, but it has failed to persuade Russia to lift its ban. The Commission has said that Poland has done enough to meet Russia’s food safety concerns, but after talks with Russia in April 2007 European Health Commissioner Markos Kyprianou said that the two sides had “a different approach as to how to proceed”.\(^{458}\) The FCO believes that Russia should lift its ban.\(^{459}\) However, in May 2007, Russia extended its ban to cover Polish exports of live animals.\(^{460}\)

209. Three EU-Russia summits, in Finland in November 2006, Russia in May 2007 and Portugal in October 2007, have now gone by without the talks on a PCA successor being launched. The official press release following the October 2007 summit did not mention the PCA successor agreement.\(^{461}\)

210. The failure to launch negotiations on a PCA successor has been both a cause and a symptom of a general souring of relations between the EU and Russia since 2006. In April 2007, the European Trade Commissioner, Peter Mandelson, said that

relations between the EU and Russia [...] contain a level of misunderstanding or even mistrust we have not seen since the end of the Cold War. Tensions and uncertainty are running high both within Russia, amongst her neighbours and in her relations with the European Union and its Member States. Each suspects the other of double standards. Both believe the other is using the energy weapon as an instrument of politics. Neither thinks they enjoy the respect and goodwill from the other they are entitled to expect.\(^{462}\)

In evidence to us, the then Foreign Secretary declined to characterise the May 2007 EU-Russia summit as a failure, but no substantive summit statement was issued. Mrs Beckett said that “not as much progress was made as we would have liked”.\(^{463}\) According to European Commission President José Manuel Barroso, the summit saw “very open, very frank, very honest exchanges.”\(^{464}\)

211. Our witnesses put the deterioration in EU-Russia relations down to a number of immediate factors:

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457 “Lithuania threatens to block EU-Russia agreement”, *Euractiv.com*, 26 February 2007
458 “EU-Russia talks on meat dispute end in deadlock”, *Financial Times*, 23 April 2007
459 Ev 81
460 “Russia extends ban on imports of Polish meat”, *European Voice*, 3 May 2007
461 26 October 2007; available via www.eu2007.pt
463 Oral evidence taken before the Foreign Affairs Committee on 19 June 2007, HC (2006–07) 166-ii, Q 191
• Energy security fears: Dr Monaghan told us that the January 2006 disruption to Russian gas supplies to the EU “Politically […] had a huge impact”.465 Mr Clark said that “Of all the issues affecting EU-Russia relations none is more significant than the perception of Russia as an ‘energy superpower’ in the making.”466 Since the 2006 incident, EU dealings with Russia have largely been coloured by the idea of the country as a potential security risk. This injects a degree of mistrust and fear into the relationship on the EU side, and resentment on the Russian side.467 At the same time, the heightened concern to ensure continued Russian energy supplies causes some EU Member States to court Russia and to be wary of aggravating it over other issues.468

• Democracy and human rights concerns: The EU has become increasingly willing to voice concerns about Russia’s democratic and human rights standards, as Russia’s record in this respect has deteriorated.469 At the press conference following the May 2007 EU-Russia summit, in the presence of President Putin, German Chancellor Angela Merkel—in her capacity as EU President-in-Office—expressed concern that members of the ‘Other Russia’ opposition coalition had been prevented by airport authorities from travelling to the summit for planned demonstrations.470

• Elevation of bilateral disputes: The EU has taken up into its relations with Moscow a number of bilateral disputes between Russia and individual EU Member States. In addition to the Polish-Russian and Lithuanian-Russian trade disputes, this includes the conflict between Estonia and Russia which erupted in April-May 2007. After Estonia moved a symbolically important Soviet war memorial from the centre of Tallinn to a military cemetery on the outskirts, there were riots among Estonia’s Russian population in which one person died. Russia halted rail transit to Estonia, claiming that the line needed repair. Estonian official and commercial websites came under disabling cyber-attack from servers which appeared to include some belonging to Russian state institutions, although Estonia did not officially accuse Russia of being behind the attacks.471 At the Estonian Embassy in Moscow, the Estonian Ambassador had to be protected by bodyguards when members of the Russian nationalist youth organisation ‘Nashi’ who had been surrounding the building disrupted a press conference; the car of the departing Swedish Ambassador was also assaulted. In response, the EU—and NATO—issued public statements reminding Russia of its obligations under the Vienna Convention on Diplomatic Relations to protect diplomatic personnel and buildings.472 According to European Commission President Barroso, at the May 2007 EU-Russia summit the EU told Russia that “a difficulty for a Member State is a difficulty for all of
us at the European Union. We are a Union based on principles of solidarity. We are now 27 Member States. So, a Polish problem is a European problem. A Lithuanian, an Estonian problem is a European problem as well.”

A Russian official said that this approach was a “misuse of EU solidarity” with which Russia was “disappointed”. Nevertheless, following the pattern of the Baltic and Polish disputes, in June and July 2007 the EU Presidency issued statements supporting the UK in its dispute with Russia over the Litvinenko case.

Underlying issues

212. Our witnesses drew attention to a number of fundamental and often linked issues in the EU-Russia relationship which underlie the current difficulties. For one thing, Russia’s attitude to the EU is ambiguous. On the one hand, Russia sees the EU as one of the ‘poles’ in the emerging multipolar international system which it welcomes as a replacement for US dominance. On the other hand, Ms Barysch told us that “there is nothing that Russia fears more than a European Union that will one day speak with one voice.”

According to Ms Barysch, the apparently assertive EU of 2004–05 “looked scary” to Russia, with its enlargement eastwards, its launch of the ENP in the former Soviet space, and its support for the ‘colour revolutions’ there. Following the failure of the EU’s Constitutional Treaty and the onset of ‘enlargement fatigue’, however, Russia now sees the EU as going through a period of weakness and introspection. This contributes to Russia’s current sense of itself as enjoying a window of international opportunity.

213. Russia prefers to deal individually or in small groups with the major EU Member States, rather than with the EU as such. According to Dr Pravda, this is partly because “Russia is a traditional great power actor and thinks that only the big powers matter.” In addition, Ms Barysch told us that Russia “gains much more by dealing individually with the capitals of Europe and having a divided EU rather than a strong EU that speaks with one voice.” Ms Barysch agreed categorically with a characterisation of Russia’s policy towards the EU as one of “divide and rule”.

214. Russian attempts to divide the EU have typically found ready ground. In his April 2007 speech, Commissioner Mandelson said that “the incoherence of European policy towards Russia over much of the past decade has been frankly alarming. No other country reveals our differences as does Russia.”

The major EU founder members in Western

474 “Russia warns EU on new vetoes”, Financial Times, 17 May 2007
476 This was discussed in Chapter 2.
477 Q 29
478 Q 29 [Ms Barysch]
479 Q 19
480 Q 39
481 Q 30
Europe—France, Germany and Italy—are accustomed to pursuing their own relations with Moscow, which have typically been cordial, while some other Member States have been prepared to be more critical. Dr Pravda told us that “Moscow is encouraged to persist with bilateralism by the disunity it sees within EU ranks.”

215. Both Russia and the EU are adjusting to the impact of the EU accession of former communist countries in Central and Eastern Europe. For the EU, the accession of the new Member States has exacerbated the difficulties involved in reaching a common policy towards Russia, because the former communist countries have an experience with that country which is not shared by their Western counterparts and which tends to make them suspicious and critical towards Moscow, although they are not homogenous in this regard. Partly under the influence of Russia’s own recent behaviour, the EU’s attitude overall has appeared increasingly to be reflecting the new Member States’ less Russia-friendly approach. For its part, according to Dr Pravda, Moscow is having “difficulty [...] in coming to terms with the growing influence of the new East European member states on EU policy towards Russia.”

216. As regards official EU policy towards Russia, the Union has appeared to find it difficult to place the country within its system of post-Cold War external relations, although the problem has also been exacerbated by the shift in Russia’s foreign policy stance. Ms Gower told us that EU policy had been “predicated” on Russia following a “path of political transition” similar to many other post-communist countries in Europe, towards a more Western-style democracy and economy willing to converge on many EU norms and practices. Under the ENP, this model is being rolled out to Western CIS states; but Russia declined to participate in the ENP, with its implicit designation of the countries concerned as simply ‘neighbours’ of the EU. The language of ‘strategic partnership’ puts Russia on a par with powers such as the US, India and China in the EU’s external relations, but these states are not European or geographically proximate to the EU. The EU simply has no experience of dealing with a major European power which is not officially hostile but which also does not aspire to EU membership.

217. Several of our witnesses drew attention to what Mr Clark called the “radically different strategic cultures” of Russia and the EU. The CSRC told us that:

the EU and NATO have replaced a Cold War view of European security with a post-Cold War view, emphasising ‘common security’ and an extensive post-modern agenda of common challenges [...] Russia, in contrast, has replaced a Cold War view with a pre-Cold War (ie pre-1914) view of security, based on the ‘balance of power’, great power prerogatives, ‘zones of influence’ and geopolitics. Its traditional emphasis on nation, state and power sits uneasily alongside a European Union committed (at least rhetorically) to ‘moving beyond’ these defining features of the
modern world [...] In essence, the West and Russia inhabit different coordinates of time. Were Disraeli and Bismarck still in power in Europe, many Russians would understand us better than they do now.\textsuperscript{488}

**UK-Russia relations in the EU framework**

218. The conjunction of poor relations between the UK and Russia, and poor relations between the EU and Russia, raises the issue of the relative weights which the UK should give to the two relationships as it seeks to improve its relations with Moscow.

219. Dr Monaghan advised caution about relying too heavily on the EU-Russia relationship. For one thing, working through the EU risks entangling the UK-Russia relationship with further bilateral disputes, primarily between Russia and the new EU Member States. For reasons of history and the new Member States’ small size, these disputes are likely to be even less amenable to resolution than the difficulties between Russia and the UK.\textsuperscript{489} Meanwhile, Dr Monaghan suggested that by playing to Russia’s desire for status, dealings between only two or a few major powers are more likely to win Russian movement and commitment on key issues.\textsuperscript{490}

220. Other witnesses stressed the importance of working through the EU. They pointed to the way in which bilateral dealings can undermine the force of any common EU position, including where such EU positions promote UK goals. According to Dr Pravda, “London should concentrate on developing relations with Moscow through Brussels rather than play to the Kremlin’s preference for bilateralism.”\textsuperscript{491} Ms Barysch argued similarly that “for the UK to try to improve its relationship with Russia bilaterally would [...] further weaken the European Union in the eyes of Russia.”\textsuperscript{492}

221. Mr Clark further suggested that large Member States’ practice of dealing individually with Russia aggravated tensions between large and small Member States in the Union.\textsuperscript{493} Ms Barysch also suggested that, precisely because of the poor current state of UK-Russia relations, “it might be helpful for [the UK] to put emphasis on the EU approaches, which would strengthen the UK”.\textsuperscript{494}

222. The Minister for Europe told us that “we can be effective bilaterally with Russia on a number of issues, but we can be much more effective if we work, where it is appropriate, collectively through the European Union. The fact that the EU is now made up of 27 states adds greater strength to our relationship.”\textsuperscript{495}

\textsuperscript{488} Ev 27; on this point see also Professor Light at Q 1 and the discussion in Chapter 2.
\textsuperscript{489} Difficulties in the UK-Russia relationship were discussed in Chapter 4.
\textsuperscript{490} Q 75
\textsuperscript{491} Ev 21
\textsuperscript{492} Q 30; see also Ev 161 [EU-Russia Centre].
\textsuperscript{493} Q 77
\textsuperscript{494} Q 28
\textsuperscript{495} Q 137
223. In his evidence to us in October, the Foreign Secretary similarly argued that “it is important to recognise that we are stronger in a number of areas where we engage with Russia on a multilateral, Europe-wide basis.” Mr Miliband went on: “We have things that Russia wants—European markets, most obviously—and it is important that we stand together in trying to leverage the best possible outcome and the best possible protections.”496 However, Mr Miliband also told us that at their informal meeting on 7-8 September EU Foreign Ministers spent three hours discussing Russia, suggesting the distance that EU Member States still have to go before they reach a common stance on that country.497 **We conclude that the UK is correct to pursue its relations with Russia both bilaterally and through the EU. Where the EU pursues policies towards Russia which are in line with UK goals, the UK position is strengthened. In this context, we commend the Government for having secured EU Presidency statements in support of the UK position on the Litvinenko case. However, the EU is too often divided with respect to Russia, weakening its capacity to engage effectively. We conclude that there are fundamental difficulties in the EU-Russia relationship and we are not confident that these can be addressed effectively until the EU has a common stance towards Russia. We therefore recommend that the Government make the development of a united and coherent EU Russia policy an explicit goal of its work in the EU in 2008. We further recommend that, in its response to this Report, the Government outline the steps it proposes to take towards this goal.**

**New EU-Russia agreement?**

224. The most immediate question facing the EU as regards its relationship with Russia is whether to try to launch negotiations on a PCA successor agreement as soon as possible. Given Poland’s current stance, the launching of PCA successor talks would require at a minimum the resolution of the Polish-Russian trade dispute.

225. In its memorandum to our inquiry, the FCO said that it believed “it would be better for talks to open on a successor to the PCA sooner rather than later.”498 However, when he gave oral evidence, the Minister for Europe said that the UK was “less tied to a specific time scale” for any new agreement.499

226. The FCO supports the opening of negotiations on an EU-Russia PCA successor agreement because it regards the negotiations themselves as a potential mechanism for engaging Russia, “critically as well as cooperatively”, on issues of importance to the UK.500 The FCO told us that “The negotiating mandate covers all the areas that matter to us”.501 In October, the Foreign Secretary told us that the UK would like to “get on with [the PCA] with the clear view that there are responsibilities as well as rights associated with it for...
Russia. It contains things that Russia wants, and we want it to behave in a responsible way to get them. Since Russia’s refusal to extradite Andrey Lugovoy in the Litvinenko case, the UK has been seeking to expand the EU negotiating mandate to include extradition issues, although it appeared that several Member States might resist such a move.

227. Against the FCO’s wish to pursue the opening of talks, our witnesses offered a number of arguments against pressing for an early start to PCA successor negotiations, whether or not the Polish-Russian dispute is resolved. For example, Mr Clark argued that Russia was not complying with agreements that it had already signed, such as the existing PCA and the Energy Charter Treaty. Under these circumstances, according to Mr Clark, signing a new agreement with Russia would encourage its practice of non-compliance, whereas holding off might form part of a strategy of encouraging Russia to respect its international obligations. In Mr Clark’s view, “the EU should make clear that it isn’t prepared to sign new agreements with Russia until Russia is willing to respect the agreements it has already signed.”

228. Russia is entering an election season that is scheduled to last until March 2008. There is uncertainty about the degree to which the elections will meet international democratic standards, about the identity of President Putin’s successor, and about Russia’s post-election political constellation. Caution seems legitimate under these circumstances. Moreover, Ms Gower suggested that Russia was likely to be particularly uncompromising with the West during its election season. Under these circumstances, Ms Gower felt it was “difficult to envisage any real progress in the negotiations on a new treaty, even if they are formally opened” until after the presidential election.

229. Ms Barysch pointed out that any attempt to negotiate a new agreement would pitch the EU and Russia back into “not very helpful debates—abstract and angry debates—about common values, which we would inevitably have about writing just the preamble.” However, Ms Barysch and Ms Gower both told us that any EU-Russia agreement which lacked firm language on shared values would not win the required assent of the European Parliament. Indeed, given the sensitivity of relations with Russia for a number of Member States, Ms Barysch highlighted the risk that any one of them might veto any new EU-Russia agreement. According to Ms Gower, “The nightmare scenario is that we negotiate it for the next 10 years and then one state says no.”

230. Our witnesses suggested that the existing framework for EU-Russia relations already provides mechanisms for engagement with Russia such as those sought by the UK. Ms Gower told us that “The concept of the four spaces gives us a very broad and
comprehensive agenda for the potential development of relations and for constructive cooperation between the EU and Russia on pretty much all of the key issues that you can imagine.” 510 For example, the UK might seek to raise the extradition issue in the context of the common space on freedom, security and justice. Alongside the ‘four spaces’ agenda, there are in addition the EU-Russia Energy Dialogue and the regular EU-Russia human rights consultations.

231. Ms Barysch argued that there were potential benefits to a focus on practical cooperation, namely that such work would be less politically controversial than an attempt to draft a new agreement, and might encourage the spread of shared practices and understandings. 511 Ms Gower told us that the current framework between the EU and Russia has “the potential to lead to a very substantial change in the nature of the relationship […] In the short and medium term, it presents the opportunities for the kind of pragmatic steps forward that […] could aid the situation and take things forward.” 512 According to Ms Barysch, this kind of cooperation “might lack vision, but since neither the EU’s foreign policy nor Russia internally knows where it is going at the moment, lack of vision is excusable.” 513

232. Ms Barysch further suggested that the effort to negotiate a PCA successor agreement might strain Russia’s capacities in personnel terms. According to Ms Barysch, “on the Russian side […] the people who know enough and engage enough with the European Union are extremely limited. We want those people to work on trade, energy, human rights and security dialogue and not on an abstract debate about values.” 514

233. There might be a risk, highlighted by Ms Gower, that if no PCA successor negotiations were launched, “it is very difficult […] to envisage much progress being made on the more pragmatic agenda.” 515 However, Ms Barysch disagreed, pointing to a number of working groups which had only recently been established under the common spaces agenda, despite the lack of post-PCA talks. Regarding practical EU-Russia cooperation, Dr Averre was similarly of the view that “although progress has been patchy, it has been more positive than many people would think”. 516

234. It appears doubtful that by holding off on the opening of PCA successor talks, the EU would jeopardise movement that Russia might otherwise make on areas of substantive disagreement, such as the Energy Charter Treaty. Ms Gower was of the view that, given its failure to lift its Polish import ban, Russia could not be “over concerned” about the opening of post-PCA talks. Rather than jeopardising possible concessions that Russia might otherwise make, the greater risk from mothballing PCA successor talks would be of provoking a tougher line from Russia on issues where it is at odds with the EU or
individual Member States. In this context, it would be important that any decision to hold off on launching PCA successor talks were seen as a common EU position.

235. In response to both the more fundamental problems in the EU-Russia relationship and the PCA question, Dr Pravda advocated

a two-track strategy. Brussels should persist in trying to build stronger working relations with Moscow in areas of potential practical cooperation […] [but] Brussels would do well to set this within the context of a wider vision of the developing relationship. This does not have to take the form of any grand treaty to replace the current agreement. But […] it would be helpful to pay more attention to the vexed questions of where Brussels and Moscow envisage the relationship going. If nothing else, a process of systematic consultation on aims and perspectives could reduce nervousness in Brussels about Russia’s flexing of post-imperial muscles and anxiety in Moscow about EU quasi-imperial expansion.517

236. Overall, Ms Barysch told us that “Under present circumstances, trying to push forward the negotiations on a post-PCA agreement is futile, and could even be counter-productive.”518 The imposition for over a year of trade blockages on two EU Member States by a third country is unacceptable. We recommend that the Government impress on the European Commission and Moscow the urgency of resolving Russia’s trade disputes with Poland and Lithuania. Even if Poland were to lift its veto on negotiations with Russia on a new EU-Russia agreement, however, we conclude that the launch of such negotiations in the near future would be probably fruitless and possibly unhelpful. We recommend that the Government revisit the question of the advisability of a new EU-Russia agreement as part of its discussions with EU partners on EU Russia policy, and that it report on initial discussions in its response to this Report.

The EU and Russia in the former Soviet space

237. The EU launched its European Neighbourhood Policy (ENP) in 2004, as a mechanism to help address the consequences for the EU of its enlargement to Central and Eastern Europe. According to the EU, the ENP aims to encourage the development of a ‘ring of friends’ around the EU’s southern and new eastern borders, by promoting security, stability and economic development in neighbouring countries on the basis of common values. Specifically, the ENP offers partner countries cooperation, participation in some EU programmes and a degree of economic integration, in return for progress on political and economic reform on the basis of EU standards and practices. Action Plans agreed by both sides set out the steps to be taken by ENP partner countries and by the EU. Under proposals for a strengthened ENP endorsed by the European Council in June 2007, ENP partner countries are to be offered the possibility of alignment with EU Common Foreign and Security Policy declarations, like candidate states for EU membership.519

517 Ev 21
518 Q 27
238. Among CIS countries, the ENP is in operation with Armenia, Azerbaijan, Georgia, Moldova and Ukraine. As well as the ENP, the EU has recently launched a strategy for Central Asia, and a ‘Black Sea Synergy’ regional cooperation initiative which involves CIS countries, although neither of these initiatives is as yet as substantive as the ENP.\footnote{Council of the European Union, “The EU and Central Asia: Strategy for a New Partnership”, Brussels, 31 May 2007, via http://register.consilium.europa.eu; “Communication from the Commission to the Council and the European Parliament: Black Sea Synergy—A new regional cooperation initiative”, COM(2007)160 final, Brussels, 11 April 2007}

239. In the context of the relationship with Russia, Dr Allison commended the ENP Action Plans as “not the kind of engagement that has the higher profile that would tend to attract the critical commentary from Russia such as politicians making speeches in capitals urging certain kinds of conduct and giving direct support to particular political groups.” According to Dr Allison, the “technocratic and programmatic” approach of the ENP Action Plans, involving a lot of “low politics”, “is more likely to be effective and less likely to attract direct Russian criticism.”\footnote{Q 21}

240. Our witnesses agreed that the EU’s increasing involvement in the post-Soviet space nevertheless had a strategic aspect which threatened to aggravate relations with Russia. According to Dr Allison, “The EU, in seeking to define its new security neighbourhood, is viewed by Russia as a revisionist power in the area of the South Caucasus, Ukraine and Moldova, so there is likely to be an increase in geopolitical tension on those grounds.”\footnote{Q 15; see also Ev 18 [Dr Allison].} Similarly, Mr Clark told us that:

To the extent that the EU provides a pole of attraction for states that were part of the Soviet bloc, there is the basis for considerable geopolitical tension whether the EU invites it or not. As long as countries within Russia’s ‘near abroad’ aspire to follow a European path, the current Russian leadership will tend to see the EU as a normative threat simply by virtue of its existence.\footnote{Ev 59}

Dr Allison informed us that Russia and the EU found it difficult to agree even on terminology with respect to Ukraine, with Russia rejecting the language of “shared neighbourhood” and the EU-Russia Common Spaces documents referring as a result to “regions adjacent”.\footnote{Ev 18}

241. Given Russia’s attitude to the EU and the former Soviet space, it is perhaps not surprising that the FCO reported Russia to have been “an uncommitted and unsupportive partner in the European Union’s efforts to build success and promote modernisation and reform in the region, notably through the European Neighbourhood Policy.”\footnote{Ev 78} Yet, at least in its public language, the Union appears largely to fail to consider Russia’s relationship
with the former Soviet space in regard to the successful implementation of the EU’s goals in that region. For example, the EU strategy for Central Asia does not mention Russia. The latest ENP strategy document includes just three mentions of the country.\textsuperscript{526} This omission may be due to the EU’s tendency to compartmentalise policies; and to its espousal of the ‘post-modern’ notions of security outlined above, and squeamishness about traditional strategic politics. However, the ENP is unlikely to be as effective as it could be in the former Soviet space unless the EU acknowledges its strategic context and aspects. This would impact on the EU’s work with both Russia and the CIS ENP partner countries. In this regard, Dr Averre suggested to us that there was scope for the UK to push the EU to “try better to co-ordinate its Russian policy with that towards the European Neighbourhood Policy countries.”\textsuperscript{527}

242. In its document on the UK’s strategic international priorities, the FCO says that the UK “will seek to develop a shared understanding with Russia of how to promote security and prosperity in the EU and Russia’s common neighbourhood.”\textsuperscript{528} When we questioned the then Foreign Secretary about the ENP, Mrs Beckett said that the UK supported the policy, but, as regards the EU in the region, did “not know whether […] we play a strategic role”.\textsuperscript{529} We conclude that the Government is correct to support the EU’s European Neighbourhood Policy. We also strongly endorse the FCO’s identification of a need to develop a shared understanding with Russia of the future of the common neighbourhood, involving the countries concerned and on the basis of their sovereign choices. However, the evidence is that this goal remains distant. We recommend that the Government seek to inject greater strategic awareness into the EU’s policies for the former Soviet space and encourage greater coordination between the EU’s policies for Russia and for other former Soviet states.


\textsuperscript{527} Q 40

\textsuperscript{528} FCO, Active Diplomacy for a Changing World: The UK’s International Priorities, Cm 6762, March 2006, p 25

\textsuperscript{529} Oral evidence taken before the Foreign Affairs Committee on 19 June 2007, HC (2006–07) 166-ii, Qq 198, 200
7 European security issues

Kosovo

243. The province of Kosovo has been part of Serbia since 1913. Kosovo’s population is now around 90% ethnic Albanian and 6% Serb, with smaller minorities including Roma, Ashkali, Egyptians, Bosniaks, Turks and Gorani. In 1989, the then Serbian President Slobodan Milosevic revoked the status which Kosovo had enjoyed under the 1974 Yugoslav constitution as an autonomous province within Serbia. This helped to provoke increasing resistance to Serb rule among the Kosovo Albanian population. This resistance took primarily a non-violent, passive form, led by the Democratic League of Kosovo (LDK) under Ibrahim Rugova. In 1998, Albanians who were prepared to use force to pursue independence formed the Kosovo Liberation Army (KLA).

244. In March 1999, NATO took military action against Serbia to halt Serb military operations in Kosovo against the KLA and the Albanian population. It is important when reflecting on Russia’s attitude to the future of Kosovo and its view that there needs to be Security Council approval for any final status for Kosovo to recognise that NATO acted without explicit UN Security Council authorisation for the use of force, after Russia refused to support such a resolution. There is a great danger to the authority of the UN if, yet again, decisions are enacted with respect to Kosovo that ignore the desirability of there being agreement within the Security Council.

245. Since Serb forces capitulated to NATO in June 1999, Kosovo has been governed under UN Security Council Resolution 1244. Russia voted in favour of the resolution. Resolution 1244 effectively made Kosovo a UN protectorate, legally but not practically remaining part of Serbia. Without specifying a timetable, Resolution 1244 foresaw a future process aimed at determining Kosovo’s final political status.530

246. The then UN Secretary-General Kofi Annan launched a final status process for Kosovo in 2005 and appointed former Finnish President Martti Ahtisaari as his Special Envoy. Both the decision to move to a final status process and Ahtisaari’s appointment were endorsed by the Security Council.

247. Mr Ahtisaari’s work on a final status settlement for Kosovo was guided by a set of principles put forward by the Contact Group for the former Yugoslavia, which includes both the UK and Russia, along with the US, France, Germany and Italy. Among others, the Contact Group principles were that the Kosovo final status settlement should: be fully compatible with international law and with international standards of human rights and democracy; contribute to the integration of Kosovo and the wider region in Euro-Atlantic institutions; strengthen regional security and stability; ensure Kosovo’s ability to cooperate with international organisations; exclude the pre-March 1999 situation; exclude any

530 We reported on Kosovo under Security Council resolution 1244 and the start of the final status process in Foreign Affairs Committee, Third Report of Session 2004–05, The Western Balkans, HC 87-I. Kosovo is also considered in Foreign Affairs Committee, First Report of Session 2007–08, Foreign and Commonwealth Office Annual Report 2006–07, HC 50.
change to Kosovo’s territory; and exclude any unilateral solution.\textsuperscript{531} The Contact Group added subsequently that the final status settlement needed to be acceptable to the people of Kosovo.\textsuperscript{532}

248. After over a year mediating between Serbia and the Kosovo leadership, Mr Ahtisaari was unable to find a final status settlement acceptable to both sides. Concluding that further negotiations would be futile, Mr Ahtisaari presented his own proposals for a final status settlement to the Security Council in March 2007. It was originally envisaged that the Security Council would endorse the proposals later in the spring.

249. The Ahtisaari plan is for ‘supervised independence’ for Kosovo. The province would gain most of the attributes of statehood, but an International Civilian Representative would remain ultimately responsible for ensuring that the Kosovo authorities fulfilled their obligations towards Kosovo’s minority Serb and other communities.

250. The UK supports the Ahtisaari plan. In June, the then Foreign Secretary told us that the UK’s “goal is to get a Security Council resolution and to implement the Ahtisaari plan […] and to do that as early as possible.”\textsuperscript{533} In July, the Minister for Europe told us that independence for Kosovo “is the end. What is in dispute is the means to achieve that end.”\textsuperscript{534} Giving evidence to us in September, the Minister was still of the view that “The end point of this process is that Kosovo should be granted independence […] Our view is that independence for Kosovo along the lines of the Ahtisaari plan, in the absence of an alternative agreed by Pristina and Belgrade, is the best solution.”\textsuperscript{535} Like other supporters of the Ahtisaari plan, the UK is of the view that—in the words of the former Foreign Secretary—“the position of Kosovo is sui generis […] the Kosovo-Serbian experience […] has […] been tragically unique […] what happens with Kosovo does not have a read-across anywhere else.”\textsuperscript{536}

251. Russia argues that it has adhered diligently to the principles of the Helsinki Final Act which determined that there should be no arbitrary variation in the boundaries of the states of Europe and signatory states. Russia points to other areas where national minorities seek independence (including within the EU), as in the areas of Moldova and Georgia where Russian minorities would like to secede.

252. The Kosovo Albanian leadership supports the Ahtisaari plan, which has been formally endorsed by the Kosovo legislature. However, Serbia does not accept the Ahtisaari proposals. Belgrade rejects the idea that Serbia’s borders could be changed without its consent, insisting on the principles of territorial integrity and sovereignty. Serbian Prime

\textsuperscript{531} “Guiding principles of the Contact Group for a settlement of the status of Kosovo”, 7 October 2005, via http://www.unosek.org

\textsuperscript{532} “Statement by the Contact Group on the future of Kosovo”, London, 31 January 2006, via http://www.unosek.org

\textsuperscript{533} Oral evidence taken before the Foreign Affairs Committee on 19 June 2007, HC (2006–07) 166-ii, Q 187

\textsuperscript{534} Q 151

\textsuperscript{535} Uncorrected transcript of oral evidence taken before the Foreign Affairs Committee on 12 September 2007, HC (2006–07) 166-iii, Q 306

\textsuperscript{536} Oral evidence taken before the Foreign Affairs Committee on 19 June 2007, HC (2006–07) 166-ii, Q 194
Minister Vojislav Kostunica has said that Kosovo can have “everything but independence".537

253. Russia backs Serbia’s position regarding Kosovo’s final status. Moscow has committed itself to backing a Kosovo final status settlement in the UN Security Council only if such a settlement is accepted by Belgrade. Russia’s objections to the Ahtisaari plan run along two strands. First, Moscow objects to the procedure which the plan’s implementation would appear to involve, namely that it would be imposed on Serbia without Belgrade’s consent. In January 2007, Russian Foreign Minister Sergei Lavrov said that Kosovo’s status could “only be determined through talks and it has to be acceptable both to Belgrade and to the Kosovo population”.538 President Putin reportedly assured Serbian Prime Minister Vojislav Kostunica that if a Kosovo status proposal were “unacceptable to Belgrade, neither can it be acceptable to the (UN) Security Council”.539 Second, Russia objects to the substance of the Ahtisaari plan—that is, that a separatist minority ethnic region should gain independence over the objections of the sovereign state concerned. In Moscow’s view, this would violate principles of territorial sovereignty and integrity that are laid down in international law, including in the Helsinki Final Act of 1975. In the Helsinki Final Act, signatory states recognised the “inviolability” of their international frontiers and promised to refrain from “assaulting” them; promised to respect the territorial integrity of participating states and to refrain from “any action inconsistent with the purposes and principles of the Charter of the United Nations against the territorial integrity, political independence or the unity of any participating State”; and promised also to “respect […] [peoples’] right to self-determination, acting at all times in conformity with the purposes and principles of the Charter of the United Nations and with the relevant norms of international law, including those relating to territorial integrity of States.”540 Russia has suggested that independence for Kosovo would set an international precedent that might be used by separatists to declare independence in Abkhazia and South Ossetia in Georgia and Transnistria in Moldova. In January 2006, President Putin said “If someone believes that Kosovo should be granted full independence as a state, then why should we deny it to the Abkhaz and the South Ossetians?”541

254. Among other statements, Russia set out its stance regarding the Ahtisaari plan in an interview given by Deputy Foreign Minister Vladimir Titov immediately after Mr Ahtisaari had presented his proposals at the UN in March 2007. Mr Titov asked “How fair and sustainable can a scheme not consented to by one of the parties and obviously at odds with international law and a whole set of UN Security Council decisions be?” Mr Titov went on:

How can […] borders be changed without the consent of a state to this? […] we still feel that only a negotiated solution that suits both Belgrade and Pristina can be the basis for a reliable settlement which would not provoke a destabilization of the region and the further redivision of borders, and not only in the Balkans […] It does not suit not only Russia, but also many other states, the prospect of unilateral

537 “Serbia rejects Kosovo trade-off”, BBC News online, 31 July 2006
538 “Putin reassures Belgrade over Kosovo’s future”, Financial Times, 17 January 2007
539 “Putin reassures Belgrade over Kosovo’s future”, Financial Times, 17 January 2007
540 Articles III, IV, VIII; text available via www.osce.org
541 “The Kosovo talks are about much more than just Kosovo”, Financial Times, 10 May 2006
sovereignization of the province, and scorn for the principles of international law. It is understandable that a chain reaction thus triggered may sooner or later touch any country, as the inviolability of sovereignty will no longer be guaranteed in any way. Separatism, rewarded in Kosovo, will receive a powerful impulse in other parts of the world. In the case of Kosovo the question of disjointing a province from a sovereign state has been raised for the first time. Therefore the unilateral solution will inevitably create a precedent and will be projected onto other situations.  

255. Of the two strands of Russia’s position on Kosovo—insistence that any settlement must be accepted by Belgrade, and support for the principle of territorial integrity under international law—Moscow has held to the first the more consistently. For example, Ms Aldis told us that latterly Russia had been giving less prominence to the linkage between Kosovo and other separatist conflicts. 

256. Our witnesses differed as to whether Russia’s rejection of the Ahtisaari plan reflected a principled commitment to backing Serbia’s position, or an opportunistic attempt to use the issue as a bargaining chip in other disputes with the West. Dr Allison felt that Russia’s “commitment to adopting a position against Kosovan independence is deep” and that Moscow would therefore not be prepared to swap concessions on the issue for gains elsewhere. Giving evidence in July to our inquiry into the FCO’s Annual Report 2006-07, Lord Ashdown of Norton-sub-Hamdon told us that in his judgement, Russia had “proper and legitimate concerns about the precedents that [the Ahtisaari plan] may establish for Transnistria, for Abkhazia and so on” and was therefore “more likely to veto” any Security Council resolution implementing the plan, but he could not be certain. Dr Pravda felt that Russia’s position “reflects a concern of principle […] because of the precedent that it would set”, but he also regarded Russia’s stance as “part of a negotiating process” and did not think that Russia was “immoveable” on the issue. Professor Fedorov believed that Russia’s policy was “to use the Kosovo problem and voting in the UN Security Council as a kind of bargaining chip as regards the broader context of its relationship with Western countries.” Professor Fedorov suggested that “what Russia would like most would be for the West to agree on [its] special role in the former Soviet Union. That would be the basis on which Russia might make deals with Western countries.”

257. Due to Russia’s opposition, as of autumn 2007 the UN Security Council had not endorsed the Ahtisaari plan. Russia indicated that it would not support any of a series of at least three draft resolutions put forward by Western states which would have implemented Ahtisaari’s proposals, including in ways which sought increasingly to accommodate Russia’s position. Backing Serbia, Russia insisted that there be further negotiations between Belgrade and Pristina, and that the idea be dropped of the Ahtisaari plan coming

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542 Original in Rossiiskaya Gazeta, 29 March 2007; English translation via the website of the Russian Foreign Ministry, www.mid.ru
543 Q 59
544 Q 12
545 Foreign Affairs Committee, Foreign and Commonwealth Office Annual Report 2006-07, Q 177
546 Q 14
547 Q 59
548 Q 61
automatically into effect at a specified time if the two sides could agree no alternative. In July, the Minister for Europe told us that the UK believed “strongly that the text that has been submitted in New York deals with the stated concerns of the Russians”. However, Moscow rejected the draft Security Council resolution incorporating even these requirements. In July 2007, the co-sponsors of the final draft text to fail—including the UK—announced that they were halting the UN process.

258. Following the breakdown of the UN process, the Kosovo final status process passed to the Contact Group. The Contact Group is mediating further talks between Serbia and Kosovo, and is to report back to the UN by 10 December 2007. The EU has appointed as its representative in this phase of the process Wolfgang Ischinger, German Ambassador to London, who is working with representatives of the US and Russia in a troika format to represent the Contact Group. Supporters of the Ahtisaari plan hope that Serbia can be brought round to accepting it, unlocking Russia’s position and opening the way to Security Council endorsement. Serbia hopes that Kosovo will accept its ideas for autonomy for the province, short of independence. However, the first new round of face-to-face talks between the two sides, at the end of September 2007, failed to record significant movement, although the two parties reaffirmed their commitment to further talks. At further talks on 22 October, the troika put forward possible compromise proposals, in 14 points, which confirmed that “Belgrade will not govern Kosovo” but appeared to leave open the possibility of something short of complete sovereignty for the province. However, the Kosovo delegation reiterated that full independence remained its objective.

259. As the former Foreign Secretary acknowledged to us in June, the absence of an agreed final status settlement for Kosovo carries security risks. Mrs Beckett said that “there are dangers in delay” and that the UK would have liked the issue “to have been agreed the week before yesterday”. The security risks attaching to the lack of a status agreement are partly those which prompted the UN originally to launch the final status process—namely, that a lack of confidence in the achievement of independence provokes violence from radical Albanians and a more general lack of commitment to Kosovo institution-building, and that the continuing failure to resolve the province’s final status contributes significantly to Kosovo’s dire economic situation. The delay and possible failure of the UN process now adds further risks. For one thing, the UN Mission in Kosovo has started to wind down in anticipation of Resolution 1244’s replacement, weakening international capacity in Kosovo. The International Civilian Representative and the EU mission which are due to take over from the UN Mission as the international non-military presence in the province find themselves in planning limbo. More importantly, if the Security Council does not endorse something close to the Ahtisaari plan in December 2007, Kosovo is likely to declare independence. Lord Ashdown outlined to us the scenario at that point:

549 Q 144

550 “Statement issued on 20 July 2007 by Belgium, France, Germany, Italy, United Kingdom and the United States of America, co-sponsors of the draft resolution on Kosovo presented to the UNSC on 17 July”, via www.unosek.org

551 “No breakthrough on Kosovo status”, BBC News online, 28 September 2007

552 “International troika ups efforts to break Kosovo deadlock”, EUobserver.com, 22 October 2007

553 “New plan for future of Kosovo”, The Independent, 23 October 2007

554 Oral evidence taken before the Foreign Affairs Committee on 19 June 2007, HC (2006–07) 166-ii, Qq 184-185
I guess that the United States independently recognises the independence of Kosovo. I guess that other countries follow suit and that most of the major countries of the European Union do so, but I guess that some do not. Then there is a division in the EU.\footnote{Foreign Affairs Committee, Foreign and Commonwealth Office Annual Report 2006–07, Q 181}

A division in the EU might arise because some Member States, with their own separatist ethnic minorities, have indicated that they would be reluctant to recognise Kosovar independence outside a UN process. Within the Western Balkan region, fragile regional relations might also be jeopardised by a Kosovo declaration of independence, with Serbia possibly breaking off ties with states which recognise the new country, and Albanians in Macedonia and Serbia possibly calling for unification with it, leading to dangers of internal conflicts and even partition. The possibility of Serbia breaking off relations with EU Member States which recognise Kosovo would also throw any EU accession process into jeopardy.

\footnote{Q 140}

260. At the time this Report was finalised, Kosovo was preparing for parliamentary elections scheduled to be held on 17 November 2007. There may also be presidential elections in Serbia before the end of 2007, although the timing of the polls is linked to developments on the Kosovo issue.

261. The failure to secure UN Security Council endorsement for the Ahtisaari plan in a timely fashion raises the question of whether the UK and other pro-Ahtisaari Security Council members failed to anticipate Russia’s tough stance. In July, the Minister for Europe told us that he did not think that the UK had under-estimated the Russian position.\footnote{Q 13} Professor Light also felt that it was reasonable for the UK not to have anticipated the strength of Russia’s position. According to Professor Light, “What the Russians tend to do is to say, ‘No, no, no’ at a rising crescendo and then, when they realise that they cannot stop it from happening, they suddenly accept it and quieten down […] If the reckoning is that it might happen over Kosovo, I would not find that surprising.”\footnote{Foreign Affairs Committee, Foreign and Commonwealth Office Annual Report 2006–07, Q 176}

262. In his evidence to our inquiry to the FCO’s Annual Report 2006–07, Lord Ashdown argued that the mistake made by supporters of Kosovo independence had been not to force the issue and implement independence for the province much earlier. In his view, “Our failure to take a clear and distinctive position on Kosovo has left open territory for the radicals in Serbia to play upon and, indeed, for Moscow to use.”\footnote{Foreign Affairs Committee, Foreign and Commonwealth Office Annual Report 2006–07, Q 177} Lord Ashdown went on: “if there is only one solution, we need to adopt that sooner rather than later. The truth is that Kosovo could never again be governed by Belgrade […] That should have been evident to us in 1999”.\footnote{Foreign Affairs Committee, Foreign and Commonwealth Office Annual Report 2006–07, Q 177} Lord Ashdown was of the view that “in the end Belgrade will accept that Kosovo will move towards some kind of independent status through whatever mechanism is possible.”\footnote{Foreign Affairs Committee, Foreign and Commonwealth Office Annual Report 2006–07, Q 177}
263. We conclude that, whilst in principle we support the concept of “supervised independence” for Kosovo, we are concerned that the Government may have underestimated the damage to the authority of the Security Council, to bilateral relations with Russia, and to the very fragile democracy in Serbia.

264. We also reported on Kosovo in our Report on the FCO’s Annual Report 2006–07, in the context of the FCO’s conflict prevention work. In that Report, we recommended that the Government set out what representations it has made to other EU Member States in order to try to reach a common position on Kosovo. We regret that, eight years after the Kosovo conflict, disagreement over the province may once again cause the UN to be sidelined. We conclude that Russia may be adopting an intransigent position now on the Ahtisaari plan for Kosovo in order to demonstrate its strength. It may also be using the issue as a way to encourage divisions within the European Union. However, Moscow would find it much harder to do so had the plan been accepted by Serbia. We conclude that the Government underestimated Russia’s likely opposition to the Ahtisaari plan. We recommend that in its response to this Report, the Government inform us of the steps it is taking to try to win Kosovar Albanian and Serbian acceptance of a modified version of the Ahtisaari plan and to prevent a further outbreak of violence taking place.

Missile defence

265. The row which erupted with Russia in 2007 over planned anti-ballistic missile defence (BMD) deployments in Europe began with the announcement by the US Department of Defense in January that the US was opening talks with the Czech Republic and Poland on the deployment there of elements of its BMD system. US officials had given initial indications in March 2006 that sites in Central Europe were being considered for BMD deployments. The planned US deployments in Central Europe would form part of the integrated multi-continental and multi-faceted BMD system which is aimed against the perceived post-Cold War threat of ballistic missile acquisition and use by rogue states or terrorists. President George W. Bush promised to develop such a system during his 2000 presidential election campaign and announced the plans as President in December 2002. The Bush Administration’s BMD plans build on those for National Missile Defense set out by former President Clinton in 1999, but they are more ambitious, aiming to cover not only the continental US but also US allies and US troops deployed overseas, and to be able to intercept all types and ranges of ballistic missile at any point during a missile’s trajectory. His wish to develop such a system caused President Bush, after negotiations with Russia had failed, to announce in December 2001 the United States’ unilateral withdrawal from the 1972 Anti-Ballistic Missile (ABM) Treaty. The ABM Treaty had placed severe limits on the deployment of BMD systems by the US and USSR, in order to sustain the form of stability that came with mutually assured destruction between the then superpowers.

266. The initial phase of the planned US BMD system involves the deployment of radar and other sensors on satellites, at sea, and on land in Alaska, Greenland and the UK, and of

561 Foreign Affairs Committee, Foreign and Commonwealth Office Annual Report 2006–07, para 42
562 This section draws on “Ballistic Missile Defence: Recent Developments”, Standard Note SN/IA/4378, House of Commons Library, 29 June 2007
interceptors at sea and at two land sites, Alaska and California. An initial BMD operational capability was achieved by the end of 2005 and the system was temporarily activated in July 2006 when North Korea tested a missile. The US plans involving the Czech Republic and Poland are for a further phase of the BMD system. The US plans the deployment of an early warning radar to the Czech Republic and 10 interceptor missiles to underground silos at a site in northern Poland. The US plans to achieve initial deployment of its Central European BMD elements in 2011 and their full operational capability by 2013. With the deployment of further additional elements, the complete BMD system is planned to be in place by 2015. The entire BMD system is being funded by the US only. The bases involved in the planned US BMD deployments in the Czech Republic and Poland would remain the host states’ sovereign territory, but host state permission would not be required for an interceptor missile launch.

267. Whether the full US plans for the BMD system will be realised, on time or at all, remains uncertain. There are doubts about the technical effectiveness of several elements of the system, and about the willingness of the US Congress to provide the necessary funding. Justifying their unwillingness to provide the full funding requested by the Administration, some US legislators have pointed to political opposition to the BMD plans in the Czech Republic and Poland, and to a perceived lack of adequate consultation with NATO allies.563

268. Russia has reacted angrily to the planned US BMD deployments in Central Europe. Partly, Russia denies that the threat from rogue states which the BMD system is designed to counter is likely to exist in the timeframe covered by the US plans. In his February Munich speech, President Putin said “Missile weapons with a range of about five to eight thousand kilometres that really pose a threat to Europe do not exist in any of the so-called problem countries. And in the near future and prospects, this will not happen and is not even foreseeable.”564 Russia also argues that the deployment sites in Central Europe are not ones that make sense if the aim is to counter missiles launched primarily from the Middle East.565 Moscow alleges that the BMD deployments are in fact aimed at Russia. US officials have sought to counter such claims, pointing out that the few interceptors planned for Poland could have no impact against Russia’s missile arsenal. However, Russian officials often seem to find such assurances inadequate, instead believing that the purpose and nature of the proposed Central European facilities could be changed once they are established.

269. Whether or not Russia’s opposition to the US BMD plans reflects a genuine belief that the facilities could be used against Russia, our witnesses felt that Russia’s opposition to the proposals definitely reflected their symbolic value and a general sense of Russian insecurity in the region. For example, Dr Pravda told us that “there is genuine concern about missile defence systems, but it is more of a symbolic than of a military material nature. They are seen as symptomatic of an offensive and aggressive intention on the part of the United States.”566 Dr Pravda went on:

564 Text available via www.securityconference.de
566 Q 15; see also Ev 136 [Dr Marshall].
Moscow sees [the deployment of defensive systems] in Eastern Europe, alongside an extending NATO infrastructure, as evidence of American military expansionism. Russian protests reflect real concern about an expansive strategy that could impinge on and eventually embrace Georgia and Ukraine.567

Professor Light told us that “the question of missile defence and the placement of missile defence in the European countries bordering Russia is very deeply felt. It goes back to the genuine concern about the abrogation of the ABM treaty and what that has done to the strategic stability of the world.”568 Similarly, Ms Aldis told us that Russia sees the proposed US deployments in Central Europe as a “deliberate policy of encirclement of Russia by the West”.569

270. At the G8 summit in June 2007, President Putin appeared to surprise President Bush by suggesting cooperation on BMD, via joint US and Russian use of an existing radar facility at Gabala in Azerbaijan which Russia currently leases.570 The Minister for Europe welcomed the Russian offer, saying that “by the nature of the Russian offer there is an acceptance of the capacity of the equipment and the intention of its deployment and that is a positive signal.”571 Meeting President Bush in July, President Putin offered to transform BMD into a ‘strategic partnership’, perhaps involving joint early-warning centres. The US has also made proposals for cooperation on BMD. However, the US has made clear that it would regard the Azerbaijani radar at most as a complement to, not a replacement for, its existing BMD plans in Central Europe.572

271. In October 2007, US Secretary of State Condoleezza Rice and Defense Secretary Robert Gates went to Moscow for talks with their Russian counterparts, primarily on the US BMD plans. The US delegation proposed that Russian inspectors be given access to the planned BMD sites in Central Europe, and that Russia be included in some way in the BMD system.573 The US officials also offered to delay activating the BMD system until Russia and the US both agreed that there was a threat from Iran.574 Russian officials reportedly regarded this idea as “promising” and a “positive signal”,575 but Russian Defence Minister Anatoly Serdyukov maintained that the planned BMD deployments themselves were “anti-Russian”.576 Russia wants to see development of the Czech and Polish sites halted while further talks take place.577

272. NATO appears latterly to be gaining a greater role in the discussion of the US BMD plans. Several NATO members, most notably Germany, have called for the BMD issue to
be handled primarily through the Alliance, both among the Western allies and with Russia, via the NATO-Russia Council. At a meeting of the NATO-Russia Council in April 2007, ministers noted that Russia had “fundamental concerns” about BMD and said that there was “consensus on the need to take this discussion forward in the NATO-Russia Council in the future, focusing in particular on threat assessment.”578 In his evidence to us, the Minister for Europe agreed that “The Russia-NATO dialogue is the key way of potentially resolving the issue”.579 In June 2007, the Alliance agreed by February 2008 to carry out an assessment of the US BMD plans. NATO Secretary-General Jaap de Hoop Scheffer has appeared most concerned about the prospect that the US BMD shield would cover only some European NATO members. In April 2007, NATO members agreed to try to link the US BMD plans with NATO’s own for theatre missile defence, so as to create a shield covering the whole Alliance.

273. We conclude that Russian opposition to US ballistic missile defence (BMD) plans in Central Europe largely reflects Moscow’s sensitivity about the presence of NATO infrastructure in its former satellite states. As such, Russian opposition will be hard to overcome. We welcome signs that the US, Russia and the NATO allies may be engaging in a more substantive dialogue and search for cooperation on BMD. As long as it remains committed to the US BMD plans, we recommend that the Government seek ways to build cooperation around them, both within NATO and with Russia, so that they do not become a source of further divisions in Europe.

274. As for the UK’s involvement, in 2003 London agreed to a US request for the upgrading of the radar at RAF Fylingdales, so that it could be incorporated into the BMD system. However, on 25 July 2007, in a written statement the day before the House rose for recess, the Government announced that equipment would also be installed and operated by the US at RAF Menwith Hill to receive satellite warnings of missile launches. The Government’s statement ran:

On 5 February 2003 the Secretary of State for Defence announced the Government’s agreement to a request from the US to upgrade the Ballistic Missile Early Warning System radar at RAF Fylingdales. The UK already makes a contribution to US capability in the area of missile warning, through our operation of the radar at RAF Fylingdales. That upgrade process is now complete and we expect that the radar will switch its operations to the new equipment from August 2007. There is no change to the existing UK-US mission for the radar and the station remains under full UK command. Its primary mission is to warn of ballistic missile attack, with secondary functions of space surveillance and satellite warning. The radar will contribute to the US ballistic missile defence system, alongside a global network of other US-owned sensors based on land, at sea and in space and the data it produces is shared between the UK and US military authorities. The UK will have full insight into the operation of the US missile defence system when missile engagements take place that are wholly or partly influenced by data from the radar at RAF Fylingdales.

578 “NATO-Russia Ministers hold intensive discussions”, NATO press release, 26 April 2007, via www.nato.int
579 Q 152
Also, at RAF Menwith Hill, equipment will be installed and operated by the US Government to allow receipt of satellite warnings of potentially hostile missile launches, and will pass this warning data to both UK and US authorities. The data will also be fed into the US ballistic missile defence system for use in their response to any missile attack on the US. This will guarantee the UK’s continued access to essential missile attack warning data, as well as enhancing the US’s ability to deal with any attack aimed at their country.

The Government welcome US plans to place further missile defence assets in Europe to address the emerging threat from rogue states. We welcome assurances from the US that the UK and other European allies will be covered by the system elements they propose to deploy to Poland and the Czech Republic and we have been exploring ways in which the UK can continue to contribute to the US system as well as to any future NATO missile defence system.

These developments reflect the Government’s continuing commitment to supporting the development of the US missile defence system. We continue to regard this system as a building block to enhance our national and collective security. NATO has made no decisions about acquiring missile defence for the alliance, and we want to examine how the US system can be complemented and built upon to provide wider coverage for Europe. We have no plans to site missile interceptors in the UK but will keep this under review as the threat evolves. We also want to reassure Russia about the defensive nature and intent of the US system as it develops and to take forward alliance cooperation with them in the field of missile defence.

275. The previous substantive Government statement on BMD came in a written answer on 4 June. On that occasion, the Government had said that “discussions are at an early stage and there are no formal proposals.”

276. Russia’s response to the US European BMD plans has come in three areas in particular: the Conventional Forces in Europe (CFE) Treaty; the Intermediate-Range Nuclear Forces (INF) Treaty; and missile targeting and development.

**CFE Treaty**

277. The Conventional Forces in Europe (CFE) Treaty was one of the late Cold War-era arms control treaties, emerging from the framework of the Conference for Security and
cooperation in Europe (later the Organisation for Security and Cooperation in Europe [OSCE]). The Treaty was negotiated between the member states of NATO and the Warsaw Pact and signed in 1990. The CFE Treaty currently has 30 states parties.

278. The original CFE Treaty set limits on conventional weapons for each of the two political-military blocs. In 1999, the signatories negotiated an Adaptation Agreement for the CFE Treaty. The Adaptation Agreement revised the structure of the arms limitations so that they applied country-by-country, rather than bloc-by-bloc. The Adaptation Agreement also took account of developments since 1990, such as the creation of new states and the enlargement of NATO. The Adapted CFE Treaty can enter into force only when it is ratified by all signatories.

279. The Istanbul summit which negotiated the Adapted CFE Treaty also adopted other associated documents. In these, Russia committed itself to withdrawing its military forces wholly from Moldova by the end of 2002 and significantly from Georgia, in order to comply with the new force ceilings imposed by the Adapted CFE Treaty. The NATO states committed themselves not to ratify the Adapted CFE Treaty until Russia had fulfilled these obligations. As Russia has not yet completely fulfilled these obligations, the Adapted CFE Treaty remains unratified. Only Russia, Belarus, Ukraine and Kazakhstan have ratified the Adapted CFE Treaty.

280. In his February 2007 speech in Munich, President Putin suggested that, while Russia continued to fulfil its obligations under the Adapted CFE Treaty and work towards withdrawal from Georgia and Moldova, the NATO states had not ratified the Treaty, and meanwhile the US was planning to open new bases in Eastern Europe. President Putin suggested that NATO was using the situation created by its Member States’ non-ratification of the Adapted Treaty to “put its frontline forces on [Russia’s] borders”.

281. President Putin expanded on his criticisms of the situation regarding the CFE Treaty in his Annual Address to the Federal Assembly on 26 April 2007. In his speech, President Putin suggested that if no progress could be made towards ratification of the Adapted Treaty, Russia would “examine the possibility of suspending [its] commitments under the Conventional Forces in Europe Treaty”. President Putin said that “the right course of action is for Russia to declare a moratorium on its observance of this treaty until such time as all NATO members without exception ratify it and start strictly observing its provisions, as Russia has been doing so far on a unilateral basis.” President Putin implied that the CFE Treaty made no sense following the dissolution of the Warsaw Pact, and said that under current circumstances the Treaty meant only that Russia “face[s] restrictions on deploying conventional forces on [its] own territory.” While Russia had observed its obligations under the CFE Treaty, President Putin said that the Treaty’s NATO signatories had not ratified the Adapted Treaty and were meanwhile “taking advantage of the situation to build up their own system of military bases along [Russia’s] borders” and planning missile defence deployments in the Czech Republic and Poland. President Putin said that Russia was working towards fulfilment of its Istanbul commitments, but denied that there was any legal linkage between these and ratification of the Adapted CFE Treaty in any case.

582 Text available via www.securityconference.de
583 Text via the Kremlin website, www.kremlin.ru
282. On 14 July, President Putin signed a decree ordering the suspension of Russia’s participation in the CFE Treaty. President Putin gave instructions that the other states parties to the Treaty be given formal notification of Russia’s decision to suspend its participation.\textsuperscript{584} As provided for under the Treaty, suspension of Russia’s participation will take effect 150 days after such notification was provided (i.e. 12 December 2007).

283. The CSRC suggested that Russia wanted to withdraw from the CFE Treaty—and the INF Treaty, discussed below—in any case, and was using the US BMD plans as an excuse.\textsuperscript{585} Professor Fedorov pointed out that a suspension of Russian participation in the CFE Treaty was a less provocative response to the US BMD plans than possible withdrawal from the INF Treaty, a step which Russia has not so far taken. However, Professor Fedorov was of the view that securing international observance of the Adapted CFE Treaty was “militarily very important for Russia”.\textsuperscript{586} Russia’s suspension of its participation in the CFE Treaty would appear to make NATO ratification of the Adapted Treaty even less likely.

284. The FCO told us that it rejected the linkage that Russia had made between the US BMD plans and the INF and CFE Treaties.\textsuperscript{587} The Minister for Europe told us that he did not regard Russia’s action as to do with the CFE process at all, but as “a continuing part of Russia’s assessment of itself and its international posture, and its continued, understandable intention to be a world player, across the globe, but more importantly for it, on its borders.”\textsuperscript{588}

285. Our witnesses agreed that the main immediate impact of Russia’s suspension of its participation in the CFE Treaty would come via Russia’s presumed withdrawal from the Treaty’s mutual inspection regimes. Ms Aldis said that these “have been a major stabilising factor in mutual confidence building”.\textsuperscript{589} According to Dr Allison, Russia’s withdrawal from the inspection regime “is likely to further undermine trust and transparency in Russian security relations with NATO.”\textsuperscript{590} We are concerned by Russia’s decision to suspend its participation in the Conventional Forces in Europe Treaty with effect from mid-December 2007. We recommend that in its response to this Report, the Government provide us with its assessment of the practical and political impact of Russia’s step. We further recommend that the Government update us on the steps it is taking to encourage Russia to fulfil its Istanbul commitments.

\textit{INF Treaty}

286. Under the Intermediate-Range Nuclear Forces (INF) Treaty, signed in 1987, the US and the USSR agreed to eliminate all their ground-launched nuclear-armed missiles with a range of 500-5,500 kilometres. Following the Soviet Union’s dissolution, its commitments

\textsuperscript{584} “Vladimir Putin signed a decree on suspending Russia’s participation in the Treaty on Conventional Armed Forces in Europe”, statement available via the website of the Russian Foreign Ministry, www.mid.ru

\textsuperscript{585} Ev 28
\textsuperscript{586} Q 70
\textsuperscript{587} Ev 80
\textsuperscript{588} Q 154
\textsuperscript{589} Q 70
\textsuperscript{590} Ev 19
under the Treaty were taken over by Russia, Ukraine and Belarus. The relevant missiles were destroyed by 1991, although the associated verification system was wound up only in 2001. 591

287. In his February 2007 Munich speech, President Putin hinted that the global proliferation of missiles might cause Russia to question the INF Treaty. The agreement did “not have a universal character”, noted President Putin. He went on:

“Today many other countries have these missiles, including the Democratic People’s Republic of Korea, the Republic of Korea, India, Iran, Pakistan and Israel. Many countries are working on these systems and plan to incorporate them as part of their weapons arsenals. And only the United States and Russia bear the responsibility not to create such weapons systems. It is obvious that in these conditions we must think about ensuring our own security.” 592

288. Later in February, Russia’s army Chief of Staff General Yury Baluyevsky said explicitly that Russia might unilaterally withdraw from the INF Treaty. Justifying the possible move, General Baluyevsky said that “many countries are developing and perfecting medium range rockets”. However, he also linked Russia’s possible withdrawal to the US BMD plans, saying that “What they are doing today, creating a third positioning region for the anti-missile system in Europe, is inexplicable.” 593 The commander of Russia’s Strategic Missile Forces, General Nikolai Solotsov, stated shortly afterwards that it would be “easy enough” for Russia to resume production of the missiles banned under the INF deal. 594

289. In October 2007, during the Moscow visit of US Secretary of State Rice and Defense Secretary Gates, President Putin said that unless further countries were to come into the INF regime, “it will be difficult for [Russia] to keep within the framework of the treaty in a situation where other countries do develop such weapons systems, and among those are countries in our near vicinity.” 595 However, President Putin’s spokesman said that “our joint goal is to take measures for international security, and it would be wise for all of us to think of modernising the INF treaty.” 596

290. We recommend that in its response to this Report, the Government provide us with its assessment of the likelihood and possible implications of a renunciation by Russia of the Intermediate-Range Nuclear Forces Treaty.

Missile targeting and development

291. In February 2007, the commander of Russia’s Strategic Missile Forces, General Nikolai Solotsov, warned that Russia could target the proposed locations of the US BMD deployments in the Czech Republic and Poland if the two countries acceded to the US

592 Text available via www.securityconference.de
593 “Russia threat to quit nuclear treaty over US shield plans”, Financial Times, 16 February 2007
594 “Russian missile threat to Poles and Czechs over US shield plan”, Financial Times, 20 February 2007
595 “We will dump nuclear treaty, Putin warns”, The Guardian, 13 October 2007
596 “Putin on the attack over US missile defence”, The Independent, 13 October 2007
request for their participation in the system.\textsuperscript{597} The general warned, “If the governments of Poland and the Czech Republic take such a step, the strategic missile forces will be capable of targeting these facilities”.\textsuperscript{598}

292. In early June 2007, ahead of the G8 summit, President Putin similarly appeared to threaten to retarget Russian missiles at European targets. President Putin said, “It is obvious that if part of the strategic nuclear potential of the United States is located in Europe we will have to respond […] What kind of steps are we going to take in response? Of course we are going to acquire new targets in Europe.”\textsuperscript{599} In subsequent remarks, both Deputy Prime Minister Sergei Ivanov and the President’s spokesman clarified that President Putin had meant to refer only to the proposed BMD deployment sites, not to other possible European targets.\textsuperscript{600}

293. In July 2007, Deputy Prime Minister Sergei Ivanov said that Russia could site missiles in its Kaliningrad exclave, between Poland and Lithuania, if the US plans for BMD deployments in Central Europe went ahead.\textsuperscript{601}

294. Russia has also linked the US European BMD plans to the development of new missiles. In February 2007, President Putin said that Russia would develop a new generation of missiles capable of penetrating the planned BMD shield.\textsuperscript{602} In May 2007, Russia successfully tested a new RS24 intercontinental ballistic missile, capable of carrying multiple warheads, and an improved version of its short-range Iskander missile. First Deputy Prime Minister Sergei Ivanov said that the “new missiles […] are capable of overcoming any existing or future missile defence systems.”\textsuperscript{603} In August 2007, the commander of the Russian Navy, Admiral Vladimir Masorin, announced that Russia had decided to start production of a new Bulava-M submarine-based intercontinental missile, following a successful test.\textsuperscript{604}

295. We recommend that in its response to this Report, the Government share with us its assessment of the likelihood of Moscow retargeting its strategic missile forces if the US ballistic missile defence deployment in Europe goes ahead.

**NATO**

296. Russia’s relations with NATO are governed by the 1997 NATO-Russia Founding Act, one of the flanking measures undertaken by the Alliance to reassure Russia at the time of the Alliance’s first enlargement to Central Europe. Russia’s relations with NATO now take place through the NATO-Russia Council (NRC), established in 2002—with then Prime

\textsuperscript{597} “Defence shield sites threatened by Russia”, *Daily Telegraph*, 20 February 2007
\textsuperscript{598} “War of words as east Europeans welcome US missile shield”, *The Guardian*, 20 February 2007
\textsuperscript{599} “G8 Summit 2007: Putin in nuclear threat to Europe”, *Daily Telegraph*, 4 June 2007
\textsuperscript{600} “Russia backs down over threat to aim missiles at Europe”, *Daily Telegraph*, 15 June 2007
\textsuperscript{601} “Russians threaten missile site to counter US shield”, *Financial Times*, 5 July 2007
\textsuperscript{602} “Arms race fears as Putin attacks US missiles plan”, *Daily Telegraph*, 2 February 2007
\textsuperscript{603} “Russian missile test adds to arms race fears”, *The Guardian*, 30 May 2007
\textsuperscript{604} “Russia ready to produce missile after successful long-range test”, *Financial Times*, 6 August 2007
Minister Tony Blair playing a leading role—and encapsulating Russia’s brief post-September 11 alliance with the West.

297. The Minister for Europe characterised the role of the NATO-Russia Council as being “very important”. 605 Dr Allison told us that the NATO-Russia Council has become “established as a channel for security dialogue”. According to Dr Allison, “a key issue for Russia has been that the NRC, unlike the EU, does not discuss the domestic affairs or political values of its partners”. 606 At a more practical level, the CSRC told us that “By planning and programming standards—joint exercises conducted, joint forums established, the volume of meetings and exchanges—NATO-Russia cooperation functions at a high level.” 607

298. On a political level, our witnesses reported a troubled NATO-Russia relationship. The CSRC told us that “in political and psychological terms, [cooperation] is at one of its lowest ebbs since the end of the Cold War.” 608 The CSRC added that “The notion that NATO is not […] an anti-Russian alliance is, in Russian eyes, […] risible”. 609 According to the CSRC, “the premise of Russian military planning and policy” continues to be “that any activity undertaken by NATO near Russian territory is a threat to Russia.” 610 Furthermore, “[t]here […] continues to be great suspicion of NATO among senior Russian officers”. 611 We welcome the Government’s appreciation of the importance of the NATO-Russia Council. We conclude that the body has the potential to become a much more effective forum for ongoing security consultations between Russia and the West, and we recommend that the Government work with its partners to exploit its full potential.

299. Given Russia’s lack of trust in NATO and its attitude to its former Soviet neighbours, the prospect of further NATO enlargement into the former Soviet space is one of the major irritants in NATO-Russia relations. The next states in line to become NATO members, perhaps receiving an invitation in 2008, are Albania, Croatia and the Former Yugoslav Republic of Macedonia, none of which were members of the Warsaw Pact when it was dissolved. These states are all implementing NATO Membership Action Plans (MAPs). However, since 2005 and 2006 respectively, Ukraine and Georgia—which were part of the Soviet Union—are both in Intensified Dialogue with NATO, the stage prior to the receipt of MAPs. While Ukraine’s commitment to NATO membership remains uncertain owing to its domestic political situation, Georgia under President Saakashvili is pushing hard for closer ties with NATO, and its membership aspirations are receiving strong support from the US in particular.

300. Of all the CIS states, Georgia has probably the worst relations with Russia. As well as energy disputes, 2006 saw Russia ban imports of Georgian wine, water and agricultural...
products, and close land border crossings. After Tbilisi expelled four Russian army officers whom it accused of spying, Russia halted air links between the two countries and expelled Georgians from Russia. In August 2007, Georgia accused Russia of violating Georgian airspace and firing missiles onto its territory.\textsuperscript{612} Dr Allison told us that Georgia was a country “where there is a potential for considerably more serious tension between east and west in the years to 2008 and afterwards.”\textsuperscript{613} Dr Allison expanded:

\begin{quote}

it is possible that an acute crisis in Russia-Georgia relations, close to or in the context of the 2008 Russian presidential elections, would draw in the US or NATO politically. The unresolved conflicts around Abkhazia and South Ossetia provide the flashpoint for a possible confrontation.\textsuperscript{614}
\end{quote}

301. As already noted, Russia continues to maintain troops in Georgia’s separatist regions of Abkhazia and South Ossetia. The Russian troops in Abkhazia constitute what is formally a CIS peacekeeping force for the region, under UN auspices and in association with UN monitors. Given the ongoing presence of Russian troops in Georgia, it is unlikely that NATO would be in a position to make good on the Washington Treaty’s Article 5 security guarantee were Georgia to become a member of the Alliance and then face military attack from Russia.\textsuperscript{615} Under current circumstances, Georgia’s possible accession to NATO therefore risks undermining the credibility of Article 5. In the perspective of the country’s NATO membership aspirations, we recommend that the Government continue to encourage Georgia to resolve its internal conflicts and to develop more stable relations with Russia.

\textsuperscript{612}See the letter from the Chairman of the Georgian Parliament’s Foreign Relations Committee, at Ev 175.
\textsuperscript{613}Q 19
\textsuperscript{614}Ev 17
\textsuperscript{615}Ev 141 [Dr Marshall]
8 International security issues

Non-proliferation

Conventional weapons

302. Russia is the world’s second-largest arms producer and exporter.\(^{616}\) Its arms sales are estimated to be worth around $6 billion a year.\(^{617}\)

303. Having recently published a study on the issue, the NGO Saferworld drew our attention to the importance of Russian small arms and light weapons (SALW) production and export. According to Saferworld, Russia “is […] one of the world’s largest SALW producers and one of the most active countries on the world SALW market.”\(^{618}\) Russian SALW exports are estimated to be worth $60-200 million a year.\(^{619}\)

304. Russia’s arms sector has recently been characterised by a process of concentration among firms producing and trading arms. This development parallels trends in the wider economy towards integration in large conglomerates.\(^{620}\) Saferworld told us that from 1 March 2007, the state-owned arms trading company Rosoboronexport is the only company legally permitted to engage in the foreign trade of military goods.\(^{621}\)

305. A further key trend in the sector is the apparent effort to expand Russian arms exports, including into new markets. For example, Rosoboronexport has been providing credit to defence firms to allow them to produce for export orders.\(^{622}\) Russia’s drive for increased exports includes the conclusion of new licensing agreements for the production of SALW in third countries.\(^{623}\)

306. Wholly reliable and comprehensive information about Russia’s arms production and exports is not available. The FCO told us that that Russia is an “active” member of the Wassenaar Arrangement, the organisation which aims to enhance stability and security by promoting transparency in the conventional arms trade.\(^{624}\) However, Saferworld told us that “Public information concerning Russian production and trade of armaments […] is […] difficult to obtain, inaccurate or shrouded in excessive secrecy.”\(^{625}\) Russia does not publish an annual report on its arms exports.\(^{626}\) Moreover, according to Saferworld, “the Russian Government is subject to limited or no pressure from the general public, as well as

\(^{616}\) Ev 148 [Saferworld]
\(^{617}\) Ev 34 [CSRC]
\(^{618}\) Ev 148
\(^{619}\) Ev 148 [Saferworld]
\(^{620}\) Ev 107 [Professor Hanson]
\(^{621}\) Ev 149
\(^{622}\) Ev 149 [Saferworld]
\(^{623}\) Ev 149-150 [Saferworld]
\(^{624}\) Ev 79
\(^{625}\) Ev 148
\(^{626}\) Ev 149 [Saferworld]
its own parliament, to become more ‘transparent’.” Our discussions with parliamentarians and arms control experts in Moscow in June 2007 tended to confirm this view.

307. On the basis of the information which is available, China and India are known to be Russia’s most important arms customers. It is reckoned that between them they account for about 70% of Russian arms exports. The UK opposes Russia’s arms sales to China, which is under an EU arms embargo. Russia is also thought to export arms to countries including Algeria, Burma, Eritrea, Ethiopia, Iran, Syria, UAE and Yemen.

308. Russian SALW arms sales to Syria have aroused particular concern, especially in the US and Israel, because of the suspicion that such arms are diverted from Syria to Hezbollah militia in Lebanon. According to Saferworld, as a direct result of such accusations, the Russian Government passed a resolution in October 2006 requiring arms exporters to verify that exported goods were used as intended in the receiving country.

309. In May 2007, Amnesty International accused Russia, along with China, of violating the UN arms embargo against transfers of arms to parties engaged in the conflict in Darfur. According to Amnesty, Russian Mi-24 helicopter gunships supplied to the Sudan Air Force were used in attacks on civilians in Darfur between January and March 2007. The UN Panel of Experts on Sudan had similarly reported the use of Mi-24s in Darfur in 2006. Amnesty said that Russian-supplied Antonov aircraft were also in use in Darfur. According to Amnesty, in 2005 Russia exported to Sudan aircraft and related equipment worth $21 million and helicopters worth a further $13.7 million. Saferworld told us that it shared Amnesty’s concerns.

310. Commenting on Russia’s arms exports overall, Saferworld told us that:

There are major concerns about the quality and implementation of Russia’s arms transfer controls. [The] Russian Government does not apply [a] criteria-based approach in its decisions on licensing arms exports, such as that enshrined in the EU Code of Conduct on Arms Exports. There are concerns that human rights and the humanitarian situation in recipient countries are not given priority in licensing exports, despite Russia’s existing obligations under international law (including international treaties) and commitments to a variety of international, multilateral and regional initiatives.

627 Ev 148
628 Ev 33 [CSRC]
629 Ev 81 [FCO]
630 Ev 148-149 [Saferworld]; “Register of the transfers of major conventional weapons from Russia 1997-2006”, generated from the SIPRI Arms Transfers Database, available via www.sipri.org/contents/armstrad
631 Ev 149
633 See the reports on the website of the Security Council Committee established pursuant to resolution 1591 (2005) concerning the Sudan, at http://www.un.org/sc/committees
634 Ev 149
635 Ev 148
311. The UK has been a prime mover behind efforts to achieve a legally binding international Arms Trade Treaty (ATT) through the UN. The ATT would better regulate the trade in conventional arms. In a resolution co-authored by the UK, the UN General Assembly voted in December 2006 to launch a UN process to work towards an ATT. The General Assembly invited member states to submit position papers by April 2007, on the basis of which the Secretary General would report to the 2007 session of the General Assembly and convene a governmental experts group in 2008 to examine the possible parameters of a treaty. We have consistently supported the Government in this initiative. In our Report on the FCO’s Human Rights Annual Report 2006, we were concerned primarily about the position of the US, which was the only state to vote against the General Assembly resolution. However, Russia was among the 24 states to abstain from the vote.

312. The FCO told us that the UK is “engaged in a constructive dialogue with Russia” on the ATT. However, in its submission to the UN ATT process, Russia expressed scepticism about both the need for and the feasibility of such an international agreement. In the field of conventional arms regulation, Russia appears most concerned to control the unlicensed production of SALW. Saferworld suggested to us that this concern reflected “an economic rationale [...] rather than motivations relating to the spread of armaments worldwide.”

313. Along with the US, China and Israel, Russia boycotted the February 2007 Oslo meeting at which over 40 states—including the UK—committed themselves to concluding a legally binding instrument to prohibit the production, transfer, stockpiling and use of cluster munitions “that cause unacceptable harm to civilians.” The same group of states also did not attend the follow-up meeting in Lima in May 2007.

314. We welcome Russia’s October 2006 resolution on post-shipment verification, and its engagement in a number of international conventional arms control regimes. We note that, unlike the US, Russia at least did not vote against the December 2006 UN General Assembly ATT resolution. The concentration of legal arms export authority in Rosoboronexport has the potential to facilitate greater control and transparency of Russian arms exports. However, in its evidence to us, the FCO said that the UK “encourage[s] Russia to act responsibly in its conduct of arms exports”. This suggests that the Government recognises that shortcomings remain. We regard Russia’s willingness to export arms to destinations where they are likely to exacerbate conflict and human rights violations as unhelpful to international security. We are concerned about the

636 Resolution 61/89, 6 December 2007; see also the section “Towards an International Arms Trade Treaty” at www.fco.gov.uk
638 Ev 79
639 “Comments of the Russian Federation on the feasibility, scope and draft parameters for a comprehensive, legally binding instrument establishing common international standards for the import, export and transfer of conventional arms”, via the “Towards an Arms Trade Treaty” section of the website of the Conventional Arms Branch, UN Office of Disarmament Affairs, http://disarmament.un.org/cab
640 Ev 150
643 Ev 81
profound lack of transparency which surrounds Russian arms sales and which heightens international suspicions of Russia’s behaviour in this field. Given the scale of Russian production and export, we are of the view that conventional arms control initiatives supported by the UK cannot be fully effective without Russian participation. We recommend that the FCO consider ways in which it could include activities on arms trade transparency in its programme work in Russia. We further recommend that the FCO continue to seek to win Russian support for the Arms Trade Treaty, as a potentially important expression of Russia’s desired status as a respected and responsible international power. We also recommend that in its response to this Report the Government update us on progress regarding Russian support for the Arms Trade Treaty following the 2007 UN General Assembly session.

Nuclear weapons: Iran and North Korea

315. The UK regards Russia as “a key player on proliferation issues.” In the field of nuclear proliferation, the two current cases of actual or potential proliferation being tackled by the international community are North Korea and Iran. Both cases are being dealt with largely through the UN Security Council, which gives Russia an important role by virtue of its permanent Security Council seat. In the case of North Korea, since the country withdrew from the Nuclear Non-Proliferation Treaty in 2003, on-off talks designed to end Pyongyang’s nuclear weapons programme have been conducted in a six-party framework in which Russia is one of the parties, along with North and South Korea, the US, China and Japan. In the case of Iran, talks are being conducted with Tehran by the so-called E3+3, comprising the two EU states which are permanent members of the Security Council—the UK and France—plus Germany (the ‘E3’), and the remaining three permanent Security Council members, including Russia. The E3+3 have been represented in talks with Iran largely by the EU’s High Representative, Javier Solana. Negotiations and offers of greater cooperation with Iran, most notably in an E3+3 offer of June 2006, comprise one track of the international community’s ‘twin-track’ strategy on the Iranian nuclear issue, with a UN sanctions process comprising the other.

316. In the cases of both North Korea and Iran, Russia is opposed to these states’ acquisition of nuclear weapons. In either case, the proliferation of nuclear weapons would represent the rise of a new power and threaten regional destabilisation on or close to Russia’s borders. Professor Fedorov told us with regard to North Korea that “[n]uclearisation of the region and arms races in the region are of absolutely no interest to Russia, because they would diminish Russia’s military position in the far east reaches of the country, which is one of its key regions.” As regards Iran, Professor Light told us that “the idea of a nuclear-armed Iran is an extremely unattractive one” for Russia.

317. While Russia shares the UK’s opposition to the acquisition of nuclear weapons by North Korea or Iran, by the FCO’s own admission “Russia’s view has often varied from [the UK’s] on the timing and nature of economic pressure or sanctions, and on the role

644 FCO, Active Diplomacy for a Changing World: The UK’s International Priorities, Cm 6762, March 2006, p 25
645 Q 62
646 Q 5
that the UNSC should play.”

Although other more specific factors are also involved, in broad terms Russia would prefer to pursue engagement and talks with the two states as a non-proliferation strategy, rather than impose sanctions. In evidence to our parallel inquiry on Iran, discussing the efforts to pursue UN Security Council sanctions, the then Parliamentary Under-Secretary of State at the FCO, Lord Triesman, said that the UK had expected that “only Russia would be really difficult, and it was.”

Owing to Russian objections to tougher earlier drafts, the UN Security Council resolutions passed on North Korea in July 2006 and Iran in December 2006 were substantially weakened. In his evidence to our Iran inquiry, Sir Richard Dalton told us that “the cost of […] international unity has been weak measures, only slowly applied”.

318. Ms Aldis pointed out that Russia had a further difficulty in backing US-led non-proliferation efforts because it “would like to see itself as a guarantor of non-proliferation and of international security”, whereas it regards the US as “the main agent of proliferation in the world because of its abrogation of the 1972 anti-ballistic missile treaty, its national missile defence and for various other reasons, as President Putin said in his Munich speech.”

319. Notwithstanding the difficulties with Russia, so far formulae have been found at the UN Security Council that have allowed Moscow to vote in favour of all the relevant recent resolutions imposing limited sanctions on Iran and North Korea—regarding Iran in December 2006 and March 2007 and regarding North Korea in October 2006 following Pyongyang’s first nuclear test. These resolutions passed unanimously. In his evidence to us, the Minister for Europe agreed with a description of Russia as “credible” and “a good partner” on North Korea and, as regards Iran, said that “the UK and Russia have common cause. Neither of us wishes to see Iran with an aggressive nuclear capacity”.

320. Despite the major setback of North Korea’s nuclear test, the indications are that the six-party process concerning that country is finally producing some results—although caution remains warranted. In February 2007, North Korea agreed to shut down its Yongbyon nuclear facility and allow inspections by the International Atomic Energy Authority (IAEA), in return for international supplies of economic, energy and humanitarian assistance. After bad-tempered delays, this agreement was eventually
implemented in July 2007, when North Korea shut down and sealed Yongbyon.\textsuperscript{658} In September 2007, the US announced that North Korea had agreed to declare and disable all its nuclear facilities by the end of the year.\textsuperscript{659} In October, agreement appeared to be confirmed that Yongbyon, at least, would be disabled by the end of 2007.\textsuperscript{660}

321. At the time of preparing this Report, the situation with respect to Iran provided more grounds for concern. In August 2007, Tehran agreed a new programme of nuclear inspections with the IAEA. However, Iran was also continuing with its uranium enrichment activities, in defiance of UN Security Council resolutions.\textsuperscript{661} The situation provided grounds to argue variously that the existing sanctions regime should be given longer to take effect; that sanctions were working and should therefore be stepped up; and that the diplomatic ‘twin-track’ process should be abandoned in favour of military action. The UK sought to adhere to the ‘twin-track’ strategy but with a strengthened sanctions regime. A new draft Security Council resolution was expected to be discussed during autumn 2007.

322. For the UK, Russia’s position with regard to Iran is more urgent than its stance on North Korea, since—as both our witnesses and the FCO pointed out—Russia is a relatively minor player on North Korea, where the US and China are the decisive players.\textsuperscript{662} In addition to its general stance regarding sanctions in non-proliferation cases, Russia’s attitude on the Iranian issue is shaped by the fact that it does not necessarily share the US assessment, certainly, of the imminence of the threat represented by Iran’s nuclear programme. According to Dr Allison, “in Russian thinking in this second Putin presidency there is […] a tendency to be rather dismissive of the wider concerns about Iran as a threatening, destabilising power, let alone about the possibility of Iran being linked to international terrorism.”\textsuperscript{663} Furthermore, compared to other Security Council members, Russia is in a special position with regard to Iran, with which it has maintained relatively good relations and has important trade links. Russia has explored with Iran the possibility of enriching in Russia the uranium Tehran requires for its claimed civil nuclear programme. Most importantly, Russia has been constructing for Iran a nuclear reactor at Bushehr, for which Moscow has agreed to supply the required fuel. This gives Russia a degree of leverage over Tehran, but also a stake in its current relationship there.

323. As of autumn 2007, speculation was rising that Russia might have reached the limits of its willingness to back sanctions against Iran, and that the strengthened sanctions regime sought by the UK would not be available through a unanimous Security Council vote. Sir Richard Dalton told us that he thought Russia would agree to a further round of sanctions, “provided that it does not impact too much on Russian traders.”\textsuperscript{664} However, Professor


\textsuperscript{659} “N Korea agrees to disable its nuclear facilities”, Financial Times, 3 September 2007

\textsuperscript{660} “Plan for N Korea reactor unveiled”, Financial Times, 4 October 2007; “North Korea agrees to deadline on nuclear weapons”, The Guardian, 4 October 2007

\textsuperscript{661} “US attacks Iran’s new nuclear agreement”, Daily Telegraph, 23 August 2007

\textsuperscript{662} Qq 62 [Professor Fedorov], 164 [Mr Murphy]

\textsuperscript{663} Q 5

\textsuperscript{664} Oral evidence taken before the Foreign Affairs Committee on 2 May 2007, HC (2006–07) 496-I, Q 50
Fedorov told us that “Russia cannot accept very strong sanctions because it may lead to regime change in Iran.” According to Professor Fedorov, “a pro-Western government [in Iran] is not in Russia’s strategic interests in the region.” A pro-Western government in Iran would add to Russia’s sense of regional geopolitical loss. Moreover, Russia may consider that an Iran no longer isolated from the West would represent a stronger rival energy supplier.

324. Professor Fedorov also outlined to us Russia’s absolute rejection of the possibility of military action against Iran. Like its reluctance about sanctions, Russia’s opposition to military action stems partly from fears of ‘regime change’ in Tehran. According to Professor Fedorov, Russia might see three possible outcomes of military action against Iran:

Outcome No. 1 is that the operation is successful and a pro-Western government in Iran is established […] such an outcome is […] absolutely not in the interests of Russia. Outcome No. 2 is the Iraqi scenario, which means chaotic developments in Iran after a military attack. That is not in the interests of Russia either, because it would mean a hotbed of instability and extremism emerging near its borders. The third option […] is the division of Iran along ethnic lines. That would mean northern Iran and Azerbaijan forming a large, integral Azerbaijani state, most probably with a pro-Western and pro-Turkey orientation, which is [also] not in the interests of Russia.”

325. Given Russia’s reluctance about further sanctions against Iran, its opposition to military action, and its doubts about the imminence of a useable Iranian nuclear capability, Professor Fedorov concluded that Russia’s interest as regards Iran lies in the status quo. Furthermore, Dr Allison pointed out that the current situation regarding Iran was to Russia’s advantage “because it is one area, diplomatically, where [Russia] has some leverage. [Russia] has been seeking trade-offs, but it has not been quite sure what trade-offs it can obtain in discussing this issue with Western countries.”

326. Russia’s preference for retaining the status quo in Tehran may explain the reported slow-down in its work on the Bushehr reactor in 2007. This is assumed to represent an attempt to exert Moscow’s bilateral leverage to encourage Iranian compliance with its international nuclear obligations. Sir Richard Dalton told us that the Russians “are aware that Russia bilaterally has leverage with Iran and they are willing to use it, for example in connection with bringing the Bushehr reactor on stream.”

665 Q 64
666 Q 63
667 This Russian sense of loss was discussed in Chapter 2.
668 Q 63. Around 24% of the population of Iran are ethnic Azeris.
669 Q 63
670 Q 5
671 “Inside Iran’s nuclear nerve centre: halfway house to an atomic bomb”, The Guardian, 30 July 2007
672 Oral evidence taken before the Foreign Affairs Committee on 2 May 2007, HC (2006–07) 496-I, Q 50
327. In October 2007, President Putin said that he had “no real data to claim that Iran is pursuing nuclear weapons, which makes us believe the country has no such plans”.

Later the same month, President Putin attended a summit of Caspian states in Tehran. In a summit declaration, the Caspian states affirmed their commitment to the Nuclear Non-Proliferation Treaty and to states’ right to pursue civil nuclear power. During his visit to Tehran, during which he also held bilateral meetings, President Putin stated his opposition to the use of force in the Caspian region; affirmed Russia’s commitment to the completion of the Bushehr project, although without giving a firm timetable; and invited Iranian President Mahmoud Ahmadinejad to Moscow. Putin also reportedly offered a “special proposal” on the nuclear issue to Iran’s Supreme Leader Ayatollah Ali Khamenei, of which no details had been made public by the time this Report was finalised.

Israeli Prime Minister Ehud Olmert reportedly emerged from a meeting with Putin arranged hastily after Putin’s Tehran trip “with an understanding that Russia is concerned about Iran having nuclear weapons”.

328. We welcome Russia’s participation so far in international anti-proliferation efforts regarding North Korea and Iran, and Russia’s willingness to be represented by the EU High Representative in international efforts to encourage Tehran to abandon uranium enrichment. To maximise prospects of winning Russian support for the strengthened sanctions against Iran which it seeks, we recommend that the Government work to bring closer together the Western and Russian assessments of the Iranian nuclear threat. We further recommend that the Government do all it can to encourage Russia to use its leverage over Iran in the interests of the latter’s compliance with its nuclear obligations.

WMD materials

329. A major strand in the UK’s engagement in Russia is pursued as part of the Global Partnership Against Weapons and Materials of Mass Destruction. The Global Partnership is a G8 programme launched at the Kananaskis summit in 2002 and intended to run for 10 years. Some 23 states are now involved, plus the EU. The Global Partnership aims to “prevent terrorists, or those that harbour them, from acquiring or developing nuclear, chemical, radiological and biological weapons; missiles; and related materials, equipment and technology”. The Global Partnership has focused on Russia, where the UK’s involvement has concentrated on four areas: the destruction of chemical weapons, the dismantling of decommissioned nuclear submarines, the security of fissile materials and the employment of former weapons scientists. The UK has pledged up to $750 million over the life of the Global Partnership; the Global Partnership is the UK’s largest programme in
Russia and the former Soviet Union. For the UK, the Global Partnership is a cross-departmental programme, with the FCO taking the overall lead, the Department for Business, Enterprise and Regulatory Reform (previously the Department for Trade and Industry) responsible for managing the nuclear elements of the programme, and the Ministry of Defence responsible for chemical and biological projects.

Reflecting its growing economy, Russia is making an increasing financial contribution to Global Partnership projects in Russia. This applies particularly to chemical weapons projects. Overall, it is estimated that Russia may contribute around $6 billion to the Global Partnership by 2012.

The UK reported on progress regarding its Global Partnership activities in its 2006 annual Global Partnership report. According to the report, the main achievements of the UK’s Global Partnership involvement in the preceding year included:

- completion on time and budget of a nuclear storage facility in Murmansk;
- completion on time and budget of the dismantling of a third nuclear submarine, partly in partnership with Norway;
- implementation of the first projects to enhance the security of civilian nuclear facilities;
- completion of a study to direct the international effort to remove spent nuclear fuel from Andreeva Bay on the Arctic;
- Royal Navy assistance to Norway to remove for dismantling the last nuclear submarine from the Gremikha base in the Arctic;
- further implementation, in cooperation with other partners, of infrastructure and equipment projects for the key chemical weapons destruction facility at Shchuch’ye;
- implementation of projects expected to secure over 1,000 sustainable jobs for former weapons scientists;
- completion of a review of the future management of the UK Global Partnership programme, together with agreement on new inter-departmental governance arrangements; and
- completion of an evaluation of the UK’s Global Partnership programme by the Royal Institute of International Affairs (Chatham House), which found that the UK Global Partnership programme was “well focused and making a significant impact on addressing the priorities identified by leaders at the G8 Kananaskis summit”.

Commenting on the fields covered by the Global Partnership, Dr Averre told us that:

681 Ev 79 [FCO]
682 Ev 79 [FCO]
this is one area where the UK has done a lot […] a lot that is positive has been done, to the extent that now, when the UK is doing work on chemical weapons destruction, other countries are coming in and piggy-backing on UK efforts […] on the nuclear side […] [the] DTI programmes are more effective than a lot of the US programmes, even though a much larger amount of US assistance goes in […] The UK programmes have been pragmatic and workable. The UK contractors are seen as people that the Russians can work with and a lot of good will has been built up. 684

333. During our visit to Moscow we visited a nuclear research institute benefiting from UK Global Partnership assistance. The visit confirmed the real security risks being addressed by the programme and the ability of well-directed international assistance in this field to make a concrete difference on the ground. Russian colleagues appeared to have good working relations with the UK officials and specialists involved in the project, and to be genuinely appreciative of the cooperation.

334. Progress in some Global Partnership areas continues to be hampered by what Ms Aldis called the “culture of secrecy” in the Russian military, particularly as regards WMD materials. 685 For example, the FCO told us there were difficulties achieving cooperation on the redirection of Russian biological weapons scientists. 686 However, the FCO also reported that Russia had agreed recently to improved transparency measures regarding its chemical weapons destruction programme, with Russia and the US hosting visits to destruction sites by representatives of the Organisation for the Prohibition of Chemical Weapons. 687

335. Dr Averre told us that the re-employment of nuclear scientists and other workers also remained problematic, as further nuclear reactors were shut down. Dr Averre suggested that the UK and EU could do more to bring Russian nuclear scientists into international scientific partnerships. 688

336. The Global Partnership is due to come to an end in 2012. We conclude that the UK’s Global Partnership programme is making a significant contribution to reducing security risks from WMD materials in Russia. We welcome Russia’s growing financial contribution to the programme. We recommend that the Government continue to work, with due regard to legitimate Russian sensitivities, to overcome the lack of transparency that is impeding further progress in some areas. We recommend that the Government explore ways of further enhancing re-employment prospects for Russian nuclear scientists. We further recommend that, in common with its G8 partners, including Russia, the Government start to consider options for the post-2012 period that will allow any remaining Global Partnership work in Russia to continue.
Middle East Peace Process

337. Russia is a member of the international Quartet pursuing the Middle East Peace Process, together with the US, the UN and the EU. Following the victory of Hamas over Fatah in the January 2006 legislative elections for the Palestinian Authority, the Quartet declared that it would not deal with the Hamas government until Hamas complied with three principles: recognition of Israel, the renunciation of violence, and acceptance of previous agreements entered into by the Palestinian Authority. The Quartet also suspended direct financial aid to the Palestinian Authority.

338. Despite the Quartet principles, the leader-in-exile of Hamas, Khaled Meshaal, visited Russia in February 2007, following the Mecca agreement which brought Fatah into the Hamas government. Meshaal had a meeting with the Russian Foreign Minister.

339. Russia has not appeared recently to be playing an especially weighty or activist role in the Middle East Peace Process. Historically, it has supported the Arab side in the Arab-Israeli conflict. However, Meshaal’s visit to Moscow accorded with signs that Russia is seeking to increase its role in the region, in line with its general current ambition to become a more significant international player. In evidence to our previous inquiry into the Middle East, the Council for Arab-British Understanding said that “Russia has made strenuous attempts to increase its influence” in the region, pointing, for example, to the first visit by a Russian President to Jordan, Qatar and Saudi Arabia in February 2007.

340. The UK, along with other Quartet members, has chosen not to regard Meshaal’s visit to Moscow as a breach of the Quartet principles. In mid-March 2007, the FCO Minister of State Dr Kim Howells MP told our inquiry into the Middle East that, since Meshaal’s visit, Russia “seems determined to remain part of the Quartet and to subscribe to its joint statements.”

Elaborating, the FCO official Dr Peter Gooderham told us that Russia:

has consistently signed up to the Quartet statements relating to the formation of a Palestinian Government, and as far as we understand it accepts the proposition that the international community should wait and see the shape of the new Government and how they are comprised, and give them an opportunity to demonstrate through their actions what their platform comprises. That is our understanding of what all members of the Quartet have agreed to.

341. Russia reportedly had reservations about the appointment of former Prime Minister Tony Blair as the Quartet’s Representative with a mandate to work on the Palestinian institutions and economy. However, Moscow accepted Mr Blair’s appointment.

342. In our recent Report on the Middle East, we recommended that the Government should “consider ways of engaging politically with moderate elements within Hamas as a

689 This was discussed in Chapter 2.
691 Foreign Affairs Committee, Global Security: The Middle East, Q 141
692 Foreign Affairs Committee, Global Security: The Middle East, Q 132
693 “Russians withhold approval of Blair envoy role”, The Independent, 27 June 2007
way of encouraging it to meet the three Quartet principles.  

We suggested that the kind of engagement with Hamas shown by Russia could “be used to encourage Hamas to adopt a position consistent with the three Quartet principles, so that it can become an acceptable partner for peace.”

Given our position, stated in our recent Report on the Middle East, that the Government should consider ways of engaging with moderate elements in Hamas, we recommend that the Government explore whether Russia’s contacts with Hamas could be a useful channel to pursue.
Formal minutes

Wednesday 7 November 2007

Members present:

Mike Gapes, in the Chair

Mr David Heathcoat-Amory
Mr John Horam
Mr Eric Illsley
Mr Paul Keetch
Andrew Mackinlay
Mr Greg Pope
Sir John Stanley
Ms Gisela Stuart

The Committee deliberated.

Draft Report (Global Security: Russia), proposed by the Chairman, brought up and read.

Ordered, That the Chairman’s draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 12 read and agreed to.

Paragraph 13 read, amended and agreed to.

Paragraph 14 read, amended and agreed to.

Paragraphs 15 to 18 read and agreed to.

Paragraph 19 read, amended and agreed to.

Paragraphs 20 read and agreed to.

Paragraph 21 read, amended and agreed to.

A paragraph (now paragraph 23) brought up, read the first and second time, and inserted.

Paragraphs 23 to 29 (now paragraphs 24 to 30) read and agreed to.

A paragraph (now paragraph 31) brought up, read the first and second time, and inserted.

Paragraph 30 (now paragraph 32) read, amended and agreed to.

Paragraph 31 (now paragraph 33) read and agreed to.

Paragraph 32 (now paragraph 34) read, amended and agreed to.

Paragraphs 33 to 67 (now paragraphs 35 to 69) read and agreed to.

Paragraph 68 (now paragraph 70) read, amended and agreed to.

Paragraphs 69 to 84 (now paragraphs 71 to 86) read and agreed to.

Paragraph 85 (now paragraph 87) read, amended and agreed to.

Paragraph 86 (now paragraph 88) read, amended and agreed to.

Paragraph 87 (now paragraph 89) read and agreed to.
Paragraph 88 (now paragraph 90) read, amended and agreed to.

Paragraphs 89 to 91 (now paragraphs 91 to 93) read and agreed to.

Paragraph 92 read.

Amendment proposed, to leave out line 1 to “The FSB” in line 4.—(Andrew Mackinlay.)

Question put, That the Amendment be made.

The Committee divided

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Another Amendment proposed, in line 4, after “equipment.” to insert the words, “This is of course a preposterous suggestion.”.—(Andrew Mackinlay.)

Question put, That the Amendment be made.

The Committee divided

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Paragraph agreed to (now paragraph 94).

Paragraphs 93 to 94 (now paragraphs 95 to 96) read and agreed to.

Paragraph 95 (now paragraph 97) read, amended and agreed to.

A paragraph—(Andrew Mackinlay)—brought up and read, as follows:

“There remain disquieting questions as to how some of these Russia émigrés acquired enormous wealth, in Russia, during the relatively short time since the collapse of the Soviet Union and the introduction of some elements of a “market economy” within Russia. We think the Government should do more to assuage disquiet about the character of some of the high profile and wealthy émigrés, particularly when their public criticism and support for organisations calling for regime change in Russia may not be in the overall best interests of the UK, when endeavouring to foster improved bilateral relations with Russia.”—(Andrew Mackinlay)

Question put, That the paragraph be read a second time.

The Committee divided

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Sir John Stanley

Paragraphs 96 to 101 (now paragraphs 98 to 103) read and agreed to.

A paragraph (now paragraph 104) brought up, read the first and second time, and inserted.

Paragraphs 102 to 105 (now paragraphs 105 to 108) read and agreed to.

A paragraph (now paragraph 109) brought up, read the first and second time, and inserted.

Paragraphs 106 to 119 (now paragraphs 110 to 123) read and agreed to.

Paragraph 120 read.

Amendment proposed, to leave out line 1 to “We recommend” in line 2 and insert the words, “The Government considers it sent a strong signal regarding Russia’s refusal to extradite Andrey Lugovoy. However, we doubt if the Government’s actions caused great anxiety within the Kremlin’s walls. The Government’s actions may have been headline grabbing in the UK but it is doubtful if they caused any grave concern within Russia’s government. On the other hand, we question whether or not the measures advanced the UK’s strategic objective of improving bilateral relations with Russia.”.—(Andrew Mackinlay.)

Question put, That the Amendment be made.

The Committee divided

Ayes, 1

Andrew Mackinlay

Noes, 4

Mr David Heathcoat-Amory

Mr Eric Illsley

Mr Paul Keetch

Sir John Stanley

Another Amendment proposed, in line 6, after the word “nationals” to insert the words, “and the inability of the UK to meet Russia’s requests for the extradition of people it wishes to appear before its courts in Russia”.—(Andrew Mackinlay.)

Question put, That the Amendment be made.

The Committee divided

Ayes, 2

Mr David Heathcoat-Amory

Andrew Mackinlay

Noes, 3

Mr Eric Illsley

Mr Paul Keetch

Sir John Stanley

Paragraph agreed to (now paragraph 124).

Paragraphs 121 to 126 (now paragraphs 125 to 130) read and agreed to.

Paragraph 127 (now paragraph 131) read, amended and agreed to.

Paragraphs 128 to 132 (now paragraphs 132 to 136) read and agreed to.

Paragraph 133 (now paragraph 137) read, amended and agreed to.

Paragraphs 134 to 179 (now paragraphs 138 to 183) read and agreed to.
Paragraph 180 (now paragraph 184) read, amended and agreed to.

Paragraphs 181 to 203 (now paragraphs 185 to 207) read and agreed to.

Paragraph 204 (now paragraph 208) read, amended and agreed to.

Paragraphs 205 to 210 (now paragraphs 209 to 214) read and agreed to.

Paragraph 211 (now paragraph 215) read, amended and agreed to.

Paragraphs 212 to 222 (now paragraphs 216 to 226) read and agreed to.

Paragraph 223 read.

Amendment proposed, in line 20, at the end to insert the words, "We consider Mr Clark’s view to be simplistic if not seriously flawed. The political reality in any event is that the FCO should be encouraged in its endeavour of seeking the opening of negotiations on an EU-Russia PCA successor agreement.”—(Andrew Mackinlay.)

Question put, That the Amendment be made.

The Committee divided

Ayes, 1

Andrew Mackinlay

Noes, 4

Mr David Heathcoat-Amory

Mr Eric Illsley

Mr Paul Keetch

Sir John Stanley

Paragraph agreed to (now paragraph 227).

Paragraphs 224 to 239 (now paragraphs 228 to 243) read and agreed to.

Paragraph 240 (now paragraph 244) read, amended and agreed to.

Paragraphs 241 to 242 (now paragraphs 245 to 246) read and agreed to.

Paragraph 243 (now paragraph 247) read, amended and agreed to.

Paragraphs 244 to 246 (now paragraphs 248 to 250) read and agreed to.

A paragraph (now paragraph 251) brought up, read the first and second time, and inserted.

Paragraphs 247 to 254 (now paragraphs 252 to 259) read and agreed to.

Paragraph 255 (now paragraph 260) read, amended and agreed to.

Paragraphs 256 to 257 (now paragraphs 261 to 262) read and agreed to.

A paragraph (now paragraph 263) brought up, read the first and second time, and inserted.

Paragraph 258 read.

Amendments made.

Another Amendment proposed, in line 6, to leave out from “sidelined.” to the word “It” in line 7.—(Andrew Mackinlay.)

Question put, That the Amendment be made.
The Committee divided

Ayes, 1
Andrew Mackinlay

Noes, 4
Mr David Heathcoat-Amory
Mr Eric Illsley
Sir John Stanley

An Amendment made.

Paragraph, as amended, agreed to (now paragraph 264).

Paragraphs 259 to 283 (now paragraphs 265 to 289) read and agreed to.

Paragraph 284 (now paragraph 290) read, amended and agreed to.

Paragraphs 285 to 288 (now paragraphs 291 to 294) read and agreed to.

Paragraph 289 (now paragraph 295) read, amended and agreed to.

Paragraphs 290 to 294 (now paragraphs 296 to 300) read and agreed to.

Paragraph 295 read.

Amendment proposed, in line 11, at the end to insert the words “This must be a prerequisite for Georgia’s accession to NATO.”.—(Andrew Mackinlay.)

Question put, That the Amendment be made.

The Committee divided

Ayes, 1
Andrew Mackinlay

Noes, 2
Mr David Heathcoat-Amory
Sir John Stanley

Another Amendment proposed, in line 11, at the end to insert the words “However, we also conclude that the Government should make it clear that Russia does not have a veto on Georgia’s possible accession to NATO.”.—(Sir John Stanley.)

Question put, That the Amendment be made.

The Committee divided

Ayes, 1
Sir John Stanley

Noes, 2
Mr David Heathcoat-Amory
Andrew Mackinlay

Paragraph agreed to (now paragraph 301).

Paragraphs 296 to 311 (now paragraphs 302 to 317) read and agreed to.

Paragraph 312 (now paragraph 318) read, amended and agreed to.
Paragraphs 313 to 321 (now paragraphs 319 to 327) read and agreed to.

Paragraph 322 (now paragraph 328) read, amended and agreed to.

Paragraphs 323 to 336 (now paragraphs 329 to 342) read and agreed to.

Resolved, That the Report, as amended, be the Second Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

The Committee further deliberated.

[Adjourned till Wednesday 21 November at 2.00 pm.]
Witnesses

Wednesday 25 April 2007

Dr Roy Allison, Senior Lecturer, International Relations Department, London School of Economics and Political Science, Professor Margot Light, Professor Emeritus, International Relations Department, London School of Economics and Political Science and Dr Alex Pravda, University Lecturer and Fellow, St Antony’s College, University of Oxford

Dr Derek Averre, Senior Research Fellow, Centre for Russian and East European Studies, European Research Institute, University of Birmingham, Katinka Barysch, Chief Economist, Centre for European Reform and Jackie Gower, Visiting Lecturer, Department of War Studies, King’s College London

Wednesday 16 May 2007

Anne Aldis, Head, Conflict Studies Research Centre, UK Defence Academy, Professor Yury Fedorov, Chatham House, and John Roberts, energy security specialist, Platts

Professor Bill Bowring, School of Law, Birkbeck College, University of London, David Clark, Chairman, Russia Foundation, and Dr Andrew Monaghan, Senior Research Associate, Conflict Studies Research Centre, UK Defence Academy, and consultant to NATO Defence College, Rome

Wednesday 18 July 2007

Mr Jim Murphy MP, Minister for Europe, Michael Davenport, Director, Russia, South Caucasus and Central Asia Directorate, and Damian Thwaites, Deputy Head, Russia Section, Russia, South Caucasus and Central Asia Directorate, Foreign and Commonwealth Office
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<td>Konstantin Gabashvili, Chairman, Committee on Foreign Relations, Parliament of Georgia</td>
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<td>Dr Derek Averre, Senior Research Fellow, University of Birmingham</td>
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Oral evidence

Taken before the Foreign Affairs Committee

on Wednesday 25 April 2007

Members present:

Mike Gapes (Chairman)
Mr Fabian Hamilton
Mr John Horam
Andrew Mackinlay
Mr Malcolm Moss
Mr Ken Purchase
Rt Hon Sir John Stanley
Ms Gisela Stuart

Witnesses: Dr Roy Allison, Senior Lecturer, International Relations Department, London School of Economics and Political Science, Professor Margot Light, Professor Emeritus, International Relations Department, London School of Economics and Political Science and Dr Alex Pravda, University Lecturer and Fellow, St Antony’s College, University of Oxford

Chairman: We are very pleased to welcome our witnesses this afternoon. I think that the three of you—Dr Allison, Professor Light and Dr Pravda—are all familiar to the Committee. Over the years, as you know, this Committee has covered many different aspects of foreign policy. We are just beginning an inquiry on Russia today, which is clearly going to be wide-ranging. For the record, can I ask you all to introduce yourselves? Then we shall begin.

Dr Allison: I am Roy Allison. I am senior lecturer in the Department of International Relations at the London School of Economics and Political Science. Professor Light: I am Margot Light. I am Professor Emeritus in International Relations, also at the London School of Economics and Political Science. Dr Pravda: I am Alex Pravda, fellow of the Russian and Eurasian Studies Centre at St. Antony’s College, Oxford.

Q1 Chairman: Thank you all very much. Can I begin by asking how you would assess and characterise Russia’s current foreign policy thinking and behaviour? We will take Dr Pravda’s answer first, then the others.

Dr Pravda: It is a good time to look at Russian foreign policy, because the Russians themselves are taking stock of how best to capitalise on shifts in the international system and on Russia’s own assets, obviously energy, and considering how to establish themselves and consolidate themselves as a major power in world affairs.

I think that everyone has noted that there is a new confidence—almost a defiant confidence—in Russian foreign policy attitudes; Putin’s Munich speech highlighted that. It is interesting that, at this juncture, we have seen—I am sure that my colleagues will mention this too—a major review of Russian foreign policy issued by the Russian Foreign Ministry that is examining where the policy is going. That was conducted on the basis that the Russians need what they call some sort of intellectual and psychological framework with which to proceed.

I will make a few comments on where the Russians think they are and where they are going. One is that they highlight the major changes that are taking place in the international system and in the distribution of power—to use the old Soviet expression, a shift in the correlation of forces in the world—that are marked by a significant Iraq-linked weakening of US dominance and a strengthening and rise of new power centres. That is, of course, usually described as a move from unipolar to multipolar, involving the EU, but particularly the BRIC countries—Brazil, Russia, India and China. That shift in the correlation of forces—they do not use that phrase any more, incidentally, because it is Soviet, but I shall use it—is powered by economic growth on the part of the rising powers and, in the Russian case, energy export capacity. That is the first point—they see things changing in the international system.

Secondly, the self-confidence comes from Russia’s major energy resources and its ability to deploy them, which consolidate its view of itself as a great power by right. The term “great power” is not used now, and the latest document talks about Russia being a “major active world power” that takes an interest in all problems in the international agenda and plays an agenda-setting role along with the other major players in what it still sees as a highly competitive, though now economically competitive, system.

One thing is worth noting: there is probably now excessive confidence in the fungibility of the energy resource—in other words, that you can translate energy into political influence and leverage, which is not always possible. One could almost say that there is a Dutch disease in foreign policy. They are neglecting and underrating other means of influencing the international agenda. Interestingly, the document from the Foreign Ministry, whose brief is more than energy, says that Russia must watch that it diversifies what it does and does not neglect diplomacy.

Professor Light: I suppose that I would add the term that the Russians like to use themselves, which is that they have now reached the stage of adopting an
“independent foreign policy”. Therefore, what we define as being more assertive, they define as an independent foreign policy, in contrast to their policy in the 1990s. They also stress that it is a pragmatic foreign policy and that Russia is opposed to unipolarity and lays great emphasis on the need for multipolarity and the extent to which it is better for the international system as a whole.

Although you will not find this phrase in their documents, I would define Russian foreign policy thinking at both the official and academic levels as very geopolitical and very much part of the Realist school of international relations. It is very conscious of Russia’s interests and the fact Russia has a sphere of interests, and it is determined that that sphere of interests should be respected by the rest of the world. The thinking is increasingly resistant to the idea that western countries, or other countries in general, should attempt to transfer their values to Russia, and very defensive of Russian values and the Russian form of democracy.

Dr Allison: This inquiry is particularly timely, since the review that the Russian Foreign Ministry has issued is likely to frame Russian foreign policy thinking for some time to come, and certainly beyond the 2008 presidential election. It asserts as a point of principle that the United States-dominated international system has peaked with the effects of the Iraq war and is being displaced by the multipolar constellation referred to by my colleagues.

The idea that the international system is driven by globalisation processes, largely from the western world, is being replaced with the claim that the west no longer dominates the process of globalisation and that the rising powers—China, India and Russia—will have increasing influence in determining how globalisation progresses. Alongside that is the belief that the normative system associated with that and with westernisation can be challenged legitimately by other principles rooted in the experience of other states, including Russia. That is expressed in Russia by the promotion of the rather muddled—I think—concept of sovereign democracy, which might be viewed as a way of justifying what is better viewed as sovereign authoritarianism.

Russia seems to have moved away from the principles of a multi-vector policy, with which Putin associated himself when he became President—that is developing relations with a range of partner states in parallel—and seems to be moving more into its own orbit where it develops relations selectively with countries according to the perception of its own interests. It will support the west in some areas, but oppose it in others. Some describe that as a policy of constructive isolationism. Russia will seek increasingly to influence global policy according to its perception of its growing global role. It believes that it is acquiring the capabilities for once again becoming a truly global player. That sense of self-confidence is supported by the growth of the economy and energy revenues. That is a different attitude from that in the early Putin presidency. It is one in which Russia is increasingly a challenger state, although not revisionist in all areas, and in which it wishes to rethink the rules and commitments that it assumed in the early 1990s, at a time of weakness. That includes the way in which it relates to a number of key international organisations. It feels that it now has the capacity to renegotiate its relationship with those institutions, as well as its broader role in the international system.

Some in Russia even consider Russia to be uniquely positioned to influence the international system because of its geostrategic and geopolitical position between east and west. To some extent, that draws from the traditional Eurasian thinking in Russia’s political culture. However, it expresses also a long-standing Russian belief in its own specificity and exceptionalism—its “not like others” mentality. That will continue to feature as an aspect of Russia’s policy in many areas.

Q2 Mr. Horam: Obviously, we are focusing on Russia’s foreign policy, but will you put that into context? Traditionally, in Soviet times, great priority was given to foreign/defence policy over social and economic policy—indeed, there were severe penalties on the social front owing to the vast expenditure on the military and so forth. How far do you feel that Russia is still giving foreign policy primacy over economic and, in particular, social policy? That would contrast with China, which says specifically, “We are trying to develop ourselves economically, and that is our main policy goal.” Is there a difference between the two? How is Russia looking at its social problems?

Dr Pravda: The rhetoric and the claim is, of course, that Russia’s international standing ultimately, or substantially, depends on its domestic performance, particularly its economic performance—the resilience of its system. Of course, relatively speaking, military spending under Yeltsin went down and military resources deteriorated to a very low level. We have seen under Putin, particularly very recently at least attempts at, and claims of, major budgetary increases. There have been significant increases for two years running in defence investment. They have been partly in manpower and partly in research and development, which is what the President is particularly interested in developing, as it has commercial as well as defence aspects.

Of course, there are large reserves now; there are national projects and a stabilisation fund. There is a feeling in the Kremlin that there is a lot of money to go around to do both guns and butter, as it were. The emphasis is not on either guns or butter, however, so much as economic outreach and Russia’s development as a major player in the world economy. There is a symbiotic relationship, which many have noted, between the definition of Russia’s national commercial interests and its political and diplomatic national interests. Some people have gone so far as to talk in terms reminiscent of the old General Motors phase, saying that Russia is really “Gazprom Plus Inc.” or whatever. There has been a tendency to exaggerate the commercialisation of Russian foreign policy; under Putin, and particularly in his second term, we have seen the subordination of corporate interests to state control.
There is a corporate state, and in so far as the corporate state is pushing the foreign policy agenda, it is doing so through commercial means for economic and political profit making.

Q3 Mr. Horam: Do you think that Russia is paying a political and economic price for that?
Professor Light: It paid a price socially in the 1990s, in the sense that the poverty of Russia after the transition created tremendous social and domestic problems. I would argue slightly differently from Alex: the rhetoric and the foreign policy are certainly there to serve the domestic restructuring and strengthening of Russia, but there is a great deal of confusion about what one can use state money for in a country that now wishes to be called a market economy. The kind of investment that one might expect in social programmes that might have improved the situation created in the 1990s is not taking place. There are national projects but, even in that area, there is a great fear that putting a lot of the windfall oil and energy money into the economy will feed inflation. That is a problem.

I see a great deal of effort, particularly under Putin’s second presidency, being put into reclaiming part of the economy for the state, not only in the energy sector, but in other parts of industry. There are attempts to consolidate firms and to ensure that the state has a considerable holding in strategic parts of the economy.

Q4 Mr. Horam: That is a triumph of politics over economics, is it not?
Professor Light: Yes.
Dr Allison: On the question of security and military policy, Russian officials have recently noted that the growing role of military force and the readiness to use it in the international system represent some kind of geostrategic windfall for Russia given its military strength. I think that that is rather illusory, however, because the usability of the Russian military now, even with the significant increases in the military budget, is really quite limited.

For the most part, the military has an indirect effect in the post-Soviet states immediately on Russia’s periphery. It plays to an image, however, that Russia wishes to project domestically and to the outside world, of being a multidimensional power across a range of capabilities, including the military. The actual increases in the military budget have not been great; the proportion of the GDP devoted to the military between 1995 and 2005 did not increase at all according to Russian official statistics, and perhaps not even according to other unofficial ones. Technologically, much of the Russian military is decaying; the recent programmes of new equipment of which we have heard are intended to stall the process of demodernisation of much of that equipment, including the strategic nuclear submarine fleet. Russia will continue to need to rely on its economic and technological growth to develop as a power in the system.

Of those two things, it is the technological side on which Russia is weaker. The fact that signs of diversification in the economy are more or less absent is a very significant indicator of the ability of Russia to follow other rising powers, such as Brazil or China, and does not suggest that Russia is on a similar trajectory.

Dr Pravda: May I add that the real squeeze will come in the next presidential term between domestic energy needs, which are rising, and export capacity, which is of course brings very high earnings? That will be a real problem for Russia.

Q5 Sir John Stanley: On a specific Russian policy issue that is as important for them as it is for us—Iran—could you tell us whether you think that Russia is willing to accept Iran becoming a nuclear weapons state? If not, what further measures would the Russian Government be willing to take to prevent that from happening?
Dr Allison: I think that Iran is an issue that Russia has sought to postpone having to take a hard decision on for as long as possible, because it is one area, diplomatically, where it has some leverage. It has been seeking trade-offs, but it has not been quite sure what trade-offs it can obtain in discussing this issue with western countries.

The prospect of a nuclear-armed Iran is looked at with a degree of alarm in Russia. Senior Russian military officials will point out that Russia is more likely to be within the range of the missile technology that Iran has or will have in the near term, not Europe or the United States. However, in Russian thinking in this second Putin presidency there is also a tendency to be rather dismissive of the wider concerns about Iran as a threatening, destabilising power, let alone about the possibility of Iran being linked to international terrorism.

I think that Russia will try to find some way of ensuring that there is a regime of reliable safeguards put in place, but it will seek to obtain as high a price as it can through conceding that in the United Nations Security Council. There is a price in terms of trade-offs with the United States and other western powers.

Professor Light: I would add that the idea of a nuclear-armed Iran is an extremely unattractive one, so in terms of the aim of policy Russia shares the UN aim or the British aim. Where it differs, however, is the means through which it thinks this aim can be achieved. The Russian argument is very much that Iran has to be engaged and that there has to be a process of engagement and persuasion, rather than a process of confrontation.

Dr Pravda: Just to endorse that, I think that Russia is essentially interested, as most other external actors are, in preventing further destabilisation of an extremely unstable region. Iranian nuclear capacity would enhance destabilisation. But, as my colleague has said, Russia wants to see a political process. Perhaps most importantly, it wants to see Moscow playing a central role in that political process of managing and in some way and constraining Iranian nuclear capacity.

Q6 Sir John Stanley: What further steps, in terms of leverage, do you think the Russians might be willing to take in relation to the Iranian Government?
**Professor Light:** I think that they can be cajoled in the end into supporting a stronger sentence, but as I understand it the Russian view is that the way to stop Iran is for the United States to re-establish proper diplomatic relations with Iran. If that happens, Iran can not only be stopped but become a useful partner in terms of preventing the spread of terrorism and being a stabilising factor in the Middle East.

**Q7 Mr. Purchase:** I want to bring you back to what we might characterise as the new Russian foreign policy. Notwithstanding our understanding of the role that Russia is playing, do you think that it has any concern for British interests, or that it is interested in what we may be doing and thinking? Do you think, also, that if there is any recognition of that by Russia, our own Foreign and Commonwealth Office has grasped the changes that are being wrought in the Soviet Union? To help you to concretise the answers, in the question of human rights and promoting democracy, does Britain have any role whatsoever to play in Russia or are we just seen as part of a western semi-conspiracy to defeat the Russian Government by hook or by crook?

**Professor Light:** Not just as part of, but as a chief leader of it. The foreign policy document talks about the messianism of some British politicians.

**Q8 Mr. Purchase:** Can you tell us who they are thinking about?

**Professor Light:** No. I cannot tell you who they are thinking about. Britain is singled out; the leading countries of Europe get one paragraph and Britain gets a different paragraph. It certainly does have to do with what they see as British policy towards interventionism—the British harbouring of people that Russians think are terrorists and therefore the double standards of Britain. Britain is certainly singled out for special treatment.

Yes, I think the Foreign Office does understand this. It is very difficult to know the way forward because clearly Britain would be open to considerable criticism if it had a set of standards that it applied to other countries but not to Russia because it was such a strong energy supplier.

**Q9 Mr. Purchase:** Are you suggesting that we should be adopting the normal British Foreign Office position of hypocrisy?

**Professor Light:** Yes. I think that it is increasingly the case now that it is counter-productive to try to impose on Russia a set of values or standards, but one can hope that engagement will lead to emulation of those values and standards.

**Chairman:** Dr Pravda is clearly disagreeing.

**Q10 Mr. Purchase:** Is there any agreement with that?

**Dr Pravda:** I was shaking my head at whether a double-standard approach is the most effective. I do not think that it is. I agree absolutely with what my colleague said about the distinguished nature of Britain in this particular document. I have never seen the extent to which Britain—the UK—has been singled out for a special paragraph of a highly critical nature. You mentioned messianism; the political immigration treatment thereof is mentioned as well. I think that the response—the FCO is fully aware of it and I hope that it is following through on it—is to have a consistent engagement which does not consist of imposing values or of working on the principle that we should try to make countries including Russia more like us, but does insist on a transparency of our values and on the rules of the game which, if they want reciprocity and cooperation, they have to follow. A consistent commitment and defence of our human rights values—I stress the word “consistent”—would impress the Russians much more than the attempt to distinguish between public and private expressions of criticism, or having an inconsistent policy either from the Council of Europe or other bodies. The Russians know what the situation is. We need to differentiate our cultural values, which we are not seeking to impose. That means that we are not seeking to violate sovereign democracy, which is an important priority of the Kremlin. If they want to co-operate, we need to try to make sure that Russia understands the rules of the game.

Everyone says that we should engage, but that has to be married to a vision. I believe strongly that Russia needs a vision of where things are going in our relationship, particularly as regards the international system. I think that it needs a greater European vision, not only a bilateral, British vision. The Committee is going to consider that matter later today. The policy needs to be located within a strong vision, with a long perspective, of good, co-operative and inclusive relations with Russia.

**Q11 Mr. Purchase:** Is it your view that we ought to homogenise cultural, economic and other relations with Russia and be consistent in our approach whichever forum we are speaking or working in, rather than have a different take at different levels?

**Dr Pravda:** Consistent, but I think that you ought to distinguish very precisely between our way of doing things at home and our cultural and democratic values—which, I hope, we are not trying to impose on any country, let alone Russia—and international rules of the game, which are to do with transparency, predictability and delivering on promises.

**Professor Light:** I think that consistency across countries is important. It is important that we are consistent in our treatment not only of Russia, but of countries that do not share our values. The Russians look at western policies toward foreign countries and argue that the west singles Russia out.

**Dr Allison:** The situation is peculiar in that Russia has put the United Kingdom in the same category as countries such as Poland, which it sees as a difficult European state for bilateral relations. That is a far cry from previous years: even in the first Putin Administration, the UK had particular advantages, which encouraged Putin to seek a close relationship. Britain, although enmeshed in Europe and being an important player within EU forums, was then viewed as having access to the United States and, potentially, influence over its policy in a way that no
other European country had. Putin’s preference was, and will continue to be, to have relations with the big players in the system and with the major states of the EU.

The advantages of Britain’s position have been set aside for the time being and relations have been clouded by issues that we might think to be secondary to a thriving relationship between two major states. In such a situation, one approach that is understood by the Foreign Office, and which is part of British policy, is to emphasise that there are issues that we could call values, or principles of conduct, that are in Russia’s interest as regards the advance of its modernisation agenda. I am thinking particularly of the rule of law. If Russia is to develop its economic modernisation in an increasingly globalised world, it will be difficult for it to have sets of standards about justice and the treatment of companies that diverge radically from those of its near neighbours in Europe. We should continue to send that message and to remind Russia that the obligations that it undertook in treaties of the 1990s, which it upholds, on the basic issues of the relationship between state and society and human rights, are in the interests of its social and human development as well as being viewed by the EU as human interests that all countries should uphold.

Mr. Purchase: I find that extremely helpful, thank you.

Q12 Andrew Mackinlay: We are touching upon the issue of whether the Foreign and Commonwealth Office is alive to the changes or attitudes in the Kremlin. I want to ask you about two aspects of this. The first is the Ahtisaari plan, which involves both the EU and the United Kingdom. My understanding is that we support the Ahtisaari plan. It seems to me that it totally misreads what will be a firm policy for Russia. It will not agree to an independent Kosovo. The Russians are in a predicament, because, on the one hand, they feel strongly about the territorial integrity of states. They feel it particularly because, if they stand for anything less than that, they lay the ground open to people asking, “Well, why should Chechnya not be independent?” So, on the one hand, they really are adamant about territorial integrity; on the other, I suspect that, on some level of realism, they actually understand that some kind of formula has to be found.

Dr. Allison: I understand that there are different views on this. The first is that this Russian commitment is deep, enduring and will remain come what may. The second is that Russia is seeking a quid pro quo or trade-off, which may not be fully formulated in Russian thinking at this time. The third is that it requires a gesture at a high level by Putin, which would probably be at the next G8 summit. I think that the trade-off argument looks less likely here than in other areas of Russian policy. Some suggest that it would be a trade-off in relation to Russian policy in some of the unresolved conflicts in the Commonwealth of Independent States. However, I do not think that Russia is prepared to make that kind of specific linkage. I think that the commitment to adopting a position against Kosovan independence is deep and the issue will be to find a formula to massage the way that Russia can present this to itself and to its people.

Q13 Andrew Mackinlay: I think that you misunderstand my question. That might be a failure on my part. Are we not heading for a train crash? The Russian Federation will not accept Kosovan independence; Transnistria and other areas of cold conflict will say that what is good for them might also be good for Russian minorities elsewhere. You might disagree with me on that, and that is simple: if we disagree, then we disagree. However, it seemed to me that the British Foreign Office was confidently thinking, willy-nilly, that somehow the Russian Government would buckle on the issue of Kosovo, whereas we ought to avoid a train crash by recognising that this is a fundamental principle for them.

Professor Light: I am not so sure. I think that, for the Foreign Office, there is always a problem in the sense that there is a range of policies that it needs to pursue, which are sometimes incommensurable. It would not be surprising if what it thought about Russia was based on Russia’s behaviour in previous similar crises. What do the Russians tend to do is to say, “No, no, no” at a rising crescendo and then, when they realise that they cannot stop it from happening, they suddenly accept it and quieten down. This is what happened over the anti-ballistic missile treaty, and it happened over the second round of NATO expansion. If the reckoning is that it might happen over Kosovo, I would not find that surprising. The Russians are in a predicament, because, on the one hand, they feel strongly about the territorial integrity of states. They feel it particularly because, if they stand for anything less than that, they lay the ground open to people asking, “Well, why should Chechnya not be independent?” So, on the one hand, they really are adamant about territorial integrity; on the other, I suspect that, on some level of realism, they actually understand that some kind of formula has to be found.

Q14 Andrew Mackinlay: It seems to me that there is also a problem with the British Foreign Office getting its head around Russian federalism. For instance, Dr. Allison rightly referred to the need to have the rule of law and justice systems, particularly but not exclusively in commerce. However, Russia is a big country with a federal structure, even though there is clearly some central control. What is happening over the hill in the east, as it were, is a long way from the federal Government and federal legislature, is it not? Is there not a rather peculiarly British problem here in London of getting our heads around that, given that we do not have a federal system? We even see that in relation to the United States, sometimes.

Chairman: We are not going to get on to the United States.

Dr. Pravda: I will pick up your point about Kosovo and then go on to talk about federalism.
I think that we are in agreement; I certainly do not think that the Russians are immovable on the Kosovo issue, but it is both convenient and reflects a concern of principle that they do not give in to this, because of the precedent that it would set and because of its highly sensitive nature, given past conflicts. However, I think that it is part of international relations, and is part of a negotiating process—it depends on what one can get in return. So, I think that it is a matter of our tactics being the ones to work, rather than Russia being impossible and our having an absolute impasse and confrontation.

On federalism, we obviously do not have time to go into Russian domestic structures, but one of the achievements—if one thinks it an achievement—of the Putin Administration is to have increased vertical power and control. Bilateral treaties are still signed with the various units, but most specialists are agreed that the Putin Administrations have seen a major shift, certainly economically, towards the centre, and a control shift overall. Moscow still cannot—and never could—fine-tune what happens in the Far East or anywhere else, but there is an end to the era of the early Yeltsin years, when you are quite right in saying that one had to deal with the foreign relations of particular regions and republics within the Russian federal structure. That is no longer the case, as they do not run their own foreign economic or foreign policies.

Chairman: Thank you. I think that we had best move on.

Q15 Mr. Moss: We have heard from the panel this afternoon of Russia’s new assertiveness in foreign policy. We have heard of its rejection of so-called foreign values, and about the redefinition of indigenous democracy through sovereign democracy. We have also seen, I would say, an increase in areas of friction between Russia and the west, particularly in Putin’s second term. Is it warranted to identify, or even to expect, a new type of cold war—if I may define it in those terms—of its military capacity. There is genuine concern about missile defence systems, but it is more of a symbolic than of a military, material nature. They are seen as symptomatic of an offensive and aggressive intention on the part of the United States, and with what President Putin calls hyperforce—a fencing ahead, criticised by most countries in the west because they are apprehensive about Russia’s growing global reach. That is how the situation is developing.

Russia does not have the capabilities to be threatening in the near to medium term, other than on a regional level to the erstwhile soviet republics. Its goal is to be a regional superpower. That means that there is not only overlap of interest with the EU but competition with it. The EU, in seeking to define its new security neighbourhood, is viewed by Russia as a revisionist power in the area of the South Caucasus, Ukraine and Moldova, so there is likely to be an increase in geopolitical tension on those grounds.

The nuclear dimension is largely, on the Russian side, about political symbolism. Thanks to obsolescence, there can be no conceivable technological scenario in which, in 10 or 15 years’ time, Russia’s nuclear arsenal is anywhere near parity with that of the United States. The current systems are becoming obsolete and are not being replaced in the same numbers. It will be a much more testing period, but at the moment the characterisation on the Russian side of a possible new cold war on the Russian side is as much as do with the domestic political situation leading up to the 2008 elections as with any real thinking about the world and Russia’s role in it.

Dr Pravda: Briefly, I agree that mention of the cold war is rhetoric; that is gone and past in terms of competition. As has been said several times, Russia thinks of the world as Hobbesian: it is a zero sum game, a competition—you get stronger, somebody else gets weaker. It focuses very much on what Roy has rightly highlighted as its regional role. As one Russian analyst says, Russia wants to be the centre of its own solar system, and it will protect that solar system control. At the same time, it wishes to balance in a realist way the power of the United States in particular. The friction that you referred to is happening over America’s traditional expansion of its military capacity. There is genuine concern about missile defence systems, but it is more of a symbolic than of a military, material nature. They are seen as symptomatic of an offensive and aggressive intention on the part of the United States, and with what President Putin calls hyperforce—a fascination with military power as a main resource. That will lead to friction.

The 2008 question is interesting in terms of its foreign policy implications. A lot of rhetoric about national independence, assertiveness and defiant confidence will inevitably have to be discarded or balanced against the wish to consolidate popular support at home using more populist policies, and to roll out more national economic projects. In the long term, post-2008, there will probably be a tendency towards slightly more isolation in the region but not necessarily a more malign attitude towards the outside world.

Q16 Mr. Moss: Can I follow up on what you have just said? Are you suggesting that in the run-up to the 2008 presidential elections there will be an intensification of assertiveness, which will be more rhetoric than reality?
Dr Pravda: It could well be, because all the polls show that one of the strong points in Putin’s enormous popularity ratings is foreign policy, and the achievement of Russia as again a proud, international actor, emerging from the humiliation that it suffered—for many of the population—under the late Gorbachev and through the Yeltsin period, so that might be a temptation. After all, one of the leading contenders, Sergei Ivanov, has a very firm military background. He could well push that sort of agenda, whereas Medvedev might push the domestic agenda more. There may be a tendency to jockey for that, but I do not think that it will lead to substantive shifts in Russian action vis-à-vis the international community.

Q17 Mr. Moss: Again on the 2008 election, is it the panel’s view that Russia will honour the constitutional ban on more than two consecutive presidencies?

Professor Light: Putin has now said so often that he will not stand for a third term that he cannot possibly do so. However, we cannot rule out some kind of manoeuvring that has him as Prime Minister afterwards or somehow sitting in the seat ready for a 2012 election bid. That cannot be excluded, but I think that it would be very difficult for him now to go back on his word.

We should distinguish between the posturing that goes in the pre-election period and issues that are really very keenly felt in Russia. For example, the question of missile defence and the placement of missile defence in the European countries bordering Russia is very deeply felt. It goes back to the genuine concern about the abrogation of the ABM treaty and what that has done to the strategic stability of the world. I do not see that as posturing. I think that it is something that is very keenly felt.

Q18 Mr. Moss: Should we expect much of the same from Putin’s successor? I saw on television recently—I cannot remember which programme—an indication that a huge proportion of Russian business and industry is now in the hands of placemiers from the old KGB and the new security people. If they have that kind of grip on society and politics in Russia, then there cannot be much change, can there?

Professor Light: I do not think that there will be any foreign policy change, at least not as long as the oil prices hold. Even after that, it will be a steady state. There will be demand for international respect rather than an aggressive policy.

Q19 Ms Stuart: Before I go on to what is commonly referred to as the former Soviet space, can I just say that I felt strong accord with Dr Pravda’s observation at the beginning that the crunch point for Russia will come when domestic energy supply and the international commitment of energy supply become incompatible with the real energy plan of the country? Looking at what they call the former Soviet space, may I just go to something that Putin said in Munich when he was comparing Russia’s action in Georgia and Moldova? He said, “In one case, we are withdrawing our troops. In the other, we still have 1,500 servicemen there, but we are carrying out peacekeeping operations.” At the same time, what was NATO doing? What did the US do? Actually, they expanded and moved their borders. There is real conflict with some of Russia’s former neighbours. I would like to know how you three see the relationship with the Baltic states, how you view the frozen conflicts, and to what extent you feel that the west has any power or influence to achieve a resolution. Does it suit Russia’s long-term purposes to maintain those conflicts as long as they can be contained?

Dr Allison: Perhaps I will comment on those conflicts. In the 1990s, it appeared that those conflicts provided Russia with channels of influence over the countries in which they were located, and that it was not in Russia’s interest to find a durable resolution. There was some shift in that attitude after the second Chechen conflict broke out because of concern that instability in the south Caucasus could spill over into the north Caucasus and make the resolution of Chechnya much more difficult and even aggravate relations within other Russian republics and regions in the north Caucasus. In the current situation, Russia has agreed now to withdraw its forces from its bases in Georgia, apart from those that it defines as having a peacekeeping function in Abkhazia and South Ossetia. However, that has taken more than 15 years despite Georgia’s opposition for most of that period to having that sort of military presence, and there are differing views about to what extent the Russian forces in those peacekeeping forces—which are overwhelmingly Russian—are actually providing a stabilising function or whether they are part of a Russian effort to ensure that political leverage over the Georgian Government remains.

The review of foreign policy that was recently published defines the situation in Georgia as explosive, but it also talks about the need for possible pre-emptive action in Georgia on behalf of the Georgian people. That kind of suggestion shows that there is a continuing interest in Russia to try to shape developments within that country, and that is at a time when Georgia has an intensified dialogue with NATO, has clearly expressed interest in entering NATO and has a quite significant military relationship with the United States on a bilateral basis. It is one country where there is a potential for considerably more serious tension between east and west in the years to 2008 and afterwards. In those circumstances, it seems unlikely that Russia will be very interested in withdrawing its forces from South Ossetia or Abkhazia.

The Nagorno-Karabakh conflict is a little different. The Russian position within the Organisation for Security and Co-operation in Europe and the support of the Minsk process has become more productive, but it is clear that the conflict’s resolution will depend on a dialogue between the
presidents of Azerbaijan and Armenia. No country, including Russia, can really determine the outcome. At the moment, it does not look as if the prospect is good.

Professor Light: There is certainly some usefulness in the frozen conflict for Russia even if it always gives it constant levers that it can use. You asked whether there was a role for Europe. My answer would be yes, but only Europe with Russia. If it were Europe against Russia, the Russians are likely to be extremely resistant.

Dr Pravda: Can I address the question about the Baltics, although I am sure you will explore that more deeply in the next session? One of the striking characteristics and one of the flaws of Russian foreign policy—we have said nothing about the weaknesses of Russian foreign policy in its own light, although we might come back to it—is an underestimation of the degree to which the new Europe successor countries, including the Baltics and notably Poland, can have an influence on EU policy towards Russia and a refusal to countenance. Russia is a traditional great power actor and thinks that only the big powers matter. I am talking about the extent to which that can happen in a body like the EU.

Small countries that focus intensively on those issues and can bring to bear experience of dealing with Russia directly to convince people without such experience that it is the way forward can really have quite an impact on policy. The continuing friction, particularly with Estonia and Latvia on both sides, and a provocation to some extent of that hostility, makes for difficult relations between Russia and Europe. Russia has to come to terms with the fact that these states are in the EU to stay and that it does have quite a say in the organisation’s attitudes to policy towards Russia.

Q20 Ms Stuart: I have one more question. It is about Russia’s part in international organisations and one in particular, which is the Shanghai Cooperation Organisation. We kept coming across it when we went to China and central Asia. The organisation deals mainly with the security of energy supply, but also with terrorism in certain parts of the world. How do you think Russia would wish to shape that organisation and what is your assessment of the organisation itself?

Professor Light: I see Russia’s interest in the Shanghai Cooperation Organisation primarily as a means of containing Chinese influence in central Asia. In terms of its activity as an international organisation, there is very little to indicate that it is going to be any more effective or any more active than the CIS itself or the Collective Security Treaty Organisation. So, for me at any rate, it is still a shell organisation, but extremely useful for this purpose of containing China.

Q21 Chairman: We are very short of time. We have five more minutes because other witnesses are waiting. I apologise to them, but we started slightly late. What is your assessment of the best way that the British Government can support democratic developments in the former Soviet states that border Russia without antagonising Russia? Or is that impossible?

Professor Light: That is a contradiction in terms.

Dr Pravda: To go back to the points made earlier about the best ways to instil greater best practice within Russia itself and within these other states, the way to do it is perhaps to steer clear of grand statements about democracy and about the ways in which democracy should be taking root as a natural accompaniment to market liberalisation and to adhere very much more strictly to ways of doing things—to return to the point made by Roy—not just the rule of law, as such, but the way in which commercial and contract law operate if you want to make effective deals. Spread that to the other countries and also, very importantly, do not restrict your contacts either to the very high or the very low. Do not restrict your contact just to the Kremlin, the equivalent presidencies or to the most dissident NGOs around, but deal also with those who are coming out critically because they are encouraged by some Western attention. It would be wrong to abandon them in that way at all. You should also engage with those in the middle, the small business people such as people running local authorities, and look at it in more technical terms and see if we can instil best practice of what works within their own country, whether that is Ukraine, Russia or Uzbekistan and proceed from there, rather than come with ready made models of any kind, let alone talk about normative democracy as the only way forward.

Dr Allison: One framework that exists and is likely to be used increasingly is that of the action plans agreed by individual states such as Ukraine as part of the new neighbourhood policy of the European Union. These are developed by those states and in consultation with the EU. They contain within them commitments and suggestions for development of behaviour in ways which will help those countries converge in many respects with expectations of conduct in the EU zone. Quite a lot of this is technocratic and programmatic. The discussion and references there are not so much about democratisation as about governance. There is a lot of low politics. It is not the kind of engagement that has the higher profile that would tend to attract the critical commentary from Russia such as politicians making speeches in capitals urging certain kinds of conduct and giving direct support to particular political groups. That approach at that level is more likely to be effective and less likely to attract direct Russian criticism.

Professor Light: I should like to plead for even-handedness so that we do not treat the countries that have natural resources differently from those that do not.
to all three of you—Dr Allison, Professor Light and Dr Pravda—for coming along today. It has been a very useful start. I will now ask anyone who wishes to leave the public gallery to do so now. Our other witnesses will now come down. We will break for two minutes while we change over our witnesses.

Witnesses: Dr Derek Averre, Senior Research Fellow, Centre for Russian and East European Studies, European Research Institute, University of Birmingham, Katinka Barysch, Chief Economist, Centre for European Reform and Jackie Gower, Visiting Lecturer, Department of War Studies, King’s College London.

Chairman: I am very grateful to you for waiting—I am sorry about the delay. I welcome Dr Averre, Katinka Barysch and Jackie Gower. Perhaps you could introduce yourselves, and then we can start the session. You listened to our previous witnesses and so hopefully we will not cover the same areas, but will move on to matters relating to the EU and Russia.

Katinka Barysch: I work for the Centre for European Reform, a think-tank, and have been working on Russia for about 10 years, and on EU-Russia relations since about 2001.

Dr Averre: I am a senior research fellow at the Centre for Russian and East European Studies in the European Research Institute at the University of Birmingham. My interest tends to centre on Russian foreign and security policy, and, a bit like Katinka, over the past few years I have done quite a bit of research into Russia-EU relations, as well as one or two other areas, such as non-proliferation, and chemical and biological arms control.

Jackie Gower: I am a visiting lecturer at King’s College, London, where I teach an MA option course on European security. However, for the past 10 or 12 years—going back to the beginning of the Partnership and Co-operation Agreement—my main research interest has been Russia’s relations with the EU, specifically from the perspective of the latter.

Chairman: We will begin with questions on the common spaces.

Q22 Mr. Purchase: After the recent history of agreements with Russia and its former satellites, we seem to have centred on the idea of the four road maps for science, culture and so on—you know what they are. How do you assess the results and impact of current EU-Russian co-operation under the common-spaces format?

Jackie Gower: It is very early days. As you know, the road maps were only actually agreed two years ago, in 2005. Progress, therefore, has been relatively slight. I would comment first on the significance of the idea of common spaces—the concept of it and the road maps. The concept of the four spaces gives us a very broad and comprehensive agenda for the potential development of relations and for constructive co-operation between the EU and Russia on pretty much all of the key issues that you can imagine.

That is the very positive side of it. There have been criticisms of the road maps because they do not really spell out where they are meant to lead—the final destination. People have commented, therefore, that “map” is not a very good word. Neither do the maps say the best way in which to get to that unknown destination—they are an enormous list of things that we might do together, but they do not give us a clear strategy.

You asked me to comment on what has happened so far. I was struck by something during the British presidency. The model that was adopted there linked two issues that both parties clearly had a strong interest in making progress on: namely, the visa facilitation agreement and the readmission agreement, which both have quite considerable pluses for the citizens of both the EU and Russia. The fact that those two issues were successfully linked together during the British presidency and an initial agreement was reached is one example of the fact that, potentially, the spaces offer an opportunity to make progress. However, they are not a panacea for all the problems of EU-Russia relations.

Q23 Mr. Purchase: But do you think that the “direction of travel”—I think that is the term—is in the right direction?

Jackie Gower: One needs to distinguish the direction of travel from the common spaces; if one stands back slightly, one concludes that that is the right direction. My answer to that would be yes, partly because I think it has the potential to lead to a very substantial change in the nature of the relationship with Russia. In that sense, in the very long run, it could lead to the closest possible relationship. People have even talked about it being comparable to the European Economic Area, with free movement of goods, services, capital and labour. On the other hand, that is obviously a very long-term perspective. In the short and medium term, it presents the opportunities for the kind of pragmatic steps forward that, as I illustrated in relation to the visa facilitation readmission agreement, could aid the situation and take things forward.

Obviously, at the current time, all progress on the common spaces is really being put on hold because of the crisis over the failure to open negotiations on a new PCA. Therefore, that is creating a sense at the moment that EU-Russia relations are in crisis, and it is very difficult in that atmosphere to envisage much progress being made on the more pragmatic agenda.

Katinka Barysch: May I be allowed to slightly disagree? I totally agree with most of what Jackie says, apart from the last sentence that there is a crisis holding up any progress on the common spaces. That is not quite the case. We have set up more than a dozen bilateral working groups with the Russian ministries now, under the road maps, on issues such
as financial sector regulation, environmental protection, customs and industrial policy. Those working groups have not done very much—they are very new—but they are a refreshing change from the old situation, where the technical working groups that were foreseen under the PCA have been defunct for more than five years. So, at least we have new forums to work together.

I agree totally with Jackie that, so far, the four spaces and the road maps for them have delivered process, not progress. However, that is a good thing, because it is the day-to-day working together that we need at the moment to engender trust, because that reflects the current shift in EU-Russia relations, away from grand statements at summits about common values that we obviously do not have and objectives that we obviously do not share, and towards a day-to-day co-operation that is much more pragmatic. That co-operation might lack vision, but since neither the EU’s foreign policy nor Russia internally knows where it is going at the moment, lack of vision is excusable.

Dr Averre: Again, I would probably agree with the substance, but maybe disagree on a slight matter of emphasis. It is true that process rather than progress might seem the watchword. However, although progress has been patchy, it has been more positive than many people would think; I am talking about people on both sides of the fence, both in Russia and Europe. As Jackie said, the common space road maps were more of a kind of inventory—that is how the Russians saw them—of progress so far and of the dialogues and working groups issues; they had reached that point a few years ago. Certainly, they lack detail, and a future post-Partnership and Co-operation Agreement treaty will have to fill in a lot of detail. Particularly, on the common economics space, there are dozens of dialogues and working groups, and there has been a lot of progress talking to people, and there is a degree of relative optimism that we can push the measure forward. It is still unclear about what the Russians will agree to about how far they can move towards a free-trade area with regulatory convergence and convergence with European norms and standards.

On energy, the indications are that the Russians are prepared to compromise and negotiate about the European energy charter treaty, and perhaps even ratify it. However, there is still a lot of talking to be done within the Common Economic Space. Cooperation within the fields of research, education and culture is relatively positive, I think—less so perhaps on culture compared with research and education. In the internal and external security spaces, that is where we can say that results have been patchy. There has been some progress in the common security space on things such as non-proliferation and civil protection, but not much more than that.

Q24 Mr. Horam: I hear what you say about common spaces, and you are relatively sceptical about grand stadiums, but that would presumably also apply to a new European Union agreement. Would you rather see it as being something that we should not necessarily push hard? That would tend to imply that the big statements, would it not?

Dr Averre: That was something that we should not push hard.

Q25 Mr. Horam: Yes. What you are saying, in fact, is that there are low-level agreements and cooperation taking place, but if we were to push for a big, new EU-Russian agreement, that would be counter to that.

Dr Averre: Rhetorically at least, the European Union has raised the stakes to an extent and has said that it wants a far-reaching agreement.

Q26 Mr. Horam: Is that the right thing to do, do you think, in this context?

Dr Averre: I think, realistically, that there are constraints within the European Union as to what it can do, in view of the preferences of some of the member states. Some of them—we are talking about the new accession states, but not exclusively so—are perhaps not prepared to give Russia such a far-reaching, over-arching agreement unless Moscow is prepared to adhere to or converge with European norms and standards across a range of issues.

Q27 Mr. Horam: Is it really not prepared to do that at the moment, is it?

Dr Averre: It does not appear so.

Katinka Barysch: Under present circumstances, trying to push forward the negotiations on a post-PCA agreement is futile, and could even be counter-productive. We have not made the pragmatic cooperation that has just been discussed work, because it is early days, as Jackie said. Before we even gave that new approach a little time to work, we go back to those not very helpful debates—abstract and angry debates—about common values, which we would inevitably have about writing just the preamble of the new agreement. One should say that we are much more pragmatic now, and that we do not need such strong sentences about common values, and Russia says nothing about that.

We want a clause in there that says that there are different sets of values, which to us, of course, is not agreeable. So even if we did without the strong language we would encounter the problem that, this being an international treaty, it needs to be ratified by all the member states as well as the European Parliament. Unless you have strong, value-laden language in there, you encounter a ratification problem at present. For me, pushing for the new treaty is not helpful at the present time. That is true also because on the Russian side, in human resources, the people who know enough and engage enough with the European Union are extremely limited. We want those people to work on trade, energy, human rights and security dialogue and not on an abstract debate about values.

Q28 Mr. Horam: Given what you have just said, if you were the British Foreign Minister, where would you place your emphasis? Given what we heard in a
previous session about the UK being regarded as a difficult country now, would you put your emphasis on trying to get Russian-UK relationships on a better footing, or would you spend a lot of time going through the European Union on EU-Russian relationships?

Katinka Barysch: Traditionally, the countries that have very strong relationships with Moscow tend to go it alone, and those that do not are insufficiently large and put a lot of emphasis on the united stance of the European Union because that enhances their voices vis-à-vis Russia. So given that the UK is not exactly in Moscow’s good books at the moment, it might be helpful for it to put emphasis on the EU approaches, which would strengthen the UK, rather than try to go it alone.

Jackie Gower: I absolutely endorse that view.

Q29 Mr. Horam: Looking at it the other way round, suppose you were the Russian Foreign Minister. How would you look at Europe, as opposed to Britain? Would you pay more attention to the European Union because you regard it as an emerging power that might be more powerful in the future? You are interested in global power relationships, and what does Britain really matter unless it is part of a global power?

Katinka Barysch: The Russians are re-evaluating their view of the European Union at the moment. It looked scary a couple of years ago, with the emergence of the common security policy, but the immediate experience of having to negotiate on World Trade Organisation entry with the European Union was formative. All of a sudden, these guys had something to say. With the common foreign and security policy there was eastward enlargement, a new power was encroaching on Russia’s neighbourhood, and the coloured revolutions were very much done by European flag-wavers. That has all petered out. Enlargement has weakened the European Union in Russia’s eyes, and its common foreign and security policy is divided over Iraq. The orange revolution has ended in a mess, so for the time being Russia is not as scared of Europe as it used to be. Now the Russians always say, “Well, we can’t deal with Brussels. We can’t deal with the European Union, because it is complex and divided. We don’t understand how you work; you don’t speak with one voice.” Yet at the same time, there is nothing that Russia fears more than a European Union that will one day speak with one voice. Russia is very good at dividing and ruling the European Union.

Q30 Mr. Horam: Is that their policy specifically, divide and rule?

Katinka Barysch: Absolutely, and they are very successful at that. So for the UK to try to improve its relationship with Russia bilaterally would be counter-productive and probably not very successful. It would be counter-productive because it would further weaken the European Union in the eyes of Russia.

Dr. Averre: I have a certain disagreement with that. It tends to be the general view that Moscow is insisting on wedge-driving between European countries. There may be an element of that, but I actually think that bilateral contacts are a useful thing. As Katinka says, Moscow has become much more familiar with both the procedures of the European Union and the kind of policies that it can push, and it is becoming more socialised into working with the EU. Nevertheless, we are still concerned about the bureaucratic, technocratic nature of the EU—the fact that it is less about politics and more about a technocratic approach. I happen to think that bilateral relations, primarily with Germany and to a slightly lesser extent France and two or three other leading European countries including Britain, are useful. They give Russia the chance to talk politics and get certain views put over, which is much less easy to do in the Commission, with its technocratic approach, and the European Council in a context where the common foreign and security policy goes forward in fits and starts. That is useful.

On what we should talk about in the future post-PCA agreement, I think that the UK approach and the EU approach should be to push common interests and to speak to Russia’s common interests in adhering to norms and rules, particularly in terms of economic governance. It is in their interests ultimately to adhere to common European or international rules, but, as Katinka was saying, without an inflated normative agenda, without all the time talking about values—democracy, human rights, and so on. That is not to say that Europe needs to compromise or dilute its common values, which lie very close to the heart of the European Union, but to speak more to Russia’s self-interest rather than pushing the inflated normative agenda all the time.

Jackie Gower: One of the things that is now appreciated in the European Union is that because Russia is not hoping to become a member of the EU we have relatively little leverage over it on the norms and values issue. Therefore, one needs to adopt a different kind of approach towards Russia than one has done towards the candidate states.

As far as the new agreement is concerned, what worries me is that we may be embarking, if we ever do embark, on the negotiations for a very protracted period and, as Katinka said, assuming an enormous amount of energy both from the Russian side and the EU side. If we are going to try to spell out in great detail what these common spaces actually mean and have detailed sectoral agreements that are incorporated into some grand treaty with the norms and values in the preamble at the beginning, apart from the fact that that, in itself, will probably take years and is counter-productive to constructive engagement—which, I think we all agree, is much more useful—there is, as Katinka said, the very real danger that at the end of the day one state will not ratify it.

I am conscious of the fact that there may be a parallel with the lessons that we should be learning from the constitutional treaty—that you have a very...
ambitious and grandiose document which, at the end of the day, fails to serve the purposes that you hoped for. Something rather less ambitious, which sets out broad principles but agrees the institutions and the basic principles on which they will operate but leaves the detailed, sectoral agreements for separate negotiations, may be more productive.

Dr Averre: And ratification.

Jackie Gower: Critically, ratification may be less problematic.

Dr Averre: I would endorse that. There will be rhetorical commitments to common values in a general political agreement, but that political agreement is important as a kind of headline; it shows that Russia is still dealing with the European Union and that some progress is being made. The real meat will be in the sectoral agreements, and the emphasis should be to make them as far-reaching as possible and to bring Russia in as much as possible, obviously with a realistic chance of having them ratified. As I understand it—I leave this to the European Union experts—if it is a mixed agreement it will need ratification by the European Union and the 27 member states.

Jackie Gower: It will be the European Parliament and all 27 member states.

Dr Averre: Yes, 27 member states and Parliament.

Jackie Gower: That quite clearly means that it is very much a hostage to one veto, and that has implications. The nightmare scenario is that we negotiate it for the next 10 years and then one state says no.

Q31 Sir John Stanley: Dr Averre, you referred to non-proliferation. An aspect of non-proliferation in relation to Russia in which this Committee has taken a very close interest over a number of years is the rate of destruction of the former Soviet WMD stockpile. There is the matter of the degree of security that physically surrounds the existing stockpile, which is very substantial, particularly with chemical weapons, and of trying to ensure that former Soviet scientists who were engaged in the WMD programme are not lured financially into the hands of others such as terrorist groups who might want to take advantage of their technical know-how. I would be grateful if you could tell us how much concern you feel about these issues, particularly on the slow rate of destruction of the WMD stockpile, any concerns you have about its security and whether we are making sufficient progress to protect former Soviet scientists in the WMD field from being suborned.

Dr Averre: There is ongoing progress in this area. I am not sure, really, that so much could have been done so much quicker, because there are national sensitivities in Russia about this. There is legitimate concern over the security of things such as missile bases, submarine bases and the research institutes, where the former biological weapons programme was situated. There are very real proliferation concerns. You cannot just throw the doors open for people to come in and talk there.

I think that this is one area where the UK has done a lot. The Department of Trade and Industry has been the primary motivator on the nuclear side, on decommissioning nuclear submarines and nuclear materials protection, and the Ministry of Defence has worked on chemical weapons destruction and the redirection of biological weapons scientists. I think that a lot that is positive has been done, to the extent that now, when the UK is doing work on chemical weapons destruction, other countries are coming in and piggy-backing on UK efforts. I have had some involvement on the nuclear side as well. The DTI programmes are more effective than a lot of the US programmes, even though a much larger amount of US assistance goes in, by a factor of about 10—I think that UK programmes total about £40 million a year and the US several hundred million US dollars a year. The UK programmes have been pragmatic and workable. The UK contractors are seen as people that the Russians can work with and a lot of good will has been built up. As to the future, there is concern in the nuclear sector that, with nuclear reactor shut-downs, there is still a problem with re-employing Russian nuclear scientists, technicians and production workers. It is a much lesser problem in the chem-bio sphere, because a lot of the institutes, although not all of them, are able to take advantage of the economic resurgence and are now able to establish horizontal co-operation in Russia and are able to go abroad and have contracts and agreements with international institutes.

One way forward on scientist redirection or in ensuring that we do not go back to the Soviet kind of situation—and to ensure against proliferation—is to try to bring Russia and the Russian scientific community as far as possible into scientific partnerships. It is being done within a European Union structure through the framework programmes, to an extent, and I think that more effort could be made in that area. There is a problem at the moment because the International Science and Technology Centre in Moscow is not seen as the best vehicle and the funding has been cut there. Both the political and the non-governmental organisation communities should be looking at that a lot more closely.

Q32 Mr. Moss: Is the EU right to focus on energy and energy supplies in its relationships with Russia? Katinka Barysch: Since we have lost a little bit of the optimism that we can help Russia to become democratic and a free-market economy in the short term, I think that energy, since it is the strongest part of what we call our common interests, is definitely a strategic question for us. The EU gets a quarter of its energy imports from Russia. Obviously, if we want to have an interest-based approach to Russian politics, that is where the meat is.

We wanted a very broad interest-based relationship, not only with energy, but also with trade, visa issues and the common neighbourhood, but we reached limitations in all these areas. It now looks highly unlikely that Russia will ratify the energy charter treaty, which would liberalise the pipeline monopoly
and give western energy companies better access and investment opportunities in the Russian energy sector. Our main concern at the moment is not that Russia cuts off the energy to us, but that it will not be able to deliver as much gas to us in the future as we would like to buy, as it is not investing enough. We would like a better investment framework to allow western companies to go in with the money and the expertise to help to develop the energy sector. For that, we would need the energy charter treaty. As Russia will not ratify it, we had the idea of taking some principles out of the treaty and putting them into the post-PCA agreement. In return, we could offer Russia a free trade agreement. The problem is that Russia is not interested in a free trade agreement, as 75% of its exports to the EU consist of raw materials, which are not affected by trade rules. We are now stuck; we have to find a bargain within the energy sector because we cannot use those horse trades. The buzz word, which you might have heard, is reciprocity; Russia will get better access to the European energy downstream assets such as Centrica, and in return we get better investment opportunities upstream. The problem is that when we talk about reciprocity we mean very different things. The Russians, having a state-controlled energy sector, think that we will sit down, identify suitable assets in the energy sector and swap them. What we mean by reciprocity is that we have mutually agreeable legal frameworks that facilitate energy trade and investment. We are at a very early stage of the discussion, but energy is the issue that we must focus on and that we cannot avoid.

Q33 Mr. Moss: What are the key components of the Russian resistance to signing up to the treaty? Does Russia fear exploitation by the EU? The bilateral agreements that Germany is trying to sign up—or perhaps has signed up—to secure its own energy supply presumably undermine the whole purpose of the EU agreements?

Katinka Barysch: I think that the liberalisation and privatisation of the energy sector that we saw in the 1990s was an aberration. Russia has now gone back to normal in asserting state control over the energy sector. It does not rule out foreign involvement in its oil and gas sector, but it definitely wants to keep control. The TNK-BP deal, which gives BP a 50% share, will be the last of its kind; from here onwards, every foreign company will have a minority stake and the ultimate word will be spoken in the Kremlin. The energy charter treaty would require liberalisation to some extent and would give better guarantees for foreign investors. Most important for us is not the treaty as such, but the transit protocol that is attached to it, which would oblige Russia to let us buy gas directly from Turkmenistan, say, and use Russian pipelines to transport it to western Europe. Russia has realised that it is not only the control of oil and gas in the ground, but the monopoly of the pipeline system to transport Russian, central Asian and Caspian gas that is such a potent source of power internationally and domestically. I do not see why Russia would let that go.

Q34 Mr. Purchase: Most politicians think that for any benefit there must be a price, and the panel may well agree. To concretise the whole issue, do you think that the EU's need for a practical working relationship with the Russians, especially on energy, might compromise other aims that we have, such as the promotion of human rights?

Jackie Gower: That is the dilemma.

Dr. Averre: It is always a difficult one. A lot of the time it is seen as a question of either/or. Should we have more pragmatic, instrumental, co-operative arrangements? I do not inflate the normative agenda, but the norms and values agenda will be there. As the previous panel said, we have a limited amount of sway and ability to change the internal situation in Russia. It was talked about a lot in the 1990s but much less so now. That is not to say it is a completely closed society. However, in certain areas the situation is not black and white. For example, the Russian legal system has now adopted many, if not all, of the provisions of the European Court of Human Rights. However, there is limited mileage in pushing the values agenda—at the moment, at least. Energy is something over which there is common interest, although there are different ways of seeing the deal that Katinka mentioned, which would give access to Russian upstream production, transportation pipelines and transport network in return for Russian access to downstream European services. It will take a long, long time, but ultimately there is interest and Governments might wish to try to push it in one direction or the other. However, private European companies are signing long-term delivery contracts with Russia. That is going to happen eventually, so we need to find a framework, possibly the energy charter treaty, within which to move that forward.

Q35 Mr. Purchase: Thank you for not helping very much with my dilemma.

Jackie Gower: Briefly, one of the points on the rule of law is that if Russia needs and wants western investment for its energy sector it will be in its national interest to have rule of law. In many respects, it is not a matter of giving up on the values but of how best to convey them and develop them in Russia. It is clear that merely giving it long lectures and telling Putin that he has been rather bad and must try harder is totally counter-productive. However, making it clear that western companies will invest in energy and engage in the economic activity that will benefit Russia’s businesses only if there is rule of law and transparent respect for the rules might make persuasion easier.

Katinka Barysch: I am not convinced that that holds true for energy companies. They are used to dealing in extremely nasty places, so I am not entirely sure that they will be put off by that.
Jackie Gower: Companies such as BP will be.
Katinka Barysch: To some extent.

Q36 Chairman: How secure is the TNK-BP deal, which you said would not be replicated in future. Will there be attempts to roll back that kind of thing?
Katinka Barysch: Those companies are in some difficulties over the development of the Kovykta gas field. Initially, they were under the impression that they could develop it, but Gazprom said, “Well, you can, but you cannot transport anything because we own all the pipelines in this land, so you can develop the gas but you cannot get it out of the country unless you give us a significant stake in the exploration of the field.” That is approximately how the game is played, and it is also the case with Shell and Sakhalin at the moment.

Q37 Sir John Stanley: Given the demonstrable readiness of the Russian Government to act unilaterally, whether in contractual positions, by turning off the gas supply to its neighbours or whacking up the price substantially at virtually no notice, how wise or unwise do you think it will be for a country such as the UK—which, on present projections, will have to import 90% of its gas by 2020—to be dependent on Russian gas supplies or Russian pipelines?
Dr Averre: Even if we were not talking about Russia, it would make sense to diversify. Energy conservation is one of the areas that the Russians might be open to talking about. That is part of the dialogue on energy that is going on in Brussels. We should not look at this only from the point of view that Russia is holding the rest of Europe hostage, although the media, even the financial media, often put it like that.

It was mentioned by the previous panel that the status of the Russian energy sector might be a problem; it might be that the impact of poor governance and poor management of the Russian energy sector is reducing supplies and production as well as Russia’s ability to export. That may be more of a problem than the idea of holding countries to ransom. The Russians have said, quite reasonably, that they always have been a reliable energy supplier to Europe.

Jackie Gower: It is also important to remember that there is interdependence here. Although Russia is a major supplier to us in the European Union, we are a major consumer. Although Russia made threats about diverting their gas or oil, particularly, to other purchasers—perhaps to China—it would take a very long time for it to build those pipelines. So, there is a great degree of interdependence there, and sometimes that is misrepresented in the press.

Dr Averre: Also, Russia simply does not have the resources to change the infrastructure completely so that everything is pointing east rather than west.

Jackie Gower: In Europe in general, we are actually quite good consumers, as we pay high prices. Those prices and the revenue from oil is a very significant part of Russia’s state finances, so there is a lot at stake for it. I think that there is a certain amount of bluff here. Perhaps the talk of energy diplomacy has been exaggerated.

Q38 Chairman: To get back to the human rights and democracy issues, is it a failure on our part that Russia is moving backwards, or is that inevitable given the nature of its society and history? In other words, could we, as Europeans, have done more and been more effective, or is it actually—and a reference was made to the 1990s being an aberration—that something is inherent in the nature of Russian society, which means that we are where we are?
Katinka Barysch: I certainly do not think that that kind of determinism would be justified. It is very interesting to think of the obituaries of Boris Yeltsin, who moved the country towards democracy and more openness, but at a time when the institutions that could have made those moves a success were simply not in place. The result was chaos. Perhaps the drastic counter-reaction that is Putinism is understandable from that perspective. All of a sudden, Russians craved order more than anything else.

I think that our best hope now lies with an emerging middle class and the development of civic values. People will want secure property rights and will want a voice to make their interests heard in the political process. Our best hope is in supporting civic society rather than lecturing at the political level.

At the political level, Russia suffers from something like China envy. It looks at how the world treats China, and sees that China is not being pushed around or being lectured on democracy. Everyone wants to do business with China, as it is an important country, and I think that Russia wants to be treated in that way, rather than be lectured about where it is going.

Jackie Gower: I agree entirely. I think that we concentrate too much on dealing with the top political level when what is important is engagement at society level. We have mentioned business before, and the whole range of civic society. I feel very strongly about student exchanges and research networks and Derek was talking about values in the scientific community. It is those kinds of contacts that have, at least in the longer term, the possibility of explaining our values and, in some ways, of showing what western society is like. That may mean some kind of democratic transformation from below, rather than trying to insist that it comes from the top, which will just not work.

Dr Averre: I agree broadly with what was said. Although Yeltsin had a certain sense of what democracy should be, which perhaps Putin does not have so much, Yeltsin did not put the democratic institutions in place that could have carried the country forwards. The main problem under Putin has been the curtailment of political plurality and, importantly, of civic society. Maybe we should push that issue.

Following on from what Jackie says, talks that I have had with the Russian delegation to the European communities in Brussels indicate that Russia is keen on trying to break the monopoly of...
bureaucratic, technocratic ownership, and is keen to bring in the business community and civil society. The Russians may have a slightly different view of what civil society consists of from ours, but they are keen on bringing people in and on trying to develop a dialogue with them. The same is true of the level of parliamentary contacts too, although in the European Parliament there tends to be—

**Jackie Gower:** A lot of posturing.

**Dr Averre:** Yes, posturing against Russia, which is rather counter-productive. Nevertheless, parliamentary contacts, particularly with national Parliaments might be a useful way forward. I do not see it as all black from that point of view. There is a possibility of moving things forward, but it is very much a long-term project.

**Q39 Chairman:** Can I take you to the new EU member states and their relations with Russia, which in some cases are quite difficult? Does the UK have a role in trying to moderate that or are own relations at the moment so difficult that we cannot do that either?

**Katinka Barysch:** We have a lot of credibility with the new member states, so the British voice is listened to in central and eastern Europe. I am not entirely sure that Poland and some other countries are aware that they are doing at the moment is highly counterproductive. As I said, Russia will try to find any excuse not to take the EU seriously. It gains much more by dealing individually with the capitals of Europe and having a divided EU rather than a strong EU that speaks with one voice. Whatever excuse it can get not to have to deal with Europe it will use. Poland holding up the post-PCA negotiations over meat exports obviously just plays into the hands of those who say, “How are we supposed to deal with you? You cannot even get your act together on a negotiating mandate.”

It was similar with some of the statements that came out of the Baltic countries. They are more conciliatory now, but in the beginning Russian diplomats in Brussels would say, “Well, we cannot engage with the EU any more because European foreign policy is now made by Latvia.” Of course they know that that is not the case, but just having the impression that that is happening is used against us. What I would suggest the UK could do is not so much to mediate but to make the new member states aware that a constructive tone is very much needed in the relationship between the EU and Russia because the alternative is just simply the kind of stalemate we have at the moment.

**Q40 Andrew Mackinlay:** The one country we did not talk about either with you or your colleagues was one that is surrounded by the Russian Federation and the EU—Belarus. Do we need to worry about Belarus in relation to our bilateral relations with Russia? It seems to me in the cold freeze. It is interesting that we never mention it here. It is almost as if the map of Europe has a void in it. That is dangerous. But this is a genuine question. It is right up there with Poland and Russia. There are 10 million people. There could be a sudden change there or there could be a growth of nationalism. I just want you to explore that a little.

**Jackie Gower:** Yes, of course, the possibility of a colour revolution would certainly cause enormous problems as far as relations with Russia are concerned. It is not on the cards at the moment.

**Dr Averre:** The Lukashenko factor is a strange one. It makes it not particularly easy to assess how things will go forward. Relations between the Putin Administration and the Lukashenko Administration have never been particularly warm, but obviously Lukashenko rode on the back of Russia’s perceived antipathy towards democracy movements in the region and more broadly in Europe. The fact that the relationship has soured rather in recent months makes the future interesting to say the least. I have read assessments which indicate that a few years down the line we might have a kind of colour revolution. There is a nascent democratic civil society movement. It is often not realised that under Lukashenko, Belarusians were much better off, for example, than Ukrainians, Moldovans and so on. If that changes, there may be more impetus within the country. I personally find it difficult to see exactly how it will pan out in the next few years. Do you have a view, Katinka?

**Katinka Barysch:** Russia has done a lot in the last couple of years to really drive the countries of the former Soviet Union away—not only Georgia, but Ukraine, and now even Belarus, which was its staunchest ally, and which has held exploratory talks with the EU to see whether it can move a little closer to the EU now that it has had a dispute. The thought in my mind is how Russia is going to react to that. Russia tends to overestimate the influence that it still has in the CIS, and if it does something to use that imaginary influence, but we do not agree, what do we do? What I am trying to say is that we should be prepared for a counter-reaction from Russia.

**Dr Averre:** To go back to the question before last, which hangs on what Katinka just said, part, but by no means all, of the problem between Russia and the new member states is the fact that Poland and the Baltic states have been promoting the values agenda in, for example, the countries of the European neighbourhood policy. One thing that the UK could push is the fact that the EU should try better to co-ordinate its Russian policy with that towards the European neighbourhood policy countries.

It is difficult because the mindset in the Russian political elite is very much against a risk of repeating the colour revolutions. That is part of the regional policy in central Asia as well. They try to integrate with those countries explicitly in order to avert further regime change by the colour revolutions. That is a sort of long-term dialogue where there should be greater co-ordination in European policy. Maybe the UK can raise that.
and Georgia clearly are, that they have the right, if they meet the criteria, to anticipate candidate status at some point? There is a fundamental tension there, which has the potential to be one of the most difficult issues for the future of EU-Russia relations.

Q41 Andrew Mackinlay: Georgian politicians aspire to NATO membership, but people promoting it seem to have forgotten article 5. We would be crazy to admit Georgia into NATO given the potential article 5 issues for us all.

Jackie Gower: Of course they would not be able to join NATO if outstanding disputes cannot be settled. So it is possible that that could be put off. But remember, George Bush, in America, is very much behind NATO enlargement to include Georgia.

Q42 Chairman: But Estonia joined the EU with a border dispute with Russia unresolved. Is that not the case?

Jackie Gower: Yes, but I do not think that that was seen as a major problem. It would be better to use Cyprus as the counter-argument, because, quite clearly, Cyprus should not have been admitted. That is widely accepted in Brussels. It was not anticipated that it would happen, but they had locked themselves into the mechanisms for enlargement and risked the whole enlargement train crashing. That is why we are in this mess with Cyprus. However, I do not think that that would be allowed to happen again—I certainly hope not.

Q43 Chairman: Finally, the Committee is looking also at neighbouring countries in the region. One has been touched upon regarding alternative gas and oil supplies—Azerbaijan. Before we conclude, we would be interested in your assessment of the EU’s role in that region and of Azerbaijan’s relations with Russia given that the Baku-Tbilisi-Ceyhan pipeline was put through in such a way that it does not go through Russia; it follows an alternative route. There is talk about linking it up with Kazakhstan. How do the Russians perceive Azerbaijan and its relations with Azerbaijan?

Katinka Barysch: I recently attended an off-the-record meeting in Germany with a number of Russian politicians. The Germans were trying to find out what the Russians think about our emerging strategy on Central Asia, because, in June, the European leaders will discuss the first EU strategy on Central Asia. The Russian politicians’ reaction was a big yawn. Their position was: “You cannot rival our influence or our cultural and economic ties with these countries, so do not even try. We do not take your attempt to forge closer ties with that region seriously at all.”

Initially, we will not encounter much opposition from the Russian side. I think that the Central Asian states will want to have selective ties with western European countries. They will not jeopardise their close links with Russia, but they are in the lucky position at the moment of being able to forge links not only with Russia, but with China. They have, to some extent, backing from the United States, so why not throw in closer ties with the European Union on top of that? When it comes to the energy business, it is mainly the Russians and the Chinese that are doing the deals. We are currently trying to push forward the Nabucco pipeline project, which should ultimately bring gas from Azerbaijan, probably Turkmenistan and possibly Iran through Turkey and the Balkan countries and will not go through Russian territories. That project is in the pipeline, but there are some uncertainties because Russia is pushing an alternative project called “Blue Stream 2”, which would then make the Nabucco project unviable because there simply is not enough gas for both projects. So, that is up in the air. The EU’s credibility in pushing a unified security agenda pretty much hinges on getting that off the ground.

Chairman: I thank all three of you. It has been a very useful session. We have covered a lot of ground, and hopefully we have managed in our two sessions this afternoon to take a complementary approach. Ms Barysch, Dr Averre, and Ms Gower, thank you very much.

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RUSSIA’S ROLE IN INTERNATIONAL AND REGIONAL SECURITY

Russia’s thinking about the international system and its changing role

1. Russia’s foreign and international security policy towards the end of Vladimir Putin’s second presidential term reflects a reconsideration by Putin and his immediate advisors of the international system at large and Russia’s capabilities and desirable role in that system. This rethink is reflected in the Review of Foreign Policy of the Russian Federation endorsed by Putin and published by the Russian Foreign Ministry on 27 March 2007.
2. The Russian leadership believes that the failures of the Iraq War mean that the “US-dominated unipolar system” has peaked and is gradually being displaced by a multipolar constellation and a more pluralistic international system. The future multipolar arrangement. Moscow believes, is one where Western primacy will be eroded by the rising powers of China, India as well as Russia. The West, Foreign Minister Sergei Lavrov claimed in March 2007 “is losing its monopoly on globalization processes”.

3. For Russia the EU is part of this multipolar picture, but the EU is considered to be caught up in introspective doubts, which prevent it from projecting a substantive foreign or security policy identity.

4. What follows, the Russian Foreign Policy Review, argues, is a growing demand for collective global leadership; Russia asserts that global power is better expressed in a wider organisational setting than the essentially pro-Western club of the G-8—one that gives at least China and India their due weight and raises Russia’s own profile.

5. These beliefs about the international system, and the belief that Russia is rising not just as a great power but a core pole of power, show growing confidence—an exaggerated confidence—about Russia’s relative power in the system. By 2005 Russian diplomats openly stated Russia’s ambition to play a leading role on the world scene. Russia expects its global interests to grow and be respected, initially through confirmation of its role as the “regional superpower” in the CIS region.

6. Russia has traditionally emphasised its special character, based on history and geography and often claimed that it should be treated in an exceptional way. This is now reinforced by a “Statist” quasi-ideology in Moscow, which has as one of its basic ideas that a westernisation of Russia is a threat to the unique character of Russian statehood and to Russia’s “sovereign democracy”.

7. During Putin’s second term the Russian leadership has concluded that “strong” Russia, buoyed up by its energy revenues, has partners but no natural allies. It should not ally itself with any state and instead choose only selective and loose partnerships, so that it has free hands. It will work with the West when it needs, but not follow the West. Indeed Russia views itself increasingly as a leader in its own right and Russian G-8 chairmanship in 2006 reinforced this perception.

8. At the same time Russian leaders are seeking to undo or reject international regimes and agreements that were established earlier in the 1990s when Russia was weak. For example, they are challenging the humanitarian and legal framework of the OSCE. Russia also argues that the EU should at least meet Russia half way in negotiating a new treaty on strategic partnership to replace the PCA. Despite this, Western states should try to lock Russia as much as possible into the few international regimes that Moscow values.

Russia’s relations with countries in Central Asia, the South Caucasus and Ukraine

9. Russia was alarmed by the change of governments that followed the Rose Revolution (Georgia), Orange Revolution (Ukraine) and Tulip Revolution (Kyrgyzstan). But is now seeking to restore its positions of influence in post-Soviet states, relying more on energy and economic than military instruments, through a policy that we may describe as “soft hegemony”. Moscow views this objective as a natural and legitimate aspect of its role as a core “pole of power” in the global system.

10. Moscow accepts that the CIS as a multilateral organisation is ineffective. But it seeks to use other regional structures involving post-Soviet states where it has a dominant role, to advance its geopolitical goals as well as specific security, economic and energy interests.

11. However, Putin relies more on bilateral ties with states in the region that exploit areas of Russian strength: its energy exports; its pipeline system for Caspian Sea and Kazakh oil and gas transported north; its growing ability to invest in the strategic industries and infrastructure of CIS states; and its continued military/diplomatic presence in “frozen conflicts” in the South Caucasus as well as Moldova.

12. The region of the former Soviet states is dividing into group of authoritarian states with particularly close relations with Russia and a group whose Euro-Atlantic orientation reflects a different set of priorities and values (Ukraine, Georgia, Azerbaijan and possibly Moldova). It is notable that Russia’s bilateral relationships with Central Asian states have been boosted since 2004 by Russian opposition to Western “democracy promotion” policies and Moscow’s unconditional acceptance of the political legitimacy of regimes in these states.

13. Russia’s relations with Georgia have staggered through a series of crises, characterised by Georgian defiance and Russian coercion and sanctions against Georgia; there seems little prospect of a rapprochement. Since Georgia commenced an “Intensified Dialogue” with NATO in 2006 and has significant security relations with the US (and even plans to increase its peacekeeping contingent in Iraq), it is possible that an acute crisis in Russia-Georgia relations, close to or in the context of the 2008 Russian presidential elections, would draw in the US or NATO politically. The unresolved conflicts around Abkhazia and South Ossetia provide the flashpoint for a possible confrontation.

14. Russian-Azerbaijani relations had become relatively cordial by 2006. But Azerbaijan has refused to coordinate regional policies with Russia against Georgia and is becoming Georgia’s main source of energy. A large increase in the price of Russian gas exported by Gazprom to Azerbaijan (but not to Armenia) during...
winter 2006–07 antagonised Baku. Since then bilateral relations have deteriorated and Azerbaijan has become determined to ensure its self-sufficiency in energy (using its huge reserves). This encourages a reinforcement of the Euro-Atlantic current in Azerbaijan’s foreign policy.

15. In Central Asia the Russian leadership is torn between an effort to keep Kazakhstan as its “key strategic partner and ally” (Review of Foreign Policy, March 2007), worried by broadening US and EU relations with this key Eurasian state, and giving priority to relations with Uzbekistan. This is complicated by the underlying rivalry between Kazakhstan and Uzbekistan and Kazakhstan’s growing international profile as its energy revenues fuel rapid economic growth.

16. Russia seeks to use long-term agreements over energy cooperation with Central Asian states (especially via the state monopoly Gazprom) to ensure strategic convergence with and influence over these countries, as well as to extract commercial benefits. This policy has been relatively successful since 2002. A major deal on the transit of Caspian crude oil from Kazakhstan oil fields through Russia to Europe was agreed in April 2006. However, the Russian attempt to ensure that the great majority of Kazakhstan’s oil and gas exports is piped north via Russia is unlikely to be achieved in the medium-term. Indeed, Kazakhstan, as well as Azerbaijan, are set to be contributors to EU efforts at energy diversification through imports from the Caspian region.

17. Uzbekistan decisively re-oriented its foreign policy from the US, Western states, the EU and NATO after condemnation of the killings that occurred in the Uzbek town of Andijan in May 2005. Tashkent signed a far-reaching military assistance treaty with Moscow in November 2005 and later agreed to join the Russian-led Collective Security Treaty Organisation. But Moscow’s relationships with Central Asian states such as Uzbekistan are not secure since they rely heavily on supporting incumbent rulers whose power base is uncertain.

18. Putin moved quickly to forge ties with the new leader of Turkmenistan, Gurbanguly Berdymukhamedov, after his predecessor Niyazov died in December 2006. But Turkmenistan’s neutral foreign policy may change and Russia can not feel confident about the stability of the long term agreement it has to market the bulk of Turkmenistan’s gas exports. The option of a trans-caspian pipeline to bring Turkmen gas to EU markets can not be ruled out in the medium-term.

19. A growing Russian concern in Central Asia is the possible spillover of instability or terrorism if NATO struggles to contain insurgency in Afghanistan. Russia and Central Asian states also fear further increases in the trafficking of opium transported north from Afghanistan. This is helping Russia to rally Central Asian states around Russian driven collective security measures—which so far are not coordinated with NATO or with US bilateral security assistance programmes in the region. But it also gives Moscow an interest in a continuing Western security presence in Central Asia to share some of the burden of responding to possible future instability or Islamist challenges in the region.

20. The Putin leadership interpreted the Orange Revolution in Ukraine as a product of external, Western, political manipulation and a geopolitical loss to Russia. This lack of understanding of the popular momentum behind Viktor Yushchenko is a core problem in Russian-Ukrainian relations. But by 2006 Russia had grown confident that Yushchenko’s continuing political weakness (his problems in forming a government; the efforts by the Party of the Regions and the Rada to appropriate his authority to shape foreign policy) would result in greater Ukrainian compliance in bilateral Russian-Ukrainian negotiations. Russia also expects that divisions over foreign policy in Kiev will shelve further movement by Ukraine towards NATO. Moscow still hopes for special and in some way privileged relations with Kiev and does not accept Ukraine as part of a “shared neighbourhood” with the EU (so this term was replaced by that of “regions adjacent” in the EU-Russia Common Spaces documents).

21. Russia’s declared goal is for a “Greater Europe” that combines the EU and Russia. Despite this diplomatic rhetoric the Putin leadership regards the EU as a revisionist power seeking to define its new eastern and southeastern neighbourhood at the expense of Russia’s traditional sphere of influence. But it is important that the EU continues to develop its New Neighbourhood Policy, which can alter the context around Russia and foster positive linkages between the EU and countries like Ukraine, Georgia and Moldova. This should not be downgraded if Russia and the EU increasingly have different interpretations of events in Europe, such as in Belarus or Kosovo.

Prospects for Russia’s relations with the enlarged NATO and with the Shanghai Cooperation Organisation

22. The 2004 enlargement of NATO resulted in new Russian anxieties. However, the NATO-Russia Council (NRC), formed in May 2002 escaped broader Russian censure of NATO activities and became established as a channel for security dialogue. Russia sought pragmatic, instrumental cooperation with NATO and had no interest in any integration with NATO structures which could constrain its internal policies or ability to develop its own strategic goals. Indeed a key issue for Russia has been that the NRC, unlike the EU, does not discuss the domestic affairs or political values of its partners.

23. Russia has rejected the option of developing an Individual Partnership Action Plan (IPAP) with NATO—IPAPs build an agenda of democratic transformation into the relationship with NATO. However, the new Central and East European members of NATO expect this kind of transformation agenda to remain a litmus test of any in-depth NATO engagement with Russia. These new NATO members in particular are
averse to Russia’s claim that it deserves a special, privileged relationship with NATO based on its specific circumstances and regardless of its domestic policies. This view has only been reinforced as Russian relations with Poland and Estonia have deteriorated.

24. The NRC has been discussing a wide field of areas for cooperation; much of this is categorised under the broad tasks of combating terrorism. But for several reasons it appears increasingly difficult to translate the NRC dialogue so far into concrete joint projects beyond rather low profile exercises for military interoperability and maritime cooperation to protect against terrorism (Operation Active Endeavour).

25. First, significant further progress in some fields, such as defence sector reform or planning a possible joint NATO-Russia peacekeeping operation, is difficult to envisage without changes in Russian military culture and attitudes on the use of military force. These need to be rooted in greater pluralism and accountability in domestic politics, rather than the current Russian policy of reinforcing “statism”. There also continues to be great suspicion of NATO among senior Russian officials.

26. Second, the whole NRC agenda is threatened by “spoilers” in the larger Russian relationship with the Alliance and its leading states. These arise from the NATO presence and Russian conduct in post-Soviet geographic zones, especially Ukraine and the South Caucasus, from efforts to curtail Iran’s nuclear programme, and from Russia’s reaction to US plans for ABM installations in Europe.

27. Thirdly, in March 2007 Russian leaders called on the US to accept full equality in threat analysis and decision making, and have renewed their calls for NATO to function just as a collective security organisation. These demands are unrealistic. They have been followed by Putin’s announcement that Russia would no longer be bound by the Conventional Forces in Europe (CFE) Treaty. Russia thereby is also withdrawing from the military inspection regime linked to the CFE Treaty. This is likely to further undermine trust and transparency in Russian security relations with NATO. It is also likely that in the lead up to the 2008 Russian presidential election Russian criticism of NATO will be used to bolster “patriotic” credentials.

28. Some Russian nationalists have suggested that Russia should shift from its unsatisfactory relationship with NATO to greater “Eurasian” cooperation with China through the Shanghai Cooperation Organisation (SCO) and use the SCO as a putative counterweight to NATO. However, this kind of geopolitical balancing is not formally part of Russian policy. Moscow realises that China is more of the driving force behind the SCO than Russia and that neither China nor most Central Asian SCO member states wish to present the SCO as an unabashed anti-NATO or anti-US bloc.

29. For Russia the SCO remains principally an instrument to engage China in Central Asian security management, as a junior partner in this region, in a non-threatening way. This enables cooperation with China over mutually identified transnational threats, such as Islamic radicalism, but the SCO also offers Russia some opportunities for regional balancing in Central Asia to constrain the local security presence of the US. But Russia would prefer to use the Collective Security Treaty Organisation (which excludes China) for most aspects of security coordination with Central Asian states.

30. A certain amount of Russian international posturing, presenting the full range SCO member and observer states as a grouping for Western states to reckon with, can be expected. But it is unlikely that the SCO will develop into a mutual defence or even a real collective security organisation. It has failed to identify clear, consistent priorities that result in projects that are implemented, or example in the trade or energy fields. This may happen if Chinese funding for the SCO is boosted, but as a medium-term not short-term prospect.

Dr Roy Allison
May 2007

Written evidence submitted by Dr Alex Pravda, Souede-Salameno Fellow, St Antony’s College, University of Oxford

1. This year has seen Russian foreign policy enter a new, more confident and assertive phase. The strident tone of president Putin’s criticism of the West owes something to a concern to appeal to voters in the upcoming parliamentary elections, especially those who might support nationalist parties. The increasingly critical and defiant thrust of his statements, from the Munich conference speech in February to the Victory Day address in May, reflects a re-appraisal of Russia’s position and role in a fast-changing international order. The contours of this re-assessment emerge clearly from a recent major review of Russia’s foreign policy produced by the Ministry of Foreign Affairs. While the Ministry does not play a decisive role in shaping foreign policy—that belongs to the Kremlin—the review it has assembled is the most comprehensive and authoritative in recent years.

2. Moscow sees a decisive shift underway in the global balance of “resources of influence”, a term reminiscent of the Soviet concept of “the correlation of forces”. This balance is seen as shifting from US and Western dominance towards a more diversified distribution that favours Russia. Rather than merely lamenting the dangers of US dominance and stressing the advantages of multipolarity, Russian officials now assert the collapse of US-led unipolarity as a fact. As Putin declared in his Munich speech, unipolarity is
“not only unacceptable but also impossible”. The Russian policy elite contend that Iraq has exploded the myth of American dominance and see the EU as strained by rapid expansion. At the same time, Russia is one of a group of states, the BRICs, rising to a new global prominence, fuelled by rapid economic growth. Moscow sees itself together with its fellow ascendant powers as new poles of the modern multipolar world.

3. Moscow talks with confident ambition about the need for Russia to be “an active world power”. Rather than responding to Western moves, as has been its tendency for most of the post-Soviet period, Moscow wants to play a more proactive part in setting the international agenda. Russia sees itself as an independent and competitive actor in both regional and global arenas.

Within the CIS (Commonwealth of Independent States), Moscow seems bent on establishing regional hegemony; in the words of one Russian analyst, it wants to be the centre of the solar system of the former Soviet space. Moscow has certainly shown increasing consistency and resolution in pursuing influence over strategic areas, particularly in Central Asia. It has done so mainly through bilateral agreements with key states in the region. To increase its regional leverage Moscow has also promoted multilateral structures, such as the Shanghai Cooperation Organisation (SCO), which Russia heads jointly with China. Modest in terms of actual cooperation on the ground, the SCO has proved remarkably useful as a framework for discussion about regional security issues and as a platform for Russia’s efforts to carve out a more prominent global profile.

In order to play such a role, Moscow continues to highlight the importance of active involvement in key international organisations, especially the UN and the G8. Its understanding of these bodies remains rooted in a notion of the international system as best managed by a Concert of Great Powers. Moscow remains eager to be a full member of such a Concert. However, rather than asking, as in the past, for Western recognition of equal status in G8 and other clubs, Moscow is now more confident of participating on its own terms, as viable competitor rather than accommodating supplicant.

4. Energy wealth fuels much of Russia’s recent general confidence and its regional and global ambitions. Rocketing prices and fast-growing demand have persuaded Moscow that oil and gas are the key means by which to realise its foreign policy ends in an international system increasingly shaped by geo-economics. There are some signs of what may be called foreign policy Dutch disease. The Kremlin seems to overestimate the capacity of energy policy in managing relations with neighbouring states and trying to boost Russia’s international weight. Using coercive energy diplomacy may have succeeded in extracting higher revenues from neighbours which Moscow thinks have too long enjoyed subsidised prices. But such leverage does not always bring the kind of longer-term political regional influence the Kremlin would like to achieve. It can also encourage efforts to diversify sources of supply.

The coercive use of energy within the former Soviet space has also had a negative impact on Russia’s image as a reliable supplier in a wider context. Moscow apparently assumed that all would understand that the ways in which it pressurised neighbours had no bearing on Russia’s energy policy in the West, and particularly in Europe. Such assumptions proved ill-founded; coercive diplomacy within the CIS spilled over and weakened Russia’s credibility as a dependable economic (and political) partner. But it is not clear that Moscow has learned the lesson; its new confidence borders on arrogant assumption that the West will go on doing business with Russia for reasons of expediency. There is a certain energy-fuelled arrogance, too, in current moves by Moscow to develop a kind of gas OPEC, a venture that seems both organisationally impractical and politically risky.

Most importantly, Russian reliance on energy as its main resource of influence rests on shaky foundations, given the likely slowdown or even fall in world energy prices over the next few years. And even with additional supplies from Central Asia, Moscow will find it extremely difficult to sustain energy exports while also meeting growing domestic demand. Any significant increase in production will require very large inputs of investment and technology.

5. Military security figures importantly in Russian thinking, notwithstanding the preoccupation with energy. The Putin administration has recently made serious commitments to invest in long-neglected military capabilities. Awareness that it is militarily weak helps to explains Moscow’s sensitivity to the modernisation of the US nuclear arsenal and, especially, the development of defensive systems. Moscow sees their deployment in Eastern Europe, alongside an extending NATO infrastructure, as evidence of American military expansionism. Russian protests reflect real concern about an expansive strategy that could impinge on and eventually embrace Georgia and Ukraine. Rather than merely protesting in typical post-Soviet fashion, a more confident Moscow has underlined its dissatisfaction by suspending compliance with the CFE (Conventional Forces in Europe) treaty and hinting at withdrawal from the treaty on Intermediate Nuclear Forces.

Largely symbolic, such moves signal both the seriousness with which Moscow takes these issues and its wish to avoid open rifts with the West. The way forward is closer, more regular and more timely use of existing consultative channels at the military and political level. This could reduce the misperceptions that feed Moscow’s suspicions of US/NATO plans.

6. Moscow also views with suspicion Western concerns about Russia’s internal political development, especially the growing constraints on democratic freedoms. It is this area that has seen the steepest rise in Russian assertiveness. Instead of its earlier defensiveness, Moscow now counters with objections to what it calls interference in Russia’s internal affairs. The OSCE has come under ever heavier fire as a vehicle for
Western interests. A more confident Moscow has issued defiant statements about the sovereign nature of its version of democracy. The Kremlin says less about shared values and more about the right of all states to safeguard cultural and political sovereignty; this stance reinforces Russia’s alignments with partners such as China and the states of Central Asia. Strained exchanges with the West over democratic values have contributed to the general deterioration in the climate of relations.

Voicing loud public concern about the general direction of Russia’s political development only seems to produce more stubborn defiance from the Kremlin. This mood of defiance makes Moscow less prepared to respond constructively to specific Western concerns about violations of human and democratic rights. Nor does a “diplomatic” dual approach of public restraint and private complaint necessarily yield dividends. The gap between the two positions feeds Moscow’s suspicions about the West’s instrumental approach to these matters; failure to follow through on private warnings undermines credibility.

The most promising way forward is to focus on specific violations of rights to which Moscow has signed up, and to be firm and consistent in responding to continued infringement. The West should highlight not so much the normative superiority of international acceptable values and standards as their practical benefits for Russia—in running its own affairs and especially in realising its ambitions to be taken seriously as a responsible global actor.

7. The recent cooling in relations between Russia and the European Union owes something to two strands of thinking in Moscow. First, the difficulty Moscow has in coming to terms with the growing influence of the new East European member states on EU policy towards Russia. If Moscow finds it irritating that Poland can obstruct progress in relations, it is doubly exasperated by Tallinn’s ability to defy Russia: as a small state and, in Moscow’s eyes, as one infected by an “anti-Russian virus”.

The second strand in Russian thinking complements the first: conviction that the way in which to deal with the EU is through bilateral relations with the large states of Old Europe. Moscow is frustrated at not being able always to resolve problems with Brussels through Berlin and Paris. At the same time, Moscow is encouraged to persist with bilateralism by the disunity it sees within EU ranks. And Russia has been more active recently in trying to capitalise on differences within the Union, particularly on issues of security.

Brussels should continue to impress on Moscow that Russia cannot by-pass the New Europe by dealing bilaterally with some leaders of the Old. Presenting a firm and united front is clearly the most effective way of driving home this message. At the same time, Brussels should do all it can to discourage governments in Eastern Europe from pressing a militant nationalist line towards Moscow.

To move the overall relationship with Russia forward, the EU might profitably pursue a two-track strategy. Brussels should persist in trying to build stronger working relations with Moscow in areas of potential practical cooperation, such as combating terrorism. In the realm of energy, the EU should continue to insist on reciprocity as far as the rules of doing business are concerned; and it should do so with a confidence that reflects its strong market position.

Because negotiating cooperation of this kind can easily become mired in bureaucratic process, Brussels would do well to set this within the context of a wider vision of the developing relationship. This does not have to take the form of any grand treaty to replace the current agreement. But given the uncertainty on both sides about the long-term perspectives, it would be helpful to pay more attention to the vexed questions of where Brussels and Moscow envisage the relationship going. If nothing else, a process of systematic consultation on aims and perspectives could reduce nervousness in Brussels about Russia’s flexing of post-imperial muscles and anxiety in Moscow about EU quasi-imperial expansion.

8. Relations with the United Kingdom are going through particularly difficult times. Moscow has complained of British “messianic” criticism of Russian democracy; it has also berated London for granting political asylum to key émigrés. The singling out of the UK as the outlier in Russia’s relations with Old Europe is due in part to London’s alignment with the New European states. It also reflects the fact that Moscow sees Britain as very close to the US yet of little use as a source of influence on Washington.

Much of the recent tension between Moscow and London has remained at the rhetorical political level; practical cooperation still continues in many areas.

London should concentrate on developing relations with Moscow through Brussels rather than play to the Kremlin’s preference for bilateralism. The UK should continue to take a firm line on violations of democratic and human rights within Russia, combining a consistent stand on general principle with effective follow-through on specific infringements.

London should capitalise on its outstanding commercial know-how, especially in the financial sector to press the pragmatic case for the observance of norms and rules—as vital for the successful conduct of business within Russia and especially between Moscow and international partners.
The case for internationally acceptable rules should be made not only through high-level political channels. More effective in the long term is the encouragement and diffusion of best practice through developing contacts among British and Russian business leaders in medium and small enterprises as well as in the large corporations.

*Dr Alex Pravada*

30 May 2007

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**The Current Position**

1. The EU-Russia summit at Samara on 18 May failed to resolve any of the major issues currently causing serious tensions in the relationship and inevitably led to pessimistic media comment about a “crisis”. However, as President Putin, Chancellor Merkel and Commission President Barroso were all keen to stress at the joint press conference after the meeting, there is no question of a formal breakdown in relations between the EU and Russia; both parties remain committed to creating a “strategic partnership” and work will continue at both ministerial level (in the Permanent Partnership Councils) and in the numerous working groups and committees on the wide range of specific issues already on the common spaces agenda.

2. One of the strongest reasons for believing that up to a point it will be “business as usual” is the high degree of economic interdependence that was stressed by both President Putin and President Barroso: since enlargement, the EU accounts for 52% of Russia’s trade and is the largest source of FDI, while Russia has become the EU’s third most important trading partner (after the US and China). This interdependence is true also in relation to the energy sector, with Russia at least in the short to medium term as dependent on EU markets as the EU is on Russian supplies of gas and oil.

3. However, the failure to open negotiations on a successor to the PCA which expires in December 2007 will inevitably have negative consequences in that it casts a dark political shadow over all other aspects of the relationship; it is extremely unlikely that any major steps forward in translating the rhetoric of the common spaces road maps into practice will be possible until it has been resolved and the prospects for constructive cooperation on international issues such as Iran, Kosovo and climate change are diminished.

**The Background to the Current Difficulties and the Policy Implications**

The impact of enlargement

4. Much has been made in the media coverage of the current difficulties of the role played by the new member states, especially Poland, Estonia and Lithuania. Poland continues to veto the opening of the negotiations on a successor to the PCA until Russia lifts its ban on imports of Polish meat. Even if that issue is resolved, the Lithuanian Government is reported to be willing to veto the treaty negotiations in protest at Russia’s suspension of oil deliveries to the Mazeikiu refinery. The summit itself was overshadowed by the EU’s deep concern at the reaction in Russia (including an unproven but very damaging cyber-attack on official web-sites) to the Estonian Government’s decision to relocate a highly sensitive WWII memorial, while the Russian authorities alleged that a protestor in Tallinn had been deliberately allowed to die.

5. There is no doubt that the enlargement of the EU in 2004 and 2007 to include ten former Eastern Bloc countries has had a mixed impact on the EU-Russia relationship. On the one hand, it has increased its importance for both parties with higher levels of trade and a longer common border with obvious incentives for greater cooperation to resolve practical issues. On the other hand, most of the new member states, unsurprisingly with their bitter historical legacies, have a difficult relationship with Russia and their accession has meant that bilateral issues inevitably have become those of the Union.

6. In a European Parliament resolution on 8 May and at the summit press conference at Samara on 14 May, the importance of demonstrating solidarity with those member states currently experiencing difficulties in their bilateral relations with Russia was stressed. It is undoubtedly right not to allow Russia to use the “divide and rule” tactics which has so often in the past undermined the EU’s collective negotiating credibility. However, there may be a case for considering how diplomatic influence can perhaps be exercised to persuade some of the more volatile new member states that their interests, as well as those of the EU as a whole, might better be served by a little more circumspection in relation to issues known to be highly sensitive in Russia.

7. One area where this might be particularly helpful is in relation to the rights of the Russian-speaking minorities in Estonia and Latvia. The continuous complaint that the Copenhagen criteria for EU membership were not strictly adhered to has allowed the Russians to accuse the EU of “double standards” whenever human rights issues are raised and weakened the EU’s normative credentials in Russian public opinion.
A widening gap on “shared norms and values”

8. The most intractable problems in the EU-Russia relationship centre on issues concerning democratic norms and values. The gap between western concepts of democracy and the practice under President Putin’s “sovereign democracy” has widened significantly in recent years. It is clear that Russia has not followed the path of political transition that we had hoped for and on which EU policy had been predicated. The key question therefore is the extent to which that policy needs to be reconsidered.

9. It has been rather belatedly recognised in Brussels that because Russia has no current ambitions for accession, and no great need for aid, the EU has far less potential leverage over her domestic political development than has been the case with respect to candidate countries. The fact that would-be protestors were blatantly obstructed from travelling to Samara despite knowing that the world press was watching illustrated the Kremlin’s complete lack of concern about facing public criticism from EU leaders.

10. It may be tempting to conclude that we should adopt a purely pragmatic/realist approach and drop the normative agenda. However, to do so would inevitably mean lowering our aspirations for a strategic partnership as the kind of “deep” integration envisaged by the four common spaces concept clearly depends on mutual respect for the rule of law and democratic norms and values. It is also quite clear that no new agreement would ever receive the EP’s assent unless it contained a firm commitment to shared values—and indeed that would probably also be true for ratification by most national parliaments. It is also important not to send out negative or cynical signals to the small but courageous democracy movement in Russia that, for example, the EU values uninterrupted gas supplies more than human rights.

11. Rather than abandoning the normative agenda, the EU needs to adopt a more effective strategy than ritualistically lecturing the Russian leadership about its democratic failings or passing EP resolutions condemning violations of human rights. There have been some encouraging reports about the potential usefulness of the twice-yearly EU-Russia human rights dialogues that enable a frank exchange of views out of the glare of the media. But ultimately the EU has to accept that democratisation can only come from the people of Russia. It may therefore be more useful to widen the opportunities for ordinary Russians to inter-act with their fellow European counterparts through providing financial support for exchanges across as broad a cross-section of society as possible.

The wider context: a general deterioration of relations between Russia and the West.

12. It is important to remember that when EU and Russian leaders meet, inevitably issues beyond the purely EU agenda influence the atmosphere and implicitly, even if not explicitly, there are linkages. The current difficulties therefore need to be understood in the context of a dramatic deterioration in the state of relations between Russia and the West more generally, and the US in particular.

13. President Putin in his speech to the Munich Conference on Security Policy in February 2007 catalogued a long list of grievances, including a rejection of the post-Cold War order the US has sought to establish, disillusionment with the Treaty on Conventional Armed Forces in Europe and the operation of the OSCE, fervent opposition to the proposed installation of US missile defence systems in the Czech Republic and Poland and outrage at the expected move to recognise independence for Kosovo. All of these issues impinge negatively on the EU-Russia relationship and have contributed to what Trade Commissioner Peter Mandelson in a speech in Bologna on 20 April described as “a level of misunderstanding or even mistrust we have not seen since the end of the Cold War.”

Prospects for the future

14. Under Article 106 of the PCA, the existing agreement will be automatically extended annually unless either party decides to terminate it. Both Russia and the EU have indicated their intention to extend it so there is no immediate problem although the failure even to open negotiations on a new agreement will create a rather negative atmosphere.

15. It seems reasonable to presume that Russia is not over concerned or it would have been willing to lift the ban on Polish meat after reassurances from the Commission that it had thoroughly investigated the allegations of irregularity. Russia is entering a prolonged pre-election period during which appealing to domestic public opinion is likely to be at a premium and President Putin’s “tough” line with the West plays well in the Russian media. The expectation must be that over the next nine months he is going to be even more uncompromising so the prospect for a significant improvement in relations is not good. Uncertainty over the identity and political orientation of his successor also makes it difficult to envisage any real progress in the negotiations on a new treaty, even if they are formally opened, until after the March election.

16. There are well-founded fears that in the run-up to the Duma elections in December this year and presidential elections in March 2008, questions concerning the freedom of the media and the role of NGOs and opposition parties, if not actual electoral malpractices, will lead to heightened tensions between the EU and Russia and cloud at least the next two EU-Russia summits.

17. Internal factors within the EU are also not expected to be particularly conducive to a breakthrough in EU-Russian relations. The new IGC to negotiate a replacement for the Constitutional Treaty will be the main priority for the next six months and then next year the planned reform of the budget will dominate the
agenda. The next two EU presidencies (Portugal and Slovenia) are also known to have other priorities and there is a real sense of lost opportunity after the disappointments of the Finnish and German presidencies, for whom the new agreement with Russia was a key goal. Hopes will now be pinned on the French presidency in the second half of 2008 and President Sarkozy might perhaps rise to the challenge.

18. The current official preference of both the Russians and the EU is for a comprehensive multi-sectoral agreement covering not only general principles and objectives but also detailed provisions for the implementation of the four spaces, including a substantial sector on energy. But this may not be a very realistic strategy. It would require reaching agreement on all sectors before any can be activated which inevitably will mean unnecessary delays in areas where agreement may be easier to reach than in others. Negotiations between the 27 EU member states to reach a common negotiating position on each issue are likely to be extremely protracted and ratification will always be a hostage to the veto of one national parliament. It may be more practical to aim for a shorter document establishing the key principles and objectives for a strategic partnership and the institutional and decision-making procedures and then negotiate separate sectoral agreements if and when conditions are right. It may be helpful to recall that the EU does not have an over-arching bilateral treaty with the US or indeed with other major states such as India or Japan.

How best to promote the UK’s interests?

19. The UK’s bilateral relations with Russia are particularly strained at the moment over the murder investigation of Alexander Litvinenko and Russia’s demand for Boris Berezovsky’s extradition. It is therefore in the UK’s interest to press for a strong and united EU policy on Russia and greater discipline with respect to “speaking with one voice” in line with the positions agreed by the GAERC each year on key issues on the EU-Russia agenda. This is particularly the case as there is always the danger that other member states will strike bilateral deals with Russia which might not accord with British interests.

20. It may be desirable to use our diplomatic influence in the new member states, balancing reassurance of our support for them in the face of Russian bullying tactics with efforts to temper some of the more populist instincts to bash the Russian bear’s nose from the security of EU and NATO membership.

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May 2007
Wednesday 16 May 2007

Members present:

Rt Hon Sir John Stanley (in the Chair)
Mr Fabian Hamilton
Andrew Mackinlay
Rt Hon Mr David Heathcoat-Amory
Mr Malcolm Moss
Mr John Horam
Sandra Osborne
Mr Eric Illsley
Mr Ken Purchase
Mr Paul Keetch
Ms Gisela Stuart

Written evidence submitted by the Conflict Studies Research Centre
Advanced Research and Assessment Group
UK Defence Academy

The Conflict Studies Research Centre’s remit is to analyse and give early warning of the potential for conflict and its likely nature, in order to further understanding of the military-political environment. Its research is conducted from open sources, and the views expressed in this paper do not reflect official thinking or the policy either of Her Majesty’s Government or of the Ministry of Defence. Some of its recent papers have been referenced in this document: publications are available at http://www.defac.ac.uk/colleges/csrc/

SUMMARY OF MAIN POINTS

— The image of the West in Russia is radically different from that which the West seeks to project.
— Similarly, Russian responses to Western initiatives have been misinterpreted.
— A comprehensive reassessment of Western thinking about Russia is therefore needed.
— Russia’s newly assertive foreign policy highlights the primacy of the United Nations and the dangers of US hegemony.
— At the same time Russia seeks to develop alternative international groupings, seeing itself as an Eurasian power as well as a European one.
— To this end Russia is prepared to exert leverage when it perceives advantage in doing so, particularly through economic means in Europe and the former Soviet states.
— This domestic popularity of this policy strengthens the Kremlin’s incentives to pursue it.
— Over the short-to-mid term, it will prove difficult to persuade Russia that this approach needs adjustment, because of:
  — the dynamics of the succession process;
  — the lessons drawn from “coloured revolutions” and their apparent failure;
  — the illusions of energy dominance.

INTRODUCTION

1. It is our view that a reassessment of Western thinking about Russia is overdue. Until recently, its dominant motif was partnership. It needs to be replaced by a motif of realism. Realism is not the same as pessimism. It rests on a mature understanding of differences between Russian interests and our own, as well as a dispassionate acceptance of differences of political culture and values. Only by adopting a prudent set of expectations and hopes will we succeed in overcoming misunderstanding, limiting tension and identifying areas where we can cooperate to mutual advantage.

2. This reassessment should not be hindered by fears of reviving the Cold War. The Cold War was an ideological confrontation. Russian policy under Putin has been emphatically unideological and “pragmatic”: motivated by “the strict promotion of Russian national interests” in cooperation with any country—be it liberal, authoritarian or despotical—which can advance these interests. Seen through Russian eyes, it is the West which is ideological: evangelical, even aggressive, in promoting democracy and wont to pronounce upon and intervene in other countries’ internal affairs. The Cold War was also a militarised confrontation. Today, the “military instrument” in Russian policy, albeit present, has taken a back seat to the economic instrument. The Kremlin unabashedly regards trade, investment and energy supply as means of securing political influence as well as profit. The degree of economic interdependence and the intensity of economic interaction that exists between Russia and Europe constitutes a powerful impediment to the revival of Cold War thinking and practice. Finally, the Cold War was a global confrontation. Today, Russia
does not seek recognition as a global superpower, but as a regional great power. Even outside its declared “zone of special interests”—the newly independent states of the former Soviet Union—its ambitions are limited, although (as we can see in Iran, Iraq, Sudan and Kosovo) its policies may often be at variance with our own. Despite the uncertainties and potential hazards of the presidential succession process, there are sound reasons to hope that these post-Cold War realities will remain.

3. Nevertheless, we should not be complacent about the more prosaic reality confronting us: a disagreeable relationship. There has been a process of disillusionment on both sides, and it is important to understand the sources of this disenchantment before considering what lies ahead.

4. First, the post-Cold War partnership was established during a time of profound disorientation in Russia. The collapse of the Soviet Union was not a simple “triumph of democracy”, but in equal or greater part, the product of economic disintegration and national revival, Russian and non-Russian. After 1991, Russians had to adjust to the collapse of the political system, the economic system, the defence and security system and the state itself. Those briefly at the helm of policy (eg, Foreign Minister Andrey Kozyrev, Acting Prime Minister Yegor Gaidar and, initially, Boris Yeltsin himself) had extravagant expectations about the willingness and capacity of the West to cooperate with Russia on an equal basis, to incorporate Russia into the West’s economic and security organisations and legitimise Russia’s primacy in the former Soviet republics. In practice, the West’s far more modest terms and rules of partnership were accepted out of weakness. By the mid-1990s, this weakness had compromised these “romantics” in the eyes of the wider Russian policy elite and a large part of the country’s population.

5. Second, this elite did not represent, in ethos or composition, a clear break from the Soviet elite. Unlike Germany in 1945, Russia had neither been defeated and occupied, nor had its institutions been overhauled by foreign authorities and administrators. Unlike, for example, Poland and Estonia in 1989–91, there was no counter-elite in the wings and no civic culture underpinning it. Instead, a combination of the most adaptable and the most opportunistic manoeuvred for wealth and power, which in these Darwinian conditions soon became synonymous. Therefore, the comparison drawn by some at the time between Yeltsin’s Russia and Adenauer’s Germany was misconceived on two counts. It overlooked the tenacity of power networks, the legacy of weak civic instincts and the prevalence of strong habits of mind: deference to authority, disregard for the feelings of juniors, subordinates and ordinary people, manipulation of outsiders, cultural insecurity and national ambition. The comparison also bred unfounded hopes that the brutalising dislocations of post-Soviet Russia would prove to be “birth pangs of democracy” rather than a process that would discredit it.

6. Third, and for these very reasons, the basis of a new consensus in foreign policy emerged well before Putin came to power. When in February 1993 President Yeltsin called upon the UN and other international bodies to “grant Russia special powers as guarantor of peace and stability” in the former Soviet Union, he anticipated that the call would be taken up by his Western partners. Yet by April 1994, he was warning the Foreign Intelligence Service that “ideological confrontation is being replaced by a struggle for spheres of influence in geopolitics”. In October 1994 he warned the OSCE that NATO enlargement would lead to a “cold peace” in Europe. Our ability to overcome these obstacles to our satisfaction made it easy for some to conclude that we had overcome them to mutual satisfaction. They had confused Russian weakness and acquiescence with consent and agreement. They had (in the words of a Russian parliamentarian to the House of Commons Defence Committee in 1999) given insufficient thought to the consequences of the “moral humiliation of a major state”.

7. The advent of President Putin, his broad popularity and the legitimacy of his brand of “managed democracy” need to be understood against this backdrop. In social terms, Putin represents the coming of age of a new post-Soviet class: moneyed, self-confident, impressed by the virtues of a strong state, uncowed by the West and totally without nostalgia for Communism. In political terms, Putin represents the revival of the state. Under Yeltsin, Russia functioned less as a state than as an arena upon which powerful interests competed for power and wealth, often at Russia’s expense. Under Putin, centres of power—the security services, the armed forces, the defence-industrial complex, the energy sector—have become instruments of national power: the first of these,reshaped but with an institutional dominance not seen in decades; the latter, after a spell of privatisation under Yeltsin, largely resubordinated to state control or management.

8. There was also a concerted attempt to ensure that policy “conform[ed] with the general capabilities and resources of this country” [Sergey Ivanov in 2000]. Where capabilities and resources were weak (as they then were in comparison with the West), the leadership sought new openings and common ground; where they were strong (as in Ukraine), policy became, in the words of its Kremlin adherents, “cold”, “harsh” and “much tougher”.

9. The radical breakthrough in relations following the events of 9/11 was as brief as it was because it reflected both sides of this Russian policy. President Putin immediately grasped that the tragedy in New York and Washington had changed the coordinates of world politics, and he rose to the occasion. But whereas Western governments viewed these changes with foreboding, he viewed them as an opportunity. It was the West that now needed Russia. Confident that this was so, Putin prevailed against internal opposition over the stationing of US military forces in Central Asia: both in order to demonstrate Russia’s value but also in the calculation that a US dominated Afghanistan would pose fewer problems for Russia’s security than a Taliban dominated Afghanistan and the spread of Islamic radicalism in Central Asia. Putin resumed co-operation with NATO (whilst maintaining “principled” opposition to NATO enlargement), and warmly
embraced Prime Minister Blair’s initiative to establish what became the NATO-Russia Council. Yet in exchange, he anticipated major political trade-offs. With fair justification, he assumed that the new partnership would unite his hands against “Islamic extremism” in the north Caucasus, which was juridically part of Russia. With less justification, he assumed that the West would acquiesce in Russia’s dominance over newly independent states, which were not. He also assumed that by conceding Russia’s “right” to its own policy in Iraq and Iran, the West could not object to this policy or ask how it furthered partnership. By late 2003, a fresh round of recriminations and disillusionment was under way.

10. If these cycles of disillusionment are to end, then so must the illusions that fuel them.

(a) Russian Democracy. It goes without saying that the internal evolution of Russia and its political culture will play a large part in defining the “art of the possible” in our relationship. But the art of the possible lies in judging where we can and cannot be effective. In countries which have set their sights on NATO and/or EU membership, internal affairs have a legitimate place in our discourse, and this is accepted by our official interlocutors in the western Balkans, Ukraine and Georgia. But in Putin’s Russia, where no such goals have been declared, no such legitimacy is conceded, and such discourse arouses resentment. That resentment is felt by a convincing majority of ordinary people, a large part of whom perceive that our partnership with Yeltsin’s regime was a partnership with those who had ruined their lives. The fact that much critical Western commentary coincides with Russia’s recovery when incomes are growing and pensions paid—has a counterproductive effect: it persuades Russians that we simply prefer their country’s weakness to its strength. Therefore it would be unwise to “continue to assume that if [we] speak loudly and insistently, Russia will heed [us] and change its ways”. [Dmitri Trenin, Foreign Affairs, July/August 2006]. Speaking “loudly and insistently” is counterproductive in a second respect. It diminishes our credibility where it is needed most: in questioning and, where necessary, opposing Russia’s external policy in areas that bear upon our legitimate interests: relations with newly independent states, energy security, nuclear proliferation, anti-missile defence and arms control. If we blur the issues, so will Russia.

(b) The culture of security. With difficulty but conviction, the EU and NATO have replaced a Cold War view of European security with a post-Cold War view, emphasising “common security” and an extensive post-modern agenda of common challenges, including: state weakness, institutional incapacity, interdependence, integration and devolution, multi-culturalism, illegal migration and transnational organised crime. Russia, in contrast, has replaced a Cold War view with a pre-Cold War (ie pre-1914) view of security, based on the “balance of power”, great power prerogatives, “zones of influence” and geopolitics. Its traditional emphasis on nation, state and power sits uneasily alongside a European Union committed (at least rhetorically) to “moving beyond” these defining features of the modern world. In this schéma, President Putin’s distinctive innovation has been the transmutation of geopolitics into geo-economics: the use of economic levers for political as well as financial gain. Whilst Russians are careful to stress the purely economic side of this equation with their Western interlocutors, in the post-Soviet “near abroad”: the politics of energy and trade is unabashed and harsh. More than once, Georgia’s government has been told that if it reconsiders its relationship with NATO, it will pay one price for energy but that if it continues on the path to membership, it will pay another. In essence, the West and Russia inhabit different coordinates of time. Were Disraeli and Bismarck still in power in Europe, many Russians would understand us better than they do now. We need to reconcile ourselves to the fact that these differences are unlikely to recede soon.

(c) NATO. By planning and programming standards—joint exercises conducted, joint forums established, the volume of meetings and exchanges—NATO-Russia cooperation functions at a high level. But in political and psychological terms, it is at one of its lowest ebbs since the end of the Cold War. The notion that NATO is anything other than a classical military alliance is regarded as risible by Russia’s military establishment. The notion that NATO is not what it used to be—an anti-Russian alliance—is, in Russian eyes, made equally risible by NATO enlargement. NATO’s determination to maintain an “open door” to further enlargement, without excluding Georgia (the back door to Russia’s troubled north Caucasus) or Ukraine (whose capital is regarded as the “mother of Russia”) has clinched the argument across virtually the whole political spectrum. Discussions about the stabilising effects of NATO membership, the benefits to internal security, destruction of surplus weapons and toxic materials, force reductions and professionalisation, the demilitarisation of police and border services, democratic control of the security sector and the right of independent states to choose their own models and partners are worthy but fall on deaf ears. Since the mid-1990s, the premise of Russian military planning and policy has been that any activity undertaken by NATO near Russian territory is a threat to Russia. Within recent months, that sentiment seems to have grown rather than diminished, and appears to shed at least some light on several recent developments:

(i) The discernable rise in official as well as covert Russian activity against NATO interests in Ukraine. Last summer’s dramatic protest against the UK-Ukraine PfP exercise “Sea Breeze”—which had taken place in Crimea without controversy over the past 10 years—unfolded according to the classic template of Soviet style Cold War “active measures” campaigns, with apparent input from Russian special services. The protest, which appeared to benefit from
intelligence and prior planning, was adroitly inflated by the Russian dominated mass media into a far larger event than actually took place. It arrived at the high point of other Russian efforts to exploit the very real shortcomings of Yushchenko’s pro-NATO presidency and equally evident divisions of “orange” forces on the eve of a new (but soon to be aborted) pact of unity.

(ii) The astonishingly destructive and systematic rioting in Tallinn (and attacks on diplomatic personnel in Moscow) following the government’s relocation of the Red Army monument. Evidence linking Russian special services and active measures professionals to these events is growing. Like the episode in Crimea, the protests coalesced around a symbolic event, well publicised in advance, that could be expected to mobilise people with real divisions and grievances. One motif of Russian internal propaganda during these protests has been that when Russia decides to act, NATO is powerless.

(d) The campaign against the basing of 10 missile interceptors in Poland and a tracking radar in the Czech Republic as part of the US Global Integrated Missile Defence programme. Despite years of joint modelling and exercises on missile defence under the NATO-Russia Council, two full briefings on the deployment, in-depth technical expertise, Russian specialists’ knowledge of the physics and geography of the deployment, an increasingly strong relationship between US and Russian missile defence professionals and invitations to participate in the programme itself, the Kremlin has plainly decided to treat any US and NATO explanation as null and void. Russia is concerned that, whatever the current explanation, such bases once established can in future be used to undermine Russian strategic defences. Yet the Russian campaign also fits a political pattern. The immediate announcement following the visit of US Secretary Gates that Russia would suspend observance of the Conventional Forces in Europe (CFE) Treaty was an obvious insult. The campaign astutely exploits the concerns of those who were not so assiduously consulted: the publics and parliaments of NATO members affected by the decision—and the Ukrainian President and MOD, who were initially preparing a negative response until a belated briefing from the US Missile Defence Agency persuaded them to endorse the programme. Moscow is concerned that this system could in the future be used to undermine the potential of Russian strategic forces. The missile programme also provides the long sought excuse to withdraw from the Conventional Forces in Europe Treaty (CFE) and Russia’s obligations under the 1999 Istanbul commitments, and also to threaten withdrawal from the Treaty on Intermediate Nuclear Forces (INF)—while creating uncertainty as to what these steps actually mean, apart from NATO powers losing their knowledge of where Russian forces are, how many there are and the right to carry out challenge inspections. Finally, it plays smartly into the agenda of generals who wish to see missile budgets increased, of Kremlin power brokers who wish to ensure that Putin is replaced by an equally tough successor and other power brokers who want him to stand for a third term.

11. To date, the UK and most of its EU and NATO partners have concluded that if the price of reconciliation with Russia is the acceptance of a new division of Europe, then the price is too high. This is a sound conclusion. A “grand bargain” at the expense of small states would rupture the cohesion of the EU and NATO and undercut the legitimacy of the European project; it would create demoralisation, uncertainty and instability across the Black Sea and Caspian regions; it would also vindicate a Russian paradigm of security that is outmoded, distrusted, damaging to Russia’s neighbours and harmful to every tendency in Russia that we seek to encourage. In answer to the charge that we are isolating Russia, we can reply that Russia is at risk of isolating itself.

12. Nevertheless, we need to weigh the consequences of every action before we take it, and we need to understand the perils of inaction as well. If NATO had been enlarged in 1995 instead of 1999, then Yeltsin’s warning of a ‘cold peace’ might have come to fruition. But if we had failed to enlarge NATO at all—and, by default, conceded to Russia the very veto it sought—the states of the former Warsaw Pact would not form part of the liberal, democratic and relatively secure system that exists in Europe today; they would constitute a domain of anxiety, intrigue and sadness. In today’s world of resource scarcities, insecurities in energy supply and dangerously armed, virulently anti-Western movements and states, we have a major interest in ensuring that the Black Sea region, the Caucasus and the Caspian do not become domains of anxiety, intrigue and sadness. For this reason, we cannot concede to Russia a prerogative to make choices for others. For the same reason, we need to act in ways that stimulate Russians to see their own choices clearly and, in time, realise that the real threats to their security are not altogether different from our own.

13. Over the short-to-mid term, this will prove difficult for the reasons set out in this document. In essence, there are three:

(a) the dynamics of the succession process;

(b) the lessons drawn from “coloured revolutions” and their apparent failure; and

(c) the illusions of energy sufficiency and dominance.

We perceive that the interaction of these factors could make it very difficult to persuade Russia that its approach needs adjustment.
HOW IS RUSSIA GOVERNED?

14. On the basis of an unprecedented concentration of political and economic power; and competition within the Kremlin. Russia has moved from a system where (in Yeltsin’s time) 50% of GDP was controlled by seven relatively independent bankers to one where 33% of GDP is controlled by companies chaired by five senior Kremlin officials. This has resulted in:

(a) The dominance of senior officials with backgrounds in security/intelligence services and “militarised structures”.

(b) Limited transparency: the ability to know what decisions are made, where they are made, by whom and why, a lack of democratic oversight, insufficient checks and balances, little public accountability.

(c) Less flexibility: dysfunctional decision-making with limited feedback mechanisms and strong disincentives to bring bad news.

(d) A multiplicity of inter-sectoral links and rivalries, coupled with weak regulatory institutions; and

(e) hence, multiple, overlapping agendas, very difficult to disentangle.

This pattern of collusion and rivalry not only has adverse effects on foreign countries; it also has adverse effects on Russian interests abroad and at home.

15. President Putin’s successor may struggle for authority over the rest of the elite. Russian experts warn that, during this period, “we should be ready for all sorts of political conduct, including a possible crisis scenario”. Between now and when Putin goes might there be a sharpening of inter-ethnic and communal tensions? Manipulation of disorder to mobilise support behind a strong, “centrist” candidate? Are such scenarios controllable, or will they get out of hand? The risk of tensions is heightened by the weakness of democratic political culture. Most of the middle class appears to believe that authoritarianism is an acceptable price to pay for prosperity, order and international “respect”. National and international human rights monitoring are condoned but not encouraged by the federal authorities.

16. The belief is prevalent that foreign powers (particularly the USA) are giving strong financial backing to pro-western forces in former Soviet states, and thereby bringing to power anti-Russian leaders (the “coloured revolution” syndrome). The Rose Revolution in Georgia of 2003 and the Orange Revolution in Ukraine of 2004 were seen by the Kremlin as US special operations (a view supported by the majority of the Russian population), not the product of civil society. Shortcomings and setbacks in the post-revolutionary order, most visible in Ukraine, merely confirm this dubious perspective. Hence, there arises the belief that Western (particularly US) concern about democratization and human rights is merely a political weapon to expand western influence and to delegitimize both the Russian political system and Russian conduct in the international arena. The Russian leadership appears to believe that foreign powers may attempt to back a coloured revolution in Russia in March 2008, when presidential elections are due to take place. In his State of the Nation address in April 2007, Vladimir Putin stated: “There has been an increasing influx of money from abroad being used to intervene directly in our internal affairs . . . we recall the talk about the civilising role of colonial powers during the colonial era. Today, ‘civilisation’ has been replaced by democratisation, but the aim is the same—to ensure unilateral gains and one’s own advantage, and to pursue one’s own interests.” Paranoia about western subversion has become more pronounced in recent months.

17. The Kremlin cannot afford to be insensitive to public opinion, because it fears it. Most Russians fear disorder and weakness, but also extremism. Therefore, a candidate’s image matters. Although 43% of people have already said they will vote for Putin’s candidate, this will not eliminate elite anxiety about what the electorate think about the anointed successor; hence a continued bias towards electoral manipulation.

18. Putin has received credit for real improvements (eg the steady rise in disposable income), but those will be difficult to sustain given worsening structural problems (endemic crime and corruption, ossified bureaucracy, energy shortages). How will his successor acquire credit? Can he address these problems without attacking powerful elite interests (as Putin previously attacked Yeltsin’s “family”)? Where will his allies come from? Will the country’s now politicised force structures maintain their cohesion during this struggle, or will they divide? Most importantly in terms of UK policy, given these uncertainties, can we assume that Russia maintains its present direction irrespective of how the succession process plays out? None of these questions can be answered today.

19. Like Gorbachev and Yeltsin, Putin came to power confronting foreign policy failure. This created a disposition for flexibility in foreign affairs and a determination to address underlying problems at home. But his successor will inherit at least the appearance of success: in Chechnya, in seeing off coloured revolutions and in using energy to recover lost influence. Misguided as these appearances might be, what are the implications if the new president perceives he is dealing with a divided West, NATO/US failure in Afghanistan and Iraq, systemic crisis in the EU, a more inward looking USA and the end of Euro-Atlantic enlargement?

1 Aleks Arhangelsky, russiprofile.org 1 April 2007
ENERGY SECURITY

20. Much recent speculation has focussed on Russia’s propensity to use its position as an energy supplier and transit country as a point of political leverage. The official Energy Strategy of Russia to 2020 describes Russia’s energy complex as “an instrument for the conduct of internal and external policy” and states that “the role of the country in world energy markets to a large extent determines its geopolitical influence”. Nevertheless, the greater concern to customers should be that Russian energy companies are seeking the quick wins of acquisition of upstream resources in Central Asia and downstream facilities in former Soviet Union/EU rather than making longer-term investments in domestic exploration, exploitation and capacity-building. There are justifiable concerns about the sustainability of Russia’s reserves, and given the murky and chauvinistic business climate in Russia, foreign investment and expertise cannot be relied upon to redress this balance. It is this that leaves Western countries’ energy security vulnerable in the long run, not simply the customer-supplier relationship or company ownership. Russia is possibly over-confident, and certainly inefficient, in declaring its ability to develop new sources of production and solve complex technological problems (eg Liquefied Natural Gas) on its own.

21. Lack of consensus in the EU and our negotiating style and strategy give Moscow much room for manoeuvre in bilateral and multilateral negotiations. Furthermore, Russia’s domestic energy needs are growing much faster than anticipated by the Kremlin. Russia’s natural gas transportation network is ageing and insufficient for sustained exports to all potential customers. Even with widespread domestic conversion from natural gas to coal consumption, as envisaged by the Russian government, Russia will find it increasingly difficult to fulfil all its export obligations without risking discontent at home.

22. Impending shortages of gas even for domestic purposes, let alone export, will continue to increase pressure on former Soviet neighbours and present new risks of supply disruption to the EU. For the same reason, Russia will seek to maintain a stranglehold on Central Asian supplies and transport routes—and will treat diversification schemes with hostility. Gas shortages serve the financial interests of some Kremlin insiders, but damage the interests of others. The Kremlin fears public unrest, but rather than seeking to avert a sudden crisis, repression of public dissent is more likely. The consequences of gas shortages in 2015 may parallel those of bread shortages in 1905.

23. The EU’s March 2007 Action Plan, if implemented, will have far-reaching consequences. It will bring the EU into partnership with countries seeking to develop energy transport routes independent of Russia. They will address the most acute energy security problem faced by several other new member states: energy isolation, brought about by the eastward orientation of pipeline infrastructure and the absence of electricity connections to the rest of the EU. The EU’s national energy “champions” and their supporting governments are beginning to find themselves on the defensive politically and legally. A growing number of regulators and officials are insistent that the EU’s competition rules be enforced, even in the face of determined opposition from Russia and powerful interests within the EU itself.

24. Russia’s combination of overweening confidence and congenital insecurity, of ambition and vulnerability makes partnership with Russia difficult. Where energy is concerned, this difficulty is felt in four respects:

   (a) Divergent economic cultures. Russia under Putin has experienced a considerable re-nationalisation of economic power with a strong security service component. Like the defence sector in Soviet times, the energy sector is now seen by many as the engine of growth and modernisation. This has brought short-term prosperity and the appearance of international success, which makes it difficult for the EU to speak to Russia with authority, let alone persuade it that its approach needs adjustment. To Russia’s energy mastodons, “markets” exist wherever money-commodity relations exist, however unbalanced, inequitable or monopolistic they are. To Russia, energy security is guaranteed by a strong vertical of integration and control, rather than diversification, liberalisation of markets, transparency and choice.

   (b) The emerging deficit. Without major restructuring and market liberalisation, Russia will not meet projected energy demand at home or abroad. Production at three of Gazprom’s four major fields is already declining. Even to maintain current levels of production, the International Energy Agency calculates that 200 bcm [bn cubic metres] per annum will need to be produced in new fields by 2015: a project which qualified experts believe demands $11 bn p.a. in investment. But such investment is not taking place. In the oil sector, the picture is no more encouraging.

   (c) An aggressive rather than productive pattern of investment. Gazprom’s current investment strategy appears to be focused on compensating for Russia’s emerging gas deficit rather than remedying it. It also seems determined to use every means at its disposal to derail new energy projects that exclude Russia, such as Nabucco and the South Caspian Gas Pipeline. By acquiescing in the policy, the EU risks making itself hostage to Russia’s energy deficit and whatever steps Russia takes, or does not take, to address it.

   (d) Geo-economics in the “Near Abroad”. Inter-elite ties, similar bureaucratic and business cultures, as well as the multiplicity of economic linkages and dependencies mean that energy will continue to provide Russia with opportunities for geopolitical tradeoffs and inducements to limit the
sovereignty and independence of former Soviet neighbours. Upon whom will the scissors close as Russia’s resource constraints mount? The answer is inescapable: energy dependent neighbours. This surely will not diminish the risks of tension and instability in the former Soviet Union.

25. The pattern of Russian energy investment is patchy and does not inspire confidence; Russia’s international economic ambitions and business culture are still collusive and opaque, close to the state, and monopolistic in ethos. This does not apply solely in the energy sector, or only on Russian territory. It impacts on the conduct of Russian business abroad and the interests and conduct of their foreign partners. The EU Action Plan is eminently sound, but dogmas, habits of mind and narrowly construed national interests may stand in the way. Clarity is therefore needed from the UK and the EU. We must ask how Ukraine, the countries of the South Caucasus and the Caspian could help us achieve our energy goals and we need to ask what we will contribute to these countries in order to secure them.

Supporting material already published:

- 07/10 Energy Security: At Last A Response from the EU, March 2007 James Sherr.
- 06/48 Gazprom in Crisis, October 2006 Michael Fredholm.

DEMOGRAPHY AND SECURITY

26. Russia rightly views its declining population as a national security issue, and has sought to address it by offering incentives to families, and encouraging immigration, particularly of ethnic Russians from the former soviet states. Neither of these measures has had marked success in the face of alcoholism, a decrepit system of national health care and poor living conditions. Reversing the decline will demand significant changes in the political and cultural environment, to one where the state is accountable to citizens rather than vice versa. There is no sign that this is happening. Migrant workers from the Caucasus and Central Asia are liable to suffer discrimination and physical abuse, and the “threat” of Chinese immigration in Siberia and the Russian Far East is much hyped.

27. The north Caucasus is a jigsaw of religions, ethnicities and competing territorial claims. Violence, human rights abuses and manipulation of constitutional processes for the benefit of political elites are endemic throughout the region, and not confined to Chechnya. It is hard to see how further trouble can be avoided. Russians equate their own anti-terrorist struggle with a heavy-handed approach to law and order. Not surprisingly, many ethnic Russians are leaving the north Caucasus.

28. The Muslim component of the Russian Federation—currently around 10% of the total—has a far higher birth rate than the Slavic component. This will have a profound effect on Russian society, politics and foreign policy, not just in the north Caucasus, and is likely to be a growing source of tension. Currently the Muslim population is not highly politicised; there is no Muslim lobby. The influence of militant Islam outside the northern Caucasus is limited, although it does exist. Violent Slav chauvinism, by contrast, is already in evidence.

29. Despite the demographic downturn, Russia intends to halve the term of conscription into the armed forces from two years to one in 2008, while retaining the overall size of the forces. This means doubling the number of conscripts drafted each year at a time when there are not enough healthy 18-year olds for enlistment. Recruitment and retention on contract service have been insufficient to fill the gap. The timing of the change-over to one-year conscription pose a risk of disruption and upheaval in the armed forces, at or around the time of the 2008 presidential election. The 18-month transition period has just begun, and the authorities have acknowledged difficulties.

Supporting material already published:

- 06/53 Islam in the Russian Federation, November 2006 Dr Mark A Smith
- 06/47 Where Have all the Soldiers Gone? October 2006 Keir Giles
- 06/39 Russia’s “Golden Bridge” is Crumbling: Demographic Crisis in the Russian Federation, August 2006 Dr Steven J Main

ENVIRONMENTAL SECURITY

30. Russia inherited a grave environmental legacy from the Soviet Union. Air and water pollution are extremely high and have a deleterious effect on health. Spending on environmental protection is inadequate, and most major projects are funded by international institutions. Efforts to uncover information regarding pollution at nuclear and military facilities is hampered by an obsession with security and secrecy. Since 2000 environmental controls and monitoring capacity have in fact been reduced. The state places more emphasis
on economic growth than countering pollution. Public awareness of environmental issues remains low despite efforts by NGOs to raise it, as well as lobby for environmental conservation and controls. The leadership however is generally averse to such activities, particularly those carried out in collaboration with foreign partners.

Supporting material already published:
06/41 Russian Environmental Problems, September 2006 Dr Mark A Smith

INTERNATIONAL SECURITY AND FOREIGN POLICY

31. Russian foreign policy presents a mixed picture after seven years of Vladimir Putin’s presidency. The changed tone of recent statements draws attention to Russia’s increased self-confidence, although the power disparity with the USA remains considerable. Vladimir Putin’s speech at the Munich Security Conference in February 2007, which depicted US foreign policy as a major destabilising factor in international relations, was a reflection of Russian frustration at the USA’s continued adherence to acting unilaterally, and to using military force without the sanction of the UN Security Council. Moscow is now seeking to pull other states towards its own sphere of influence, particularly anti-US powers such as Iran and Venezuela, where Russia’s new relationship is also a form of revenge for US support of Georgia and Azerbaijan. This is likely to be a strong feature of Russian foreign policy over the next few years.

32. Moscow demands recognition as a European great power, as well as a Eurasian one. Russia will attempt to encourage the emergence of a less Atlanticist Europe: the EU is seen as a major strategic partner, and Moscow is not opposed to EU enlargement. The Review of the Foreign Policy of the Russian Federation published by the Ministry of Foreign Affairs in March 2007, also places much emphasis on bilateral relations with individual European powers. It lists the most important partners as Germany, France, Spain and Italy, and argues for the development of partnership with Germany and France in particular. Significantly, the United Kingdom is not included in this list. It may be that Moscow sees the UK as too closely aligned to Washington to be an attractive partner.

33. Russia proceeds from the position that it is fated to be a great power, with a right to sit at the top table of a multipolar international system. This has been a consistent theme of Russian foreign policy since 1991. Consequently it also opposes what it sees as attempts by the USA to establish a unipolar system, in which the rules of the game are largely decided by Washington and imposed on the rest of the world. Moscow fears that a US led system will marginalise its influence in Europe, the Middle East, and the Asia-Pacific region. As the Russian analyst Dmitry Trenin argued in summer 2006 in Foreign Affairs: “Until recently, Russia saw itself as Pluto in the Western solar system, very far from the centre but still fundamentally a part of it. Now it has left that orbit entirely; Russia’s leaders have given up on becoming part of the West and have started creating their own Moscow-centred system. The Kremlin’s new approach to foreign policy assumes that as a big country, Russia is essentially friendless; no great power wants a strong Russia, which would be a formidable competitor, and many want a weak Russia that they could exploit and manipulate. Accordingly, Russia has a choice between accepting subservience and reasserting its status as a great power, thereby claiming its rightful place in the world alongside the United States and China rather than settling for the company of Brazil and India.”

34. Russia now does have confidence in its ability to survive outside the Western solar system. This is reflected in the Review of Foreign Policy, whose opening paragraph notes that: “In world politics the significance of the energy factor has risen, mainly in access to resources. Russia’s international position has become significantly firmer. A strong more self-confident Russia has become an important constituent part of positive changes in the world.” It argues that we have now come to a “defining moment, when it is necessary to think about a new architecture of global security, based on a rational balance of the interests of all the subjects of the international community. In these conditions Russia’s role and responsibility have qualitatively risen.”

35. President Putin’s Munich speech reflected an increasingly harsh attitude towards the USA that has developed since May 2006. Although criticism of American unipolarity has long been a standard feature of Russian foreign policy, the hard-hitting tone is now quite different from that which prevailed in 2001 and 2002. Putin characterised the USA as a lawless power, which although it constantly lectures Russia about democracy, behaves in a very undemocratic way in the international system. He accused the USA of the almost unrestrained use of force in the international arena, and of consequently engendering further conflicts. Putin considers that the consequence of this policy is the undermining of global security, as no-one feels safe; this leads to nuclear proliferation, as states seek to safeguard their security.

36. The president also found fault with the current tendency towards violence rather than diplomacy in international affairs. He criticised the Italian Defence Minister for allegedly naming NATO and the EU as bodies which could legitimise the use of force: “The use of force can only be considered legitimate if the decision is sanctioned by the UN”. The possibility of US military action against Iran continues to be the subject of much speculation in the Russian press.
37. Putin contrasted Russia’s openness to investment with other countries’ protectionism and with aid programmes “that are linked with the development of...donor country’s companies”, which “not only preserves economic backwardness but also reaps the profits thereof. The increasing social tension in depressed regions inevitably results in the growth of radicalism, extremism, feeds terrorism and local conflicts.” To redress these inequities, Russia is seeking to “interact with responsible and independent partners,” as Putin said in his peroration, and will act with “a realistic sense of [its] own opportunities and potential”. Russia’s international great power status is undoubtedly popular at home.

38. Russia’s re-establishment as a great power rests on its ability to influence neighbouring states. Throughout this process, the West has shown inattention and a slow, reactive attitude, although there are visible changes in the approach of Germany, France and the US. Western “sensitivity” in negotiation is interpreted by Russia as weakness. Russia is not deterred by US disapproval from developing closer relations (particularly in the form of arms sales and energy deals) with states such as Venezuela and Algeria. Putin’s February 2007 visit to Saudi Arabia, Jordan and Qatar also signalled the development of a more active phase in Russian diplomacy. At the same time, Russian confidence in its ability to shift the international orientation towards multipolarity stems from its increasing energy wealth. As Putin mentioned, the BRIC (Brazil, Russia, India, China) countries’ GDP surpasses that of the EU, and “there is no reason to doubt that the economic potential of the new centres of global economic growth will inevitably be converted into political influence...”

39. The Russian leadership remains concerned about continued NATO enlargement into former Soviet states. The possibility of Georgia and in particular Ukraine joining NATO in the next few years increases Russian feelings of encirclement. The Russians still remember the promise made to Gorbachev in 1990 that NATO would not extend any further eastward than the territory of the former East Germany, and feels that it has been deceived. The US interest in developing oil pipeline routes from Central Asia and Transcaucasia that bypass Russia is seen as part of this encirclement.

40. Partnerships with China and India are also seen as one of the means of promoting Russia as an independent actor in the international arena. Both nations are important customers for Russian armaments (these two nations account for about 70% of Russian arms sales (February 2006 figures)), and China is becoming an important consumer of Russian energy, as well as an increasingly important security partner. Russia is also likely to promote itself as an anti-NATO power centre, and will continue to press for reform of the OSCE which it sees as a subversive organisation, largely because of its role in encouraging transparent electoral processes in former Soviet states.

The Shanghai Cooperation Organization and the Collective Security Treaty Organization

41. Russia has in the last few years again worked to regain influence in central Asia which it once took for granted. In this it has been largely successful, given the common language, military and political background which the leaders share. In the Caucasus, however, only Armenia remains firmly in a Russian alliance—albeit with some reluctance.

42. The Shanghai Cooperation Organization (SCO) has recently gained visibility in the West. Originally intended by China as an economic and confidence-building partnership, its member states’ main shared concerns are extremism, terrorism and separatism, followed closely by organised crime, drug trafficking and illegal migration. China will continue to be the unofficial ‘senior partner’ in the organisation. Russia obviously finds this a useful vehicle for dialogue and influence, and has recently floated the idea of closer links between the SCO and the Collective Security Treaty Organization (CSTO), which shares much of its membership and whose multinational exercises appear to specialise in counter-terrorist training, with Russia as the senior partner.

43. It is a continued point of aggravation to the Russians that NATO has set its face against an institutional relationship with either body, on the grounds that bilateral relationships are perfectly adequate. Russia’s relationship with China continues to be one of mutual respect rather than enthusiastic friendship.

Russia’s Relations with Transcaucasian Countries

44. The Caucasus—both north and south—constitutes an area of direct and vital concern to Moscow, in particular to the Russian military, who remain sensitive to penetration by influence and threats to the territorial integrity of Russia from the other two regional powers, Turkey and Iran. The spectre of NATO expansion, increased Western activity in the Caspian Basin and a diminution of Russian influence in the region remain constant irritants to Moscow.

Azerbaijan

45. As well as continuing disturbances in Chechnya and Ingushetia, Moscow is also faced with a serious upsurge of violence in Dagestan and therefore wishes to see beyond its southern border a stable state prepared to assist the Russian counter-terrorist campaign. This was probably why Azerbaijan was able to come to an early arrangement with Russia on the question of migrant workers; remittances from the Azeri diaspora in Moscow provide a large slice of income for people in Azerbaijan.
46. However Russia will strive to prevent independent access to energy resources in Kazakhstan and Turkmenistan and thus seeks to stop Baku becoming a major energy transit hub through the laying of oil and gas pipelines on the Caspian’s seabed. Russia and Iran are adamantly opposed to the concept of pipelines under the Caspian.

47. For Azerbaijan the most important point in its relationship with Russia (and with the USA) is the return of Nagorno Karabakh (NK) to the vertical subordination of Baku together with the seven districts currently occupied by Armenians. To achieve this, Baku needs the efforts of both Washington and Moscow. At some stage Armenia will have to relinquish the occupied territories, if international law and United Nations resolutions are to be observed. However, there are doubts over the efficacy of Russia in the OSCE Minsk Group’s mediation of the NK peace process.

**Armenia**

48. With the removal of Russian troops from Georgia to Armenia, Russia still has forces stationed in the South Caucasus. Almost 10 years ago small, landlocked Armenia sought security through a Treaty of Friendship, Cooperation and Mutual Assistance with Russia which incorporated a Russian military presence to discourage any intentions which Azerbaijan and Turkey might harbour against Armenia. There are regular high level military meetings between Moscow and Yerevan.

49. Armenia is 80% dependent on Russia for energy. Russia has a virtual monopoly in Armenia for the production and supply of electricity. Through its pipeline monopoly Gazprom supplies gas to Armenia via Georgia. The aggravations in Russo-Georgian relations interrupted this supply, and Armenia has now diversified supplies to Iran, under severe Russian constraints on further export. The rise in the price of energy has been a major factor in beginning to raise doubts amongst the Armenian population about Russia’s attractiveness as their single ally.

**Georgia**

50. The relationship with Russia is one of the most important factors in Georgia’s struggle for survival as a state. The 200 year-old Russian legacy and its overwhelming presence have tended to limit Georgian efforts and aspirations. Gas supplies to Georgia are under Russian control. A Russian utility conglomerate is in charge of providing electricity to households and industry. Russia has been quite ruthless in the use of the energy lever to influence Georgian policy. Georgia’s long border with Russia includes Abkhazia and South Ossetia, both currently outside Georgia’s control, and these breakaway districts have in several ways facilitated Russian efforts to exert leverage upon the Georgian government.

**Supporting material already published:**

- 06/31 Russia and Central Asia: Current and Future Economic Relations, July 2006, Dr Vladimir Paramonov & Dr Aleksey Strokov.

**Defence**

51. The windfall revenue from the high international price of oil and gas has allowed the Russian leadership to spend money on the state apparatus, as well as an assertive foreign policy. Whilst Russia does not aim at reclaiming its old military superpower status, it has begun once again to invest heavily in defence and security, partly to redress the neglect of the 1990s. President Putin is an enthusiastic Commander-in-Chief of the armed forces, and has several times castigated them in public for failures and shortcomings. His recent appointment of Anatoly Serdyukov, the former head of the federal tax agency, as defence minister signalled a desire to enforce improved financial discipline within the defence ministry. Poor accountability, corruption and inefficiency within the ministry and its relations with industry have probably been identified as the main obstacles to defence capability building, in particular on the procurement side. The defence industry’s almost total reliance on foreign arms sales over the last decade or more (declared at about $6bn annually) is now slowly being reversed. Other scandals such as conscript deaths, quartering shortages and low-quality contract manpower continue to impact on military readiness and public support, however.

52. Although none of the officially released figures can be taken at face value, there have been dramatic increases, quadrupling or more over recent years, in all indices of defence spending. According to some estimates (and depending on widely varying assessments of China), overall Russian defence expenditure is now the second highest in the world after the USA. In addition to ambitious plans for procurement of more advanced and capable equipment and weapons systems, immediate and obvious effects have already been seen: for instance in aviation units which are reporting substantially increased levels of flying training hours for pilots—admittedly from a very low level—thanks to increased supplies of fuel, and improved personal equipment for airborne troops.
53. It should be noted that although defence expenditure is notionally debated and approved by the State Duma, the equipment shopping list and spending plans are in effect presented to the Duma by the military as a fait accompli. This lack of civil control extends into the Defence Ministry itself: Anatoliy Serdyukov may be the first truly civilian Minister of Defence, but in the absence of any kind of civilian secretariat, increased control over policy and direction for the Armed Forces has been promised to the General Staff.

54. Russia’s 2000 military doctrine stated that Russia had generic threats rather than specific enemies, and many of these threats stemmed from non-state factors such as internal and international terrorism. Today, plans for reformulating military doctrine hinge once again on the perceived threat from NATO, and the USA in particular. According to the General Staff, Russia sees a specific and deliberate threat in the course of the USA towards world leadership and its desire to entrench itself in regions of Russia’s traditional presence, and the use of military force to circumvent international law. President Putin concludes that “this requires the steady improvement of the country’s military organisation, including the maintenance of high combat readiness for the nuclear deterrence forces”.

55. Putin’s Munich speech in February 2007 caught widespread attention, but his statement that “NATO expansion has nothing to do with... security in Europe, on the contrary it is a serious provocative factor that diminishes the level of mutual trust, and we are fully entitled to ask against whom this expansion is aimed?” did no more than summarise previous complaints over breaches of commitments by NATO and over the perceived destabilising influence of the USA. These concerns, and his references to a new Iron Curtain, are strongly echoed in popular media within Russia: the image, familiar from Soviet times, of a map of Russia surrounded on all sides by hostile missile systems is appearing more and more frequently— with the key difference that NATO facilities on these maps are now at the borders of Russia itself.

56. Senior Russian attitudes to the possession of strong and capable Armed Forces have also developed from seeing them as an essential attribute of great power status, to a tool for specific tasks. In May 2006, President Putin set the task of creating more permanent-readiness units to serve as a basis for mobile and independent groups of forces “in any area of potential danger”: there could be no return, he said, to the situation on the resumption of intense conflict in Chechnya in 1999, when of 1.4 million men in Russia’s armed forces, only 55,000 could be fielded in conflict.

57. The frequency, intensity and scale of conventional forces exercises has increased substantially, and is now at its most intensive level since Soviet times. In 2006, compared to 2005, both the number of parachute jumps carried out by the Airborne Assault Forces and the number of exercises held in conjunction with foreign military forces increased by 50% year on year. The Airborne Forces in particular have been practising airborne operations on regimental and brigade scale, while at the same time restructuring with an explicit task of “being ready to stop threats arising, even abroad”. The Ground Forces are once again carrying out divisional live-firing exercises, and practised mobilisation of reservists 700 times in 2006. The Air Force is promised a further 30% increase in the number of exercises in 2007.

**The Russian Security and Intelligence Apparatus**

58. In a short biographical documentary “Man’s work” made in 1996 during the electoral campaign in St Petersburg, Vladimir Putin described at length his devotion to the KGB and his former colleagues. By the time he began to run the country, it was evident that he would wish to strengthen the state apparatus, suppress Chechen separatism, stem the crime wave and be far less accommodating to foreign countries than his predecessor. To do all that he had to put in top positions—not just in the security apparatus—people he could trust. Most of these were from St Petersburg and many of them served in the KGB. This is a 50+ generation of men which regards the disappearance of the USSR as a great tragedy and blames the West for many of the problems which Russia has failed to address. They remain a close-knit community, whether inside or outside officialdom.

59. The security and intelligence organisations play an important role in both Russia’s domestic and foreign policy. The principal organ responsible for domestic security is the Federal Security Service (FSB). After many reforms, the FSB has reclaimed most of the components of the old KGB, including the Federal Agency of Governmental Communication and Information, the Federal Border Guard Service and two specialist anti-terrorist teams: Alfa and Vympel. The FSB is very capable, and is headed by Army General Patrushev, one of Vladimir Putin’s closest colleagues. There is no “fresh blood” in the leadership of the service, who all began their careers in the Soviet KGB. Today, the FSB performs its traditional tasks, which include all forms of counterintelligence and security duties, guarding the national borders and conducting signals intelligence operations. The service also coordinates anti-terrorist operations and national and international anti-fraud operations. In combating terrorism and fraud in Russia the FSB is assisted by the Ministry of Internal Affairs (MVD). Its foreign operations are led and supervised by the Foreign Intelligence Service (SVR).

60. The MVD’s main task is policing the country. Army General Rashid Nurgaliev, another former KGB officer and subordinate of Gen Patrushev, is in charge of the Interior Troops units stationed around the country to deal with large scale internal problems, and the local rapid response teams. Like the Ministry of Defence and Ministry of Foreign Affairs the MVD is a “presidential ministry” controlled by the head of state, a custom introduced by Bois Yeltsin. This status has not been challenged by the Russian parliament.
61. In addition to standard security and law enforcement duties and combating terrorism, the FSB’s and MVD’s main tasks include close monitoring of public manifestations of discontent, including non-violent, legal protests. It became clear during the first conflict in Chechnya that the Russian special services, the MVD Troops and the military were neither able to penetrate the Chechen community nor to prevent terrorist attacks. Since then much attention has been focussed on making these services work effectively together. The problem of Russian organised crime groups had also to be addressed. Criminal organisations grew rapidly in the 1990s, and their activities became “internationalised”. The MVD was not trained to address the problem, since all crimes involving foreigners had previously been the province of the KGB.

62. Russia’s two main intelligence services, the SVR and the Defence Ministry’s Main Intelligence Directorate (GRU) are facing new tasks as well as some of the old ones, which for economic and political reasons were abandoned or scaled down for more than a decade. The Russian intelligence services can be expected to show renewed interest in the technological achievements of other countries to speed up or shortcut Russia’s own process of technological modernisation. The civilian SVR’s remit includes tracking down terrorist and criminal suspects wanted by the Russian judicial system. After the Beslan events it was authorised by President Putin to physically eliminate terrorists operating against Russia abroad. Recent Russian legislation empowering the pre-emptive use of force overseas refers specifically to Defence Ministry assets rather than to the FSB or SVR.

63. The events of 9/11 and the Beslan school siege played an important role in encouraging the president to strengthen the Russian security structures. Few in Russia question the need for this, or the way the process has been conducted. There has been no public or media debate on what sort of security and intelligence services Russia needs. The general consensus is that the bigger and stronger they are, the better. There is little public interest in democratic accountability, quality control, or the techniques used, as long as they kill terrorists, arrest criminals and recover money from controversial oligarchs.

64. Sometimes confused and frustrated by the legal procedures of liberal democracies, the Russian special services can be expected to become more aggressive in tracking down and taking drastic measures against enemies abroad, especially amongst the foreign-based Russian community. The growing Russian diaspora includes many rich people who may have abused the Russian legal system. They will be expected to hand over what they have stolen from the state, or encouraged to reach some ongoing accommodation with it. In the most serious cases, like Chechen terrorist suspects living abroad, they may become targets of kidnapping and physical elimination.

65. As Russia grows in strength so will her intelligence and security organs. Even when he ceases to be the head of state, Putin and former KGB officers of his generation will have enormous influence on how and against whom these organs will operate. They will continue to play an important role in maintaining internal security and fighting for Russian interests abroad. Their actions are likely to reflect the needs and attitudes of Russia’s leaders: semi-democratic, non-liberal, rich, intolerant of dissent and respecting only the strong. At the same time, Russia’s special services can be valuable partners when it serves their interests, in pursuit of terrorists, criminals or sharing information. The UK is likely to remain an area of high intelligence interest for Russia. Nevertheless, British agencies should continue to cooperate with them when it is appropriate.

Supporting material already published:

05/50 Russia’s Special Forces September 2005 Henry Plater-Zyberk
C108 Vladimir Putin & Russia’s Special Services, August 2002, Gordon Bennett

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BRIEF INTRODUCTION TO AUTHOR

John Roberts is the Energy Security Specialist for Platts, the world’s largest independent source of energy information. Platts is part of the McGraw-Hill publishing group. Mr Roberts has specialised in Caspian energy issues for 15 years. He has written and delivered numerous papers and presentations on Caspian energy issues and the roles played by both Russia and Turkey as gatekeepers for Caspian oil and gas seeking access to European markets. In 1986 he wrote Caspian Pipelines for the Royal Institute of International Affairs. He is currently completing Pipeline Politics: The Caspian and Global Energy Security for the RIIA (Chatham House). He is the author of Visions & Mirages: The Middle East in a New Era (Mainstream, Edinburgh 1994).
A BRIEF NOTE ON PLATTS

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PREAMBLE:

— This evidence essentially focuses on the first set of questions posed in the background briefing to witnesses. This runs:

— Energy security: Are the United Kingdom and the European Union doing enough to ensure that Russia is a reliable energy partner? What is the significance of the energy principles agreed under Russia’s G8 Presidency and how can we ensure that they are applied consistently to foreign investors in Russia’s energy sector? How much of a constraint does Russia represent on efforts to develop a more independent energy relationship between the UK and EU and states in Central Asia and the Transcaucuses?

— A general concept. In keeping with the Committee’s brief, the testimony that follows primarily concerns supply issues. However, while supply issues do have to be addressed, it obviously makes sense to consider demand issues as well. By definition, supply from foreign partners involves elements concerning the supplier—notably concerning investment, production and export programmes and policies—over which UK or EU influence may be limited, whereas UK and EU influence over demand issues is much greater. In general, additional supply should not be considered as an alternative to action on the demand side, but, where necessary, as a complement to it. This testimony primarily concerns the inter-relationship between Russia, the Caspian and the EU, rather than focussing on purely Russian energy issues.

RUSIA, THE CASPIAN AND THE EU: AN ENERGY SECURITY PERSPECTIVE

Russia

1. Russia and the EU. Russia is the world’s biggest gas producer whilst the European Union is the world’s second biggest gas consumer (see Table One: Key Gas figures for Europe and Leading Suppliers). The concept of an energy partnership between the two is thus logical, providing one can be developed that operates under a common set of rules.

2. Russian reliability as an EU supplier. Russia has been, and will seek to remain, a reliable supplier of oil and gas to its core EU customers. This may appear paradoxical given its reputation as a supplier to various non-EU countries, notably Belarus, Estonia, Georgia, Lithuania and Ukraine. Russia, however, appears to see no contradiction between honouring its commitments to major European customers and using energy as a weapon against fellow members of the Commonwealth of Independent States or against the former Soviet-ruled republics in the Baltic which declined to join the CIS. EU President José Manuel Barroso stressed Russian reliability at the end of the EU-Russia summit at Sochi in May 2006 while President Putin likewise stressed his commitment to honouring Russian supply commitments to Europe whilst simultaneously advocating the development of new export markets for Russian oil and gas to counter EU efforts to diversify supply sources. The logical conclusion is that Russia both operates its energy policy according to what it considers to be realpolitik and expects its major European customers to understand this. It may not understand that its use of energy as a weapon against any state—and one study cites as many as 50 such instances, including many conducted against the Baltic states before they joined the EU—and as a tool of foreign policy in general has contributed greatly to consumer concerns.


3. **Energy Charter issues.** European concerns would be considerably alleviated were Russia to ratify the Energy Charter Treaty, to which it is a signatory, and to sign up to the current draft of the Energy Charter’s Transit Protocol (which remains a draft and incapable of actual implementation until there is an agreement with Russia). Russia has said that while it respects the principles of the Energy Charter Treaty it cannot ratify the Treaty, which it regards as a relic of a bygone era—the 1990s—when Russia’s position in energy issues was much weaker than it is today. The EU is currently seeking to see whether it can overcome this impasse by including the key principles of the Energy Charter Treaty and the Transit Protocol in a new Partnership and Cooperation Agreement which it would like to see replace the current PCA due to expire in November.

4. **The question of a new EU-Russia PCA.** Formal negotiations on this new PCA, however, have yet to start. In addition there is the question as to whether what is required is not so much an agreement as a formal treaty, binding both sides to honour what they have agreed. Two major consequences of Russian implementation of Energy Charter principles would be that Caspian producers would gain access to Russia’s pipeline system on a basis that was both commercial and regulated whilst Russia would have to maintain supplies to customers even in the event of significant disputes with them. It remains extraordinarily difficult to see how such an agreement can be negotiated under present circumstances.

5. **Different approaches to energy security.** Although the G8’s St Petersburg energy declaration in July 2006 resulted in Russia and the EU, along with the other participants such as the US and Japan, agreeing that energy security was a concept that embraced Russia’s concern for security of demand and well as the concerns of many of its G8 colleagues for security of supply—the declaration talks of “enhanced dialogue on relevant stakeholders’ perspectives on growing interdependence, security of supply and demand issues”—there are still fundamental differences of approach that stand in the way of developing a successful energy partnership. In particular, whilst the EU and its member states tend to view energy security in terms of interdependence, Russia, appears to view it in terms of control. Russia exerts control, in the energy sphere in several ways, not least by the creation or backing of strong state-owned energy companies and limits to the ability of independent companies, whether Russian or foreign, to operate freely. The Sakhalin takeover and the difficulties that the TNK-BP operation is facing demonstrate this. So does the Russian effort to wrest effective control of the operations of the Caspian Pipeline Consortium (CPC) from the private investors who financed it. In a broader context, the way Russia runs its gas industry and handles transit arrangements for other countries have long been a source of concern in Europe. In 2004, Dr Ria Kemper, the Energy Charter Secretariat’s Secretary General, characterised the situation regarding transit to the east of the EU—“in particular in the Russian Federation,” as follows: “There, the gas sector, in particular, remains characterised by a lack of transparency over cost structures and the terms of access to pipelines, uncertainty over how transit tariffs are to be set in those cases where transit shippers are given access to the network, and a general unwillingness to alter substantially the present status quo, under which Gazprom’s dominant influence as operator of the pipeline system seriously undermines its ability to operate efficiently.” In practical terms, EU and Russian attitudes to market practices remain poles apart. Gazprom wants direct access to European customers and is quite capable of buying major European companies to achieve its aim. But whilst Gazprom can secure downstream stakes in EU markets, European companies are under assault over their upstream stakes in Russia. The presumption that any PCA would have to be based on reciprocity would be sorely tested.

**Russian Policy for its Own Resources: Diversification of Export Routes not Augmentation of Supply**

6. **Russian export capabilities.** A major concern of the European Union at this time—and of Britain, as it moves towards an increasingly heavy reliance on imported gas—is Russia’s ability and determination to develop gas exports, and, specifically gas exports aimed at the European market. In practice, what’s happening is a major focus by Russia’s Gazprom, which has a monopoly of all Russian pipeline gas exports, on development of new export pipeline routes to core European markets, rather than on production increases capable of filling these pipelines. Lack of transparency makes it hard to calculate just what course Russian gas production will take, not least because so much Russian production is required to meet domestic demand—amounting to 405 bcm out of total production of 597 bcm in 2005 (see Table One: Key Gas figures for Europe and Leading Supplier). Moreover, that demand is highly profligate, with Russian consumers using three times as much gas per head as their EU counterparts (see Table Two—Russian and EU Energy Consumption 2004–05).

7. **Khristenko on gas export volumes.** What can be said is that the Russian authorities themselves only anticipate a small increase in the availability of gas for export westwards. On 9 October 2006 Energy and Industry Minister Viktor Khristenko delivered what appeared to be at first sight an encouraging comment on Russian export production when he said that “by 2015, Russia’s gas exports will grow 52% to 257 billion cubic meters.” A closer look at Khristenko’s statement, however, reveals a notable problem for Europe. The minister’s figures indicate that in 2005 Russia’s exports amounted to 169 bcm—a figure roughly in line with western estimates. Khristenko thus envisaged an overall, increase in Russian exports of 88 bcm. But since

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he also said that by that time the structure of Russian gas exports would change, and that the share of LNG bound for Asia-Pacific markets would increase to 61 bcm, in practice he was reported as only anticipating an increase in pipeline gas availability of just 27 bcm. Moreover, it should be borne in mind that, depending on which new fields are developed between now and 2015, some of this 27 bcm might be bound for China and the Far East, rather than Europe. This figure can also be compared to estimates in Russia’s last official plan, drawn up in 2003, which foresaw a 30 bcm increase in exports to hard cash markets in Europe from 150 cm in 2005 to 180 bcm in 2010 and to 200 bcm in 2020. 3 Christian Cléutin, the European Commission Coordinator of the EU-Russia Energy Dialogue, has noted that this 50 bcm increase is not just for European markets but for others as well. The EU, considering Russian ambitions to meet Europe’s anticipated surge in gas imports, considers that: “if they want to increase exports by 100 mtoe (million tonnes of oil equivalent) — about 90 bcm — by 2020, they need to invest $250 billion between now and then.” The official who said this added: “If Russia is to maintain its energy exports then domestic consumption should be reduced by 20–30% by 2011–12.” With Russia’s economy currently booming, however, there are reasonable expectations that Russian domestic gas demand will rise, rather than fall. Whether Russia will seek, to curb its own domestic consumption in order to increase export levels remains uncertain. With the Russian economy currently booming, there are logical reasons to suppose domestic gas demand will actually increase. One Russian analyst has posited that in 2020 Russia could find itself having to choose how to distribute whatever gas it is producing between five very different markets. These were: Russia itself (564 bcm); Europe (405 bcm); CIS countries (100 bcm); North-East Asia (185 bcm); and LNG to Atlantic customers (215 bcm).

8. Russia’s transit policy. Russia is currently implementing a policy of pipeline development expressly designed to reduce its reliance on transit states. In January President Putin himself declared: “Russia will extend her network for hydrocarbons transportation in all directions to lessen her dependence on transit states.” In oil, it has developed the Baltic Pipeline System which enables it to export crude direct from the Baltic port of Primors, thus alleviating reliance on the Druzhba system which transits Belarus and Poland (northern branch) and Belarus and Ukraine (southern branch). In gas, it first developed the Yamal-Europe pipeline via Belarus, in part to reduce reliance on Ukraine, and in 2004 committed itself to construction of a line designed to ensure that Russian gas can reach its biggest EU customer, Germany, without transiting any other country. The Nordstream (North Stream) project, formerly known as the North European Pipeline, is openly intended to reduce any leverage that Belarus and Poland can have in their energy relations with Russia.

9. Southstream. Gazprom is currently considering the development of a new pipeline stream—sometimes called Southstream—to carry Russian gas from Turkey to central Europe. Unlike Nordstream, for which detailed studies are available and on which preliminary work has started, it is still not clear whether Gazprom has actually begun feasibility studies for Southstream. But there are strong indications that it is intended as a spoiler for the EU-backed Nabucco pipeline system, on which detailed studies have been carried out by its promoters. These indications include the initial announcement in June 2006 that Hungary’s MOL gas company, a partner in the Nabucco project, had signed an agreement to extend Gazprom’s Blue Stream line from Russia to Turkey up through the Balkans to western Hungary (indeed Southstream is sometimes dubbed Blue Stream II), further efforts to woo Hungary to break with Nabucco; declarations that Gazprom is studying the expansion of the Blue Stream system to Turkey from 16–32 bcm; and direct approaches by Gazprom to Bulgaria and other potential gas purchasers along the Nabucco route. The €5 billion Nabucco system (see below, Nabucco) aims to deliver some 25 bcm of gas (though its technical capacity is put at 30 bcm) through a line running from eastern Turkey through to Bulgaria, Romania and Hungary to a commercial hub at Baumgarten in Austria, with around a third of the gas delivered to transit countries en route. Gazprom’s Southstream, according to 2007 World Bank data, would run from Turkey through Bulgaria, Serbia, Bosnia-Herzegovina, Croatia and Slovenia to northern Italy. This may be an indication of failure to secure MOL’s cooperation; it does indicate the importance of Bulgaria in Russian energy export planning, and, in part, may explain Russia’s determination to press ahead with its “Bosphorus bypass” oil pipeline from Bourgas in Bulgaria to Alexandroupolis in Greece. A designated termination point in Italy appears to be an attempt to woo Italy’s Eni, which is a 50-50 partner in the original Blue Stream pipeline and which is envisaged as a major vehicle for implementation of a Russian-Italian strategic energy accord negotiated in November 2006 and March 2007.

10. Gazprom interest in pipelines developed by other companies. While Gazprom has discussed with Egypt and Algeria the idea that it might join in gas development projects aimed at supplying Europe, it does not appear to have made any real progress towards this end. It has successfully secured a stake in Iran’s pipeline

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7 The MosNews report may not be entirely accurate. It says that “the share of liquefied natural gas (LNG) in exports to Asia-Pacific markets will increase to 61 billion cubic meters, or 22% of the total export volume.” In fact 61 bcm amounts to almost 24% of the 257 bcm figure attributed to Khristenko. But while one or other of these figures is obviously inaccurate, the general order of magnitude is probably correct.

8 Roland Goetz, Russia and the European gas market: Real and perceived threats; Zurich 10 March 2007.

9 Background briefing, March 2007.

10 Dr. Tatiana Mitrova, Head of the Centre for International Energy Markets Studies, Energy Research Institute Russian Academy of Sciences, address in Zurich, 10 March 2007.

11 Vladimir Putin, 21 January 2007, cited by Dr Ivan Kurilla, in The Geography of Russian Pipeline Routes and the Consequences for Europe, presentation in Zurich, 1 March 2007.
to Armenia—with its involvement leading to a reduction in the scale of the project, thus ensuring it can only be used to supply a portion of Armenia’s need, with there being no question of spare capacity available to carry further supplies of Iranian gas to destinations beyond Armenia, such as Georgia and perhaps even Ukraine and Central Europe. Gazprom has, however, sought—so far unsuccessfully—to join the project to develop a 30 bcm/y gasline from Iran to India and Pakistan as prospective planner, contractor and investor. But then the Iran-Pakistan-India pipeline would help direct Iranian gas away from Russia’s European markets.

11. Russia’s relations with transit states. Russia has difficult relations with two states through which Russian oil and gas transit, Ukraine and Belarus, and with another state, Georgia, which serves a transit nation for hydrocarbons that pose a competitive challenge to Russian oil and gas exports. In January and February 2004, Russia suspended gas supplies to Belarus; on 1 and 2 January 2006 it suspended gas supplies to Ukraine; and in January 2007 it suspended oil supplies to Belarus. Whilst Russia had legitimate concerns regarding payments and alleged illegal use of some oil and gas supplied to or through these countries, the methods it chose to deal with the problem have proved counterproductive in terms of its reputation as a reliable supplier of hydrocarbons.

12. Russia and the Caspian. In the Caspian context, Russia serves as both monopoly and monopsony. It has a monopoly over much current oil and gas transportation from the eastern shores of the Caspian, Kazakhstan, Turkmenistan and Uzbekistan—and a monopsony as purchaser of gas from these countries. It sees nothing wrong in this, arguing that its geographical and historical position justifies the existence of what it terms natural monopolies. In oil, it uses its own pipelines—and is also seeking to use the only foreign company-developed pipeline in a similar fashion—to secure higher returns for Russia than would be justified under non-monopolistic conditions. In gas, it secures even greater returns, acquiring gas from Turkmenistan at an agreed price of $100 per thousand cubic metres ($/tcm) and from Kazakhstan at around $135/tcm whilst selling gas to Europe at prices that often come close to $300/tcm. Some of the gas that Gazprom supplies to Germany in fact originates in Turkmenistan. Russia’s gas export policy is predicated to a very considerable extent on continued access to—in relative terms—low-cost gas purchases from Central Asian producers.

The Caspian

13. European interests. There are two main reasons for the European interest in the Caspian region/ Central Asia. One is that its oil is generally available for development by international oil companies in a way that most oil in the OPEC countries (which hold three-quarters of the world’s proven oil reserves) are not. The other is that the next 25 years or so should see the Caspian produce some 20–25% of the additional production of oil by non-Opec member states—essentially those states in which IOCs have the greatest operational freedom states (see Table Three—The Caspian Role in Int’l Energy Increases 2003–2030). One specific US estimate—used essentially for illustrative purposes—is that non-OPEC production might be expected to grow from 48.2 million barrels a day (mb/d) in 2003 to 72 mb/d in 2030 with Caspian oil growing from 1.9 mb/d to 7.4 mb/d over the same period. In other words, a projected Caspian increase of 5.5 mb/d would account for just over 23% of a projected 23.8 mb/d increase in overall non-Opec production.12

14. Specific UK interests and concerns. As noted above, the significance of the Caspian lies in the fact that its reserves are essentially available for development by international oil companies on a profit-sharing basis whereas those of the Gulf, by and large, are not. In terms of the Caspian’s importance for international oil companies and thus for European energy companies—notably BP, Royal Dutch Shell, Total, Eni, BG and a cluster of smaller energy and energy service companies—this makes the Caspian a very important area indeed. The four projects headed by BP in Azerbaijan, for example, entail some $20 billion in near-term investment. And, precisely because Caspian crude is being developed by commercial companies, this has a profound impact on development of regional, European and global energy markets.

15. Separating oil and gas issues. Because oil and gas are generally developed, marketed and often transported in very different manners, consideration of Caspian gas issues will be separated out from those of oil, with only a general point made at this stage, that potentially the availability or non-availability of Caspian gas may play an even greater role that Caspian oil in shaping Europe’s energy future. Oil is an essentially fungible commodity that can be transported, and thus marketed, in a number of ways. Whilst usually delivered by pipeline or maritime tanker, it can also be transported by rail or even, in extremis, by truck. If one route is closed, alternatives can commonly be found, though this may take some months or even years to achieve. Essentially, however, oil will always see out. There may be an additional tariff to pay for passage via monopoly pipeline operators, but, at worst, this increases the overall purchase price of the crude by only a small percentage. Gas is different. It commonly requires long-term contracts linking both producer and consumer, and connections between the two on a non-interruptible basis. If a particular oil flow gets cut off, whether by accident or deliberately, it’s a nuisance but the refineries or plants dependent on it can either switch to an alternative source or wait out the problem. If a gas source is cut off, it’s more likely to pose a crisis, particularly if there was no time to implement a structured shut down of the industrial and domestic consumer outlets reliant on that source.

12 These figures appear in a June 2006 scenario developed by the US Energy Information Administration (part of the US Department of Energy) envisaging a price reaching $59 per barrel in 2030 for US imports of low-sulphur light crude.
16. **Why focus on gas?** It is gas—not oil—that makes the region of particular current interest. The European Union anticipates considerable increases in demand for imported gas (see Table Four—Three Scenarios for the European Gas Balance). But gas, whilst possessing some environmental advantages, also poses distinct problems. Oil can be transported to markets even if pipelines are blocked by other means—albeit at higher prices. Gas, by and large, needs a fixed infrastructure and its transport routes are far less flexible. That is why Russia with its pipeline monopoly can charge two-to-three times as much to European customers as it is prepared to pay to Turkmenistan, Uzbekistan and Kazakhstan for gas imported from those countries. In general, gas development in the Caspian requires greater political input than oil.

17. **The Caspian reserve base.** The Caspian is a region on in which existing reserves are still be evaluated and in which, as a result of continuing exploration, new discoveries may yet be made. A bottom line assessment is that the region—comprising Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan and the immediate Caspian regions of Iran and Russia can be reasonably assumed to possess proven hydrocarbon reserves consisting of around 50 billion barrels (or around seven billion tonnes) of crude oil and around 320 trillion cubic feet (around 9.1 trillion cubic metres) of natural gas (This amounts to around 4.5% of the world’s total proven oil reserves and around 4.5% of its total proven gas reserves (see Table Five—Caspian Oil and Gas Reserves at End-2005) Oil production stood at around 2.1 mb/d in 2001 and has now risen to close to 2.5 mb/d. These figures are dwarfed by both the reserves and output of the Persian/Arabian Gulf. Even in the reasonably likely event that the next ten years or so might well see a doubling of both regional proven reserves and of actual production as exploration and development efforts intensify, the Gulf will continue to be a vastly greater global hydrocarbons reservoirs and a very much larger producer of both oil and gas.

18. **What direction?** Europe is potentially in a good position regarding both oil and gas from Central Asia. Despite the fact that the world’s fastest growing energy markets are to be found in the Asia-Pacific region, to the East and South of the Caspian, and fully taking into account the likelihood that China will proceed with developing new oil and gas pipelines from Central Asia, oil will continue to flow to the North and West in the near future with the bulk of the next generation of oil transportation systems built in that direction. The region’s three biggest oilfields—Kazakhstan’s onshore Tengiz field, Kazakhstan’s offshore Kashagan field and Azerbaijan’s offshore Azeri-Chirag-Guneshli complex—are all being developed on the basis that most of the output will flow west. Existing gas flows, mainly from Turkmenistan, effectively flow west, albeit via Russia. These will be maintained and will constitute the bulk of the region’s gas exports for some years to come.

19. **Caspian issues—Oil.** Transit problems impact producer countries far more than their consumers. As noted above, oil is fungible, if produced it will get to market somehow. But Russian blocking of the expansion of the Caspian Pipeline Consortium’s line (from Atyrau in Kazakhstan to Novorossiysk on Russia’s Black Sea coast) means delays to Caspian projects intending to use that line to reach global markets. A trans-Caspian Pipeline for oil has long been envisaged but Russia opposes trans-Caspian pipelines and probably has both the means and determination to stop them. This does not constitute a crucial setback for producers on the eastern shores of the Caspian, however, since they can ship crude oil across the Caspian by tanker and then use the newly completed Baku-Tbilisi-Ceyhan pipeline to reach the Mediterranean. Kazakhstan and Azerbaijan have already signed a preliminary agreement covering delivery of up to 500,000 b/d in this fashion. Although commercial sense would indicate that a pipeline would be cheaper for volumes above this level, and Kazakh exports via BTC could well exceed 1.0 mb/d in ten years or so, the cost of continuing reliance on tankers for this leg of the export route would likely be considered acceptable—annoying, but necessary.

20. **Caspian issues—Gas.** Gas is much less fungible, much more tied to both specific producers and specific consumers. Transit problems thus impact on both producers and consumers. Getting gas across the Caspian—essential if a way is to be found to get Caspian gas from either Kazakhstan or Turkmenistan to Europe without transiting Russia—poses particularly complex problems. Until now, the focus has always been on a trans-Caspian pipeline, a project strongly opposed by Russia. The EU is currently commissioning a feasibility study to study the relative merits of a trans-Caspian pipeline and shipping across the Caspian by means of either liquefied natural gas (LNG) or compressed natural gas (CNG). In practice, given the political complications that a pipeline would entail and the presumed high expense of LNG, the focus is very much on trying to ascertain whether CNG is a viable option.

21. **The states of the Caspian Sea.** Although there is no consensus agreement on how the Caspian’s resources might be either shared or divided up between its five littoral states—Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan—in practice the problem is less troublesome than might be expected. A series of bilateral agreements have enabled Azerbaijan, Russia and Kazakhstan either both to develop already proven offshore resources and to explore for further resources in the Caspian on the basis of division of sub-sea mineral resources along what they term a modified median line. In addition, Russia’s agreements with its two Caspian neighbours provide for joint development of fields straddling the line. A similar formula is almost certainly acceptable to Azerbaijan in terms of resolving its own boundary issues with Turkmenistan and this may well prove to be the approach that enables Turkmenistan to agree delimitation lines with both

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13 There are different ways of calculating reserves. For consistency’s sake, the figures quoted in this testimony are generally those published by BP in its Statistical Summary of World Energy (2006 edition). There are other ways of calculating both global and Caspian reserves; what is of importance here is that the Caspian’s share of global reserves remains reasonably constant.
Kazakhstan and Azerbaijan, and perhaps with Iran as well. The most problematic outstanding issue may turn out to concern Iranian claims over the prospect which Azerbaijan terms Alov and to which Iran sent a gunboat in July 2001 to stop BP’s exploration activity under an Azerbaijani contract. However, whilst none of the states have objections in principle to one kind of sub-sea line—production lines connecting offshore oilfields to onshore facilities—Russia, backed by Iran, vehemently opposes development of trans-Caspian transit pipelines so long as the formal question of the Caspian Sea’s legal status remains unresolved. This raises the possibility that Russia might take some form of action, possibly akin to that carried out by Iran in July 2001, to prevent such a pipeline being made. In legal terms, the Caspian’s lack of agreed status neither permits nor prohibits the laying of such lines.

22. Lines to China. China is studying the import of gas from both Turkmenistan and Kazakhstan and currently seems to be considering whether the best solution would be to merge the projects into a single line from Turkmenistan to Kazakhstan to China, which would not only link the two countries, but also Kazakhstan’s producer and consumer regions. Together with a similar plan for a 20 m/yr (400,000 b/d) oil pipeline from Kazakhstan’s Caspian producing regions to link up with the recently completed line connecting eastern Kazakhstan with western China, this would ensure that Kazakhstan’s own oil and gas could reach the country’s industrial southern and eastern regions directly, rather than relaying on financially disadvantageous transit via Russia, or swaps with Russia. Kazakh officials have said that they expect a decision on both projects this year. Actual pipelaying for the oil pipeline, expected to take 18–24 months to complete, could start later this year, enabling the line to enter service in 2009, with actual pipelaying started in 2008 and the lines to be operational in or around late 2009.

23. Kazakhstan’s stance. There are particular problems for Kazakhstan concerning energy development, particularly regarding Russian opposition to trans-Caspian pipelines. Kazakhstan feels that it cannot say no to Russia on anything until it can say no to Russia on everything. To seriously develop a trans-Caspian pipeline project Kazakhstan needs very strong EU political support, and financial commitments to actual pipeline construction costs. Kazakhstan will be careful not to damage its relations with Russia until it believes that the EU is committed to do more than financing studies. In the meantime, under a 2006 agreement with Azerbaijan, Kazakhstan is to increase its tanker fleet so that it can export up to 500,000 b/d of crude across the Caspian to the Azeri terminal at Sangachal, near Baku. The assumption is that after that level is reached, a pipeline will be put in place to link the two countries. But although that would be the most economic solution, expansion of tanker traffic will remain a possible alternative. In practical terms, Kazakhstan’s oil and gas production is set to grow from current levels of around 1.3 mb/d (total 2006 production was 64.8 million tonnes) to around 2.5 mb/d (about 125 million tonnes) in 2015. It should reach 3.0 mb/d a few years later and eventually could well exceed 4.0 mb/d.

24. Turkmenistan’s stance. Developing Turkmenistan’s gas used to be considered impossible because of the poor investment climate under Niyazov. After Niyazov’s death, whilst signalling its commitment to honouring its existing agreements with Russia and China, Turkmenistan has said it is looking to expand gas sales to Iran, is considering a project developed by the Asian Development Bank to construct a gas pipeline across Afghanistan to Pakistan and India and will explore trans-Caspian pipeline projects. Its acknowledgement that it needs foreign investment to ensure expanded production and its interest in securing an audit of some key gas reserves indicate that the new administration of President Gurbanguly Berdymukhammedov is seriously trying to develop a coherent oil and gas development policy. Turkmenistan’s ambitions for increasing its gas output are very considerable. It produced 64.9 bcm in 2006, is aiming to produce 78 bcm in 2008, and has set the ultimate target of 250 bcm in 2030. It probably possesses the reserves that would justify such an increase—although specific field audits are definitely required. But the real question is whether it can secure the necessary capital investment. Turkmenistan is committed to supplying Russia with 50–60 bcm this year, whilst Iranian exports are expected to total 7–8 bcm. A framework agreement with Russia commits Turkmenistan to supplying up to 80 bcm a year to 2028.

25. Azerbaijan’s stance. Azerbaijan wants to cooperate with the EU (and with Turkey and the United States as well) in energy issues. New oil and gas pipelines link Azerbaijan with external markets in a manner that avoids Russia and enables Azerbaijan to sell its hydrocarbons at competitive prices on the open market. The principal new pipelines are the 1.0 mb/d Baku-Tabilisi-Ceyhan pipeline to Turkey’s Mediterranean coast (which is capable of being expanded to 1.6 or even 1.8 mb/d) and its twin, the Baku-Tabilisi-Erzurum gas pipeline, which has a maximum practical capacity of around 20 bcm/yr. Azerbaijani production is expected to reach 1.0 mb/d in 2008 and will probably reach a plateau of around 1.2 mb/d or 1.3 mb/d in 2010–11.

26. Azerbaijani gas. Azerbaijan’s immediate concern, not least as a result of its failure to agree price terms in December 2006 for continuation of Russian gas supplies, is the further development of its own gas resources. In particular, it wants to meet its 6.6 bcm/yr export commitment to Turkey, to supply increased volumes of perhaps 0.8 bcm/yr to Georgia to help Georgia overcome its own Russian-related gas problems and to start to implement further commercial gas exports to Greece via the soon-to-be completed Karacabey-Komotimi pipeline from Turkey to Greece (due to open in July), and its subsequent extension to Italy. The next two years or so will be crucial in two respects, as this is the period in which likely production volumes from the second phase of development at Azerbaijan’s giant Shah Deniz should become known; at the same time Azerbaijan should be able to reach agreements on test drilling for new sources of gas believed to lie under the giant Azeri-Chirag-Gunesli oilfield complex. Development of new sources of
gas could prove critical for the Nabucco project, since the limited availability of gas from the first phase of Shah Deniz means Azerbaijan’s gas export development is not sufficiently advanced that it can provide enough gas to kick-start both the Turkey-Greece-Italy interconnector and the planned Nabucco pipeline from Turkey to Central Europe within the timeframe of Nabucco’s planned start up in 2011–12. This means the Nabucco project might either have to be postponed, or else it will have to secure input from other producers, with Iran the keenest prospective supplier and Russia as a dark horse.

27. Tajikistan and Kyrgyzstan. This is a region in Russia can play a highly positive role by helping to develop hydropower. Russian investment in the actual power projects coupled with Russia as an end-user for the electricity produced would likely prove sufficient to overcome current transit problems which have, in particular, seen Uzbekistan block Tajik hydropower exports regularly during the last 15 years. Development of Tajikistan in particular would help Afghanistan, with which it shares a 450-km border, as at least one US-backed hydropower project is aimed at transmitting electricity from Tajikistan to Afghanistan and later, if circumstances permit, to Pakistan and India.

THE EU AND THE CASPIAN GAS SUPPLIES

28. Augmenting Caspian gas supplies. In theory, Europe can look to the development of a plethora of pipelines serving an arc of prospective suppliers to Europe from Russia through the Caspian to the major Middle East producers (see Table Six—Potential Eurasian Gas Suppliers to the EU Market). In practice, the focus is on the Caspian with the European Council considering that Caspian gas should play a major role in its policy of diversifying its energy resources. However, since current Russian policy remains predicated on its own access to cheap Caspian gas, Russia feels threatened by any opening of Caspian gas to hard cash markets, posing considerable energy security questions. The issue of augmenting gas supplies from the Caspian essentially falls into three parts: physical interconnectors between Turkey and the EU, combined with expansion of Turkey’s main east-west gas trunkline; suppliers for EU diversification routes; and new connections from Central Asian producers to existing pipelines or pipeline corridors reaching Turkey or other Black Sea states with onward pipeline connections to the EU.

29. Physical interconnectors between Turkey and the EU. For both Azerbaijan and Iran, onward connections to EU markets are very much in prospect, with physical construction of a pipeline from Turkey to Greece under way (the first stage of a planned Turkey-Greece-Italy interconnector) and advanced preparations for a gasline from Turkey to Austria (the Nabucco project). A line through the west Balkans is also under consideration, but is best considered at this stage as a proposal, rather than a project.

30. The Turkey-Greece-Interconnector (TGI). The TGI interconnector has long been backed by the EU (Chris Patten was an early proponent) and little more needs to be done in terms of either moral or financial support. However, one issue might be worth considering. Albania has suggested re-routing the Greece-Italy leg to include Albania, voicing two arguments in favour of this amendment: a shorter and easier crossing under the Adriatic Sea and the use of Albania’s depleted gas fields as a strategic gas storage facility for Europe, to be filled with gas from the pipeline. This proposal is too late to be put into action for the first Greek-Israeli interconnector but, with gas storage considered a vital part of energy security, might perhaps be considered in discussions on whether, or how, to develop a planned West Balkans gas pipeline, which currently postulates a line running from Greece to Austria, serving Macedonia, Serbia, Bosnia and Herzegovina, and Croatia in due course. Another possibility would be creation of a direct east-west connection from northern Greece to Albania, with an onward connection to Italy.

31. Nabucco. If there is one project that holds the key towards major EU diversification from specific dependence on Russian supply it is Nabucco. In essence, Nabucco is a €5 billion project which can carry up to 30 bcm/y of gas from a multiplicity of prospective or potential suppliers via Turkey to core EU markets by means of a terminal at Baumgarten in Austria. There are two main customers in mind—and a third is a logical prospect. The first customers are the countries through which the line passes: Bulgaria, Romania and Hungary. Supplies by Nabucco would, initially, not so much replace Russian deliveries as take care of prospective demand increases. In the long-term, however, Nabucco offers a real prospect of reducing Russia’s share of this market. The second group of customers are commercial off-takers at Baumgarten. Current efforts are focussed on smaller gas consumers but, as the line develops, major purchasers can be expected to join the bidding. The third, logical, customer is Ukraine (and Moldova). A spur from Romania to Ukraine, possibly involving little more than a reversal of current Ukraine-Romania gas connections, would provide Ukraine with its best—and cheapest (in terms of development cost). One great advantage of the Nabucco project is that it can be developed in two clear stages. The first relies essentially on existing capacity through the Turkish pipeline system and thus reduces initial expenditures to construction of the line from Turkish Thrace to Austria. A second phase will involve expansion of Turkey’s East-West trunkline, in effect, laying of a new parallel pipe, and expansion of the Turkey-Austria sections by means of new pressure stations. Nabucco is already far advanced in terms of detailed planning and feasibility studies. But strong EU support in terms of financing—the EIB might be an appropriate vehicle—would clearly help.

Azerbaijan will join Trans-Caspian gas pipeline if it is built—opinion. 

32. The Ukraine option. In particular, a clear indication that the EU would sponsor studies into a connection to Ukraine is worth considering. By the time Nabucco might be ready to start delivering gas to Bulgaria and Romania, in or around 2011–12, Ukraine will be paying full European market prices or something close to them. In 2005, the Ukrainian government’s entire budget amounted to just $18.35 billion, but in 2006 the sum due for gas imports alone exceeded $4.85 billion. And if Ukraine were to import 51 bcm in 2007 (the same as its planned 2006 imports) and were to pay the full $230/tcm for those imports that it paid for the Russian proportion of its 2006 imports, the bill would amount to $11.73 billion. That’s a sum that amounts to around one-sixth of the country’s entire GDP. As Ukraine moves reluctantly towards gas payments made on an essentially free market basis, it has an obvious interest in promoting competition between suppliers in order to maximise downward pressure on prices. Indeed, it can be argued that no other major European market has such an acute interest in supply diversification.

33. The pipeline development paradox. In considering the development of new pipelines, the EU needs to note there is a fundamental paradox. The development of the energy infrastructure used to import oil, gas and electricity is essentially organised on a national basis (sometimes, with groups of EU member states). There is a major potential weakness in this: pipelines or import facilities developed on an essentially bilateral basis may squeeze out pipelines and facilities intended to serve multiple suppliers and multiple customers, which have a greater potential for lower import costs.

34. Suppliers for EU diversification routes. Both TGI and Nabucco are essentially predicated on the same combination of supply sources. The first is Turkey’s excess imports, since for the next several years Turkey’s agreed import volumes will continue to exceed actual or projected consumption. Much depends on the terms of various specific import contracts. Current Turkish imports from Iran are—from an Iranian perspective—almost certainly available for re-export from Turkey and, indeed, Iran has held talks with Greece on this subject. However, imports from Russia are likely to prove more complex to export. The issue of Turkish re-exports goes to the heart of EU concepts of a single integrated market and the extension of the Energy Community in South East Europe to include Turkey. The second supply source is Azerbaijan, which is due to start delivering gas to Turkey towards the end of this year. Deliveries are due to reach a plateau of 6.6 bcm in 2008–9 and will stay at that level until around 2012, which is when Stage Two of Azerbaijan’s Shah Deniz gasfield is due to come on stream, potentially doubling output through the SCP pipeline.

35. Iran as supplier. Should the nuclear issue be resolved, Iran could well become a major European gas supplier. It has memoranda of understanding to supply gas to Switzerland and Austria in five years or so—presumably via Nabucco—and has recently intensified talks with Turkey on transit of much greater volumes of Iranian gas to and through Turkey than its current 10 bcm/y deliveries.

36. New connections from Central Asian producers. The three Central Asian countries—Kazakhstan, Turkmenistan and Uzbekistan—all produce gas, and are all looking to secure new export routes. At present only Turkmenistan has an alternative to Russia, in that it is able to export some 6–7 bcm/y to Iran by means of a 12 bcm/y capacity gas pipeline along its Caspian coast which connects to Iran’s main east-west Caspian system. Turkmenistan is the key to potential gas connections to Europe that bypass Russia (and which can also bypass Iran). That is because any pipeline designed to avoid both Russia and Iran would have to enter Europe via Azerbaijan—and by far the easiest crossing of the Caspian is to be found between Turkmenistan and Azerbaijan. Although Kazakhstan and Azerbaijan share a common maritime seabed boundary, thus making a trans-Caspian pipeline politically feasible, the route is both much deeper and more beset by mud volcanoes and difficult geological conditions. In 1999, Turkmenistan signed an agreement to supply 30 bcm of gas to Turkey—with 16 bcm going to Turkey itself and 14 bcm for onward throughput to Europe—via a trans-Caspian pipeline that would have then crossed Azerbaijan and Georgia before entering Turkey. The agreement is only due to take effect as and when Turkmenistan is in a position to deliver gas to the Turkish border. In 2000, Turkmenistan’s President Niyazov rejected detailed proposals for such a line, not least because he had failed to secure a substantial up-front payment from the project’s promoters, which included Royal Dutch Shell, of at least $300 million.

37. Reviving a TCP from Turkmenistan. Revival of this project is now favoured by a broad array of external parties, with the new government of President Gurbanguly Berdymukhammedov specifically expressing interest in it. Azerbaijan’s Industry and Energy Minister Natiq Aliyev has said a trans-Caspian gas pipeline would be able to carry gas from both Turkmenistan and Kazakhstan via Azerbaijan and Georgia to European markets. Aliyev has urged Turkmenistan and Kazakhstan to back the project, declaring that opposition to the pipeline was political, not technical, and that a revived TCP “would ensure Europe’s energy security and protect it from Russian monopolism.” On 8 May 2008, Azeri deputy Foreign Minister Araz Azimov said “if the project is implemented, Azerbaijan will take part with great pleasure.”15 Turkey specifically endorses the concept of a revived trans-Caspian gasline from Turkmenistan, arguing that it is the only factor that can ensure Nabucco gets off the ground on schedule.16

38. EU Strategy and Turkey’s role. The external aspects of the EU’s energy strategy focus on importing more gas from North Africa and opening gas import routes from the Caspian that would avoid Russia. In effect this means going through Turkey. A pipeline from the Caspian region via Georgia to Ukraine, in

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15 Azerbaijan will join Trans-Caspian gas pipeline if it is built—official, Interfax, Moscow 8 May 2007.
16 This point was particularly stressed by Kart Celalettin, Director-General, Turkish Foreign Ministry, at a seminar in Berlin on 8 May 2007. Author’s notes.
technical and engineering terms, is feasible. But, despite some assertions, Ukraine is not a suitable candidate because it is not a market economy and remains distinctly vulnerable to Russian pressure. Turkey, however, also poses problems. Turkey has strong relations with Russia, from which it receives 65% of its vital gas imports, and will have to think very carefully before snubbing Russia, which would like to use Russian gas deliveries to and through Turkey as a way of pre-empting transit from other sources hoping to reach the European market via Turkey. There is considerable official sentiment in Turkey for development of a privileged partnership relationship between Russia and Turkey, modelled on the kind of relationship which former German Chancellor Gerhard Schroeder developed with Gazprom. But while this would appear to be the approach currently favoured in Ankara, Turkey probably remains amenable to a counter proposal for favoured partnerships with Caspian producers, if accompanied by a genuine warming of relations with the European Union. Nothing has yet been decided but the time is fast approaching when the EU and Turkey will have to make some very tough choices. If the EU is serious about wanting to develop a corridor for Caspian gas, then it has show that it genuinely values Turkey—and the only way it can really prove this point is by becoming positively enthusiastic about Turkish entry into the EU. On the other hand if Turkey wants to accede to the EU, then in order to cooperate with the EU’s Caspian gas energy strategy it will have to face down Russia by denying Gazprom the kind of access to Turkish lines that it would like to secure.

39. Conclusion. Projects concerning Caspian energy development obviously need to be both commercially and politically practical. But political approval may not be sufficient; Russian opposition to Caspian energy developments directed toward Europe mean they are also likely to require strong political advocacy.

John Roberts
8 May 2007

Table One

KEY GAS FIGURES FOR EUROPE AND LEADING SUPPLIERS
(IN BILLIONS OF CUBIC METRES—BCM; OR IN BILLIONS OF CUBIC METRES PER YEAR—BCM/Y)

| Key Demand, Production & Supply in 2005 (for EU-25) |
|-------------------------------|------------------|----------------|
| Demand                        | Production       | Supply         |
| EU-25                         | 471.2            | EU-25          |
| Russia                        | 598.0            | From Russia    |
| Ukraine                       | 72.9             | From non-Russia|
| Turkey                        | 27.4             | From Norway    |
|                              |                  | From Algeria   |

Source: BP.

EU Additional Gas Supplies 2000–2030

<table>
<thead>
<tr>
<th>Region</th>
<th>Additional Gas Supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>An extra 79 bcm/y</td>
</tr>
<tr>
<td>Central Asia</td>
<td>An extra 51 bcm/y</td>
</tr>
<tr>
<td>Middle East</td>
<td>An extra 157 bcm</td>
</tr>
<tr>
<td>West and North Africa</td>
<td>An extra136 bcm</td>
</tr>
<tr>
<td>Americas (mainly Trinidad &amp; Tobago)</td>
<td>An extra 18 bcm/y</td>
</tr>
</tbody>
</table>


Russia’s Gas Balance in 2005

<table>
<thead>
<tr>
<th>Category</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>598.0</td>
</tr>
<tr>
<td>Consumption</td>
<td>405.1</td>
</tr>
<tr>
<td>Available for export:</td>
<td>192.9</td>
</tr>
<tr>
<td>Actual exports by pipeline:</td>
<td>151.28 bcm.*</td>
</tr>
</tbody>
</table>

* This is essentially a hard-cash export market figure. Other exports went to former Soviet countries.

Source: BP.
Gas traded in 2005

<table>
<thead>
<tr>
<th></th>
<th>World</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipeline</td>
<td>532.6</td>
<td>c.225.5</td>
</tr>
<tr>
<td>LNG</td>
<td>188.8</td>
<td>46.0</td>
</tr>
<tr>
<td>Total</td>
<td>721.4</td>
<td>271.5</td>
</tr>
</tbody>
</table>

Source: BP.

Table Two

RUSSIAN AND EU ENERGY CONSUMPTION 2004–05

<table>
<thead>
<tr>
<th>EU-25</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mtoe</td>
</tr>
<tr>
<td>TPES—2005</td>
<td>1715.1</td>
</tr>
<tr>
<td>Gas—2005</td>
<td>424.1</td>
</tr>
<tr>
<td>Population—2004 (m)</td>
<td>575.64</td>
</tr>
<tr>
<td>*TPES—2004 (mtoe)</td>
<td>1,931.0</td>
</tr>
<tr>
<td>Gas—2004 (mtoe)</td>
<td>462.0</td>
</tr>
<tr>
<td>Per capita gas use—2004 (mtoe)</td>
<td>0.803</td>
</tr>
<tr>
<td>TPES—2005 (mtoe)</td>
<td>1,937.8</td>
</tr>
<tr>
<td>Gas—2005 (mtoe)</td>
<td>474.0</td>
</tr>
</tbody>
</table>

Sources: IEA for population, BP for consumption.

* Mtoe—million tonnes of oil equivalent; TPES—total primary energy sources.

In effect, Russian per capita gas use is some three times higher than in the EU. Overall energy efficiency is also much worse, with German analysts specifically calculating that Russia uses three times as much energy as Germany per unit of output (an energy intensity of 0.52% for Russia against 0.17% for Germany).

Table Three

THE CASPIAN ROLE IN INTERNATIONAL ENERGY INCREASES, 2003–2030

(IN MILLIONS OF BARRELS PER DAY, UNLESS OTHERWISE NOTED)

<table>
<thead>
<tr>
<th>International Petroleum Output and Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>------</td>
</tr>
<tr>
<td>% increase per year</td>
</tr>
<tr>
<td>Caspian</td>
</tr>
<tr>
<td>Opec</td>
</tr>
<tr>
<td>Non-Opec</td>
</tr>
<tr>
<td>Net Eurasia Exports</td>
</tr>
</tbody>
</table>

### Table Four

**THREE SCENARIOS FOR THE EUROPEAN GAS BALANCE**
*(IN BILLIONS OF CUBIC METRES—BCM)*

1. **Balance to 2015 and 2030—International Energy Agency—Alternative Scenario**

<table>
<thead>
<tr>
<th>Demand</th>
<th>2005</th>
<th>2015</th>
<th>2030</th>
<th>Production</th>
<th>2005</th>
<th>2015</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-25</td>
<td>471.2</td>
<td>542</td>
<td>581</td>
<td>EU-25</td>
<td>199.7</td>
<td>250</td>
<td>200</td>
</tr>
<tr>
<td>Russia</td>
<td>405.1</td>
<td>434</td>
<td>463</td>
<td>Russia</td>
<td>598.0</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Ukraine</td>
<td>72.9</td>
<td>n/a</td>
<td>n/a</td>
<td>Norway</td>
<td>85.0</td>
<td>80</td>
<td>90</td>
</tr>
<tr>
<td>Turkey</td>
<td>27.4</td>
<td>54.5</td>
<td>(63.2 in 2020)</td>
<td>Algeria</td>
<td>87.8</td>
<td>55</td>
<td>60</td>
</tr>
</tbody>
</table>

**EU-25 Net Imports**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2015</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>272.5</td>
<td>292</td>
<td>381</td>
</tr>
</tbody>
</table>

Botas forecasts used for Turkey in 2015 and 2020.

2. **Balance to 2020 (Edison)**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-30 demand</td>
<td>575</td>
<td>700–750</td>
</tr>
<tr>
<td>EU-30 own supply*</td>
<td>330</td>
<td>220</td>
</tr>
<tr>
<td>Net EU-30 imports</td>
<td>245</td>
<td>480–530</td>
</tr>
<tr>
<td>— Russia pipe</td>
<td>150</td>
<td>210</td>
</tr>
<tr>
<td>— N. Africa pipe</td>
<td>40</td>
<td>75</td>
</tr>
<tr>
<td>— Caspian</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>— LNG</td>
<td>45</td>
<td>150–200</td>
</tr>
</tbody>
</table>

* (including Norway).
*Source: Edison.*

3. **Balance to 2030 (OME)**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe Demand</td>
<td>502</td>
<td>816</td>
</tr>
<tr>
<td>— Europe—own supply</td>
<td>211</td>
<td>163</td>
</tr>
<tr>
<td>— Norway</td>
<td>79</td>
<td>100</td>
</tr>
<tr>
<td>— Russia</td>
<td>126</td>
<td>221</td>
</tr>
<tr>
<td>— Algeria</td>
<td>56</td>
<td>115</td>
</tr>
<tr>
<td>— Others</td>
<td>31</td>
<td>217</td>
</tr>
</tbody>
</table>

Europe defined as EU 25 plus Balkan states plus Switzerland.
*Source: Observatoire Méditerranéen de l’énergie 2006.*
### Table Five

**CASPIAN OIL AND GAS RESERVES AT END-2005**

<table>
<thead>
<tr>
<th>Country</th>
<th>Barrel</th>
<th>MT</th>
<th>% of World</th>
<th>TCF</th>
<th>TCM</th>
<th>% of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>7.0</td>
<td>1.0</td>
<td>0.60</td>
<td>48.4</td>
<td>1.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>39.6</td>
<td>5.4</td>
<td>3.30</td>
<td>105.9</td>
<td>3.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Iran*</td>
<td>0.1</td>
<td>0.0</td>
<td>0.00</td>
<td>n/a</td>
<td>n/a</td>
<td>0.0</td>
</tr>
<tr>
<td>Russia*</td>
<td>2.7</td>
<td>0.4</td>
<td>0.04</td>
<td>n/a</td>
<td>n/a</td>
<td>0.1</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>0.5</td>
<td>0.1</td>
<td>0.04</td>
<td>102.4</td>
<td>2.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>0.6</td>
<td>0.1</td>
<td>0.05</td>
<td>65.3</td>
<td>1.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Caspian Total</td>
<td>49.1</td>
<td>7.0</td>
<td>4.30</td>
<td>322.0</td>
<td>9.1</td>
<td>4.5</td>
</tr>
<tr>
<td>Russia</td>
<td>74.4</td>
<td>10.2</td>
<td>6.20</td>
<td>1688.0</td>
<td>47.8</td>
<td>26.6</td>
</tr>
<tr>
<td>Iran</td>
<td>137.5</td>
<td>18.9</td>
<td>11.50</td>
<td>943.9</td>
<td>26.7</td>
<td>14.9</td>
</tr>
<tr>
<td>World</td>
<td>1,200.7</td>
<td>163.6</td>
<td>100.00</td>
<td>6,348.1</td>
<td>179.8</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Oil in billions of barrels and millions of tonnes; gas in trillions of cubic feet and trillions of cubic metres.

* Primary Source: BP Statistical Summary.
* US EIA; refers to Caspian regions only.

### Table Six

**POTENTIAL EURASIAN GAS SUPPLIERS TO THE EU MARKET (BY PIPELINE)**

1. **Supply Potential as of 2010**

<table>
<thead>
<tr>
<th>Country</th>
<th>Volume</th>
<th>Transit</th>
<th>Potential increase to:</th>
<th>Existing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran</td>
<td>10 bcm</td>
<td>Turkey</td>
<td>20–30bcm</td>
<td>3–10 bcm</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>13 bcm</td>
<td>Iran/Turkey</td>
<td>30 bcm</td>
<td>13 bcm</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>34–80 bcm</td>
<td>Russia</td>
<td>80 bcm</td>
<td>50 bcm</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>10-36 bcm</td>
<td>Russia/Ukraine</td>
<td>36 bcm</td>
<td>36 bcm</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>7 bcm</td>
<td>Turkey</td>
<td>20 bcm</td>
<td>6–20 bcm</td>
</tr>
<tr>
<td>Iraq</td>
<td>10 bcm</td>
<td>Turkey</td>
<td>20 bcm</td>
<td>none</td>
</tr>
<tr>
<td>Egypt</td>
<td>4 bcm</td>
<td>Jordan/Syria</td>
<td>10–12 bcm</td>
<td>Link to Jordan/Syria*</td>
</tr>
</tbody>
</table>

* Egypt-Jordan gasline has now reached central Syria

2. **Additional Supply Potential post-2015**

<table>
<thead>
<tr>
<th>Country</th>
<th>Volume</th>
<th>Transit Country</th>
<th>Existing System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qatar</td>
<td>20–30 bcm</td>
<td>Kuwait/Iraq/Turkey</td>
<td>None</td>
</tr>
<tr>
<td>Egypt</td>
<td>10–12 bcm</td>
<td>Jordan/Syria</td>
<td>Link to Syria</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>unknown</td>
<td>Jordan/Syria/Turkey</td>
<td>None</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>10–20 bcm</td>
<td>Azerbaijan/Turkey</td>
<td>None</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>20–30 bcm</td>
<td>Azerbaijan/Turkey</td>
<td>None</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>30–36 bcm</td>
<td>Iran/Turkey</td>
<td>Limited connections*</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>5–10 bcm</td>
<td>Turkmenistan/Azer/Turkey</td>
<td>None</td>
</tr>
</tbody>
</table>

* Turkmenistan’s Caspian shore gasfields are already linked into the Iranian network via the 12 bcm/y capacity line from Korpedzhe to Kurt-Kui, but there are no significant connections to Iran from Turkmenistan’s main central and south-eastern gasfields.
3. **Potential Gas Pipelines from Turkey to Current EU Member States**

<table>
<thead>
<tr>
<th>Route</th>
<th>Initial</th>
<th>LT capacity</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey-Greece</td>
<td>0.75 bcm</td>
<td>3–11 bcm</td>
<td>Due to open July 2007</td>
</tr>
<tr>
<td>Greece-Italy Interconnector</td>
<td>22 bcm</td>
<td>22 bcm</td>
<td>Under study. Possible opening 2009</td>
</tr>
<tr>
<td>Turkey-Austria (Nabucco)</td>
<td>3–5 bcm</td>
<td>25–30 bcm</td>
<td>Under study. Possible opening 2011</td>
</tr>
<tr>
<td>Greece-Western Balkans-Hungary-Austria</td>
<td>??</td>
<td>10–20 bcm??</td>
<td>Preliminary proposal</td>
</tr>
<tr>
<td>Southstream</td>
<td>??</td>
<td>20–30 ??</td>
<td>Proposed by Gazprom; talks with MOL</td>
</tr>
</tbody>
</table>

**Source:** IEA, John Roberts.

**Note:** Gazprom’s Southstream is included because its route coincides in part with other prospective Eurasian pipelines.

---

**Table Seven**

INTERNATIONAL PETROLEUM SUPPLY AND DISPOSITION SUMMARY (IN MILLIONS OF BARRELS PER DAY, UNLESS OTHERWISE NOTED)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Oil Prices (2005 dollars per barrel)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imported Low Sulfur Light Crude Oil</td>
<td>42.87</td>
<td>56.76</td>
<td>57.47</td>
<td>49.87</td>
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Ev 50  Foreign Affairs Committee: Evidence

### Table

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*Source: Energy Information Administration, Annual Energy Outlook 2007, Table A20 (reference case annual growth).*

**Footnotes:**

1. Weighted average price delivered to US refiners.
2. Includes production of crude oil (including lease condensates), natural gas plant liquids, other hydrogen and hydrocarbons for refinery feedstocks, alcohol and other sources, and refinery gains.
3. OPEC = Organization of Petroleum Exporting Countries—Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. Does not include Angola which was admitted as a full member to OPEC on 14 December 2006.
4. OECD Europe = Organization for Economic Cooperation and Development—Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey and the United Kingdom.
5. Eurasia consists of Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.
6. Other Asia = Afghanistan, Bangladesh, Bhutan, Brunei, Cambodia (Kampuchea), Fiji, French Polynesia, Guam, Hong Kong, Indonesia, Kiribati, Laos, Malaysia, Macau, Maldives, Mongolia, Myanmar (Burma), Nauru, New Caledonia, Niue, North Korea, Pakistan, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, Sri Lanka, Taiwan, Thailand, Tonga, Vanuatu and Vietnam.
7. Non-OPEC Middle East includes Turkey.
8. Includes liquids produced from energy crops, natural gas, coal, oil sands and shale. Includes both OPEC and non-OPEC producers in the regional breakdown.

*Note: Totals may not equal sum of components due to independent rounding. Data for 2004 and 2005 are model results and may differ slightly from official EIA data reports.*

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**Written evidence submitted by Professor Bill Bowring, Birkbeck College, University of London**

1. I have been asked to give my views and experience in particular as regards the effectiveness or otherwise of Western (and especially UK) attempts to promote human rights and the rule of law in Russia, drawing especially on my experience of Russia’s dealings with the Council of Europe and ECHR; and as regards legal aspects of the current UK-Russia bilateral relationship. I have been asked to refer to my experience of bilateral extradition issues in particular.

**My Qualifications and Experience**

2. I am a Barrister of Gray’s Inn called in 1974, and am also Professor of Law at Birkbeck College, University of London. I still practise in the field of human rights, as detailed below. I am fluent in Russian, and have since 1983 visited Russia and other countries of the former USSR regularly, and have studied the Russian language, history, and Soviet and Russian law and practice. I have published many articles and book chapters on these subjects. I also regularly act as an expert on Russian and other post-Soviet law and practice for the Council of Europe, European Union, Organisation on Security and Cooperation in Europe (OSCE), the US Department of Justice, and other national and international organisations.

**Work as a Contract Adviser for DFID**

3. From 1997 to the end of 2003 I was the contracted Adviser to the UK Government’s Department for International Development (DFID) on “Human Rights in Russia”, and for the latter three years on “Access to Justice and Rights Issues in Russia.” In this capacity I initiated and monitored large projects in the Russian Federation in the field of judicial reform, reform of the penitentiary system, human rights monitoring, and alternative dispute resolution. My work ended when DFID decided no longer to fund projects in Russia—a result of the Iraq War.
4. The projects included the following.

— The Judicial Support Project (JSP I) which commenced on 1 September 1998, and finished in January 2002 after an extension. The project partner was the Supreme Court of the Russian Federation, with its Judicial Department and Academy of Justice, as well as the Bailiffs Department of the Ministry of Justice. This was the only donor programme in Russia to combine judicial training, reform of court administration, and enforcement of judgments, all aimed at improving the quality and response of justice for the poorest. This project was successful, and much appreciated by the Russian beneficiaries.

— The Independent Human Rights Monitoring Project (IMP) commenced in January 2000, and finished in April 2003. The project partners were Moscow Helsinki Group, and the Moscow Institute for Human Rights.

— I also helped to draft, and then monitored, two large projects focusing on the Russian penitentiary system. The Prisons Partnership Project (PPP), which twinned the six pre-trial prisons (SIZOs) in Moscow with six UK prisons, commenced on 1 April 2000 and ended in April 2003. The Russian partner was the Moscow GUIN (Chief Administration for Execution of Punishments), and the project was executed by the International Centre for Prison Studies based at King’s College London. The Alternatives to Imprisonment Project (ATI) commenced on 1 September 2000, and ended in September 2003. The project partner was Penal Reform International (led by Baroness Stern). It sought to strengthen existing state mechanisms—the Criminal Execution Inspectorate—and to mobilise NGO resources for the implementation of community service as an alternative to imprisonment. The project has continued, with the help of the UK Foreign Office.

— The Restorative Justice Project (RJP) concerned use of restorative justice (mediation) techniques in the juvenile justice field, to reduce incarceration rates and recidivism. It commenced in 2002, and was completed in 2005. The partners were the Research Institute of the Prosecutor’s Office and the Russian NGO Centre for Judicial and Legal Reform, which already had experience of piloting the use of RJ in various Russian regions. This was the first and so far the only project in Russia to work in partnership with the Prosecutor’s Office.

5. In my view the UK’s work in Russia, especially that carried out by DfID from 1997–2003, was highly effective—much more so than the EU’s TACIS programme—and much appreciated by the Russian partners. The FCO has been able to continue part of this work, using the Global Opportunities Fund.

**EXPERT WORK FOR THE COUNCIL OF EUROPE AND EU**

6. In 2000–01 I was one of the experts nominated by the Council of Europe to work with senior Russian officials on the new Criminal Procedural Code which came into force on 1 July 2002. Following the enactment of the CPC, and its coming into force on 1 July 2002, I took part in an EU-funded international project monitoring the implementation and operation of the new Code. I therefore consider myself to be not only an expert on the CPC, but in some sense one of its “parents”.

7. I have worked in an expert capacity for EU projects since 1994, in the fields of reform of social welfare, reform of local government, and recently the establishment of a system of administrative courts in Russia. In October 2004 I hosted a visit to London by the First Deputy Chairmen of the Supreme Court and of the Higher Arbitration Court of the Russian Federation, together with leading parliamentarians and members of the executive branch of government.

8. I presently work regularly with the Council of Europe as an expert on human rights and minority rights issues, especially in the field of minority rights.

**MY WORK TAKING CASES AGAINST RUSSIA AT THE EUROPEAN COURT OF HUMAN RIGHTS**

9. As an advocate, I have since 1994 represented Turkish, Latvian, Estonian, Georgian, Azerbaijani and Russian applicants taking cases to the European Court of Human Rights in Strasbourg. I have won some 25 cases (including Ozgur Gundem v Turkey, Aktas v Turkey, Ipek v Turkey, Ekinici v Turkey, Podkolzina v Latvia, Zhdanoka v Latvia) and represented the first six Chechen applicants whose cases against Russia, arising from the events of late 1999 and early 2000, were declared admissible by the Court in December 2002. I appeared on their behalf at the oral hearing before the European Court of Human Rights on 14 October 2004, and they won their cases on 24 February 2005. An application to appeal by the Russian Government was rejected by the Court.

10. In December 2002 I founded the European Human Rights Advocacy Centre (EHRAC) project, which is now assisting applicants in some 120 cases against Russia at the Strasbourg Court, including the cases referred to. About half of these cases concern events in Chechnya since late 1999. I obtained a grant of Euro 1 million from the European Commission’s European Human Rights and Democracy Initiative for the first three years of the project. We have now obtained further funding from the Foreign and
Commonwealth Office, Open Society Institute, MacArthur Foundation, Oak Foundation and Raising Trust for continuation of the project’s work. The EC has recognised EHRAC as one of the most successful projects of its kind.

11. EHRAC is a partnership with the Bar Human Rights Committee of England and Wales (of which I am a founder and Executive Committee Member), and the highly respected Russian NGO Memorial. I worked closely with Memorial and other Russian human rights NGOs since the early 1990s. The start of the second conflict in Chechnya in late 1999, with horrifying accounts of atrocities committed by the Russian Federal forces, as reported by Memorial, and the fact that in 1998 Russia had ratified the European Convention on Human Rights, gave us a strong motivation to create a structure to assist applicants in complaining to the Strasbourg Court.

12. In 2006 I was elected Chairman of the International Steering Group of EHRAC. The EHRAC project now employs nine staff in Russia—three lawyers and an administrator in Moscow, and lawyers in Urus Martan, Chechnya, as well as Ingushetia, and three other regions of Russia. There are four staff in the London office, and several interns. I work on cases from Chechnya on a daily basis, and regularly read many eye-witness accounts of horrifying events in Chechnya. I read all relevant reports, and follow the news from Chechnya on a daily basis.

13. I am in daily e-mail contact with Mr Dokka Itsaiev, the EHRAC staff lawyer in Urus-Martan, Chechnya (and Deputy Chairman of the International Steering Group), in connection with cases we are bringing to the Strasbourg Court. In recent days I have been working with him on a case of the enforced disappearance in 2005 and probable killing by the Russian forces of a Chechen civilian in 2005, together with the usual and egregious total failure by the Russian authorities to investigate the case. Indeed, Russia is now systematically refusing to give the Strasbourg Court access to the prosecution files in the cases before the Court, itself a gross violation of Russia’s obligations on accession to the ECHR.

EXPERT EVIDENCE IN EXTRADITION CASES IN LONDON AND CYPRUS—AND DEPORTATION FROM RUSSIA

14. In March 2005 I gave written and oral expert evidence to the Bow Street Magistrates Court in the extradition application Russian Federation v Chernysheva and Maruev. On 18 March 2005 Senior District Judge Timothy Workman held, referring to my evidence and that of other witnesses, that the extradition proceedings were barred by virtue of section 81 of the Extradition Act 2003.

15. On 25 October 2005 I gave written and oral expert evidence in the further extradition case of Russian Federation v Temerko. Aleksandr Temerko was second in command to Mikhail Khodorkovsky in YUKOS. On that day there was time only for my evidence in chief, and the hearing was adjourned to 15 December 2005 for cross-examination.

16. On 15 November 2005, before my return to the court for cross-examination, I arrived at Moscow Airport at 0500 am, on my way to observe the notorious trial in Nizhni Novgorod of Stanislav Dimitrievsky, on behalf of the Bar Human Rights Committee of England and Wales (BHRC), of which I am a founder and member of the Executive Committee. I had a letter of authorisation, and had already visited Nizhni Novgorod on behalf of the BHRC in June 2005 in order to investigate the case and report back to the BHRC and the Law Society. I was detained at Passport Control and detained for six hours. I was then deported from Russia, and my multi-entry visa was cancelled. My deportation (as it was described by the officers who detained me for six hours and then returned me to the UK) was taken up at the highest levels by the Foreign and Commonwealth Office, the European Commission, the Russian Human Rights Ombudsman, Mr Lukin, and many others. These included the Russian Ambassador to the EU, who was concerned that I had been excluded despite the fact that I represent ethnic Russians against Latvia and Estonia at the Strasbourg Court.

17. On 23 December 2005, Judge Workman made a similar finding to that in Chernysheva and Maruev v Russia, based to a large extent on my evidence, and refused extradition. In his judgment of 23 December 2005, Judge Workman considered the circumstances of my deportation from Russia, and held:

"In absence of any explanation I have concluded that it is more likely than not that the actions of the Russian authorities [by deporting me—WB] were directly associated with the fact that Professor Bowring had given evidence to this Court."

18. I took proceedings for judicial review in the Khimki City Court near Moscow—this court has jurisdiction over the Moscow Airport (I issued proceedings, from London, in this court as well as the Basmanny District Court of Moscow, which has territorial jurisdiction over the FSB). There were several hearings in my case. The Border Guards were twice ordered by the Judge to produce evidence to support the feeble reason they eventually gave—that I had failed to return the second half of my landing card on leaving Russia on a previous occasion. Had I failed to return the Landing Card as they alleged, the Border Guards would have drawn up a formal protocol signed by me and stamped. The Judge also noted that I had not been charged or convicted in respect of the relevant administrative infraction. She stopped the case following an informal assurance by the Border Guards that I would be permitted to return to Russia after one year.
19. On 8–11 February 2007 I was indeed permitted to return to Russia, to act with Lord Slynn of Hadley and others as a judge in the Russian round of the Philip C. Jessup international law moot court competition. I have recently been granted a transit visa to pass through Moscow on my way to and from Kazakhstan in May 2007.

20. In January and February 2006 I also gave written and oral evidence for the Larnaca District Court, Cyprus, in the YUKOS-related extradition case of Russian Federation v Kolesnikov. The court refused extradition in that case also.

**The rule of law in Russia**

21. The process of legal reform, which Putin with some justice overtly compared with Aleksandr II’s reforms of 1864, came to an end in 2003. The architect of the procedural reforms, Dmitri Kozak, has been banished to the Caucasus. It has proved impossible to enact the laws necessary to introduce a system of administrative justice, without which effective remedies against official arbitrariness or inaction are impossible. The overtly political nature of the prosecutions of Khodorkovsky and Lebedev (now serving 8 years imprisonment), confirmed by the Council of Europe and by British courts in a series of extradition cases, has destroyed any hope for independence of the judiciary or a fair trial.

22. On taking office, the new General Prosecutor, Yurii Chaika, announced on 27 June 2006 that he was determined to re-open 16 extradition cases in the UK, publishing a list headed by Boris Berezovsky. The OGP’s determination to interview Berezovsky and others has effectively de-railed the investigation into the murder of Aleksandr Litvinenko.

23. Khodorkovsky and Lebedev are now being prosecuted once more under new offences for which two associates, Pereverzin and Malakhovsky, have on 1 March 2007 been sentenced to 12 and 11 years hard labour respectively. Over 40 prosecutions are now under way, including four US and British citizens.

**Civil society—NGOs**

24. Russian NGOs, and especially those receiving foreign funding, or branches of foreign or international NGOs, are now subject to a very much more complex and demanding regime as a result of law no. 18-FZ of 10 January 2006. While most human rights NGOs were able to secure re-registration, despite severe bureaucratic delay, there have been some example of persecution, even under the old laws.

25. The Federal Registration Service has recently published on its web-site the list of NGOs to undergo a “proverka” by the FRS for up to two weeks. This process continues throughout 2007. A useful “pamyatka” has now been published by “Lawyers for Civil Society”, dated 15 March 2007. Under the new regime, all “public associations” must by 1 April send a pro forma letter that they intend to continue their activities in the next year. By 15 April they must submit information on all foreign finance received. They are obliged every year to publish a report on the use of their property. All “non-commercial organizations” must by 15 April provide a report on their activities, information on the composition of their management bodies, a report on all income and property, including that received from foreign persons or bodies. All “filial” and representations of foreign NGOs and also local branches in Russia, which are registered as legal persons in Russia, must by 31 October provide information in the prescribed form on all planned activities for the next year; and must provide every quarter information on the amount of income and property and the purposes on which it has been spent. They must also by 15 April provide information on the actual use of income and property in the previous year. All Russian NGOs are now subject to nadzor (supervisory review) by the OGP at any time.

**Human rights—the Council of Europe**

26. I prepared the following for the EU-Russia Centre.

27. Russia joined the Council of Europe in 1996, and ratified the ECHR in 1998. This was one of a large number of commitments which Russia entered into on accession. Russia has satisfied several more, including transfer of the penitentiary system from the Ministry of the Interior to the Ministry of Justice, in 1998, and enactment of new judicial procedural laws.

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23 http://www.eu-russiacentre.org/assets/files/15%20Feb%20Bowring%20article%20EU-RC.pdf
The death penalty

28. However, a very important obligation was:

“. . . to sign within one year and ratify within three years from the time of accession, Protocol No 6 to the European Convention on Human Rights on the abolition of the death penalty in time of peace, and to put into place a moratorium on executions with effect from the day of accession”.

29. Accordingly, on 16 May 1996 President Yeltsin issued a Decree ordering the government to present to the Duma within one month a law on ratification of Protocol 6, and on 2 August he announced an unofficial moratorium on executions. However, the Duma refused to ratify Protocol 6, and also refused to enact a law on moratorium. In August 1999 the Russian Government once more submitted Protocol 6 to the Duma for ratification. This met a similar fate.

30. The matter was resolved indirectly when, in February 1999, the Federal Constitutional Court held that in order for the death penalty to be applied in Russia, the accused must in every part of Russia have the right to a trial by jury. At that time trial by jury existed in only nine of 89 regions of Russia.

31. Russia has not executed an accused since 1999. But the Criminal Procedural Code of 2001 extended jury trial to the whole of Russia except Chechnya, where it should be introduced not later than January 1, 2007. This would then, of course, trigger the restoration of the death penalty. However, on 15 November the State Duma adopted at first reading a draft law which changes the date for introduction of jury trials in Chechnya from 1 January 2007 to 1 January 2010.25 The (good) reason they gave was that lists of potential jurors must be compiled by municipalities, which do not yet exist in Chechnya. On 27 December 2006, the draft law was signed by the President; and it was published in the Russian Gazette and came into force on 31 December 2006, in the nick of time.26 So Russia has another three years before the death penalty will automatically become available once more.

32. On 10 December 2006 the CoE Commissioner for Human Rights, Thomas Hammarberg, expressed his regret that Russia is the only European state where the death penalty has yet to be abolished, despite Russia’s promise to ban it ten years ago. For this reason, and, for example, because of deep concern regarding new amending legislation on NGOs, he announced that the CoE is not planning to wrap up its monitoring mission in Russia.27 Russia has been lobbying hard for an end to monitoring.

Russia and the Court

33. Moreover, Russia has recently been losing some high-profile cases in the Strasbourg Court. In May 2004, in Gusinskiy v Russia28 the Court held that Russia had acted in bad faith in using the criminal justice system to force a commercial deal, by arresting the TV magnate. In July 2004, in Ilaçu and Others v Moldova and Russia29 the majority of the Grand Chamber of the Court found that Russia rendered support to Transdniestria, which broke away from Moldova, amounting to “effective control”. The first six Chechen applicants against Russia won their applications to Strasbourg in February 2005.30 In April 2005 in Shamayev and 12 others v Russia and Georgia,31 the Court condemned Russia for deliberately refusing to cooperate with the Court despite diplomatic assurances; and in October 2002 the Court had given “interim measures” indicating to Georgia that Chechens who had fled to Georgia should not extradited to Russia pending the Court’s consideration.

34. Russia poses an ever increasing problem for the Court. In 2006, 10,569 (out of a total of 50,500) complaints were made against Russia, of which 380 were referred to the Russian government, and 151 were found to be admissible. There were 102 judgments against Russia (out of 1,498 against all Council of Europe states). A total of 21,773 cases against Russia were struck off, without reasons being given, and 353 were declared inadmissible after a hearing. By the end of 2006, of 89,887 cases pending before the Court, about 20% concerned Russia, 12% Romania and 10% Turkey.32

27 Application no. 70276/01, decision of 19 May 2004.
28 Application no. 48787/99, decision of 8 July 2004.
29 These applicants were represented, from 2000, by the author and his colleagues from the European Human Rights Advocacy Centre, which he founded, in partnership with the Russian human rights NGO “Memorial”, with EU funding, in 2002.
The YUKOS cases

35. Another continuing matter of grave concern to the CoE is the continuing and remorseless prosecution by Russia of persons connected with Mikhail Khodorkovsky and YUKOS. On 4 October 2006 Mrs Sabine Leutheuser-Schnarrenberger, former German Minister of Justice, and Rapporteur for the PACE Committee on Legal Affairs and Human Rights, delivered an Opinion including the following:

“The Assembly also recalls its resolution 1418 (2005) and recommendation 1692 (2005) on the circumstances of the arrest and prosecution of leading YUKOS executives and regrets that subsequent developments have shown that the Assembly’s well-founded and constructive criticism was not taken into account by the competent Russian authorities”.

Refusal to ratify Protocol 14 to the ECHR

36. These expressions of regret by CoE institutions, and the defeats in the cases noted above, received a stunning riposte from the Russian authorities when, on Wednesday 20 December 2006, the Russian State Duma (lower house of parliament) voted to refuse ratification of Protocol 14 to the ECHR. This Protocol, which must be ratified by every one of the CoE’s 46 member states in order to come into force, is designed to streamline the procedure of the Strasbourg Court, so as to reduce the backlog of cases (now about 80,000 cases), and shorten the time needed to deliver a decision (now five to six years for a “fast-track” case, up to 12 years for other cases). The Vice-Speaker of the Duma, the nationalist Sergey Baburin, complained “... our voluminous membership fees (Euro 12m, the same as the UK) are being used for attacks on our country” by the CoE. The Duma’s decision was described in the Kommersant newspaper as “The Duma ‘Gives It’ to the European Court”.

37. The Secretary General of the CoE, Terry Davis, immediately issued a Declaration expressing his disappointment that “essential and long-overdue changes...must be put on hold.” This is a rare response, and in diplomatic terms very strongly worded.

38. Any impression that the Duma had somehow thwarted the President’s genuine intent was dispelled when, on 11 January 2007 he met members of the “Civil Society Institutions and Human Rights Council”. Former Constitutional Court judge and leading human rights supporter Tamara Morshchakova asked him specifically about the refusal to ratify Protocol 14. Putin replied:

“Unfortunately, our country is coming into collision with a politicisation of judicial decisions. We all know about the case of Ilascu, where the Russian Federation was accused of matters with which it has no connection whatsoever. This is a purely political decision, an undermining of trust in the judicial international system. And the deputies of the State Duma turned their attention also to that...”

39. This was the first time Putin had openly criticised a decision of the ECtHR. He was answered two days later by René van der Linden, the Chairman of PACE, who insisted that if the Court renders a decision in favour of a citizen whose claim was not satisfied in the courts of his country, this must be seen as a decision directed to the protection of the citizen, and not against the state.

40. Further light was thrown on Russia’s extreme sensitivity to losing these cases on 31 January 2007 when the recently retired President of the ECtHR, Luzius Wildhaber, not only claimed that he might have been poisoned during a visit to Russia in October 2006, but, more significantly, reported that he had been threatened by Russia. Specifically, he told the Neue Zürcher Zeitung that Russia’s Ambassador to the CoE had come to his office in October 2002 to say that unless the Chechens (in Shamayev v Russia and Georgia, above) were handed over within 24 hours, Russia would blame the Court for the Moscow Theatre siege when Chechen extremists took 850 people hostage. Wildhaber said “It was a vile form of blackmail”.

34. http://www.humanrightshouse.org/dllvis5.asp?id=5031
36. State Duma European Court/
38. https://wcd.coe.int/ViewDoc.jsp?id=1078355&BackColorInternet=F5CA75&BackColorIntranet=F5CA75&BackColorLogged=A9BACE
Further criticism of Russia


Conclusion

42. Russia’s increasingly tense relationship with Strasbourg raises the question whether Russia really wants to remain a member. The answer to this must be affirmative. The ECHR is now firmly part of Russia’s law. The decisions of the ECtHR are treated as binding precedents by the Russian Constitutional Court and other Russian courts. Many substantive and procedural Codes have been revised in the light of undertakings to the CoE. It should be noted that President Putin’s rather forthright, even aggressive, speech in Munich on 12 February 2007 was directed against the USA, and also the OSCE, but not at all against the CoE. Nor is there any serious move in Strasbourg to suspend or exclude Russia, despite some strong comments in February 2007 from the Parliamentary Assembly on cooperation by Russia and others with the ECtHR.

43. Of course, the recent events throw into question Russia’s relations with the EU, all of whose member states are also members of the Council of Europe in good standing. The EU has a special relationship with Russia, which is not the subject matter of this short comment. This relationship is now subject to renegotiation, as part of the EU’s new Neighbourhood Policy. Turbulence in Russia’s relations with the EU will not assist in this process.

Professor Bill Bowring
8 May 2007

Written evidence submitted by David Clark, Chairman, The Russia Foundation

RUSSIAN ENERGY POLICY AND EUROPEAN SECURITY

Introduction

Of all the issues affecting EU-Russia relations none is more significant than the perception of Russia as an “energy superpower” in the making. Sharp rises in oil and gas prices, dwindling European reserves of hydrocarbons and a consequent rise in import dependence have boosted Russian growth and self-confidence while at the same time making European leaders more reluctant to adopt positions that complicate bilateral relations with Moscow. President Putin’s ability to use energy ties to incentivise friendly behaviour, or punish what he deems to be unfriendly behaviour, has enabled him to frustrate efforts within the European Union to develop a common approach towards Russia and added to the impression that Moscow is calling the shots.

Energy exports have certainly contributed to a remarkable turnaround in Russia’s economic fortunes since the end of the 1990s. High commodity prices have fuelled impressive annual growth rates of 6–7%, with energy revenues now accounting for approximately half the federal budget and around a quarter of Russian GDP. The Russian state has used energy earnings to accumulate a stabilisation fund currently totalling $108 billion and pay off its Paris Club debt ahead of schedule. These developments are a welcome sign of Russia’s recovery after a long period of economic stagnation and collapse. Unfortunately, they have also been accompanied by rising currents of authoritarianism and nationalism in the direction of Russian policy that pose significant foreign policy challenges for Europe and the United Kingdom. Russian energy policy has consequently become heavily politicised in both its internal and external dimensions.

The centrality of energy to EU-Russia relations means that European policy makers need a fuller appreciation of Russian strategy and intentions as they relate to the use of natural resources. Russia holds the world’s largest known gas reserves (27% of the total) and the second largest reserves of coal. It is also the world’s second largest producer and exporter of oil. European dependence on Russian gas is particularly significant because of its increasing importance in the energy mix and the current lack of infrastructure needed to access alternative supplies. Russian imports account for 25% of current EU gas consumption, a figure that has been predicted to rise to 60% by 2030. These are considerable resources that could be

43 For Putin’s speech, and question and answer session, see http://president.kremlin.ru/eng/speeches/2007/02/10/0138_type82912type82914type82917type84779_118135.shtml
44 The views expressed in submission do not necessarily reflect those of the Russia Foundation or individual members of its Advisory Council.
deployed in a variety of ways, both positive and negative. Europe’s overwhelming interest is to ensure that its energy relationship with Russia is balanced and constructive. That cannot be taken for granted. Achieving it will require a proper awareness of how the current Russian political elite views energy policy, along with policy responses designed to influence Russian behaviour in a positive direction.

**TRENDS IN RUSSIAN ENERGY POLICY**

The dominant trend in Russian energy policy since 2003 has been a reassertion of state control and the subordination of private sector companies, both foreign and domestic. Russia’s largest private oil company, Yukos, was forcibly dismantled and its main assets seized by the state; the export monopoly of state-controlled Gazprom has been enshrined in law; new regulations are being drawn up to limit the involvement of foreign investors in “strategic” energy projects; and Shell was effectively forced to relinquish its licence to develop the Sakhalin-2 project and hand a controlling stake to Gazprom. As with Sakhalin-2, environmental regulators are now threatening to revoke BP’s licence to develop the Kovyktka field through its joint venture with TNK in what many see as another attempt to secure a controlling stake for the state by coercive means. In every respect the state is now in a dominant position.

There is no doubt that a strong case can be made that the energy policies and agreements Russia adopted during its period of weakness in the 1990s did not serve it well. Assets were privatised too cheaply and foreign energy companies were granted production-sharing agreements that were too generous. It was probably inevitable that as Russia recovered it would want to revisit some of these decisions in order to get a better deal. But issues of method and motive were always going to be critical. Instead of seeking redress through transparent and legal means—by imposing a windfall tax on excess profits or seeking to renegotiate production-sharing agreements, for example—the Russian state has resorted to arbitrary expropriation and major violations of the rule of law. The motives behind this policy shift are also questionable. Instead of a systematic approach to correct the perceived injustices of the privatisation programme, oligarchs have been selectively prosecuted and dispossessed, apparently according to political criteria and their relationship to the Kremlin.

We can certainly say that if the reassertion of state control over the energy sector was intended to serve traditional economic or energy policy goals, it must be considered a failure. One consequence has been a significant decline in the efficiency of the Russian energy sector and rising doubts about its ability to sustain production at levels needed to meet foreign and domestic demand. Yukos and Sibneft were achieving returns on total assets of more than 30% as Russia’s leading private energy companies. By contrast, the state-owned companies that subsumed them, Rosneft and Gazprom, are achieving returns on total assets of less than 10%.44 There has already been a serious tailing off in output growth in the Russian oil sector since the shift back towards state dominance.45 An even bigger problem appears to be looming in the gas sector. Several analysts now predict that Gazprom’s failure to invest in the new production needed to replace its existing, mature fields could lead to a gas deficit against existing commitments of as much as 126 billion cubic metres a year by 2010.46 That figure is equivalent to 84% of the gas Russia currently supplies to Europe.

The direction of Russian energy policy only makes sense if we consider the underlying political motives driving it. The first is the role that the energy sector plays in Putin’s push to consolidate state power and establish a more authoritarian model of governance at home. In part, this reflects a desire to eliminate rival centres of power, in particular oligarchic interests centred on control of the natural resources sector. More importantly, it fulfils the strategic objective of turning the energy sector into a central component of the state’s “power vertical”. In short, energy assets have become a source of revenue, patronage, personal enrichment, economic power and political control in the hands of the state. It is significant, for example, that the first serious moves to curtail media freedom were initiated by a Gazprom subsidiary—Gazprom-Media—which seized control of the independent television station NTV in 2001. The station has since become known for its heavy pro-government bias. Gazprom-Media has also taken control of a number of other media outlets, including leading newspapers such as Izvestiya and Komsomolskaya Pravda.

The second aim of Putin’s approach is to use energy resources to restore Russia’s international standing and buttress a more assertive foreign policy. Key members of his inner circle, such as his chief ideologue Vladislav Surkov, have talked of their desire for Russia to assume the role of an “energy superpower”.47 Although Putin’s formulation has shifted him somewhat away from the term, the idea of energy dominance as a means of reviving Russia’s national greatness, and in particular compensating for its relative lack of military power, is clearly a major element of his foreign policy outlook.

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45 Professor Philip Hanson, Kremlin Oil & Gas: The Russian Investment Climate and the Prospects for the Russian Energy Sector, Russia Foundation Energy Forum Discussion Paper No.1, November 2006.
PUTIN’S ENERGY NATIONALISM

Vladimir Putin formed his opinions about the political function of energy policy in the 1990s, before he became Director of the state security service, the FSB. They were set out in a thesis he submitted as part of a Candidate of Sciences degree in economics at the State Mining Institute in 1997, an abstract of which was published in the Institute’s journal two years later.⁴⁹ In Putin’s vision “Russia’s mineral raw materials complex plays an important role in all spheres of the life of the state” (emphasis added). Among the specific examples given, he offered the following thought: “It constitutes the basis for the country’s military might. A developed raw materials base is an essential condition for modernising the military industrial complex and makes it possible to develop needed strategic reserves and potential”.

Broader objectives were set out in a passage dealing with “the strategic goal of state policy” in relation to natural resources. This should include “a high degree of responsibility in taking various decisions about domestic and foreign economic policy, aimed at furthering the geopolitical interests and maintaining the national security of Russia.” In conclusion, Putin argued that “the natural resources complex” would be the decisive factor in “the strategy for Russia’s exit from its deep crisis and restoration of its former might on a qualitatively new basis”. The means by which this would be achieved were also discussed. Natural resources should be brought under the supervision of the state through the construction of strong, vertically integrated companies answerable to the centre.

The key to interpreting this document is Putin’s reference to the geopolitical dimensions of energy policy. Geopolitics is a distinct school of foreign policy thought concerned with the spatial and material aspects of international relations as expressed in the competition for strategically important territories and resources. The father of modern geopoliticians, Sir Halford Mackinder, considered the Eurasian “heartland” to be the “geographical pivot of history”, control over which would determine the contest for world leadership.⁵⁰ According to Mackinder, improvements in communications would enable a dominant Eurasian land power to mobilise its vast natural resources and eclipse the maritime powers of the periphery.

This suggested that Russia was capable of achieving a position of sustained world leadership, but also that its territory would be the focus of international rivalry and foreign intrigue. The effect has been to encourage in Russian foreign policy makers a strategic outlook that has remained remarkably consistent since Tsarist times. According to Dr Bobo Lo, Director of the Russia and Eurasia programme at Chatham House, this consists of “a Hobbesian understanding of the world as an essentially hostile and ‘anarchic’ place; the fear of encirclement by outside forces; and a strategic culture dominated by the geopolitical triad of zero-sum calculus, the balance of power and spheres of influence”.⁵¹

Many of these elements are clearly apparent in Putin’s approach to foreign policy. Chief among them is a belief that Russia should dominate the “post-Soviet space” as its legitimate sphere of influence. Putin himself has remarked that “the collapse of the Soviet Union was a major geopolitical disaster of the [twentieth] century”.⁵² Although no one imagines that an attempt will be made to recreate it in its old form, there is no doubt that Russian policy makers aspire to reintegrate its constituent parts into a new alignment under their own leadership. Hence Putin’s view that the “restoration of [Russia’s] former might” should proceed “on a qualitatively new basis”—in other words, through economic power and the control of material resources.

A corollary of this is acute anxiety about western encroachment on Russia’s borders, often tinged with paranoia. This has been intensified by NATO enlargement, the “colour” revolutions in Georgia and Ukraine and the basing of American troops in Central Asia. The zero-sum mentality means that any diplomatic convergence between Russia’s neighbours and the West must necessarily constitute a hostile act. One consequence of this outlook is that Russia’s “sovereign democracy” can only be defended by making the sovereignty of its neighbours conditional on serving Russia’s interests. In short, Putin and his advisers do not accept that countries within what they regard as their sphere of influence have the right to choose their own foreign policy alignments.

This has significant implications for the way Russia deploys its energy resources, not least because of the linkage Putin makes with the promotion of Russia’s geopolitical interests. Soviet era infrastructure networks and patterns of supply dependency, combined with relative military weakness, mean that energy is Russia’s main asset in sustaining a hegemonic position in its “near abroad”. While Putin would prefer this to work through the “soft power” effect of peaceful commercial ties, he is perfectly willing to deploy energy assets coercively as a form of “hard power” when necessary. The Ukrainian gas crisis of 2005–06, for example, occurred as part of a strategy to roll back the Orange revolution and can be seen to have been partially successful with the election of a more Moscow-friendly government a few months later.

⁵⁰ Milan Hauser, What Is Asia To Us?: Russia’s Asian Heartland Yesterday and Today, pp 135–45.
The Ukrainian gas crisis was far from being the exception many assumed. A report by the Swedish Defence Research Agency has detailed more than fifty examples of energy being used as a lever since 1991: “The immediate reasons for Russia’s coercive policy appear to be to coerce political concession in ongoing negotiations, commandeer infrastructure take-over, and execute economically favourable deals or to make political statements. There are economic underpinnings in the majority of the cases and Russian demands for payments of debts are legitimate. However, there are also political underpinnings in more than half of the incidents, and in a few cases explicit political demands are evident”.

As well as Ukraine, targets have included all the Baltic States along with Georgia, Moldova and most recently Belarus. Russia has used coercive energy tactics against Georgia over several years, but tensions have been particularly high since 2004 when the newly elected president, Mikheil Saakashvili, signalled his intention to move his country in a Euro-Atlantic direction. Georgia is particularly significant as a non-Russian transit route for energy supplies to Europe from the Caspian basin and Central Asia. Pressure to keep Georgia within its sphere of influence is therefore a classic geopolitical move designed, in part, to maintain Russia’s transit monopoly.

Nor is the EU entirely immune to this sort of behaviour. Lithuania has become another target with Russian oil supplies to its Mazeikiu Nafta refinery effectively blockaded since July 2006. The Russian pipeline operator, Transneft, claims that the cut-off is due to a major leak in its Druzhba pipeline, yet oil supplies continue to flow to Belarus, through the same pipeline. The interruption started shortly after it was announced that Mazeikiu Nafta’s owners had reached an agreement to sell it to the Polish company, PKN, in preference to two Russian bids. Many observers interpret this as an attempt at coercive infrastructure takeover.

The Risks for Europe

So far the coercive use of energy policy has been limited to countries that were formerly part of the Soviet Union and there are good reasons for believing that Russia would prefer it to stay that way. It would certainly hesitate to threaten its largest and most predictable revenue stream by cutting off oil and gas supplies to most of the EU. Yet it would be rash to discount the possibility of serious difficulties arising at some point in the future. To some extent this risk is inherent in the tension between radically different strategic cultures.

To the extent that the EU provides a pole of attraction for states that were part of the Soviet bloc, there is the basis for considerable geopolitical tension whether the EU invites it or not. As long as countries within Russia’s “near abroad” aspire to follow a European path, the current Russian leadership will tend to see the EU as a normative threat simply by virtue of its existence. As we saw during the Orange Revolution, even a willingness to respect the democratic wishes of a sovereign people can draw accusations of interference. That is because, in the geopolitical worldview of Putin and his supporters, Ukraine and the other former Soviet countries are an extension of Russian sovereignty rather than sovereign actors in their own right. Russian security concerns trump the right to self-determination of the countries on its borders.

The EU could diminish tension, but only at the cost of denying its own fundamental principles and accepting a new continental order that recognised a Russian sphere of influence. There has already been some slippage in that direction with Jaques Chirac and Gerhard Schrder attempting to resurrect the great power diplomacy of old in the form of regular trilateral summits with the Russian President. This is an unwelcome reversion to the Europe of Yalta and Versailles when the fates of entire nations were decided over their heads with the stroke of a diplomat’s pen. It has also failed as a strategy for establishing a more cooperative relationship with Russia because it has emboldened Putin to believe he can divide European opinion and maintain the upper hand.

Although the EU (with the exception of the Baltic states and possibly Poland) is unlikely to become the direct target of politically motivated supply interruptions, energy is still the central element of Putin’s strategy for containing EU influence along Russia’s borders. Through the construction of new pipelines that increase Russia’s points of entry into Europe, an elaborate network of bilateral energy agreements and the aggressive acquisition of downstream energy assets, Putin is seeking to deepen European dependency and entrench Russia’s monopoly in ways that will increase its diplomatic leverage. The idea is that through a growing awareness of Russia’s importance as an energy supplier, EU foreign policy will become self-policing and European leaders will refrain from doing anything that might encroach on Russian interests.

During the Cold War, this process was known as Finlandisation. In this model, relations remain peaceful and formal sovereignty is maintained, but the context is a power relationship in which an implied threat is the determining factor. Putin raised the prospect of a similar dynamic in the EU-Russia relationship when he suggested that energy supplies might be diverted to Asia if Russian ambitions in the European market

54 Larsson, pp 227–35.
are thwarted.\textsuperscript{55} The question for Europe is whether it is willing to accept the bargain Putin is implicitly offering, to meet Europe’s energy needs in exchange for a free hand in the post-Soviet space, or whether it wishes to work for a relationship that is more balanced and more faithful to democratic principles.

**Policy Options**

The objective of UK and EU policy must be to put energy relations with Russia on a more balanced and constructive footing. This implies a number of things: that energy relations are depoliticised and separated from geopolitical ambitions; that current monopolistic practices relating to ownership and transit rights are renounced; that international treaty obligations are respected; and that Russia adheres to a multilateral rules-based regime covering trade and investment in energy that is fair, reciprocal, transparent and legally binding.

To achieve this the EU needs to alter Russia’s perceptions of where its real interests lie by countering the political use of energy supplies and making it clear that Russia is more likely to achieve its legitimate national goals by observing normal commercial practices. The EU has a much greater ability to influence Russian behaviour than is commonly believed, but only if its member states are willing to act in a united and concerted fashion. Priorities should include the following:

**EU internal energy policy**

The EU needs to frame its internal energy policies with a view to minimising excessive dependency and its vulnerability to monopolistic pressure from external suppliers. Consumption should be reduced through efficiency savings and the energy mix should be diversified with more emphasis given to non-carbon energy sources, whether nuclear or renewable. The creation of a genuine single market in energy would reduce Russia’s ability to play divide and rule by segmenting the EU politically or commercially. Heavy investment in interconnectors and other infrastructure is needed to ensure that individual member states experiencing supply interruptions are able to turn elsewhere. The Commission needs to use its competition powers to address monopolistic abuses upstream as well as downstream. European case law has already established the extra-territorial effect of EU competition rules.

**The Energy Charter Treaty**

Many of the elements needed to bind Russia to a rules-based energy relationship, such as reciprocal investment rights, are already set out in the ECT. Moreover, Russia has been legally bound by its provisions since it signed in 1994. Ratification is therefore not the issue. The real issue is one of non-compliance by Russia and the extent to which the EU is willing to insist that Russia accepts its obligations. The EU should make it clear that it isn’t prepared to sign new agreements with Russia until Russia is willing to respect the agreements it has already signed. Incorporating ECT principles into a new Partnership and Cooperation Agreement would make sense, but only if Russia acknowledged its existing Treaty obligations. Anything less risks diluting their binding effect. Likewise, negotiations on a new EU-Russia Free Trade Agreement should be conditional on a change in Russia’s attitude to the ECT.

**Supply infrastructure**

Nothing would do more to change the strategic equation of EU-Russia energy relations than the opening of a new energy transit corridor to the Caspian and Central Asia. Russia has refused to sign the Transit Protocol of the ECT and uses its pipeline monopoly to block European access to cheaper supplies from energy rich countries on its southern border. Both European consumers and Central Asian producers are being exploited as a result. At the moment, the most significant energy supply projects (such as Nordstream and Blue Stream) are designed to increase Russia’s points of access to European markets. Instead, the EU should fast track projects designed to increase its points of supply from non-Russian sources. The Nabucco gas pipeline and an extension to the Odessa-Brody oil pipeline should be immediate priorities, but the EU needs a comprehensive strategy embracing new infrastructure projects and active engagement with countries in the region. The EU’s failure to take part in the recent summit of energy transit and supplier countries in Krakow was an illustration of how far it still has to go.

**Reciprocity of investment rights**

State-owned Russian energy companies are extending their ownership of downstream energy distribution and supply networks in Europe at a time when the climate for foreign energy investors in Russia is becoming more hostile. Shell has already been forced to relinquish its controlling stake in Sakhalin-2 and BP is coming under similar pressure over its own Russian investments. It is time that European countries used market access and investment rights to insist on reciprocal treatment for its own companies. The recent comment

\textsuperscript{55} “Putin threatens to divert oil to Far East”, *The Times*, 27 April 2006.
by the Trade and Industry Secretary, Alistair Darling, suggesting a toughening in the UK’s position is a good start. What is now required is a clear statement of intent and a willingness to back it up with decisive action if necessary.

Achieving a balanced and cooperative energy relationship that works for both Russia and the EU must be the objective. But it will require the EU to be as tough in defence of its own interests as Putin has been in Russia’s. Fundamentally it comes down to a question of political leadership and will. With a clutch of new leaders taking over in the larger member states, the possibility for a new and more hardheaded approach to dealing with Russia is certainly exists. Turning that opportunity into more effective common European policy should rank as one of the UK’s most important international priorities.
Chairman: Ms. Aldis, Professor Fedorov and Mr. Roberts, welcome this afternoon. We are sorry if we have kept you waiting for a few moments. Our Chairman is currently indisposed, and I have been asked to chair the Committee this afternoon. We shall at some point touch on energy security matters, and I want to declare an interest, which is registered in the Register of Members’ Interests, in Royal Dutch Shell plc. Thank you.

We are, in fact, going to start with energy security matters.

Q44 Ms Stuart: At a recent conference a delegate said that it was not so very remarkable that the European Union had expanded eastward but that it was much more remarkable that Gazprom was expanding westward. At a similar conference it was suggested to us that in about 18 months to two years’ time Russia would be incapable of fulfilling both its export commitments on energy and its own internal needs. In that context, do any of you have a particular view of whether Russia will be inclined to use energy almost as a tool of foreign policy?

Chairman: We have a lot of questions to get through, but please don’t feel that you all have to chip in on every one. However, if there is something you want to say, please come in. I hope that that will help you. Who would like to start?

John Roberts: Russia explicitly uses energy as a tool of foreign policy. At the same time, it seems to use it in very different ways with regard to whether it is addressing it to the former Soviet countries or to western Europe. The problem that we have is that, by and large, Russia has been a reliable supplier to western Europe—to the traditional EU—but it has been anything but a reliable supplier to its former Soviet Union partners. The problem that Russia may not understand is that in a globalised world, just because you have been reliable to one set of customers, it does not necessarily mean that they will continue to consider you as likely to be reliable in future. Gazprom’s westward interest can be viewed in two ways. You can regard it as a way in which Russia would like to continue to expand its policy of having control along all links of the energy chain or you can also say that in an interdependent world that makes it vulnerable, because it then starts having assets outside its borders, and those assets, by definition, are not wholly under its control.

Q45 Ms Stuart: Can I take you a bit further on what you said about having reliability of supply in one part of the world and not the other? Can you envisage a scenario in which Russia would use energy supply to the EU and behave as it has done with other customers? In particular, do you think that it has been unhelpful that some European Union member states have struck their own deals with Russia and have not insisted on an EU-wide policy?

John Roberts: Taking the two questions separately, I do not think that Russia necessarily has any particular concept of using energy in that way as a sword of Damocles over its major customers in, to put it bluntly and use the old-fashioned term, west Europe. What was the second part of your question?

Q46 Ms Stuart: It was about EU member states individually—

John Roberts: Yes, privileged partnerships. I think that that highlights the fundamental problems that we have in energy security. There are various ways in which you can achieve energy security. You can have a concept that is the official EU understanding—it is largely the British Government understanding—that energy security is based on interdependence; you can have a Russian policy that is, in contrast, based on the principle of control; and you can have a privileged partnership—perhaps a German example would be a good one. That is what you seek. The problem is that those arrangements are all valid in their own context, but they are mutually exclusive, so when countries are seeking privileged relationships with Gazprom, it probably means that they get an advantage and that their colleagues or neighbours do not.

Q47 Ms Stuart: Given that you say that those two kinds of relationships are mutually exclusive, how much hope have we for the EU-Russia summit that is coming up, where we are supposed to have coherent, not mutually exclusive policies?

John Roberts: The absolute, bottom-line logic of the fact that the European Union is just about the world’s biggest gas consumer and Russia is the world’s biggest gas producer, is that the two, in gas in particular—gas is the core issue—should have a partnership. But if you are going to have a partnership, you have to have common rules, principles and regulations. The €64 billion question is how you develop those common rules and principles. That certainly should be the goal; what is not quite so clear is whether it is an attainable goal.

Anne Aldis: I should say at the outset that I am speaking in my capacity as an expert, rather than as a civil servant employed by the Ministry of Defence. Therefore, what I say in no way represents the views of Her Majesty’s Government or the MOD.

To answer the first part of your question with a little example—I would not want to raise the profile of the example as yet—what you said has already happened in the case of Estonia in the recent disturbances, in a small way. It may have been purely coincidence that the pipeline was closed for maintenance; it might not be.

Professor Yury Fedorov: I would like to comment a little. I think that, basically, Russia’s role in European energy security is ambivalent. On the one hand, Russia has enormous resources of gas and large resources of oil. Russia is in geographical proximity to Europe. There is an established and expanding system for the transportation of energy to Europe. However, at the same time there are serious concerns about the reliability of future supply, and I think that one of the basic problems of energy security for both Russia and Europe is whether Russia will be able to avoid or prevent a serious
production crisis, especially in the gas industry, and whether it will be able both to fulfil export obligations and satisfy domestic needs.

At the same time, there is an idea of using energy supplies as the political lever, but I have serious doubts whether Russia may practically use gas supply to Europe as a kind of political lever, because Russia is more dependent on Europe in terms of export revenues, technologies and so on, or perhaps at the same level of dependence as Europe in depending on Russia as an energy supplier.

Q48 Mr. Horam: I was very interested in what you just said, Professor Fedorov, about the likelihood or possibility of Russia not being able to deliver to the west, and so forth. Figures from the International Energy Agency suggest that Gazprom’s production may fall by as much as 25% by 2015. At the same time, as you indicated, there will be rising domestic demand and possibly some diversion of resources to the eastern countries. Do you think that this is a serious risk?

Professor Fedorov: According to many expert assessments, there is a very serious risk of production crisis, especially in gas production, and yet it is not inevitable. The problem is that domestic demand is growing, and domestic supply is growing. The next point— it is the most important point, in my view—is that the investment strategy of Gazprom is insufficient and Gazprom is under-investing in the development of new fields, especially in the Yamal peninsula, which contains the most promising Russian gas reserves. Gazprom prefers to invest substantial amounts of money in the development of Central Asian gas fields rather than developing gas fields in Russia’s territory. That is a serious threat. If that practice continues, I think that the probability of a crisis in gas production will grow.

Q49 Mr. Horam: How far is the poor investment a reflection of the Russian attitude to foreign investment, for example at the BP field in Siberia, and so forth?

Professor Fedorov: I think that most experts in Russia understand that under-investing is a serious threat to Russia’s own domestic energy security, yet the problem is that Gazprom and its export revenues are used for many purposes. They are a very serious source of economic growth in Russia, and Gazprom is investing in different projects, many of which have nothing in common with gas production. For instance, figures for the years 2000–06, show that Gazprom invested something like $12 billion in gas production, but at the same time, it invested for other purposes not relating to gas production or transportation. That means that $30 billion will be invested in inquiries about oil companies such as Sibur, and others such as Sibneft, which are worth $18 billion. That means that investment in gas production is much less than investment in other projects not related to this purpose, which is a fundamental mission of Gazprom. At the same time, according to the Russian Government and independent assessments, it is necessary to invest about $10 billion or $15 billion per year into development of the new gas fields and maintaining the source of current gas production. The figures are, in my view, rather alarming.

Q50 Mr. Horam: Do you think that that political approach is damaging the economic approach?

Professor Fedorov: I think so.

Q51 Mr. Moss: What are the prospects that Russia will implement the energy charter treaty and its transit protocol?

John Roberts: The Russians have a rather peculiar attitude, because they say that in many ways that they that the energy charter treaty is passé because it was constructed in a different era. At the same time, they also said that they believe in its principles. I would have thought that the German approach— which is that the principles contained in both the charter treaty and the transit protocol are incorporated into the new partnership and cooperation agreement—is an intelligent way forward. If that is required to get Russian off the mental hook of saying that it does not want to be subjected to what it calls an old treaty, the most important thing is that the principles that are contained, both within the treaty and the transit protocol, have the force of law. The partnership agreement must, in effect, take the form of a treaty in itself.

I do not think that anybody should be hung up about the energy charter per se. The key point is to ensure that the key provisions of the treaty and the protocol are applied to Russia.

Professor Fedorov: If I may add, there is very little probability that Russia will ratify the transit protocol because Russia—or it is better to say, Gazprom—is interested in the control of central Asian gas to Europe. If Russia ratifies the transit protocol, that means that Turkmenistan and other central Asian countries will have a legal right to transport and sell their gas to European consumers directly without mediation of Gazprom.

John Roberts: I would completely agree with that, and that is exactly why the Government wanted an energy partnership agreement with Russia. The point about transit for central Asian countries was included because the bottom line is that, under current circumstances, if Russia is going to meet anything like its anticipated obligations, such as its export levels to Europe, it will require to do that on the back of importing cheap, central Asian gas, which, whether it is transported into Europe or is used in Russia itself, simply becomes a way of delaying what some people consider to be necessary: the reform of Russia’s internal energy consumption pattern. That consumption pattern means that Russia uses roughly three times per capita as the EU. So long as that happens, a large element of wastage limits availability of gas on a commercial basis to any purchaser whether in Russia or the European Union, which is what we are interested in.
Q52 Mr. Moss: Do you therefore believe that, for progress to take place in that area, western Europe must accede to Gazprom demands of greater control over the transit?

John Roberts: I would have thought that you could look at it from a completely different perspective. You could look at it from the perspective of how you make sure that central Asian producers do not have to suffer from the current situation whereby, if they are lucky, they may be able to negotiate a price of $135 per 1000 cu m for their gas or perhaps a little more, while Russia sells gas to European customers for close to $300. The ideal way, because the infrastructure is there, is to enable central Asian customers to export directly to Europe at something approaching western commercial prices, and paying obviously a fair transit fee to the Russians for use of the existing system. If that is not possible, you have to address the alternative of how to get gas out of central Asia in a manner that enables central Asian producers to get something close to world market prices.

Q53 Mr. Moss: Perhaps that means new pipeline development going south.

John Roberts: Going south, perhaps transport across the Caspian sea. It does not mean so much to China because China will probably relate its gas pipelines and try to tie the price into coal, and keep it limited from that perspective. But it certainly means new pipelines to put Russia in a competitive position rather than in a control position.

Professor Fedorov: The only possibility of European consumers having direct access to central Asian gas is to build a trans-Caspian pipeline. That is under discussion at the moment, yet the possibilities and prospects of the realisation of the project depend to a large extent on the availability of enough resources of Turkmenian gas. If there was not enough Turkmenian gas, the project would be economically ineffective.

Chairman: We shall now move to another aspect of security in Russia, which is Russia and the United Nations.

Q54 Sandra Osborne: The record of Russia and recent key issues that have come before the United Nations have been mixed. What role does Russia see for the United Nations in the international system?

Anne Aldis: Russia is quite clear. It is the United Nations that confers legitimacy on things like decisions to deploy armed forces, international peacekeeping and so on. Russia is very keen to see the United Nations as an international arbiter with legitimacy, force and the ability to engage all member nations in a dialogue. It has been very clear to the Russians that, when deployments of force, for example, to Iraq or to Kosovo take place under United Nations resolution, Russia is very happy. When they take place perhaps under the EU or NATO umbrella, Russia does not see that as conferring any legitimacy whatever.

Q55 Sandra Osborne: Does Russia have a position on the reform of the Security Council?

Anne Aldis: I could not say.

Professor Fedorov: The logic of the Russian position is really very simple. Russia is a permanent member of the Security Council. That gives Russia a right of veto on any questions that are decided by the United Nations. At the same time, in cases like Iran or perhaps North Korea the practical position of Russia in the Security Council is such that the council is not able to make decisions that may result in the effective resolution of some problems. There is some controversy in its position.

Q56 Sandra Osborne: Is there anything the UK can do to strengthen co-operation with Russia within the Security Council?

Professor Fedorov: I think so, yes.

Q57 Chairman: In what way? [Interruption.] That is just the Division Bell. Do you have a quick two or three-sentence answer, or do you want to think about it a bit more?

Professor Fedorov: I am sorry?

Q58 Chairman: I asked you in what way could the UK strengthen the involvement of Russia in the United Nations.

Professor Fedorov: Well, I think that the UK as well as other permanent members of the UN Security Council could involve Russia in a more pragmatic position by doing two things.

Chairman: I apologise, there is no time for a longer answer. We have to go to vote in the Division now. The Committee will reconvene in 15 minutes' time. On resuming—

Chairman: We have had our 15 minute break so we can now get back to the points you were making, with apologies.

Professor Fedorov: I would first like to apologise for my bad knowledge of parliamentary practice here in the UK.

To continue my answer, first, I think that it is important for the UK and other western countries to develop a practical and coherent vision of solution management for the problems that are under discussion. Secondly, it is important to ensure Chinese co-operation within the Security Council. That is the most important point, because I do not think that Russia is ready to be alone in the Security Council.

Q59 Andrew Mackinlay: Referring to page 12 of the brief, the Ahtisaari plan is an issue that is looming up on the Security Council. The signals from the Kremlin indicate that it will not sign up to the plan. It seems that we are heading for a major bust-up on the issue. Will you discuss that? Here in London, it is said, and I quote, that “Russia will come round”. My feeling is that it will not. There is a misread, and it is quite a grave situation. To complete the scenario, there is the possibility of the plan not getting through the Security Council and the EU or a wider group of western countries giving recognition to Kosovo, or of Kosovo unilaterally declaring independence, which would have severe consequences. What say you?
**Professor Fedorov:** Moscow’s official position is well known. Its position is that any solution of the Kosovo issue is to be approved first by Kosovars or Kosovans—I do not know which of those words are used in English—and by Serbia. If Serbia does not approve of the Ahtisaari plan, Moscow will automatically veto it, to follow the logic of its position. Yet, in my view, Russia’s practical position and policy on the question is to use the Kosovo problem and voting in the UN Security Council as a kind of bargaining chip as regards the broader context of its relationship with western countries. Perhaps the Kosovo problem could be the object of a deal between Russia and western countries, such as the United States.

**Anne Aldis:** It is quite clear, as Professor Fedorov says, that Russia will not sign up to something that does not satisfy Serbia, but there seems to have been some movement in the Russian discourse in the past year. It has moved away from saying that Kosovo will set a precedent for other breakaway regions such as Transnistria, Abkhazia and South Ossetia. There was the idea that what went for Kosovo and its independence could be applied, as a matter of principle, to those regions or countries, but Russia has stopped saying that, which might indicate that its game plan is slightly more complicated.

**Q60 Andrew Mackinlay:** I listened carefully to that. I believe that you said that the Russians “stopped saying” that what goes for Kosovo might go for other countries and what that “might indicate”, but there is no evidence to suggest that that is right. You are saying nothing more than that Russia might have “stopped saying” it, and that “might indicate” something. In fact, if you look at any statement from any Russian official, you will see that they make it clear that they stand by Russia’s long historical and cultural relationship with Serbia, which goes back to tsarist times. They also remind us that the Helsinki accords said that the map of Europe should not be altered unilaterally or arbitrarily, which is to say unless or until the free will of a people has been expressed. They relate Kosovo consistently to the frozen conflicts in Transnistria, and those other places that I cannot pronounce, such as Nagorno-Karabakh. They say, with some legitimacy, relying on the Helsinki accords, that there should not be any alteration to the national boundaries. Surely they have said that time and time again.

**Anne Aldis:** They have, but they have now separated the Kosovo precedent from what they would like to happen in those breakaway regions. I can provide chapter and verse if the Committee wishes it.

**Q61 Mr. Illsley:** May I quickly ask Professor Fedorov about his view that Russia could hold the Kosovan question as a bargaining chip for some future deal? Do you have any examples or ideas of what such a deal could be, or how big a deal it would take to persuade Russia to cash in that bargaining chip?

**Professor Fedorov:** It follows the logic of what has been said and written in Russia in the past 12 months, including Putin’s speech in Munich, his V-Day speech and his Address to the nation, as well as the Review of Russia’s foreign policy prepared by the Foreign Ministry, that the No. 1 issue for Russia is to assure its special role and its special position within the post-Soviet space. One of the most disturbing prospects for Russia is the prospect of the probable or hypothetical invitation of Georgia, Ukraine or Moldova to join NATO. One of the main goals for Russia is to prevent what it sees as the disintegration of the post-Soviet space and to assure its special role in the space. Perhaps I am wrong, but in my view what Russia would like most would be for the west to agree on that special role in the former Soviet Union. That would be the basis on which Russia might make deals with western countries.

**John Roberts:** The role of Russia and its relations with Georgia are critical in this context. If there is a quid pro quo from the Russian perspective, above all that will concern Georgia—where there are two frozen conflicts, and which abuts on a third, in Nagorno-Karabakh—and the question of the security of pipelines going through a very narrow corridor in an area in which, were there to be unrest, Russia would be in a very strong position to take advantage of it if it so chose.

**Chairman:** Thank you. We are now going to turn to the non-proliferation aspects of security.

**Q62 Mr. Keetch:** I will turn to Iran in a second, but I want to kick off with North Korea. Russia is obviously a member of the six-party talks, but there is a suspicion in some quarters in the west that Moscow has some sympathy with the idea of North Korea standing up to US aggression in that part of the world. Is that suspicion justified?

**Professor Fedorov:** My guess is that Russia’s approach to the North Korean nuclear issue is rather ambivalent. On one hand, Russia cannot and will not welcome the nuclear dominance of northeast Asia which would be the probable result of the nuclearisation of North Korea. At the same time, Russia understands quite well that its own ability to influence the results of the six-party talks is very limited. The main players are China and the United States, and the second tier is Japan and South Korea, while Russia has no real leverage—in my view; perhaps I am wrong—or influence on the North Korean Government. At the same time, Russia’s current position is not welcomed by the United States, so Moscow’s ambitions to play the role of mediator are futile. My question is: what can Russia really do to influence the result of the six-party talks? Nuclearisation of the region and arms races in the region are of absolutely no interest to Russia, because they would diminish Russia’s military position in the far east reaches of the country, which is one of its key regions.

**Anne Aldis:** If we look at it from the other end of the telescope, we will see that Russia sees the US as the main agent of proliferation in the world, because of its abrogation of the 1972 anti-ballistic missile
treaty, its national missile defence and for various other reasons, as President Putin said in his Munich speech. He saw a unilateral superpower doing those sorts of things, which did not contribute to international security. Russia would like to see itself as a guarantor of non-proliferation and of international security, in opposition to the US if necessary. To that end, Russia would prefer an element of multi-polarity and a dialogue that included everybody. In my view, that does not go as far as encouraging proliferation anywhere else.

Q63 Mr. Keeetch: That is fascinating. We will come back to the ABM treaty if we have time. Let us now consider Iran, in whose alleged nuclear ambitions there is much clearer Russian involvement. Russia also has great exports to Iran, not least from its energy sector and in helping to build its nuclear power system. Russia has constantly said that it would not want to see any military action against Iran, so what is its answer to the Iranian problem? If it rules out the military option—I understand why you would do that—what would it do if it had more leverage?

Professor Fedorov: The official Russian position is that it does not like the prospect of nuclearisation of Iran, which is quite understandable, because nuclear Iran would mean that southern Russian cities were in distant range of Iranian nuclear missiles. That the military option should be excluded is an integral part of Russia’s approach. As I see it, the logic behind that could be as follows. The military option is not in the interests of Russia. It could have three outcomes. Outcome No. 1 is that the operation is successful and a pro-western Government in Iran is established. The probability of such an outcome is minimal, yet it is possible, and it is absolutely not in the interests of Russia. Outcome No. 2 is the Iraqi scenario, which means chaotic developments in Iran after a military attack. That is not in the interests of Russia either, because it would mean a hotbed of instability and extremism emerging near its borders. The third option, which is sometimes discussed in the expert community in Russia, although not only in Russia, is the division of Iran along ethnic lines. That would mean northern Iran and Azerbaijan forming an large, integral Azerbaijani state, most probably with a pro-western and pro-Turkey orientation, which is not in the interests of Russia. The military option is therefore not in Russia’s interests.

A political solution could be welcome if there is no change in Iran’s strategy as a result. That is a little bit doubtful, because I am not sure that the current Iranian Government are ready for a political solution. In my view, the political solution of Iran’s nuclear problem it would be possible if more moderate, perhaps pro-western, forces were in office in Iran. They may agree with the political solution, whatever it could be. Yet a pro-western Government, as I have said before, is not in Russia’s strategic interests in the region. The answer is that Russia would like to freeze the status quo at the moment.

Q64 Mr. Keetch: A further quick question: how far would Russia go to support an international consensus on further pressure on Iran, such as sanctions? What more will Russia accept?

Professor Fedorov: At moment, as I see it, there is no international consensus about Iran. That is one of the main problems because, as far as I can judge, there is no clear understanding in any capital in the world of how the Iranian problem could be solved. If this understanding is emerging, then Russia should decide what its approach to such a solution could be. At the moment Russia cannot accept very strong sanctions because it may lead to regime change in Iran.

Q65 Mr. Purchase: Russia’s current foreign policy seems to indicate an increase of hard military power, and recently President Putin spoke of the need to strengthen Russia’s admittedly weakened military capability. Could you help us by explaining further Russia’s military doctrine in the context of its wish for a greater independent international role? On the tail of that, what is your assessment of the international security risk represented by Russia’s stock of nuclear, chemical and biological materials?

Professor Fedorov: It is important to distinguish between the official military doctrine, which was approved by President Putin in 2000, and current strategic views and attitudes expressed and articulated in the President’s speeches and in writings by authoritative figures in Russia. If I try to summarise the Kremlin’s current views on the international security arena, I can do so in the following way. First, the global balance of forces is shifting in Russia’s favour. The causes of this shift are that Russia has overcome its economic and political crisis over the last decade. Secondly, enormous energy resources provide Russia with a powerful lever of international influence.

At the same time it is important to emphasise that current Russian strategic thinking is that the west is in a difficult position at the moment and is weakening because the USA is involved in Iraq without any clear understanding of how to move out. There is a belief in Russia that after Iraq a kind of post-Iraq syndrome might emerge in the United States, which means that isolationist trends will increase a little. NATO is challenged with growing problems in Afghanistan and if NATO fails in Afghanistan, or if NATO has not achieved real success in Afghanistan, it may question the very raison d’être of the alliance. The EU is encountering some difficulties within the Union. All those developments create favourable conditions for Russia to return to its former status of major global power. That is point number two. Yet also I think that the Kremlin understands quite clearly that its present policy does not bring the results that it wishes to have. There are no successes within the post-Soviet space, and attempts to influence developments in Ukraine and Georgia failed. I could continue the list. These events—they are not absolute failures, but some kind of failure—are seen in Moscow as resulting from American influence and America’s building of obstacles for Russia.
Putin himself has said more than once that nobody likes a strong Russia, and I think that that is his real feeling. So in the circumstances, Russia’s strategy now includes partial co-operation with the west on problems such as non-proliferation and fighting terrorism. Yet at the same time, Russia would like to use some of the west’s vulnerabilities and weak points, and issues such as Kosovo, Iran and North Korea, as a harbinger of being able to obtain trade-offs and western recognition of its special role in the post-Soviet space. In my view, that could be an explanation—a picture, an outline—of current Russian doctrine. Whether it will be successful, I do not know.

Q66 Mr. Purchase: I wonder whether someone might deal with the second part. What is the assessment of the international security risk from Russia’s stockpile of nuclear or other weapons?

Professor Fedorov: There are a few sources of insecurity seen in Moscow. The first set of insecurities, of course, relates to new threats such as terrorism, Islamic radicalism or what is called international terrorism. The other—it is the principal innovation of recent months—is American policies. The United States is seen, if not as an enemy or a rival, as a serious obstacle to the realisation of Russia’s strategic goals. There are two sources of threat to Russia’s security seen in Moscow.

Chairman: Do any of the other witnesses want to comment on the specific point of the security risks arising from the former Soviet WMD stockpile? No? Mr. Mackinlay, you had a question on that, I think.

Q67 Andrew Mackinlay: Since 2000, I think, G8 money has been made available to the Russian Federation to secure some of its deteriorating nuclear arsenal. On this Committee’s last visit to the Russian Federation, we were made aware that in the sea around the north of Russia, for instance—a very depopulated area—there are installations and even some civil functions such as lighthouses where there is stolen or unsecured nuclear material. Often it is stolen by itinerants who perhaps do not even realise what they are stealing. A pretty parlous situation was painted for us. There is also the deteriorating submarine fleet of the former Soviet Union. What is the position today? Can anybody help us on that? How bad is the lack of security of such nuclear materials, either former military materials or unsecured civil materials?

Anne Aldis: My understanding is that the problem is not the physical security but the environmental dangers of those stockpiles. I know that the Norwegians are at least as concerned as we are, if not more so. The difficulty is the culture of secrecy in the Russian military, which results in successful treason prosecutions of people who try to help minimise that environmental problem.

Professor Fedorov: One of the main sources of insecurity and one of the main threats from the former Soviet WMD arsenal—be it nuclear, chemical or biological—is the possibility that sensitive information and knowledge might leak from Russia in a way that would be more dangerous than leakage of nuclear materials. It might provide rogue regimes with critical knowledge.

Chairman: Thank you. We now come to European missile defence.

Q68 Mr. Keetch: The Americans are talking to the Poles, the Czechs and us about this subject. Mr. Putin is not very happy; there was a big speech in Munich. Are the Russians really upset about it or are they just upset?

Anne Aldis: It goes back to what I said previously about their seeing America as the main destabiliser in the international system. They are playing a lot of rhetorical games in a lot of forums, but there is no reason to believe that they are not serious about those games. One of their points is that although the Americans say that they do not need the missiles to defend America, they are not consulting Europe in general on deployment of the missiles, but only countries in which they want to station them. The question to which the Russians want an answer is how will contribute to European security if Europe does not have an opportunity to discuss it. I know that the Russians have had detailed discussion with the Americans. The conclusion that the chief of the general staff, Yuri Baluyevsky, has reached is that it does not matter what the Americans are telling us now; once the bases are established their purpose might be changed, and that might happen in the foreseeable future. He also pours much scorn on the idea that Iran or North Korea are likely to launch missiles at Europe. In view of that, he asks why we are spending so much money on protecting against a hypothetical problem.

Q69 Mr. Keetch: What does he fear the bases could be turned into and what is Russia likely to do if the US continues with its present policy?

Anne Aldis: He sees the American policy as a deliberate policy of encirclement of Russia by the west, which I would argue is a traditional bunker mentality that has persisted for as long as there has been a Russia. The concern is not just about military encirclement; the Russians see us as positively subverting their style of democracy by seeking to impose our own. They fear that we will encourage another Orange revolution, but in Moscow—next March. That is all part of a psychological encirclement. In the cold war days, there were maps of the NATO military bases up against the Warsaw pact border; now, the maps show NATO military bases up against the Russian border. That scares them.

Q70 Chairman: I have one final question. As you know, President Putin recently made a speech in which he said that Russia is going to examine the possibility of suspending its commitments under the conventional armed forces in Europe treaty. Can you give us your interpretation of that? Why did he say it? Why did he choose the particular timing that he did? What is its security significance—is it big or is it sabre rattling?
Anne Aldis: I do not think I want to comment on the first of your questions. The major significance at least for the UK is that the inspection regimes, which I would argue have been a major stabilising factor in mutual confidence building since the signing of the treaty in 1990, will fail, and we will have no right to know what is happening in Russia. Equally, they will have no right to know what is happening in the UK. We might have to consider other ways of continuing that dialogue if that was felt appropriate. That, I would argue, was the main impact of the withdrawal from the CFE provisions. In their defence, the Russians point to the fact that only four countries ratified the CFE treaty in its Istanbul incarnation in 1999, namely Russia, Ukraine, Belarus and Kazakhstan. They say, “Why should we observe the provisions of this treaty if there is no single other European country prepared to do so?”

Professor Fedorov: My first point is that the decision to suspend implementation of the CFE Treaty or to establish a moratorium on implementation is politically rather than militarily motivated. Political motivation can be seen in the following case. The Russian military and political establishment was looking to respond to a situation in which American planes were to deploy anti-ballistic missiles in Europe. The first option that was discussed publicly in Moscow was withdrawal from the INF treaty. Yet, such a move could be very dangerous because it could trigger a new missile crisis in Europe, something like the crises in the late 1970s. Some response had to be found. It was decided to take a move that would not provoke a serious response from NATO. Nobody knew what was meant by suspension and how long it could be.

We are talking not about withdrawal here, but about suspension of the CFE Treaty. I am not sure whether the information that was received from on-site inspections was critical for NATO. At the same time, the strategic consequences of that move could be counter-productive for Russia because it blocks the ratification of the agreement on adaptation of the CFE treaty, and that revised version of the Treaty is militarily very important for Russia. It restricts the possibility of deploying troops and military equipment to foreign territories. If the revised version of the Treaty is not ratified and put into force, then theoretically NATO can deploy substantial forces to the Baltic states. Therefore, taking that step would be counter-productive for Russia.

John Roberts: May I make three very quick points on energy security in Russia?

Chairman: Very briefly, thank you.

John Roberts: If the EU in general and Russia and the UK in particular cannot develop a policy of energy interdependence, then we will probably be too late to develop a privileged relationship that forces the UK back into rethinking its entire energy policy. With regard to gas in particular, we are dependent on Russian gas—I am talking about the EU here. At the same time, Russia’s ability to meet anticipated gas demand from EU suppliers is so doubtful, that we may have to rethink how dependent we are going to be on gas and whether we can afford to be that dependent. The same possibly goes for coal.

The whole energy sector desperately needs greater clarity from Russia concerning its energy plans. That clarity is lacking at the moment. In return, Russia has the right to ask energy consumers to clarify what prospective markets there might be for Russian energy.

Chairman: Thank you very much indeed, Professor Fedorov and Mr. Roberts, thank you very much for joining us this afternoon, and for your very helpful answers to our questions. We will continue with the next session straight away.
that. Inevitably, if Russia’s strategy is geared towards balancing American power, by extension it is also geared towards balancing UK power, especially in Europe. You can see that quite clearly in the way that Putin has tried to construct trilateralism with Germany and France in particular, without thinking of including the UK, especially latterly.

At a specific bilateral level—I am told that we are to discuss this—the role that the UK now plays as perhaps one of the two most significant centres of Russian life outside Russia, and in particular as host to what I suppose we can describe as a new dissident community, brings us into direct conflict with Moscow, which sees our willingness to provide asylum to certain individuals whom it regards as enemies of the state as a deliberately hostile act. Those two things together, the latter tinged with a considerable amount of paranoia, are at the heart of the deterioration.

Professor Bill Bowring: I, too, think that there was a fairly dramatic change in 2003. From my experience working as an adviser for the Department for International Development during the period 1997–2003, there was a serious engagement in reform of the legal system, the judiciary and so on, and I think that was much appreciated. The changes have included a dramatic change of policy by the Russian Government since then, but also of course I would highlight what has been happening with Yukos in a series of prosecutions in Russia since that date.

As my colleague said, a large number of people are now located in London and at the hearing last June when the new Russian general prosecutor was appointed, he emphasised that he wanted to make a much better stab at the extradition proceedings, particularly in London. There is now a list of 30 or 40 people who are being pursued by the Russian authorities and the fact that they lost disastrously badly in a series of means that we will see more of them.

There seems to be a failure to understand that there are independent judges who do not do what they are told by the Government. I should add two other factors: one is the Litvinenko effect. We are still awaiting the outcome of the investigation and that has clearly caused irritation. The second—it seems a long time ago now—is the famous “rock” incident involving the British embassy in Moscow. All of that adds to the general climate. Finally, the fact that the Government and Government-run industry did not come to the economic forum recently is a real indication of how things are presently.

Dr. Andrew Monaghan: First, could I clarify to the Committee my position as a private individual? I have an association with the Conflict Studies Research Centre but it is on an individual contract basis; I am not a civil servant. I also have a contract with the NATO defence college in Rome, but, again, it is a private individual on a consultancy basis. I would support much of what my colleagues have said, but I also remind them that we have a significant amount of engagement with Russia that is reasonably positive. I do not want to over-egg that, and I will come back to why in a moment. We have military co-operation, the best example of which was the UK-led rescue of the submersible Priz AS-28. We also have significant energy and business interaction with Russia, not just with Shell and BP, but with a range of other companies both up and downstream. Many other UK companies are investing successfully in Russia at the moment and, of course, Russians are coming here and investing in the UK. The best example is listing on the London Stock Exchange.

In addition to what my colleagues have said, I would say that there are quite evidently values differences and a difference in social structure—for example, the separation of powers—which means that there is very little of a political relationship on top of this.

Q72 Andrew Mackinlay: It is federal.

Dr. Monaghan: Yes. There are a variety of differences within the two societies which mean that these engagements are usually very disconnected. I would say that it is a mix of the two.

Chairman: Do you want some clarification, Mr. Mackinlay?

Andrew Mackinlay: No, I am just saying that it is federal, isn’t it? May I ask a general question of the three of them?

Chairman: After Mr. Horam.

Q73 Mr. Horam: I take what Dr. Monaghan said too, but given what you, Mr. Clark, and Professor Bowring said and taking the view that things have got worst since 2003, there has been a distinct cooling—I would not say hostility—and the UK is being singled out as a difficult country. How would you tackle that, from the UK’s point of view? If you were in Margaret Beckett’s position and you wanted to do something about this relationship, which is important to the UK, how would you go about it?

David Clark: Personally, I think that problems arise when you conceive of this in a bilateral context. The strategy that Vladimir Putin has pursued in Europe is very much one of divide and rule and you can see that affecting British diplomacy quite dramatically if you speak to Ministers and officials off the record. They express extreme nervousness about standing up to Russia on the basis that they will be singled out and punished. The UK is a large country within the European Union, but in relation to Russia it does not, I think, have all the resources required—

Q74 Mr. Horam: Does that mean you are in favour of pursuing it in a multilateral, European Union method rather than via a UK bilateral method?

David Clark: We have to put the emphasis on developing a common European policy towards Russia, because it is only by acting collectively within Europe that we will begin to create within the minds of Russian policy makers the need to behave differently from how they are behaving at the moment.

If we behave as 27 countries, all dealing separately with Russia, Vladimir Putin will see, as he does at the moment, the opportunity to play this game of divide and rule, particularly with the use of energy assets,
rewarding behaviour that he regards as acceptable and punishing behaviour that he regards as unacceptable. I think that that puts us in a weak position. So, although bilateral relationships do not disappear altogether within the context of a common foreign and security policy, and nor should they, I think that part of our strategy for coping with the situation we are in is to emphasise European solidarity. That means not just insisting on solidarity with us when we come into conflict with Russia, but being willing to show solidarity with other countries, such as Estonia and Poland, which perhaps have not received as much support as they should in the last few months.

Q75 Mr. Horam: Do you agree with that, Professor Bowring?

Professor Bowring: I would be inclined not to emphasise too much the negative side of it. One can certainly see developments within the European Union, particularly from Estonia and Poland, where there is a deterioration of relations. However, it has always been my view that the UK and Russia historically, and even in the recent past, have a certain amount in common, and that we have quite a lot to contribute to each other. When the bilateral relations were perhaps a bit stronger, even after 2003, in my own field, which is the judiciary, law enforcement agencies and so on in Russia, there was a real desire to exchange experience and for them to learn from us, and perhaps for us to learn from them. I think that there is still considerable mileage in that process. Now, of course, with the EU renegotiating its relationship with Russia, I would argue that the UK has a very important role to play in how that renegotiation takes place.

Of course, there is the importance of expressing solidarity with countries like Estonia and Poland, but I would argue that there are also considerable opportunities. The spending by the EU will increase by some 30%. It will be budgetary support, rather than consultancy. I would say that all sorts of things are happening that could be drawn in a more positive light, although we must, of course, stand up on issues that are important to us.

I should add that I am here in my own capacity from Birkbeck. I am also a member of the advisory board of the EU-Russia Centre, and therefore this issue is something that I keep an eye on.

Dr. Monaghan: I want to add to what my colleagues have said. We should not forget that Russia has also preferred to pursue bilateral relationships within the EU and also within NATO. There is not simply a multilateral approach, with Russia going to Brussels; Russia has also dealt with France, Germany and so on, as is very clear. So I think that, alongside trying to support a more unified European approach, which the UK has done, not least with the Permanent Partnership Council in Energy and so on during the UK’s presidency, we should use the contacts we have in business and in the military to pursue a bilateral relationship at the same time.

I think that, if we withdrew from a bilateral relationship, the Russians would simply disengage from here as well. We have the grounds for a bilateral relationship in position. I know that the resources are few, and that there may not be broad political support for that process, but the position is there. Most of my contacts in business have said that they want to stay in Russia—they need to stay in Russia—and the same is true of the military. I know reasonably well the leader of the UK team on the rescue of the Russian submersible and he says that this is an excellent opportunity to develop that position. It is not well developed, but it is clear that it is true. Since Litvinenko—I would not say since 2003, but since last year and since Litvinenko—things have deteriorated politically, but a basis is still there to contribute to a broader NATO and EU cooperation. We should also pursue bilateral relations in the light of the Russian preference for bilateral relations with major powers.

Q76 Mr. Horam: May I just get that point clear? Are you implying that there is a difference between, on the one hand, the political relationship with Russia, which may be going badly and you would want to see that pursued through the EU or more collectively, because otherwise Russia will just pick us off one by one, and, on the other hand, a sort of commercial, legal and professional relationship, which is going rather better and has definite advantages in being pursued that way?

Dr. Monaghan: I am not implying it. I am saying it very clearly. I reiterate that I do not want to over-egg the level of co-operation, but it is clear in the military, business and energy spheres that there is an increasing—if troubled, yes—relationship among different companies and different sectors of the military.

Q77 Mr. Horam: The current disputes are embittering the relationship between the European Union and Russia, which means that the European Union and Russian summit is going very badly. How do you put that into the context of what you are saying, Mr. Clark, about the need to pursue things through the European Union channel?

David Clark: It is going badly because one or two member states, in particular Lithuania and Poland, quite rightly take the view that Russia’s use of energy supply interruptions against them in order to gain political leverage is an unacceptable way in which to behave. They are entitled to expect a degree of solidarity from the rest of the EU, when faced with that situation. I happen to agree with that view. It should not have been left to Poland and Lithuania to veto the start of negotiations on a partnership and co-operation agreement. I think that the EU should have said collectively to Russia that it was not willing to start negotiations until Russia was willing to accept civilised bilateral relations with its member states.

In that sense, the fact that relations are going badly should be put squarely in Russia’s court. The root of the problem is its behaviour towards certain countries, particularly those that used to be within the Soviet sphere of influence, which may still be regarded as having more influence over them than they would ideally like. Those countries are now
members of the European Union. They should be treated as such and be entitled to the full rights that go with it. It would be unthinkable for consideration to even have been given to negotiations starting if, for example, France had been subject to an arbitrary ban on dairy produce in the way that Poland has been, and still is. It is inconceivable. We cannot have a two-tier European Union. There has to be the same degree of solidarity for all its member states.

Q78 Andrew Mackinlay: Apart from the matters that we discussed earlier with Ms Aldis and Dr. Fedorov, including encirclement, it seems from the papers that I have seen that one of the biggest contributory factors to poor bilateral relations relates to the people who have political asylum here in the United Kingdom and/or related personalities. Do you agree that that is one of the biggest causes of frost? Someone mentioned the figure of 90.

Professor Bowring: It is not as many as that, but it is a considerable number of people one way or another are being prosecuted and the Russians are seeking them. That is not so much a question of asylum. There have been a number of cases in which asylum has been granted and that has been controversial. I can think immediately of who was involved. A large number of people are connected with Yukos in one way or another, and they now include British and US citizens. One of the problems is that the British courts have been satisfied in practically all the extradition cases so far, first that the prosecutions are politically motivated, which is the main barrier to extradition, and secondly, that if extradited the individuals would not get a fair trial in Russia. The courts have been able to find that on the basis of what has been happening with the trials of Mr. Khodorkovsky and others in Russia.

It is recognised in Russia that the extradition cases have been badly handled by the Russian side. There does not seem to have been an understanding of what is actually required by the UK courts to achieve extradition. Unfortunately, that is a vicious circle.

Q79 Andrew Mackinlay: I take note of your last point that the process is a bit clumsy. In reverse order, there is a lack of comprehension of the fact that the courts are independent. Nevertheless, there has been the political act in a number of cases of granting asylum, in which the political decision must be taken by the United Kingdom Government, has there not? We have a very controversial extradition treaty with the United States of America. There is not a parallel one with Russia, presumably because the British Government say that they dare not do that because it is not a good justice system. A political act is involved in making that decision. Do they not have a point?

Professor Bowring: Russia has ratified the Council of Europe extradition treaty and therefore it is one of the countries to which extradition ought to be easier. In fact the procedure is simplified. I would say that there has been genuine incomprehension about what is required in order to get people extradited if, indeed, there is evidence that they have committed crimes for which they ought to be extradited.

Andrew Mackinlay: I get quite uncomfortable with these multibillionaires coming to London. It is only a few years since the collapse of the Soviet Union and an amazing number of people managed to get rich quick. I think that it defies belief that you could get that rich without breaking norms of ethical handling of business deals.

Chairman: A question please, Mr. Mackinlay.

Q80 Andrew Mackinlay: The question I want to ask is about these people. Has not Russia got a point that there is money laundering through London by these people, or some of them?

Professor Bowring: I think you put your finger on the exact point. There are two separate questions. The first is the question of the morality of what happened in the Yeltsin period during the 1990s and how some people got extremely rich. That is a political question in Russia. If, on the other hand, crimes are being committed, such as money laundering or other crimes, and if there is evidence that they are being committed—I am a lawyer so for me there has to be proof—people should be extradited. If a complete mess is made of the extradition proceedings, that is a different matter.

David Clark: I take your point, Mr. Mackinlay. I sympathise with your point even though I do think that even rich people have human rights. This is not just about rich oligarchs either. Let me remind you of what Judge Tim Workman said at the extradition hearing of Akhmed Zakayev: “I find that as a fact the Russian Government are seeking extradition for purposes of prosecuting Mr. Zakayev on account of his nationality and his political opinions.” Russia is treated under various international instruments and indeed under UK law as a country which respects human rights and is a respectable actor in relation to various forms of mutual legal international assistance. But the 1957 European convention on extradition and the 1959 European convention on mutual assistance in criminal matters, for example, both explicitly bar extradition in political cases for political motives, and Russia is clearly in violation of both of those instruments.

Russia has been granted category 2 status under the UK Extradition Act 2003, on the basis that it meets a certain standard of rule of law. As Judge Workman’s opinion on this case and many other cases clearly demonstrates, however, Russia is not meeting that standard. This is an issue that the UK Government need to look at. Do we continue to pander to Russia’s self image as a respectable country which respects human rights or do we start to take it to task and say, “You are not meeting those standards and therefore you are not entitled to these privileges”?

Dr. Monaghan: It is a crucial point, but I think that the difference is that this has become much more prominent since late last year. This issue has rumbled on for a few years now, but it came up again with the poisoning of Litvinenko. I am sure that everyone here will be aware that this matter was
Q81 Andrew Mackinlay: A final question: I do not mean to be rude, but none of you or the organisations that you work for or represent are direct or indirect beneficiaries of funds from Berezovsky, are you?  
David Clark: No.  
Andrew Mackinlay: Good. That is fair enough.

Q82 Ms Stuart: It was very interesting, Mr. Clark, that you talked about European solidarity. UK foreign policy for the last 50 years in terms of Europe has always been that we do not want a Europe dominated by large members. Helmut Kohl understood that the small ones need to be protected. The Russians do not understand that. They want to talk to the big ones. I put it to you that if I were a Russian listening to this, I would say, "These are a whole lot of really nice words that amount to nothing at the end of it".

What precisely can we do to make the Russians change their minds? I suggest that we should start talking about such things as saying to the Russians, "Do you think that you continue to have a place at the G8? Why not replace you with India?"? We should start to put some serious suggestions on the table that would make Russia change its behaviour rather than using sweet words, which it knows mean to be rude, but none of you or the organisations that you work for or represent are direct or indirect beneficiaries of funds from Berezovsky, are you?  
David Clark: I agree. The point that I was making about the privileges that Russia enjoys in terms of mutual legal assistance could be extended to its status in the Council of Europe, the G8 and other international instruments and organisations, where it is treated as a respectable member of a community of democratic nations even though, to my mind, it clearly does not match up to the standards required of those organisations.

When we continue to behave as though it is business as usual, despite everything that has happened over the last four or five years, we reinforce in the minds of the current Russian leadership the idea that such values do not really mean a great deal—that they are simply declaratory and can be ignored at will, and that Russia will continue for reasons of strategic importance to be treated as an equal member of the club. The rules of the game must start to change. Russia must experience some pushback, and not just at the symbolic level. Russia would react very adversely if it were to be thrown out of the G8, for example, or suspended from the Council of Europe. What would really hurt it is at the level of hard power and economic interest.

The core of the EU-Russia relationship, and what is distorting it at the moment, is the energy relationship. We must get the energy relationship right. It cannot be done at the bilateral level; it must be done at an EU level. The EU must develop the instruments required to form a really effective common external energy policy in relation to Russia, and there are a number of things that it needs to do. I see Europe moving gradually in that direction. I have seen progress during the last year or two. You are shaking your head, but I have detected progress. It is happening at a glacial pace, as it always does in Brussels, but it is moving. I think that there is potential among a group of new EU leaders, particularly Gordon Brown, Nicolas Sarkozy and Angela Merkel, who already takes a more sceptical view of Russia than her predecessor. There is potential even among the big member states for a change of direction on policy toward Russia.
**Dr. Monaghan:** In many respects, we approach this from the wrong angle by saying, “What should we do to counter Russia?” The discussion of Russia’s G8 status is an example of that. We have to say, “No more words, but actions.” If we really want to help secure European energy, we have to look at it internally before we deal with Russia. Why do not the other European Union members have the infrastructure and ability to help Poland or Lithuania if they are being cut off by Russia? That is where the first problem is. It is no wonder that the Poles are standing up and saying that they think that the new Baltic Sea pipeline has echoes of the Molotov-Ribbentrop Pact.

The action of pushing the EU must come before we start looking at Russia and threatening it with being booted out of G8 or something. It is already quite defensive; it looks aggressive, I agree, but as we heard in the last sitting, it is worried about the furtherance of democracy and the revolutions. It is concerned about a list of other things, so its policy is quite defensive in that respect.

In response to the question, there has been a big scaling back of resources. We are talking here about Russia, ladies and gentlemen, a state of vast dimensions, with 16 international borders and 143 million people. Let us talk about the constituent parts; let us know what the different ministries are doing, what the Government are doing and what the different companies are doing. That would tie into understanding what it is going on in Russia, rather than dealing it another punch, pushing it or trying to force it into the ECT, which the Russians, incidentally, consider their national advantage. If anyone would like to go to Moscow to try to negotiate the Russians out of their national advantage, please feel free, but I do not think that you will get very far. The same applies to the breaking up of Gazprom. We should look for other methods. What are Russia’s national disadvantages? Wastage of gas. We can help with that. We should change tack on the European method; we should get our own act in order, and start saying, “What are your weaknesses?” We should not hammer against the Russians’ strengths, because then they will simply say, “We will go elsewhere.”

**Professor Bowring:** I have three points. If one looks at things from Moscow’s point of view, one will see that there is orange paranoia, as it is called, which is linked to the activities of Mr. Berezovsky, among other things. What has happened in Ukraine, Georgia and Kyrgyzstan is seen by Russia as very much of a threat, quite apart from what is now being proposed for—

**Q84 Mr. Purchase:** That does not mean that the Russians are paranoid.

**Professor Bowring:** When the word “paranoia” is used, there is a feeling of encirclement and closer encirclement. More significant, however, is the fact that Russia is certainly not going to leave; there it is, it is a huge neighbour to Europe, and a very large proportion of its trade is with Europe. It is not going to disengage from the EU, the OSCE or the Council of Europe. It is clearly seeking to renegotiate its relationship with all three; one has to be conscious that it is seeking to do that and why it is seeking to do so. In the case of the OSCE, it wants to move it back towards being a functional, rather than a geographical, organisation, which is not focused simply on the former Soviet Union and central and eastern Europe, but on security and co-operation aspects.

Russia pays the same subscription to the Council of Europe as we do, and it is quite conscious of that. It does not get the same number of staff—or all kinds of other things—as we do. The Russian judge at Strasbourg is first class; I am reading an interview with him from the last few days. He frequently votes against Russia. With due respect to Gisela Stuart, he shows that it can be a mistake to talk about “the Russians”, because Russia is the country of many contradictions and constant surprises. We may well see a few in the elections. I could name a series of excellent people in Russia with whom we should be talking.

Finally, we in this country do not have a brilliant record in the past few years, and we should not forget that Russia was allowed in to the Council of Europe in 1996 in the middle of the first Chechen war. It ratified the European convention on human rights, to everyone’s surprise, but immediately began the second Chechen war in 1999. In April 2000, the Parliamentary Assembly of the Council of Europe voted to have Russia suspended after Frank Judd produced his hard-hitting reports. Within 10 days of the vote, Mr. Putin was here in London on a private invitation. Also, he has publicly thanked the UK more than once for giving him cover on the question of Chechnya in the Council of Europe. Now is the time to think hard, but one has to be aware of the complexities.

**Q85 Mr. Illsley:** In response to the point made by Andrew Monaghan, who I believe said that the European Union ought to get its act together to produce mutually beneficial energy policies, when energy supplies were threatened in the winter of 2005-06, the first thing that Germany did was to agree the pipeline with Russia, regardless of other member states. That was at a time when Austria, which held the EU presidency, inserted a clause into its priorities for the EU saying that there should be some co-operation on energy. Is that an example of the Russians winning a round by divide and conquer?

**Dr. Monaghan:** I am not sure that it is.

**Q86 Chairman:** Could you reply as quickly as possible? We want to come on to UK energy security.

**Dr. Monaghan:** I think that the complexities of what happened in 2005-06 are not widely understood. The fact that certain other members of the EU afterwards went and signed deals with Russia reflects their own interests. I was talking about this recently in Italy. The reason that the Italians have gone toward Russia is that they view Russia as a more reliable supplier than other major suppliers, which is to say those on their southern flank.
There is such a range of suppliers, transit routes and energy types within Europe that getting things together is difficult. The problem to which I referred is one of infrastructure. We have a number of small bilateral ties between a few European states, which means that there is surplus in one state and insufficiency in another. That is the point that I was making. The reaction to what happened in 2005-06 is sometimes a little overblown. Politically, it had a huge impact, which we should not deny, but practically it had quite a small impact. On the cut-off of Ukraine, the difficulties actually came up in February. The EU should keep an eye on the main difficulty because it reflected the severity of the Russian winter and the pressure on Russia’s gas system. The main number of shortages in Europe happened in February. The shortage in January was quite small and short-lived.

Chairman: Thank you. We have finally arrived at Malcolm Moss.

Q87 Mr. Moss: At the moment, the UK takes very little of its energy supplies directly from Russia, particularly gas. Is that likely to change in the future and if so, how? Would it be sensible for the UK to seek to negotiate bilateral agreements? Dr. Monaghan referred to the deals that Italy has done, and we know about Germany’s bilateral agreements. Would that be a more profitable route for the UK to go down or, as I think Mr. Clark said earlier, does there have to be an EU framework for negotiating energy supplies?

David Clark: It is true that the UK takes a smaller proportion of its energy import need from Russia than other European countries do, particularly Germany and those further east. From what I understand, the proportion is going to go up, although projections are always difficult to make in these cases. In the context of a single European energy market, what affects other parts of Europe will inevitably affect us if there are politically motivated supply interruptions. If Russia cannot physically meet its export requirement, the countries that are affected will go to the suppliers that we use. That will inevitably impact on the price, so there will be a commercial impact on us. There will also be the political impact that I have described of excessive dependency on Russia on the part of certain European countries. Our ability to frame a common European foreign policy in ways that we like might then be affected, because those countries will be nervous about upsetting Moscow—so it does affect us.

If we are making moves towards a common European energy market, a common external energy policy is a logical corollary of that, just as the common external tariff was a logical consequence of the common market. That, too, carries political implications with it. I have a very specific idea about the way in which that common external energy policy needs to be framed. We talked a little bit about supply infrastructure, and I mentioned before the energy charter treaty.

Q88 Mr. Moss: You are making the point that was made by Mr. Roberts. I am going to Baku in a few weeks’ time so it will be interesting to find out what the thinking is there.

Dr. Monaghan: I think that the UK’s energy relationship with Russia is much broader than people consider it to be. We do not have much gas from Russia at the moment, but we have a significant amount of coal from there, and I should like to point out the difference. Many people consider Russia an unreliable gas supplier for both political and substance reasons, but at the same time it is considered a reliable coal supplier for both political and substance reasons.

Let me give a figure on the coal situation, just to outline how important this is for us. More than 50% of the imports of steam coal that come into this country come from Russia, and 75% of steam coal needs are met from imports, so we have a significant coal relationship with the Russians. I should also like to point out that we are investing in the Russian coal network and system, and the Russians are coming over here: a big project of one of the major coal companies is to reopen the Hatfield colliery. The nature of gas interaction is also very important. Gazprom views the UK as its target market—the fastest growing and most profitable one for it, and therefore the one that it wants to get into—to the extent that people have said that the Baltic sea pipeline between Russia and Germany is simply making Germany into a transit hub to the UK. At the moment, Gazprom has a small interest in the north of the UK. It has bought Pennine natural gas, which supplies Headingley, so we must hope that when the lights begin to fade and Gazprom turns off the energy, England is seven or eight wickets down rather than winning. There is an increasing bilateral relationship. We are investing heavily in Russia, both upstream and downstream, and it is investing more and more here—not just in gas, but in coal. We also need to think about electricity and, I would suggest, nuclear. We are talking about energy security rather than gas.
Professor Bowring: What David Clark and Dr. Monaghan have said re-emphasises the importance of trying to position the EU as a negotiating partner. Whatever the UK does for its own energy needs and in its own interests, it will be essential that the EU is there.

In the past couple of years, I have been doing a lot of work in Georgia, whose relations with Russia are crucial—that has to do with the oil transit, among other things. Something that is absolutely clear there is that the EU plays very little role apart from funding projects; co-ordination between the various European agencies—the OSCE, the Council of Europe and the EU—is minimal, and although there is a strong American presence, politically and in terms of funding, the European Union is not there. I stress the vital importance of the UK promoting EU policy in this area.

Chairman: Thank you. I understand that there will a Division fairly soon. May we therefore move on to the last major area that we want to cover? Ken Purchase will deal with the issue of the UK and the promotion of democracy and human rights in Russia.

Q89 Mr. Purchase: How might we best understand Russia’s view of democracy and human rights? Are Britain’s efforts to promote democracy and human rights productive or counter-productive?

Professor Bowring: In my view between 1997 and 2003, when we stopped DFID funding in Russia for a variety of reasons—one of the main reasons was the war in Iraq—we had an excellent programme at a series of different levels in the field of judicial reform and human rights, with a very high level of co-operation. For example, Russian prisons were twinned with UK prisons, there was work on alternatives to imprisonment and there was a tremendous programme with the Russian judiciary on law reform. A second very big programme had been contracted—it had been let—and it was stopped, which I think was a tremendous shame as it was much appreciated by a lot of good people in Russia.

Now, the Global Opportunities Fund at the Foreign and Commonwealth Office has picked up some of that and is doing some good work. However, my view was always that DFID had tremendous respect in Russia; it was seen as being one of the most effective agencies in doing this kind of work and it was engaged in genuine partnerships. So, if I could put in a plea—

Q90 Mr. Purchase: But could I have a discussion with a Russian—if language were not a problem—about democracy and human rights where we would both understand what we meant?

Professor Bowring: I would say yes, entirely. I would refer again to the example of Judge Kovler at the European Court of Human Rights, who is a really independent judge. He votes against his own country quite frequently and does tremendous work in Russia, carrying out propaganda work for the Council of Europe and the values that it stands for. He is not alone; there are lots of people like that.

There was a time when President Putin, if you like, looked both ways. So, on the one hand it was nationalism and Russia’s interests; on the other hand, it was genuine reform in Russia. Things have changed, but I would say that we could play a very important role.

We are now in the situation with the European Court of Human Rights, for example, where this year 19,000 cases are from Russia; they amount to a quarter of all the cases at the Court, which has 46 countries involved. That means that throughout Russia now every lawyer says to their client, “OK, you lost, but we are off to Strasbourg.” That is one of the reasons why there are so many cases. That situation is now very well known, and the way that law is being taught in Russia has completely changed as a result. However, I would say that there are things that one could do in order to build on some of those changes.

Q91 Mr. Purchase: Professor, you are very upbeat and that is most welcome, but how do you explain the fact that Russia’s relations with the Council of Europe appear to be deteriorating somewhat on human rights issues?

Professor Bowring: I would say, very briefly, that there are a couple of factors involved there. On the one hand, there is irritation or even anger right at the top. President Putin went public in January. It was not to do with the oligarchs; it was to do with losing the case against Moldova and Russia over Transnistria. Russia also lost another case, which was against Georgia and Russia. In both those cases, Russia was found really to have acted in bad faith. So there is substantial irritation with the court in some of the circles in the Kremlin.

A current problem is that Russia is the only country of the 46 not to have ratified protocol 14 to the European convention on human rights, which concerns a substantial reform of the Court to enable it to deal with that enormous wave of cases. In the last week, the president of the European court of Human Rights, Judge Costa from France, Judge Kovler from Russia, and a quite a big delegation have been in Russia meeting with the constitutional court, with the heads of the other courts, the prosecutor and others, and even though the Duma voted to reject protocol 14 in December, there is now considerable pressure in Russia to get this done.

All I am saying is that there are some very negative factors. None the less, one cannot say that this is monolithic; it is not a totalitarian country. It is a country that is moving in an authoritarian direction, and one has to do what one can to help it to move in a different direction.

Dr. Monaghan: I would add that, apart from the human rights aspect in terms of democracy, Russia would perhaps question London’s stance with Washington. There is a defensive nature on the political side; the thought is that the UK sides with Washington in forwarding democratisation in states that are not yet ready for it. One particularly vivid illustration was told to me: “You are exporting...
democracy on the wings of a Tomahawk." That is a fundamental difference in our understanding of what democracy is.

Secondly, if we talk about parliamentary democracy, I am not sure that Russia has a coherent understanding of loyal opposition, for example. They do not really see the parliamentary position in the same way. As I mentioned at the beginning, there is a difference in terms of the division of powers between Russia and the UK. Although there is a positive basis for that, the political difficulties to which I referred come from a series of value differences. They do not really see what is going on, and they disbelieve and distrust the Anglo-Saxon notion of democratisation, if one wants to call it that—and they sometimes do.

There is also a lack of understanding about the domestic nature of what a democracy might be in terms of revolution rather than evolution. When there is an election and a candidate is beaten, there is no chance that they might be back in four or five years. They have to get themselves ready and go. They tend to hold onto power a little more rigorously, as there is no institutionalised view from many people's point of view. There is debate about that, but many people would question it at the moment.

David Clark: To answer your question, I would say that most Russian leaders understand very well the concept of democracy. However, they have rejected it, or at least our understanding of democracy, as one that is applicable in the Russian context. They say so very explicitly. What Putin has described as being a model for Russia is a managed democracy, which is something different. It combines two contradictory notions: democracy, a bottom-up process, and management, a top-down process. The top-down element predominates in Russia, in order to prevent or forestall the possibility of change from below, which it sees as being analogous to an orange revolution scenario; Russia out of control and back to the bad old ways. Following their experience in the 1990s, a lot of ordinary Russians have a very negative association with what democracy means. However, the nature of the system has the superstructure of a democracy, with elections and parties that, at least theoretically, contest elections. None of the non-electoral prerequisites of democracy are there. Putin is supported by the Russian people but the conditions in which public opinion is formed are not free. There is no free media. NGOs operate under very strict bureaucratic control from the centre. Political parties are not allowed to operate freely; there are very strict conditions allowing them to register, and they can be prevented from standing, as Yabloko was recently in the local St. Petersburg elections.

Q92 Mr. Purchase: That very much conforms with how I understand what is happening there. Can you tell us whether Britain's efforts are productive or counter-productive? We still persist with our views, even though that dissidence that you have so well described is obviously clear. Are our efforts worthwhile?

David Clark: At the moment, no, because there is a failure to push forward enthusiastically what I see as being the two key tracks that we need to pursue. First, the Russian Government, state and political elite need to understand that there are adverse consequences in rowing back from the democratic standards and the direction of political reform that existed in the 1990s. At the moment, they feel no consequences of their actions, so there is nothing to fear from them. Secondly, there is no consistent effort from countries such as the UK—although I am not singling out the UK—reality to try to help with local democracy building, partly because the Russian state has signalled its view that NGOs which receive foreign funding are in some ways agents of foreign influence and are therefore enemies of the state. That has motivated much of the crackdown on civil society.

To prevent individual countries and individual Governments being targeted by the Russians when those countries or Governments try to help with local democracy-building efforts, there needs to be detachment from national Governments. Maybe what is needed is a European equivalent to the National Endowment for Democracy, whereby work in promoting democracy and practical nuts and bolts assistance can be detached from the governmental level and handed to an agency that would carry out that work on Governments' behalf. That would help to take some of the sting out of the bilateral antagonisms that have arisen when countries such as the UK have tried to help with democracy promotion.

Professor Bowring: On Mr. Purchase's question, I think that there is a significant problem with democracy in Russia, which is that the Opposition parties self-destructed at the last election. Yabloko and SPS are simply not credible. Putin did quite a bit to try to get Yabloko into the Russian Parliament—he wanted them there. The problem is something that we cannot change; I am afraid that the Russians will have to do it themselves. It is very hard to see how the people who are currently organising the marches in Moscow and St. Petersburg—Kasparov, Kasyanov and Mr. Limonov, the National Bolshevik, can constitute a credible Opposition force at the present. I am sure that Oppositions will arise in Russia, but it will not be because we arrange it that way.

I have mentioned the excellent work that DFID is doing. Dr. Monaghan's comments reminded me that it is a matter of great concern that the British Council appears to be winding down some of its activities in Russia. The Council has come under pressure from the tax authorities, and it is not clear whether that position has been resolved, but there seems to have been less of the excellent work on language teaching and all sorts of other things that the council was doing. Given that historically Russia and the UK have by and large been on the same side in every serious conflict, and that relations go right back to the time of Elizabeth I and Ivan the Terrible, there is a deep reservoir of respect and affection for the UK. Every Russian of a certain generation knows their
Dickens, Galsworthy, Byron and so on. The tricky question is how to mobilise that affection in a way that does not give the impression that we are lecturing or telling them what to do, because only they can do what they need to do. Nevertheless, there is a lot that we can do to create a better climate.

Chairman: Thank you. The final question is from Gisela Stuart.

Q93 Ms Stuart: If I correctly interpret what you have said, would you also say that the Government should support more bodies such as the Westminster Foundation for Democracy, so that they can work in Russia?

Professor Bowring: That foundation has funded me to go to Russia in the past. The more that that can be done, the better.

Chairman: Thank you.

Written evidence submitted by the Foreign and Commonwealth Office

The Foreign and Commonwealth Office welcomes the opportunity to provide written input into the Committee’s inquiry into “Global Security: Russia”. This memorandum addresses the issues and questions the Committee will consider in the terms of reference for its inquiry, published on 23 March 2007. An annex on the Foreign and Commonwealth Office’s presence and activities in Russia is provided separately.

UK–Russia Relations: Overview

Close engagement with Russia is important to the successful achievement of a wide range of the Government’s international priorities. We work with Russia at the UN and in the G8 on policy issues such as Kosovo, Iran, MEPP, and energy and climate security. We also work bilaterally with Russia on the promotion of trade and investment, and in practical co-operation, for example on serious crime. But the relationship is overshadowed by tensions arising from the asylum/refugee status of individuals in the UK and the Russian response to the continued presence of those individuals. The Russian administration has not fully accepted that these questions are matters of law, not of politics or diplomacy. Regrettably this impacts upon other areas of potential co-operation and upon British interests in Russia.

In a testing environment, where commercial and political interests are closely entwined, we also need to remain robust in the promotion of the interests of British investors, notably in the oil and gas sector. The Foreign and Commonwealth Office continues to pursue an approach to relations with Russia underpinned by critical engagement. Where obstacles and disagreements exist, our aim will continue to be to seek to resolve them by means of a transparent, open and honest dialogue.

During Russia’s 2006 G8 Chairmanship, many UK Ministers visited Russia, including the Prime Minister, the Chancellor, the Foreign Secretary, and the Attorney General. The Minister for Europe visited three times in 2006, and the Secretary of State for Trade and Industry visited in February 2007. A visit by the Minister of State, Trade and Industry is planned for July 2007. In addition to regular and ongoing senior official level contacts, the Russian Deputy Foreign Minister, Vladimir Titov, visited the UK in March this year. The Government welcomes the Committee’s proposed visit in June, as well as Parliamentary engagement more broadly, including recent outward visits by Members of the All Party Russia Parliamentary Group and Members of the House of Lords respectively.

Energy Security

Are the United Kingdom and the European Union doing enough to ensure that Russia is a reliable energy partner?

What is the significance of the energy principles agreed under Russia’s G8 Presidency and how can we ensure that they are applied consistently to foreign investors in Russia’s energy sector?

How much of a constraint does Russia represent on efforts to develop a more independent energy relationship between the UK and EU and states in Central Asia and the Transcaucasus?

The UK government consistently underlines to Russia the importance of being and being seen to be a reliable energy partner. Against the background of disruptions in gas supply from Russia that occurred in January 2006 and oil supply in January 2007, the Government has consistently stated, including in dialogue with Russian partners, how important it is that energy producers and transit states maintain reliability. The Government welcomes the alignment of EU Member States with a statement in support of the principles on global energy security, agreed by the G8 at the St Petersburg summit in July 2006. The EU had an opportunity to discuss the importance of these principles at its Informal Meeting with President Putin in October 2006, and they have remained an active and developing theme in UK/Russia and EU/Russia discussions.
The Government also welcomes the agreement by the European Council in March 2007 of an EU Energy Action Plan. The Action Plan sets out the way in which significant progress in the efficient operation and completion of the EU’s internal market for gas and electricity and a more interconnected and integrated market can be achieved. This should result in a truly competitive, interconnected and single Europe-wide internal energy market that will have major benefits for competitiveness and EU consumers as well as increasing security of supply. This, as well as the full use of the instruments available to improve the EU’s bilateral co-operation with all suppliers, should ensure reliable energy flows into the Union. The Action Plan develops clear guidelines for an effective EU external energy policy.

At the July 2006 G8 Summit in St Petersburg, G8 Member States agreed, under Russia’s Chairmanship, a set of key principles on the functioning of global energy markets. These include principles derived from the Energy Charter Treaty (ECT): transparency, predictability and stability in global energy markets, and at all stages of the supply chain. The Government supports strongly the consistent application of the St Petersburg principles across all G8 Member States. The Government has also repeatedly underlined to the Russian Government the importance for future security of energy supply of conditions, which encourage and protect investment in new production sources. We reiterated these concerns in the context of the Russian Government’s approach to the operating arrangements for the Sakhalin II project. The Government has also re-affirmed the openness of the UK to all foreign investors who are prepared to operate within markets governed by competitive, liberal market principles, most recently during the visit to Russia by the Secretary of State for Trade and Industry in February 2007.

The Government notes that Russia signed the ECT in 1994, but regrets that Russia has not yet ratified it. The Government notes the particular importance of legally binding agreement on transit arrangements, for which the ECT and its Transit Protocol provide a framework. In its approach to the negotiation of a successor Partnership and Co-operation Agreement (PCA) between the EU and Russia, the Government attaches importance to a component on energy that includes legally binding dispute resolution mechanisms.

In keeping with the Government’s commitment to energy markets grounded in liberal market principles and mechanisms, the Government supports diversity of supply—both of source and export route. The Government believes that the move towards market price levels in the energy sector across Central Asia and South Caucasus is a welcome trend, but believes that a graduated approach would assist the economies of the states in the region. Russia itself advocated such an approach during its economic transition in the late 1990s, in the context of its aspiration to accede to the WTO.

**International and Regional Security**

*What role is Russia playing in the United Nations Security Council and the Non-proliferation regimes and what should the United Kingdom’s response be?*

*What is the state of Russia’s relations with Central Asian and Transcaucasian countries and Ukraine?*

*What are the prospects for relations between the enlarged NATO and Russia?*

*What is the role of Russia in the Middle East Quartet?*

*What are the prospects for Russia’s relations with China and the Shanghai Co-operation Organisation?*

Russia plays an important role as a permanent member of the UNSC, G8 and other international organisations and groupings. Russia’s foreign policy has become increasingly assertive as its economic strength has grown over the last few years. On a range of international issues, Russia has sought to play a prominent, influential or blocking role. Its foreign policy vision places much emphasis on “multipolarity” as the key to success in meeting international security challenges. It continues to place a special emphasis on its relations with countries of the Commonwealth of Independent States (CIS). While recognising that the CIS as an institution has modest (and diminishing) capacity and cohesion, Russia remains acutely sensitive to developments in CIS countries’ relationships with Euro-Atlantic countries and institutions. Russia has been explicit in its reservations about the prospects of Ukraine and Georgia joining NATO. And it has been an uncommitted and unsupportive partner in the European Union’s efforts to build success and promote modernisation and reform in the region, notably through the European Neighbourhood Policy.

Russia’s permanent membership of the United Nations Security Council (UNSC) is a key element in its foreign and security policy approach. As fellow permanent members, there is close co-ordination between the UK and Russian missions in New York, in addition to regular UK/Russia dialogue on UNSC business in capitals. The UNSC has reached unanimous positions on many issues of concern for the UK, including in recent months on Iran. There are also issues on which Russia differs, such as a recent draft UNSC resolution condemning the situation in Burma, which Russia vetoed. It remains an important aim of British foreign policy to work successfully with Russia to ensure the UNSC operates with maximum effectiveness in addressing threats to international peace and security.
It remains an important aim to work for successful outcomes on the major WMD proliferation challenges posed by North Korea and Iran. On these issues, Russia’s view has often varied from ours on the timing and nature of economic pressure or sanctions, and on the role that the UNSC should play. But we share the overall aim not to see the emergence of new nuclear-armed states, and we will continue to seek cooperative ways of promoting this objective.

Russia is a member of most of the major international non-proliferation regimes (see box below). The UK and Russia maintain a constant dialogue on non-proliferation issues through a variety of international fora.

A key part of the UK response to proliferation concerns within Russia is the Global Partnership Against Weapons and Materials of Mass Destruction. The Programme was launched at the 2002 G8 Summit in Kananaskis with the goal to “prevent terrorists, or those that harbour them, from acquiring or developing nuclear, chemical, radiological and biological weapons; missiles; and related materials, equipment and technology”. Work was initially focused in Russia and on the four priority areas of destruction of chemical weapons, the dismantling of decommissioned nuclear submarines, the disposition of fissile materials and the employment of former weapons scientists. The UK pledged up to US$750 million over the 10-year life of the programme and has played an important role in all four priority areas. This has been made possible by the establishment of strong relationships with Russian counterparts at the working level. As Russia’s economy has strengthened, its contributions have increased and current estimates suggest it will have spent about US$6 billion of its own money by 2012.

Russia was an original signatory to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). Like the UK and the US, is a depositary state. It is one of the five recognised nuclear weapon States.

Russia is also a depositary of The Biological and Toxin Weapons Convention (BTWC) along with UK and the US. In 1992, in a joint UK/US/Russian statement, Russia acknowledged inheriting an illegal BW programme from the Soviet Union. More recently Russia has appeared to backtrack and has been reluctant to engage in Global Partnership discussions on projects related to redirection of BW scientists.

Russia is a Party to the Chemical Weapons Convention (CWC). It declared a stockpile of Chemical Weapons of nearly 40,000 tonnes of chemical agent, about 80% of which was highly toxic nerve agent. Work to destroy the stockpile was initially slow. But Russia is now spending far more domestically, and is working to hit their deadline to destroy 20% of their stockpile by 29 April 2007. G8 partners and others have provided substantial financial assistance for this programme through the Global Partnership.

Russia recently agreed to improved transparency measures; it and the US will host visits to destruction sites by members of the Executive Council of the Organisation for the Prohibition of Chemical Weapons.

**Export Control Regimes**

Russia is a member of the following export control regimes: Nuclear Suppliers Group (NSG), Zangger Committee, Missile Technology Control Regime (MTCR) and the Hague Code of Conduct Against Ballistic Missile Proliferation (HCOC). In all of these fora Russia takes an active and robust approach. Russia’s membership of these regimes provides regular opportunities for discussion of issues of proliferation concern and on how to improve existing regimes, although the UK and Russia’s positions do not always coincide. Issues being discussed at the moment include Iran/DPRK; controls of transfers of enrichment and reprocessing goods and technology and updating the MTCR Technical Annex. Within the HCOC, Russia contributes by far the most Pre-Launch Notifications (PLNs) of any of the Subscribing States. Russia has expressed interest in joining the Australia Group.

Regarding conventional weapons, Russia is an active member of the Wassenaar Arrangement which aims to promote transparency and greater responsibility in the transfer of conventional arms and dual use goods. During 2007, the Arrangement will undergo a self assessment and we hope to agree a number of measures to improve its role and functioning. Russia abstained from the vote for the Arms Trade Treaty resolution at the UN General Assembly in December 2006. The UK is committed to securing a legally binding treaty to regulate the international trade in arms. We are engaged in a constructive dialogue with Russia on this initiative and are encouraging them to participate in the UN process which is now beginning.

Russia, along with the US, retains by far the world’s largest stockpiles of nuclear weapons. Two main bilateral arms control treaties currently drive reductions in these stockpiles: the Strategic Arms Reduction Treaty I (START I) and the Strategic Offensive Reductions Treaty (SORT). Under the terms of the latter, both countries will reduce their operationally deployed strategic nuclear warheads to a maximum of 2,200 by 2012 (representing a reduction of around two thirds since the end of the Cold War). However the deals expire in 2009 and 2012 respectively. Bilateral talks on successor arrangement have begun, but there are no clear indications as to whether firm commitments on further numbers reductions will emerge.

Recent Russia-US and Russia-NATO interaction on strategic issues has been dominated by US plans to site ballistic missile defence (BMD) interceptors in Poland, with associated radar in the Czech Republic. Russia remains concerned challenging US argumentation on the location of interceptors and complaining that BMD could upset the strategic balance in Europe. Moscow does not accept that the proposed sites are demonstrably only intended for—or capable of—defending against a limited missile strike from the Middle East. Following announcement of US BMD plans, senior Russian representatives...
have repeated public threats to withdraw from the Intermediate-Range Nuclear Forces (INF) Treaty, under which the US and Russia eliminated all of their mid-range cruise and ballistic nuclear missiles. Russia has also announced a moratorium upon the implementation of the Conventional Forces Europe (CFE) Treaty. The UK Government does not agree with the linkage that Russia has made between these issues. We will continue to work closely with NATO allies to ensure that all these questions are addressed with objectivity and transparency—including in the NATO–Russia Council.

Russia’s priority in international disarmament talks is progress towards a Treaty on the Prevention of an Arms Race in Outer Space (PAROS). Their proposals look to many (particularly in the US) to be specifically aimed at restricting any future deployment of missile defences in space. The UK maintains consistent support for the UNGA resolution on PAROS and the associated resolution on Transparency and Confidence Building Measures. The UK could not agree to any measure that could limit the UK’s inherent right of self-defence as preserved in article 51 of the UN Charter.

Russia actively maintains close relations with the republics of Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan), both multilaterally through fora such as the Commonwealth of Independent States (CIS) and the Collective Security Treaty Organisation (CSTO) and bilaterally. Energy plays an important part in this relationship; the Soviet-built pipelines from the Central Asian Republics still run through Russia before the oil and gas can reach European markets. Russia appears to aspire to maintain and strengthen its control over energy exports from the whole region, and its unwillingness to ratify the ECT is in part based on a reluctance to allow the EU an opportunity to access Central Asian gas supplies.

The collapse of the centralised planning system following the break-up of the Soviet Union sapped Russian demand for goods from the Central Asian states. However, commerce and trade between the countries and Russia remains important. Russian firms are active across the region, particularly in raw materials sectors. Russia has significant energy investments in Kazakhstan, and is seeking to expand activities in Turkmenistan.

Russia is generally supportive of the incumbent regimes in Central Asia, citing the need to maintain stability in a volatile region. We encourage both Russia and the countries of the region to cement stability through the introduction of true democracy. Russia co-operates with the countries on issues such as terrorism through the CSTO and the Shanghai Cooperation Organisation (SCO), one of whose goals is to combat “extremism, separatism and terrorism”.

There is also a high degree of military co-operation between Russia and the countries of the region. There is a Russian military presence in Tajikistan and Kyrgyzstan as part of deployments under the Collective Security Treaty Organisation.

There are many migrant workers from the Central Asian Republics in Russia (Tajikistan estimates that there are up to 800,000 Tajik labour migrants in Russia). There is concern that a new Russian law, which bans foreigners from working in markets, will reduce the flow of remittances back to these countries. Many ethnic Russians also remain in Central Asian countries following the break-up of the Soviet Union.

Russia’s relations with the countries of the South Caucasus region (Armenia, Azerbaijan and Georgia) are complicated by the unresolved conflicts of Nagorno-Karabakh (Armenia-Azerbaijan), South Ossetia (Georgia) and Abkhazia (Georgia). Overall Russian foreign policy objectives towards Armenia and Azerbaijan follow the same broad lines as towards the countries of Central Asia.

Relations with Georgia are more tense, particularly since the inauguration of the current Georgian President Saakashvili in 2004. One of President Saakashvili’s election promises was to regain Georgian control over the breakaway regions of South Ossetia and Abkhazia. It is regrettable that there has been little advance towards a peaceful solution to these conflicts. Russia is a member of both the organisations tasked with seeking a solution to these conflicts. But Russia also maintains close contacts with the separatist leaders of these regions and Russian businesses are the main investors there. Russian peacekeepers are present in both regions under ceasefire agreements, but Georgia views the presence of these troops as destructive and would like to internationalise the peacekeeping operations. Tensions between the two countries still flare up publicly. In the course of 2006, Russia banned Georgian wine, water and agricultural products, and closed land border crossings. Tensions escalated in October 2006 when Georgia expelled four Russian army officers whom they claimed were intelligence officers. In response, Russia introduced a series of further economic measures, including the cessation of air links between the two countries, and took measures aimed at Russia’s Georgian community. There was also a widespread anti-Georgian campaign in the media. In discussions with both countries, we have encouraged a calm and constructive approach to reducing these tensions.

Russia is a member of the Minsk Group which is working towards a solution to the Nagorno Karabakh conflict between Armenia and Azerbaijan. Russia continues to maintain good relations with Armenia, where it is the main foreign investor. Armenia also voluntarily hosts Russian troops. Relations with Azerbaijan have been more variable, as Azerbaijan has pursued a more independent foreign policy, particularly in the energy sector.

Russia’s involvement in the politics of Ukraine was evident during Ukraine’s presidential election campaign in 2004, when Russia openly backed Viktor Yanukovych’s candidature. Ukrainian President Yushchenko’s pro-EU and pro-NATO policies strained relations with Russia in 2005–06. The transit of Russian gas through Ukraine to European markets plays a key role in the relationship. Russia cut off gas
supplies to Ukraine in January 2006 as the two sides had not been able to agree a gas price for domestic use. The Ukrainian government under Prime Minister Yanukovych appeared to have a better relationship with Russia than his predecessor, and a price for the supply of gas has been agreed until the end of 2007. The Russian Black Sea Fleet is stationed in Sevastopol, Crimea, under a leasing agreement which runs to 2017.

NATO currently has 26 members. Following the collapse of the Soviet Union ten former Warsaw Pact countries joined in two waves of Alliance enlargement, in 1999 and 2002. A further three countries (Croatia, Albania and Macedonia) are currently participating in NATO’s Membership Action Plan—a programme that prepares aspirants for NATO membership. The decisions on whether each of these countries are ready for membership will be taken at the 2008 NATO Summit.

Russia’s relations with NATO were formalised with the 1997 NATO–Russia Founding Act. In 2002 the NATO–Russia Council was created, with the aim of bringing a qualitatively new relationship between NATO and Russia. It was conceived to provide a mechanism for consultation, consensus-building, cooperation, joint decision and joint action on a wide spectrum of security issues in the Euro-Atlantic region. It meets regularly at Ambassadorial level in Brussels, and there are frequent meetings at Ministerial level. As well as carrying out joint exercises and discussing strategic issues such as counter-proliferation and missile defence, the NATO–Russia Council is the principal forum for discussion of further NATO enlargement with Russia. Russia has expressed no difficulties with the countries currently participating in the Membership Action Plan, but it is clear that it does have concerns about the aspirations of Georgia, and Ukraine, currently in Intensified Dialogue (the stage before the Membership Action Plan). Russia does not have a veto over NATO decisions but we continue, through the NATO–Russia Council, to assure Russia that the principal reason for NATO enlargement is to promote security and stability in the wider Euro-Atlantic region—not to create tensions.

Russia, alongside the EU, the US and the UN, is an active member of the Middle East Quartet. Following the election of the Hamas Government, the Quartet, in their 30 March 2006 meeting in London, “noted with grave concern that the new government has not committed to the principles spelled out on 30 January”. These principles are of non-violence, recognition of Israel, and acceptance of previous agreements and obligations, including the Roadmap. As the Hamas Government failed to meet these, the “Quartet concurred that there inevitably will be an effect on direct assistance to that government and its ministries”. Russia, unlike the other Quartet members, has engaged a policy of contact with Hamas members. Hamas’ political leader Khalid Mishal visited Moscow in February 2007. In doing so, Russia was not in breach of the Quartet principles.

There is close co-operation between Russia and China on energy projects, economic ties and in the UN Security Council. We welcome good relations and greater understanding between two such key global players—the current negotiations on North Korea’s nuclear programme show where this can have concrete results. There are areas of Russia’s policy towards China with which we do not agree, for example Russia’s arms sales to China. We encourage Russia to act responsibly in its conduct of arms exports, including engaging on the Arms Trade Treaty.

Russia pays increasing attention to developing the Shanghai Co-operation Organisation. In recent years, the SCO’s focus has moved beyond its original task of promoting cross-border security and confidence building to encompass an ambitious, if loosely-defined, agenda for economic and security co-operation. The Presidents of Russia and China agreed to expand and deepen trade and economic cooperation among the SCO members during President Hu’s visit to Moscow in March this year. The extent to which this will develop remains unclear.

**EU–RUSSIA RELATIONS**

*What are the prospects that the EU–Russia Partnership and Co-operation Agreement will be successfully concluded and will prove an effective framework for the pursuit of UK aims vis-a-vis Russia?*

The EU has still to agree that talks can begin on a successor to the current Partnership and Co-operation Agreement (PCA). Poland has made clear it is unwilling to approve the mandate (thus enabling negotiations to be launched) while a Russian ban on imports of Polish food remains in place. Lithuania is similarly reluctant for talks to start until Russia resumes oil supplies to Lithuania’s only oil refinery. These concerns have coincided with difficulties experienced by Estonia following the relocation of a Soviet War Memorial from the centre of Tallinn—though the Estonians have not called for PCA talks to be delayed as a result.

We believe that Russia should lift its ban on Polish food exports. We support Presidency and Commission efforts to resolve the dispute. We also understand why disruptions to the oil supply to Lithuania cause the Lithuanians such concern. The disruption affects supplies to their only oil refinery, whose operation accounts for a significant proportion of GDP. We believe that Russia should look to resolve this issue speedily. We believe the location of war memorials in Estonia is an internal matter for Estonia. We recognise the right of the Estonian Government to relocate war memorials and war graves; and we note that in this case the relocation was done with sensitivity and respect. The Estonian Prime Minister himself attended a ceremony commemorating all the victims of World War II, and held partly at the new site of the statue, on 9 May. More widely, we were particularly concerned about the violent demonstrations aimed at the Estonian...
Embassy in Moscow, as well as the attack on the Estonian Ambassador. We fully supported the EU Presidency and NATO statements, which called for Russia to fulfill its obligations under the Vienna Convention on Diplomatic Relations.

We nevertheless continue to believe that it would be better for talks to open on a successor to the PCA sooner rather than later. The talks will provide a framework for us to engage Russia, critically as well as cooperatively, on issues of substance. And despite the delay to the start of talks, there is broad agreement on the text of the mandate among EU member states. The negotiating mandate covers all the areas that matter to us: democracy, human rights, energy, international issues, counter-proliferation, counter-terrorism, and trade. It calls specifically for effective dispute settlement mechanisms. During negotiations on the mandate, the UK ensured there were clearly agreed mechanisms for Member States to oversee and advise on the negotiations.

**The Future of the British Council and BBC World Service**

As they report in a separate memorandum to the Committee, the British Council has a network of Centres across Russia and runs a comprehensive programme of cultural, educational and scientific events in Russia. Events during 2006 included the Whistler Exhibition, the development of the BRIDGE programme of partnerships in higher education, and a Zero Carbon City exhibition. In Russia, however, the British Council has, over recent years, experienced numerous legal, administrative and practical difficulties operating in the country as a result of intervention by the Russian authorities and continuing absence of an agreement (see below) to clarify the Council’s legal status. We have frequently raised these issues with the Russian authorities at both official and Ministerial levels.

The Prime Minister was delighted to be able to open the Council’s new offices in St Petersburg in July 2006, indicating the importance the Government attaches to the Council’s work in Russia. We welcome the prospect of the opening of a Russian Cultural Centre in the UK, not least to allow Russian language learning and teaching to flourish here. Given the mutual benefits of cultural exchange, we would like to agree a Cultural Centres Agreement (CCA) with Russia. We have worked closely with the British Council for nine years to negotiate an agreed text with Russia. A text was agreed at official level with Russia in 2001, but was not signed. In March 2006, Russia submitted a revised text. Officials in the Foreign & Commonwealth Office and the British Embassy, Moscow have continued to work actively with the British Council towards an agreement. We assisted the British Council to prepare negotiations on the text in Moscow in January this year, and jointly negotiated the text with the British Council during face to face talks with the Russian authorities. The text has been largely agreed with the Russian authorities, but they are currently reluctant to guarantee consent, under the terms of the Agreement, for the British Council to establish centres (which already exist), outside Moscow. Among other things, successful conclusion of this Agreement will clarify the Council’s legal status in Russia and reduce the potential for the hostile treatment it has undergone at the hands of some parts of the Russian bureaucracy.

The BBC World Service has also submitted a separate Memorandum to the Committee on their activities in Russia. The Government believes that the BBC World Service plays an important role worldwide as an authoritative source of independent news. Given the decreasing plurality of print and broadcast media over the last few years, this is particularly important in Russia. The BBC has a professional Russian Service. Some of its programmes discuss topics rarely raised in the Russian media scene (eg climate change), and with speakers who are often unable to appear on mainstream Russian media outlets.

At the moment the BBC Russian Service broadcasts on Medium Wave and through an increasingly popular internet service. It was unable to broadcast on FM in Moscow for a number of months earlier this year—and is still unable to broadcast on FM in St Petersburg. We believe that an FM frequency is important for the BBC Russian Service to reach their audience.

We remain in close contact with the BBC World Service on handling this issue with the Russian authorities. During a previous interruption to BBC World Service transmission in 2006, the former Foreign Secretary, Jack Straw, raised the issue with the Russian Foreign Minister Sergei Lavrov. Mr Lavrov undertook to investigate personally and the matter was speedily resolved. The Ambassador has raised this issue on a number of occasions with the Foreign Ministry, and the Embassy is in regular touch with the BBC on the matter. We and the BBC are mindful of the need to balance (a) the benefits of further lobbying on behalf of the BBC with (b) the risk of the BBC being wrongly perceived as an arm of the British government. The BBC are working on these issues themselves, but we stand ready to raise continuing difficulties with the Russian authorities when deemed necessary.

**Human Rights and Democracy**

*How can the UK and the international community best promote human rights and the rule of law in Russia?*

International efforts to promote human rights, democracy and the rule of law in Russia are often challenging. Russia has not made the democratic progress that optimistic observers in the mid-late 1990s had hoped for. However, the UK Government is committed to continue its bilateral and multilateral engagement with the Russian Government, its support for civil society, and its financing of project work,
to advance international standards in Russia. Whilst the Russian authorities acknowledge certain deficiencies, they remain combative in defence of the democratic path that Russia is taking and their adherence to international human rights standards. The FCO set out a range of concerns about human rights, democracy and rule of law in Russia in its Annual Report on Human Rights, released on 12 October 2006. The Russian Foreign Ministry responded to our report in a statement on their web site:

Unfortunately, the section devoted to Russia . . . as in previous years, is based on distorted conceptions of the actual state of affairs, and it abounds in gross errors and references to unverified sources. The facts cited in the document have been collected under previously formulated conclusions which are of a purely political nature.

Our position regarding tendentious criticism of Russia . . . has been explained to our British colleagues on several occasions at various levels, but it would appear that the United Kingdom’s foreign policy department has developed the determined practice of ignoring it. One gains the impression that London has still not realized that it is counterproductive and fruitless to try to apply “double standards” in the field of human rights, as it is to politicize the subject of human rights.

Since the publication of our report there have been further negative trends:

— The murder of Anna Politkovskaya in October 2006.
— UN Committee against Torture November conclusions of “numerous, ongoing and consistent allegations of acts of torture committed by law enforcement personnel”.
— Russian NGOs suffering under the bureaucratic burden of NGO legislation.
— Restrictions on the participation of some political parties in local elections.
— Restriction on, and heavy handed policing of, political demonstrations.

The Government regularly discusses the progress of democratic reforms and human rights in Russia with the Russian authorities, including at Ministerial level. We take this approach because we believe that an open and democratic Russia will provide better opportunities for Russians and consolidate Russia as a stable and reliable international partner. We invest significant effort and resources in support of the promotion of human rights in Russia through international institutions such as the EU, the UN, the Council of Europe, the OSCE and the G8.

In addition to ad hoc engagement on specific human rights questions, we hold regular and structured bilateral human rights dialogues with the Russian Ministry of Foreign Affairs. The most recent round of talks took place at the FCO on 22 and 23 January 2007. The FCO Minister responsible for Human Rights, Ian McCartney, headed the UK delegation. The talks covered a broad range of our human rights issues including; Russia’s adherence to its international obligations; violations in the North Caucasus; the environment in which NGOs and civil society operates; media freedom; torture; independence of the judiciary and treatment of minorities. We had a constructive and practical exchange on the question of how to respond effectively to racially-motivated violence—a problem of topical relevance in both countries.

Another example of the Government’s commitment to human rights in Russia is the dialogue that we maintain with NGOs and civil society in Russia. In addition to ongoing working level contacts, five FCO Ministers, including the Foreign Secretary, met with a number of Russian NGOs during 2006. The Government also supports practical projects in co-operation with local and international NGOs and the Russian Government. The aim of these projects is to promote international human rights standards in Russia. In financial year 2006–07, the FCO committed approximately £1,000,000 to projects in the field of human rights, democracy and the rule of law. Our funding last financial year, for example, helped extend a system of public prison inspectors and supported the Russian Union of Journalists in their defence of journalists’ rights. We are concerned about the regularity with which Russian official representatives complain that other governments’ support of NGOs is part of a subversive or hostile agenda. We have made particular efforts to show that the mechanisms and objectives of all our support for NGOs in Russia are entirely open and transparent.

The EU holds structured human rights consultations with Russia twice a year, which enable in-depth discussion of a wide range of our concerns. Strengthening human rights cooperation will be an important objective for the EU in the negotiation of a successor Partnership and Cooperation Agreement. We made a special and successful effort during our 2005 EU Presidency to secure President Putin’s agreement to the EU’s €250m TACIS Special Programme for the North Caucasus. Implementation of this programme was finally agreed in September 2006. We will continue to see this as an important and developing role that the EU can play in helping to apply recipes for socioeconomic development and success in a troubled region.

Russian and UK approaches diverge on a number of issues addressed by UN human rights fora. The UK Government will continue to work to ensure that UN human rights machinery continues to make an effective contribution to the promotion and protection of human rights, including in Russia.

The Council of Europe in Strasbourg is another key forum in which we engage with Russia on human rights, democracy and the rule of law. Council of Europe monitoring mechanisms encourage Russia’s fulfillment of its commitments and obligations as a member State. Russia’s membership also gives its 140 million citizens access to the European Court of Human Rights. We believe that a key mechanism to improve the Court’s effectiveness is Protocol 14. This measure would reduce the number of sitting judges
on each case and thus alleviate the significant backlog in cases before the court—including those lodged by Russian citizens. Although the Russian Government has stated its support for this measure, the Russian State Duma failed to ratify it in December 2006.

The Organisation for Security and Co-operation in Europe (OSCE) deals with three “dimensions” of security—the politico-military, the economic and environmental and the human. A few OSCE states, including Russia, have expressed concern about the balance between the OSCE’s three dimensions. They allege that there is too much emphasis on the human dimension and are particularly uncomfortable with the organisation’s election observation work. We believe it is important that OSCE has the autonomy to carry out its mandate on election observation work separate from the politics of member States. Russia’s discomfort appears to be increasing as their parliamentary and presidential elections approach.

TERRORISM

How should the UK and international community engage with Russia to tackle extremist threats?

As elsewhere, where terrorists have made attacks in Russia, they are indiscriminate and have in the past targeted heavily populated areas frequented by foreign nationals. British citizens were taken hostage, and later released unharmed, during the Dubrovka theatre siege in Moscow in 2002. The threat from terrorism in Russia comes from extremist groups linked to the Chechen separatist cause. The continuing instability in and around Chechnya has radicalised many Muslims in the North Caucasus. A number of factors contribute to the instability, including popular discontent with poor socio-economic conditions, corruption, ethnic and clan-based tensions, as well as ongoing security problems related to the recent history of conflict in the region.

International terrorists, especially senior figures in Al-Qaida, have claimed the Chechen separatist cause as a jihad. A relatively small number of foreign extremists have in the past participated directly in the conflict but now external support is largely confined to propaganda messages posted on jihadist web-sites. The financial, material and human support which was thought to have been provided to separatist groups from individuals in the Middle East has subsided.

The Government acknowledges the real security threat Russia faces, and we work with Russia to address it in United Nations Security Council, G8 and OSCE, as well the EU-Russia Troika format and the NATO-Russia Council. In all of these fora, the United Kingdom, Russia and the rest of the international community engage on a range of counter-terrorism measures and activities designed to tackle the extremist threat. The UK and Russia also continue to address the full range of counter-terrorism issues on the international agenda through the work of the G8, not least in the Roma Lyon Group. Examples include tackling incitement by assisting the United Nations to get UNSCR 1624 (see below) implemented by third countries, tackling the growing problem of radicalisation and recruitment, improving transport security, addressing the need to protect critical energy infrastructure and tackling terrorist financing.

We have consistently reminded both federal and local authorities bilaterally and through the EU that all security measures must be combined with full respect for human rights. Security measures that do not respect international humanitarian law are counter-productive, and a long-term solution to the problems in the North Caucasus is only possible once an end has been put to human rights violations. HMG has welcomed the current Russian administration’s public commitment to tackling the problems, which may contribute to radicalisation and recruitment to extremist causes. But progress has been slow. Within Russia there is a growing problem with racist, xenophobic and extremist activity, especially in large urban areas. There are also credible reports that the police routinely target Caucasian and Central Asian men. The President’s Special Representative for the Northwest Federal District announced that during 2006 the number of extremist crimes in the district has risen by 127%. Ella Pamfilova, Chair of the Presidential Council on Human Rights, has also protested that many racist attacks have been labelled as “hooliganism”, meaning that those prosecuted are rarely convicted of committing an offence on the more serious charge of ethnic hatred.

There has also been widespread concern about the Russian government’s attempts to combat extremism through domestic legislation, including fears that the law may be applied to restrict critics or political opponents and that amendments were passed with minimal consultation. Although some of the law’s provisions are to be welcomed, most campaigners against racism in Russia agree that the problem is not the wording of previous legislation, but its implementation. HMG continues to raise these and similar issues with the Russian authorities, most recently at the UK-Russia Human Rights Consultations in January 2007. Since 2001 we have held several bilateral Joint Working Groups on counter-terrorism with the Russian authorities. These have led to constructive discussions on radicalisation and recruitment, as well as important work on countering terrorist financing.

In their April 2006 report on “Tolerance and Combating Extremism in Russian Society” the Russian Public Chamber identified socio-economic factors as one of the driving forces behind extremism and picked out education as the key to solving potential conflicts. This mirrors the Prevent strand of the UK government’s counter-terrorism strategy. HMG is actively assisting development in the North Caucasus through our bilateral £1 million North Caucasus Education Initiative, individual projects supported through the Global Conflict Prevention Pool and the Global Opportunities Fund. At the United Nations,
Russia was very supportive of the UK in calling for adoption of UNSCR 1624 by the Security Council. UNSCR 1624 is a UK initiative that calls upon all states to continue and enhance an international dialogue aimed at preventing the indiscriminate targeting of different religions and cultures, to counter the incitement of terrorist acts motivated by extremism and intolerance, and to prevent the subversion of educational, cultural and religious institutions by terrorists and their supporters.

HMG remains concerned about allegations of torture and illegal detention during counter-terrorism operations, which have been made against security forces in the North Caucasus. The UK unreservedly condemns the use of torture. We work hard with our international partners to eradicate this abhorrent practice. International action against torture has been a priority for the UK Government since the launch of the UK Anti-Torture Initiative in 1998. The FCO has intensified its efforts to combat torture wherever and whenever it occurs through diplomatic activity, practical projects and funding for research. The British Government, including the intelligence and security agencies, never uses torture for any purpose, including to obtain information. Nor would we request others to do so.

The granting of asylum in the UK in 2003 to Akhmed Zakayev, whom Russia has accused of terrorist-related activity in his role as a prominent Chechen separatist leader, has caused significant tensions in the UK-Russia relationship. Representatives of the Russian government have accused HMG of double standards and of harbouring terrorists. HMG continues to assert the importance of the rule of law and independence of the judiciary. Mr Zakayev was granted asylum after due assessment by the relevant authorities of his case and of the UK’s obligations under the 1951 UN Convention on Refugees and domestic law. A grant of asylum does not imply support from the UK government for an individual’s views, activities or statements. We have noted Mr Zakayev’s statement aligning himself with the events in Nalchik in 2005, and deplore such sentiments. There can be no circumstances in which it is right to condone or encourage acts of terrorism.

CLIMATE SECURITY

How is Russia responding to climate change and how are the EU and UK engaging with Russia on this issue?

Russia is the world’s third largest greenhouse gas emitter. This is despite the fact that emissions are currently some 40% lower than 1990 levels (the Kyoto benchmark). Russia’s energy intensity per unit of GDP is almost three times higher than the OECD average. Electricity and heat generation account for approximately 60% of all Russian GHG emissions. The IEA estimates that in 2004, 70 billion cubic metres of gas were lost during the transmission process or flared at source. This equates to just over one third of approximately 60% of all Russian GHG emissions. The IEA estimates that in 2004, 70 billion cubic metres of gas were lost during the transmission process or flared at source. This equates to just over one third of annual Russian gas exports. There are therefore significant gains to be made in energy efficiency in Russia. It is also important to secure Russia’s commitment to action on climate security as an impetus for Brazil, India and China to do likewise.

Russia has been slow to recognise the impact which climate security will have on its economy. Risks include the damage to forestry and agricultural sectors, as well as oil and gas pipelines, caused by melting of the permafrost and flooding. Russia has been quicker to recognise the benefits of improved energy efficiency, which was made part of its agenda during its presidency of the G8 in 2006. Russia has huge scope for energy efficiency improvements (particularly in the oil and gas sector as well as in other industry and domestic heating). Gas flaring is substantial (Russia is the second-worst global offender, after Iran), with around 28% of associated gas wasted. Russia’s Energy Strategy to 2020 aims to lower Russia’s energy consumption by 50%. However, substantive practical action by Russia is absent. The Kyoto Protocol’s flexible mechanisms offer the potential for significant foreign investment in energy efficiency in Russia and government approval of Joint Implementation guidelines is imminent.

The Government works with Russia bilaterally and multilaterally to promote implementation of the Kyoto Protocol and action on climate security. In February 2007 the Secretary of State for Trade and Industry and Viktor Khristenko, Russian Minister of Industry and Energy, met in Moscow and agreed to establish a UK-Russia Energy Forum. The Secretary of State said that work needed to be done on energy efficiency, reducing gas flaring and investigating carbon capture techniques and Khristenko agreed that these were important areas.

The Foreign and Commonwealth Office currently has a number of bilateral Global Opportunity Fund projects on climate security in Russia. The projects aim to promote change in the governance and use of energy resources and systems to help secure the UK’s global climate change objectives. Our projects in Russia include: promotion of energy efficiency and greenhouse gas emissions reduction in combustion plants; sustainable energy training for Russian decision-makers; and supporting the development and implementation of renewable energy laws in Russia. The FCO has also targeted the scientific and economic debate surrounding climate security, to encourage continued commitment to Kyoto, to improve Russia’s forest management and to raise the profile of climate security with government, business, academia and the public.

In the EU context, the energy efficiency working group of the EU-Russia Permanent Partnership Council on Energy has developed an Action Plan focussing on comparison of legislative and regulatory frameworks in the area of energy efficiency and energy savings, in order to exchange experiences and identify areas for
improvement. The EU and Russia hosted a joint seminar in Moscow in April to discuss post-2012 action on climate change, and the inclusion of language in the PCA successor with Russia will be a further means to promote attenuating the risks of climate change.

The **EBRD** is a substantial investor in Russian energy efficiency, having invested around $1 billion in the Russian power sector to date, and aims to invest a further $1.5 billion in energy efficiency over the next three years through its Sustainable Energy Initiative. As part of this initiative, and with DFID funding, the EBRD is working on studies of the potential for deployment of clean coal technologies in Russia, and on an analysis of the challenges involved in investment in energy efficiency projects in Russia, particularly on the demand side.

The Government also works with Russia on climate change through the **G8** and its mechanisms. Climate security will be a key issue at this year’s G8 summit in Heiligendamm. We are working closely with and through the German Presidency on these issues. The Gleneagles Dialogue group is also following up on the commitments made during our G8 Presidency in 2005. Integral to this follow up is the International Energy Agency (IEA). The IEA’s current work programme with Russia (with the participation of the European Commission and EU member states) incorporates technology co-operation through Russian involvement in the IEA’s Implementing Agreements for energy R&D, development of energy efficiency indicators as part of the Gleneagles Plan of Action, and increasing dialogue with Gazprom on energy saving and reform in the gas sector.

**Annex 1**

**The British Embassy**

**Overview**

1. **Moscow** is a large overseas mission, with 70 UK-based and 210 locally engaged staff. The UK-based work for five different government departments, agencies or joint directorates. FCO staff account for around 50% of the total.

2. Responsibility for the UKTI operation throughout Russia is held by Moscow, operating in conjunction with the **Consulates-General in St Petersburg and Ekaterinburg**. The British Council, which operates as the Cultural Section of the Embassy, has a network of centres in Moscow, St Petersburg and across Russia.

3. The Missions’ work is directly linked to all but one of the FCO Strategic Objective (the exceptions being SP10—Dependent Territories). The **2006–07 post objectives** are attached.

**Counter Terrorism/Weapons of Mass Destruction (WMD) (SP1)**

4. The Embassy maintains an active dialogue with the Russian authorities on a range of proliferation and arms control issues, from the Iran nuclear programme to negotiations on an Arms Trade Treaty. The Embassy also plays a key role in managing the implementation of UK-funded Global Partnership projects.

5. There is no direct terrorist threat to the UK emanating from Russia, though Russia faces a terrorist threat from extremists linked to the Chechen separatist cause. Post maintains an active dialogue with the Russian authorities on a range of Counter-Terrorism issues, which feed into the broader dialogue between capitals, both bilaterally and multilaterally.

**International Crime (SP2)**

6. The Embassy has a team with representatives from SOCA and HMRC dedicated to co-operation with the Russian authorities for mutual benefit. They focus on liaison with host law enforcement agencies on threats from organised international crime that may adversely impact on the UK. This is achieved by close co-operation on intelligence gathering and operational fronts.

7. Notable recent successes include:
   
   — Close co-operation on high-tech crime with long sentences imposed on three Russian hackers (eight years each) who extorted millions from UK online companies.
   
   — Excellent co-operation with Federal Drugs Control Service against international cocaine and weapon smugglers.
   
   — The Kirov Project, which promoted British policing values to future law enforcement personal from the Russian Federation.
Conflict Prevention and Resolution (SP3)

8. Post maintains a regular dialogue with key Russian interlocutors, including in the Foreign Ministry, the Presidential Administration, and the Security Council on issues related to conflict and conflict prevention.

9. Post, together with other Allied embassies, is engaged in promoting the benefits and further potential of the NATO Russia Council. As well as dialogue with the Russian authorities, this includes public diplomacy to highlight the advantages of Russia and NATO working together, for example to counter terrorism and in Afghanistan.

10. Post also supports continued reform of the Russian Armed Forces through a more productive Military-Military relationship, including by continuing to prepare personnel leaving the Russian Armed Forces for worthwhile civilian careers.

11. Post engages directly with the Russians, on the “frozen conflicts” and other aspects of the Russian relationship with Georgia, aiming to promote and support constructive dialogue.

12. The North Caucasus has been identified as a priority area for projects under the Global Conflict Prevention Fund. Post also uses a proportion of its Bilateral Programme Budget in support of activities which will contribute to normalisation and, therefore, conflict resolution in the region.

EU (SP4)

13. Post maintains a regular dialogue with key Russian interlocutors, including in the Foreign Ministry and the Presidential Administration, to promote co-operation and inform Russian policy on the EU, particularly on issues such as the successor to the EU-Russia strategic partnership agreement, and the energy relationship. In addition, the Post regularly discusses with key Russian interlocutors, the Common Neighbourhood, including frozen conflicts in Georgia and Moldova, and Ukraine and Belarus.

Support for UK Economic and Business Interests (SP5)

14. As an emerging market, Russia is now a priority for trade and investment activity under the new UKTI Global Strategy. Post offers a wide and growing range of services to companies seeking to export or invest in Russia. Output of our major product (On-line Market Information Service reports) rose 16% last year. In 2006 the UK was the largest source of foreign investment in Russia. Post has a close and active relationship with the UK business community in Russia. It assists companies with difficulties, through lobbying and other activities.

15. Post organises Ministerial visits to promote trade and investment and engage on economic reform issues. Alistair Darling’s visit in February, with the most senior CBI delegation ever to come to Russia, revived the Inter-Governmental Steering Committee on Trade and Investment, and established a new UK-Russia Energy Forum. The Lord Mayor’s visit in April, also with a senior business group, promoted the City as a provider of financial and related services.

16. The 2006–07 Whitehall Survey of Economic Work ranked Moscow as the number 1 major Post for economic reporting, and number 2 for economic policy work. The Survey described Post’s Economic Governance programme under the Global Opportunities Fund as “rightly respected as one of the most productive in the Network”. Last year this programme delivered £350K of projects supporting the dissemination of best principles and practices across a range of economic policy issues.

Climate Security (SP6)

17. The Embassy helps drive forward the UK’s climate security agenda. We lobby in support of UK positions, particularly with regard to the UNFCCC negotiations and G8 processes, and inform UK policy-making and negotiating positions by regular reporting.

18. The Embassy works to secure Russian commitment to Kyoto, including post 2012, to move forward the scientific and economic debate on climate security, and to encourage improved energy efficiency. We manage a £760,000 portfolio of Global Opportunities Fund projects supporting all these objectives. We are also engaged, working with DEFRA and DFID, on the crucial linked issue of improved forestry management.
19. The Embassy actively engages in dialogue with civil society organisations across Russia to support their work. These organisations work in a wide range of areas, including democratic development, access to a free media, improving the rule of law, and monitoring the situation in the North Caucasus.

20. Post maintains a constructive and frank relationship with the Russian Government on these issues, including regular bilateral human rights consultations, which last took place in January 2007. The next round of these will take place in Moscow. The Embassy also regularly raises human rights issues directly with contacts at all levels.

21. Through the Global Opportunities Fund (GOF) and Bilateral Programme Budget the Embassy supports partners from civil society, NGO and government-affiliated bodies. With this support our partners implement projects focusing on human rights issues such as torture, freedom of expression and access to justice.

22. The DFID bilateral programme in Russia was completed on 31 March 2007 and the devolved DFID office located in the Embassy in Moscow was officially closed. Programme closure reflects a changing nature of DFID’s engagement with Russia. Although DFID will continue to support the Government of Russia’s governance reforms through provision of DFID funds to a World Bank public administration reform programme, the main focus will be to enhance UK-Russia dialogue on important global issues such as climate change, energy efficiency and sustainable development. DFID will also support Russia with its development aspirations as an emerging donor. DFID will resource a First Secretary Development to work within the Economic Section of the Embassy on these issues.

23. Visa applications in the Russian Federation are rising year on year by approximately 20%. Last year, we processed approximately 120,000 visas. Outsourcing was introduced in 2006, and has contributed to continued achievement of PSA targets.

24. There are an estimated 10,000 British nationals resident in Moscow alone, and a much larger number in the Russian Federation as a whole. Accurate numbers are difficult to specify as not all residents register with the Embassy despite frequent notices and invitations to do so. There is also a substantial transient population, comprising people on short-term contracts, consultants and company representatives who move in and out of the country on a regular basis.

25. The Consular Section processed 711 passport applications in FY 2006–07 and has consistently met PSA targets. Assistance activity is relatively low level, and mostly focuses on lost passport replacement, assistance with expired visas, and occasional assistance to people taken ill or for sudden deaths. There are currently no British national prisoners in the Russian Federation.

26. The British Embassy in Moscow supports work on Strategic Priorities 3, 5, 6, 7 through programmes funded mainly by the Foreign and Commonwealth Office but also other Whitehall departments. The principle programmes are the Global Opportunity Fund (GOF), Global Conflict Prevention Pool, Public Diplomacy Fund and Bilateral Programme Budget. Climate change, human rights and economic governance are the main focus of our project work. But the Bilateral Programme Budget enables us to support a wider range of Post Objectives and Strategic Priorities. A full time UK based officer is responsible for co-ordination and oversight of project activity across Russia with programme management devolved to specialists in the relevant sections of the Embassy. Post aims to exploit linkages across projects and programmes in order to maximise the success and impact of our activities.

27. The Estate comprises offices and residential accommodation with recreational facilities on a single compound, plus the Residence and some staff accommodation in another compound, and off-compound housing for around 50% of the UK-based staff. The main compound at Smolenskaya Naberezhnaya was built in the late 1990s and the Embassy moved to the new site in 2000.

28. The Residence at Sofiiskaya Naberezhnaya (which formerly also housed the Embassy) is currently under complete refurbishment. While this work is going on, HMA is housed in the building which formerly accommodated the DHM and Defence Attache. Refurbishment work is expected to be completed by the end of 2008.
29. The Embassy contains a clinic headed by a Regional Medical Adviser. Tour lengths in Moscow are a standard three years. Staff at C4 and above serve a minimum of three years with the option to bid for a fourth year. Staff at Bands A and B serve three years, with a fourth year being granted only in exceptional personal or operational circumstances.

**BUDGET**

30. The local budget for 2007–08 is £6.1 million.

**SECURITY**

31. There is a continuing very high espionage threat. Embassy staff remain subject to harassment and surveillance from the Russian Security Service. The threat from crime is moderate; theft is quite common. Drink-spiking is a major concern—one member of staff was the victim of a serious attack a few months ago. Terrorism presents a moderate threat, but there have been no major attacks in Moscow since two outbound airliners were blown up with serious loss of life in 2004.

**THE BRITISH EMBASSY POST OBJECTIVES 2006–07**

1. To increase UK-Russian co-operation on Weapons of Mass Destruction proliferation (including implementation of the Global Partnership), terrorism, drugs and organised crime, so reducing the threat to the UK.

2. To support continued reform of the Russian Armed Forces through a more productive Military-Military relationship, including by continuing to prepare personnel leaving the Russian Armed Forces for worthwhile civilian careers.

3. To promote EU/Russia co-operation and dialogue, including on democracy and security in the neighbourhood.

4. To achieve progress in resolving regional conflicts by political engagement on frozen conflicts in neighbouring countries, and support to conflict prevention in the Northern Caucasus.

5. Through briefing, advice and logistical support, to contribute to a smooth, effective, and well-informed G8 process under the Russian Presidency, producing summit outcomes that meet UK objectives.

6. To develop a strengthened bilateral dialogue, facilitating delivery of HMG's strategic policy objectives, underpinned by a constantly improving understanding of political activity and thinking in Russia.

7. To support the development of Russian civil society, with particular emphasis on encouraging respect for human rights, promoting the rule of law and supporting freedom of expression.

8. To promote understanding and support for HMG's policies, especially FCO Strategic Priorities, in Russian media and amongst informed public opinion. Build a positive image of the UK amongst opinion formers by creating and using public diplomacy opportunities. Promote a coherent and positive view of contemporary Britain by co-ordinating HMG public engagement with that of British Council, Visit Britain, and other PD partners, and by implementing the recommendations of the Carter Review of public diplomacy.

9. To promote our economic interests, by promoting better economic governance; by developing our a Global Opportunities Fund economic governance programme; deepening our engagement on energy issues; promoting the City as a centre of excellence among Russian businesses; and producing timely, high quality economic reporting for a diverse Whitehall audience.

10. To bring to a satisfactory conclusion DFID programmes at federal and regional level supporting public administration reforms, particularly social and public health reforms that will help improve the livelihoods of poor people.

11. To support energy reform through an enhanced energy dialogue under the new Permanent Partnership Council, which will enhance efficiency and security of supply to the UK, improve business opportunities for UK firms.

12. To contribute to global climate security by promoting improved energy efficiency, the implementation of the Kyoto Protocol in Russia, and post 2012 commitment, including through GOF projects and public diplomacy opportunities.

13. To facilitate the implementation of the UK’s £37 million per annum Global Partnership Programmes in Russia, thereby ensuring the successful delivery of major projects in the areas of Chemical Weapons Destruction and nuclear non-proliferation, security and safety.

14. To provide a high quality service to British companies and institutions seeking to develop their business in Russia, and enhance the competitiveness of British companies through trade and hi-tech collaboration.
15. To deliver high quality, cost-effective entry clearance services that meet UK Visas targets on service delivery and timing and Best Practice requirements, and to maximise co-operation with the Russian authorities.

16. To continue to meet Citizen’s Charter targets for all consular activities, by providing accurate, up-to-date information to the visiting and expatriate British community, and maintaining prompt, efficient and considerate service standards.

17. To promote the UK migration agenda and raise awareness and engagement on migration issues with the relevant Russian authorities.

18. To operate the Mission effectively and efficiently, by optimising the human, financial, technical and security resources available, developing staff capacity and skills bases, achieving year-on-year efficiencies and making full use of Value For Money savings.

Foreign and Commonwealth Office

May 2007
Wednesday 18 July 2007

Members present:

Mike Gapes (Chairman)
Mr Fabian Hamilton
Rt Hon. Mr David Heathcoat-Amory
Mr Eric Illsley
Andrew Mackinlay
Mr Malcolm Moss
Sandra Osborne
Mr Ken Purchase

Witnesses: Mr. Jim Murphy MP, Minister for Europe, Michael Davenport, Director, Russia, South Caucasus and Central Asia Directorate, and Damian Thwaites, Deputy Head, Russia Section, Russia, South Caucasus and Central Asia Directorate, Foreign and Commonwealth Office, gave evidence.

Q94 Chairman: Good afternoon everybody. May I ask members of the public to please switch off their mobile phones? Thank you.

Mr. Murphy, welcome to you and your colleagues, Mr. Thwaites and Mr. Davenport. As the new Minister for Europe, you have obviously come to your post at a particularly interesting time, and we would like to welcome you to your first appearance before the Committee. As you know, we have for some months been carrying out an inquiry into Russia and Britain’s relations with Russia. Clearly, this is a rather difficult week for our bilateral relations. Can I ask you, in the light of recent events, how you would characterise our relationship with Russia at this time?

Mr. Murphy: Thank you, Chairman, for the opportunity to appear before you today to give evidence as part of your ongoing consideration of our relations with Russia. In direct response to your point, I think our relationships with Russia are strong and have been for some time for a number of reasons. First, in terms of the mutual benefit of economic co-operation, there is the fact that, in 2005, UK exports to Russia were £3 billion. In 2006, the UK was the single biggest investor for the first three quarters of the year. There is really substantial UK investment in Russia. Additionally, of course, there are economic interests in the City of London, in terms of Russian investors. So there is a clear economic benefit to a positive and strong relationship with Russia. We also have shared interests in a number of international issues, not least Iran, the Middle East peace process and the future of Kosovo. So our relationship is a strong one, but it is one, as you rightly say, Mr. Chairman, that has been under quite proper scrutiny over the past week. Put simply, it is the UK Government’s very strong view that the murder of one of our citizens on the streets of our capital city is a dreadful crime. It led to one of our citizens dying a horrible and painful slow death, to many hundreds of others being tested for poisoning and to the citizens of 18 other European Union member states also being tested. Again put simply, we do not believe, despite the efforts of our independent judicial process to achieve the extradition of one individual, that the Russians took our concerns with the seriousness that they deserved, and they did not co-operate sufficiently, and have not co-operated sufficiently, in this crucial process. As a consequence, we have taken what we think are proportionate measures. We have no ambitions towards a macho response.

We have taken a considered, measured response, which we think is appropriate in these circumstances.

Q95 Chairman: May I ask you about that response? The Foreign Secretary made a statement saying that we would expel four Russian diplomats, review the extent of our co-operation with Russia and suspend visa facilitation negotiations. May I ask you about that review of future co-operation? What areas would it cover?

Mr. Murphy: Primarily, in addition to the expulsion of the individuals, it is, as you rightly say, Mr. Chairman, about visa regulations. We were in the process of discussing improvements in the administration of visas, which would primarily have affected officials initially. That has been put into suspension. We have also put our position in respect of a similar set of arrangements for visas that Moscow already applies to the United Kingdom. Perhaps it would be helpful to say that the UK receives more than 120,000 applications for visas through Moscow, the vast majority of which are successful. However, this suspension of co-operation is not about the regular travellers—the visitors, tourists and business people—but about applications made by Russia’s Government authorities. That is the suspension that has been put in place.

Q96 Chairman: Will the review affect some other areas? For example, the Committee was in Moscow about four weeks ago, and I visited a facility where the Global Partnership is funding improved security around a civil nuclear reactor. Can you assure us that areas of co-operation such as on that or on climate change or co-operation on common efforts against terrorism will not be damaged by this response?

Mr. Murphy: The Foreign Secretary said in his statement to the House that this is a precise response to the failure to co-operate on a serious crime. Our response is intended to be measured, and I think that it is largely accepted as being measured. Our European Union partners acknowledge it as such, and it is intended to say to the Russians how seriously we take this matter. I can say additionally that it is not our intention for it to affect the type of issues that you have commented on, which I am sure we will touch on later in our proceedings. However, specifically on counter-terrorism co-operation, we work strategically and operationally with the
Russians, and will continue to do so when it is clearly in the UK’s national interest and our wider interests. For example, we will continue to work together at the United Nations on the Counter-terrorism Committee, and at the UN on the Sanctions Committee on the Taliban and al-Qaeda. That is very important work, which we will continue. As I say, this is a precise and measured response to a very serious crime and the lack of Russian co-operation and it addresses how seriously we take this issue.

Q97 Mr. Hamilton: Minister, are you prepared for possible retaliatory non-co-operation by Russia in response?
Mr. Murphy: The proper response from the Russians is the extradition of the individual identified by independent UK authorities as the suspect in this dreadful murder. That is the proper response. In fact, if that had been the response to the initial request, perhaps we would not be having this conversation today.

Q98 Mr. Hamilton: But the Russians have made it clear that they are not prepared to do that, so are you prepared for them simply to retaliate in any other way?
Mr. Murphy: We still believe that the Russians should extradite. In terms of what the Russians do next, clearly, they have indicated their attitude through spokespersons both in Moscow and in London. It is certainly our intention, through this process, to emphasise that we still see Russia as a strong ally on important issues, and a country with which we have important bilateral and multilateral arrangements. It is our certainly our intention, as we go through this process, to conclude it. That remains the case. In terms of speculation about the Russian response, I do not think that it would be helpful for me or the Committee to enter into that, but we are clear that the action that we have taken is the absolutely appropriate action, and many other member states in the European Union have acknowledged that over the last 24 hours.

Q99 Mr. Hamilton: You have made it clear what you want the Russians to do and I am sure many would agree with you. But do you want to see disengagement by UK business and UK investors, in respect of investing in Russia, to put further pressure on the Russian authorities? Or are you content simply with putting pressure on Russian officials?
Mr. Murphy: I do not think that would be helpful at all. The UK’s national and strategic interest is served by continued UK investment in Russia and, indeed, Russian investment in the United Kingdom. So it is not in the UK’s interests for that to happen. It is not an initiative and not a process that we would seek to initiate at all. As I say, our approach is tightly focused around the measures that we have announced and we would not wish, nor seek to, extend it to the issues raised by the Chairman or yourself.

Q100 Mr. Hamilton: The Chairman mentioned earlier that, when we were in Moscow—I was part of the visit—we went to an organisation that was helped considerably by the Global Partnership. That scheme is due to expire in 2012. In the light of what has been happening, do you think that the Foreign and Commonwealth Office will renew the scheme?
Mr. Murphy: In terms of individual decisions on funding renewal, we continue to keep those things very carefully under review in a detailed way. But as a consequence of events over recent months—more precisely, this week—we have made, as a UK Government, a targeted, specific, measured, detailed response to Russian failure to co-operate. What we have announced in this process is really where our intention is in containing it. We have no ambition to go wider and no ambition to go into the types of fields that you and the Chairman have spoken about today.

Q101 Mr. Heathcoat-Amory: Would you consider trying a suspect in a court outside the United Kingdom, but not in Russia?
Mr. Murphy: No.

Q102 Mr. Heathcoat-Amory: You are ruling that out unconditionally?
Mr. Murphy: We are ruling that out because it does not suit our purposes and does not suit the stated purposes and concerns of the Russians, in terms of their constitutional bar and the extradition. So it does not suit either nation’s purposes in terms of the idea of a third country.

Q103 Mr. Heathcoat-Amory: Are you, therefore, prepared to escalate this dispute? It is certain that Russia would take retaliatory action. We will then be in a position of having to either escalate or call a ceasefire, as it were. Are you determined to get the only possible resolution, as you have just said, which is to get the suspect extradited and try him here? Is that your absolute aim and no other?
Mr. Murphy: That is our aim. In terms of how we respond to any Russian response, I do not think it would be helpful—I am sure you would agree—for us to speculate today.

Q104 Andrew Mackinlay: On the expulsion of these four Russians, perhaps Mr. Thwaites or Mr. Davenport can help us. To measure this, we need to know precisely how many diplomats they were allowed to have. In the category we are talking about, what amount—not necessarily in London—was agreed with the Foreign Office before the announcement and after it?
Mr. Murphy: The Russian complement of staff is 77.

Q105 Andrew Mackinlay: So it is now 73.
Mr. Murphy: Minus four equals 73.

Q106 Andrew Mackinlay: So in six months or a year, when I ask you what the numbers are, the numbers should tally—should they? You look anxious about that, Mr. Davenport. You understand what I am getting at.
Mr. Murphy: Mr. Mackinlay, I look forward to your asking the question and I look forward to the answer. But it would not be helpful for me to speculate today as to what the number would be. We have taken the measures—

Q107 Andrew Mackinlay: It was 77, but it is now down to 73.
Mr. Murphy: Yes.

Q108 Andrew Mackinlay: And that is people who are accredited.
Mr. Murphy: Yes, absolutely.

Q109 Andrew Mackinlay: They can put in Joe Bloggs, but that—
Mr. Murphy: Mr. Mackinlay, you may find this helpful: it is broadly similar to the numbers that we would have in Russia.

Q110 Andrew Mackinlay: My second point is that, for reasons the Secretary of State has outlined, you have got sanctions on visas, which you have outlined. Will those stay in perpetuity, unless and until the Russian Federation extradites Mr. Lugovoi?
Mr. Murphy: We suspended this process—

Q111 Andrew Mackinlay: Yes, but will the suspension endure?
Mr. Murphy: It would be wrong—I think you would accept—only three days into announcing the suspension, to speculate as to when it will be lifted. It is certainly our intention that the suspension is conditions-based, rather than time-based.

Q112 Andrew Mackinlay: Let me be candid with you. I think you rushed into this, and when you put things on, there comes a day when you have to put them off and let people back. I want to know when I can measure that as a parliamentarian. When will I know? Will you come to Parliament, make a written statement and announce when there will be a variation? You can couple it with a statement saying, “We have had great advances for x, y, z reason.” There was great trumpeting this week about the announcement; I want to know when there will be erosion of that robust statement. Will you be telling Parliament and the people?
Mr. Murphy: I do not think it is a fair assessment to claim that there was trumpeting of the announcement. It was a decision taken, and an announcement made, with deep regret and after an awful lot of consideration.

Q113 Andrew Mackinlay: I do not want to argue over the word; use whatever words you like.
Mr. Murphy: Of course, Mr. Mackinlay, but they were your words, not mine. There was no trumpeting; we did not seek to trumpet at any point in the process. We do not seek to tub-thump, trumpet or to be belligerent. I know you accept that we now find ourselves in a very serious situation. Andrew Mackinlay: Absolutely. Mr. Murphy: In response to your specific question, I will undertake to confirm to this Committee and to the House any change in the position in future. Andrew Mackinlay: I am a very happy man.

Q114 Mr. Purchase: I would like to go further to try and discover the aims of the policy and what the end game may be. You mentioned that it is a terrible crime on the streets of London; equally terrible are the drive-by shootings in London, Birmingham and Manchester. In terms of terrible, I do not know whether Litvinenko’s death is any worse than that of two young women in Birmingham. It is a bad thing, it is dreadful, but it is not as though it is uncommon in Britain. I really want to know what you are aiming to do. I wonder why there is such a carry-on, and such a performance about it.
Mr. Murphy: We suspended this process—

Q115 Mr. Purchase: With respect, Minister, I am not any closer. If you want to say this is our process, it is clearly in the Russian constitution that they cannot allow extradition. It is also clear that we have held Babar Ahmad for three years, against the Americans wanting him to be extradited, on very similar grounds of creating terrorist websites. We cannot have fish of one and fowl of another. Either we have consistency or we begin to look a little
foolish, and I am still pressing you to tell me what the end game will be. Where will it all finish and what is its great purpose?

**Mr. Murphy:** The end game for us is Russian co-operation with the independent judicial process of the United Kingdom, and the extradition of one individual against whom substantial evidence has been compiled to legitimise the request for extradition. On the matter of the Russian constitution, there is an acknowledgement that other countries have been in a similar situation but have found a way of co-operating on extradition that the Russians have seemed entirely unwilling to seek. That is the important point for us—the Russians have failed to co-operate or to register the severity with which we consider the matter. The Germans, for example, had certain constitutional issues with regard to extradition, but they found a way of co-operating with their independent judicial process. The Russians not only failed to do that but failed to attempt to do so.

**Q116 Mr. Purchase:** I shall leave it there, but what are we doing about Berezovsky? Are we going to prosecute him for doing something that is against British law—plotting sedition against a foreign Government on British soil?

**Mr. Murphy:** I am sure that you and I agree that it is not for a UK Minister or a UK Member of Parliament to set the threshold as to whether an individual has a case to answer in the case of allegations against that person. That is an issue for the Crown Prosecution Service. The CPS continues to analyse and assess comments and alleged comments by individuals in the United Kingdom, and if it feels that their comments or activities are above the established threshold for a case to answer, it follows them up. No such conclusion has been drawn by the independent CPS. It is important to emphasise the independent nature of the CPS process—not for the purpose of our conversation, but for others who might be listening elsewhere.

**Q117 Chairman:** May I raise a related issue? A large number of Russians live in the UK. Some are here to study, some are here working and others are here, it seems, because they are very wealthy and they find this country a favourable environment in which to live. Has the Foreign Office ever raised with the Treasury the foreign policy implications of the availability of our tax regime to certain non-UK citizens, which has the result that some people have chosen to live in London rather than in other countries?

**Mr. Murphy:** You are right that there has been a remarkable increase in the number of Russian visitors to the United Kingdom. We very much welcome that. Of course, there has also been an increase in UK citizens going to Russia, and that can only be positive as well. There was a 23% increase in visa applications last year on the year before. As to the taxation system of the United Kingdom, that is not an issue for the Foreign and Commonwealth Office; it remains an issue for the Treasury, and we have not raised it.

**Q118 Chairman:** But I hope that you would accept that many people come to this country from other countries because they are attracted for financial or economic reasons. One of the consequences of that might be that we have people who choose to live in the UK but who are still influential in their home countries.

**Mr. Murphy:** Of course, many people from almost every nation in the world live in London; that is one of its attractions. The Government’s view is that in general that is a positive recent development, and one that we should welcome. The tax arrangements for such individuals are and will remain an issue for the Treasury. In advance of coming here, I anticipated upsetting a number of organisations and individuals. Her Majesty’s Revenue and Customs is not going to be one of them; I am not going to tread on its territory.

**Chairman:** Perhaps this Committee will pursue it through other routes. Let me bring in Sandra Osborne.

**Q119 Sandra Osborne:** May I ask some questions on democracy and human rights? The FCO’s human rights report cites Russia as a country of concern in relation, for example, to the treatment of non-governmental organisations in civil society, police and judicial reform, in addition to worries about torture and impunity in Chechnya. How do you assess current trends in Russia regarding democracy and human rights?

**Mr. Murphy:** My frank assessment is that Russia has not made the progress for which many of us had hoped in the mid to late 1990s. There are all sorts of assessments about why that is so, whether it is measured in the context of media freedom and multiplicity of political parties, and what generates it in terms of democratic space. As for NGOs, they can be a remarkable power for progress in Russia. Last year, about 15 Government Ministers visited Russia, five of whom went specifically to meet Russian NGOs. That certifies how important we consider they are and how much we value their work. We also fund important NGO and agency projects. For example, an important project is a public prison inspection process, as is working with the equivalent of the Russian NUJ in defence of press freedom. NGOs are a crucial part of a force for good, democracy and human rights in Russia in the context of a relative closing of that space in recent years.

**Q120 Sandra Osborne:** If not as much progress has been made with regard to UK policy as perhaps we would like to see—we have taken evidence during the current inquiry that Russia does not take particularly kindly to public criticism from foreign countries of its human rights record—is that because the UK is publicly criticising the Russian authorities too much, or not enough?

**Mr. Murphy:** The UK has a choice about how we influence events in Russia. It is either to acknowledge what is happening there and stay silent—the certain way for a voice not to be heard and to be devoid of any influence in the evolution of
Russian democracy—or we can offer frank assessment. Members of the Committee have done so in the past. As you rightly say, the UK Government did so in the FCO annual report of last year. The EU has done so, as have other organisations. Our approach is to be frank and honest in our assessment of where we think there have been failings. In the past, I have listened to conversations about what we are doing trying to foist UK perceptions of democracy on Russia. The issue is not about UK values; it is about international standards. That is what we have been trying to do over recent years.

Q121 Sandra Osborne: Can domestic political behaviour of the Russian authorities be influenced seriously by foreign countries? If so, what effect will the current stand-off between the UK and Russia have on any influence that we may bring to bear?

Mr. Murphy: I was alluding to the fact that our influence is stronger if we are frank from a position of having very strong co-operation in a multiplicity of other areas. Our influence is certainly much more significant if we offer our advice and assessment rather than remain silent. As for how we can continue to influence things, at a bilateral, ministerial and official level there were 15 visits last year by Government Ministers. We have a bilateral human rights forum, which helped to enable a meeting earlier this year with our colleague Ian McCartney. We are working on issues concerning Russia's approach to the European Court of Human Rights. We continue to seek other multilateral ways of exerting a positive influence to encourage international standards of human rights and democracy through the OSCE, the Council of Europe and the EU. This is not an issue that the UK alone has concerns about or that the UK alone can assist in resolving.

Q122 Sandra Osborne: You referred to the European convention on human rights. What steps is the UK taking to encourage Russia to ratify protocol 14?

Mr. Murphy: As I understand it, that is currently blocked by the Duma. An issue of fundamental importance is the ability to streamline European Court of Human Rights processes to work much more effectively. I think that I am right in saying that there are currently 19,000 Russian citizens with cases awaiting a hearing from the court. That is not a satisfactory situation.

Q123 Andrew Mackinlay: Nineteen thousand?

Mr. Murphy: It is not a satisfactory situation. Part of the solution is a more effective European Court of Human Rights, and the ratification of protocol 14 is an important part of that. It is my understanding that Russia is the only member state of the Council of Europe that has not ratified it. That is an important block, particularly when you see the scale of the cases pending for Russian citizens, which is on an upward trajectory. I do not have the figures with me, but you should certainly be aware that there is an upward trajectory in the number of cases from Russian citizens.

Q124 Chairman: Perhaps you could send us a note of the up-to-date figures.

Mr. Murphy: Of course. 56

Chairman: We now have some questions about energy security.

Q125 Mr. Heathcoat-Amory: We have heard that Russia is not a country where the rule of law features particularly prominently, nor is it a market economy. We saw from our visit to Moscow last month that the Russian Government are prepared to use the energy weapon as part of their foreign policy, because they have colossal reserves of gas and oil which they partly export. We in this country are at the end of the pipeline. There is a big implication for security if they are an unreliable supplier. How do you see that situation? Are the Russian Government and oil exporters reliable partners in that respect?

Mr. Murphy: We have made it clear through the G8—with Russian support—and through the EU that in terms of its energy supply, Russia has to be sustainable, transparent and predictable. That is in the declaration of St. Petersburg, which the Russians agreed to. That is an important set of principles if we can ensure that the conversation remains within the context of those agreements on principle. An awful lot is quite rightly said about our relationship, the EU's relationship and international relationships with Russia on energy supply. The Committee may already be aware of this analysis, but it is helpful. The UK is a 12% net importer of gas, whereas the rest of the EU is a 50% net importer of gas. Half the EU's import of gas comes from Russia.

The expectation is that by 2030, on current trends, the EU's dependency on imports of gas will be between 65 and 85%. There is certainly a trend there. In the contexts of sustainability, transparency, predictability and security, one issue among others is the diversity of supply routes, which takes us into the issue of the Caspian and the Caucasus. However, the significance is that Russia has signed up to these principles. If those principles can permanently be the basis of the EU energy action plan, we will have made progress.

Q126 Mr. Heathcoat-Amory: But Russia has not ratified the energy charter treaty. We have seen—certainly in the case of Ukraine—how Russia is prepared to turn off the taps in the event of any dispute. I ask you again therefore: are we not vulnerable in this area, if not now then in the foreseeable future? What are the Government doing collectively to look ahead and either seek other partners with whom to diversify, perhaps in other parts of the former Soviet Union, or do more in Russia to secure long-term contracts that we believe the Russians will adhere to?

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Mr. Murphy: That is one of the key issues facing us. There are two issues on diversity: diversity of source and diversity of supply routes. Supply route diversity will enable us to have multiple export routes. On source, you are right to say that in places such as Turkmenistan, Norway, Latin America and North Africa there are reserves that we think can form an important part of a UK energy mix that gives the diversity that is an important part of security. We are working on assessment of those reserves in relationships with those countries and with private sector co-operation there. Nevertheless, we still have to resolve the issue of Russia’s capacity to meet domestic and international demand, and of Russian supply. We work closely, both bilaterally and internationally, to do that—through the G8 and the EU. We will continue to do so, because you are right that the issue is crucial.

Q127 Mr. Heathcoat-Amory: May I ask about the mechanics of British Government? Are there cross-departmental efforts to secure energy supplies or look for autonomous energy production or electricity generation here? Please feel free to consult your officials, who might be part of that process. I understand that the matter is not simply a Foreign Office matter: other Departments are involved. I would like to think that it is a matter that is being considered collectively, because it is one of those cross-cutting issues that should not simply be left to one Department. Can you help us on that?

Mr. Murphy: You are absolutely right, which is why in answer to Ms Osborne’s question I mentioned that 15 different Ministers have visited Russia in the past year, from a range of different Departments. It has not been asked for, but if it would be helpful, Mr. Chairman, I would be happy when appropriate to provide a list of those Ministers, unless there is a security issue. I cannot imagine that there would be.57 The issue is one that is being handled across the UK Government, and the Foreign Secretary and the Secretary of State at the Department of Trade and Industry were involved in bilateral conversations with their Russian counterparts. You are right to emphasise it, and—with your encouragement—Damian Thwaites will correct me if I am wrong. It is an issue of such importance that there is Government-wide involvement based on bilateral visits and constant bilateral communication. Parties outside of Government are involved too. From a UK perspective, the decisions are taken on commercial grounds. Private sector companies make vast investments, and significant profits too. It is important to recognise, as I am sure you do, that the issue is not just one for Government. I do not know whether Mr. Thwaites would like to add anything.

Damian Thwaites: As you point out, Mr. Heathcoat-Amory, the issue is fundamental and is one of cross-cutting interest in Whitehall. Speaking in my position as a Whitehall official, I have daily contact with colleagues in the DTI—now the Department for Business, Enterprise and Regulatory Reform—on the issues. There are a lot of official contacts by way of ad hoc meetings and work under the aegis of the Cabinet Office. Those are very strongly co-ordinated. A lot of collective Whitehall work went into producing the Energy White Paper in which the FCO actively participated.

Q128 Mr. Illsley: Is not Russian energy supply an area where there is a real need for greater co-operation among European Union member states? I am thinking in particular of Lithuania and Estonia, which have both had their energy supplies affected. Ukraine was affected a couple of years ago, although it is not in the EU. Yet at the same time, Germany signed a deal on their own with Russia for a pipeline, which upset Poland because it basically bypassed them. Do we not need to sort out our energy policy with Russia collectively, rather than allowing countries like Germany to draw up a pipeline deal on their own?

Mr. Murphy: I do not think, Mr. Illsley, that you would thank me for becoming involved in a conversation about wider EU co-operation and treaties today. That is perhaps for another time. Mr. Heathcoat-Amory and I, and perhaps one or two others, have already had an outing on that in recent weeks. In terms of the specific point, you are right. The UK Government believe that there is a strong case for much more collective interaction with all our energy suppliers, not just Russia, rather than, as you have correctly alluded to, an ad hoc series of bilateral agreements between EU member states and different suppliers. It is our intention that the EU energy action plan will help us to achieve that, so that we can have a common understanding.

Q129 Chairman: We have had evidence over a number of weeks from different people about Russia and energy. One of the issues that has been raised is that there is insufficient investment going into Russia’s energy resources, so that as its economy grows it will not be able to meet its domestic consumption demands and maintain its exports. You referred to Turkmenistan earlier, but there could be other countries. It is relying increasingly on central Asian supplies for its domestic market which are at less than world prices. Then it is selling on its domestic production at world prices and getting the revenue from that.

Clearly at some point some of the central Asian countries might decide that they do not want to be run by Gazprom and they would rather have their own mechanisms and outlets elsewhere. We were in Azerbaijan recently and so we are aware of some of the related issues in terms of the Caspian and everything else. Can I put it to you that there is potentially a problem of the reliability of Russian supplies for the future, not just in terms of the current situation but clearly long term? The UK is in a better position than some other EU countries, but other countries, and Germany has just been mentioned by my colleague Eric Illsley, are very reliant on Russian supplies. Is there any assessment of whether and how long Russia can maintain its exports at the current level?

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Mr. Murphy: Mr. Chairman, you said that this is a long-term issue. Without seeking to strike a discordant note, I do not think that it is a long-term issue. It has a much closer horizon than that. Looking at the evidence and notwithstanding your accurate comments about its diversity and security of supply, it is not clear how Russia can meet its domestic demand and its expected international demand, based on its current level of investment and its current exploitation of its reserves by 2010. There is a real need for clarity, based on the St. Petersburg agreement, about predictability and sustainability of supply, and there is a need for certainty about Russia’s ability to meet domestic and international demand within that time scale. That is something that we are working on.

Q130 Chairman: You are saying that there could be a problem within the next three years?

Mr. Murphy: I am saying that there is not transparency on the issue of how Russia will meet its multiplicity of domestic and international commitments in the next three years.

Q131 Mr. Moss: You remarked on Russia’s problems in meeting domestic supply and providing enough gas under its contracts to serve western Europe. Do you think that those problems have prompted them to annex huge tracts of the Arctic ocean, under which we believe that there are huge deposits of oil and gas? I read that that is contrary to international law. Have the Government responded to that yet? How would they respond?

Mr. Murphy: As I alluded to in my answer to the Chairman, the UK Government do not have a clear understanding of how Russia will meet the different demands on its supply to 2010. Clearly, the Russian Government are in a much better position to know about that. To some degree, Russia’s actions can be judged in the context of the pressures that it feels on its capacity to meet domestic and international supply. On the specifics, I have not been involved in the Government’s response. If Mr. Thwaites has been involved, he might wish to update the Committee on the facts of it. It is clear that Russia, for a variety of important economic reasons, which are perhaps also political to some extent, wishes not only to diversify its own supply, but to get involved in a process that reduces the international market’s capacity to exploit multiple export routes out of that part of the world. That is something that we continue to discuss bilaterally and internationally.

Damian Thwaites: A project of enormous importance, of which I am sure the Committee will be aware because it is a long-standing issue under discussion, is the development of the Shtokman field in the Barents sea north of Russia. It is a massive deposit. For the Russian Government, it can potentially make a huge contribution to meeting energy supply requirements. Exploitation rights and roles are primarily commercial matters, but from HMG’s point of view, we would welcome clarity from the Russian Government about how they wish to take that forward. We will point out, as we have done, that Gazprom would benefit significantly from the kind of technical expertise that foreign investors, including those based in the UK, can provide.

Q132 Chairman: Before I bring in Mr. Hamilton, can I ask whether you might be concerned that the Russian reaction to the recent events might be to make it more difficult for British companies operating in the Russian oil and gas sector?

Mr. Murphy: Again, without rewinding and repeating exactly earlier comments, I cannot speculate on the likely shape of any Russian response, other than that which we think appropriate, which is the extradition of the named individual. We do not detect in the comments thus far a desire to become involved in a diplomatic process with the type of impact to which you have alluded. The Committee will be aware, from the evidence that it has received and from its conversations with UK business, that some UK businesses have found it difficult at times to operate within the norms that it would expect to operate within in the United Kingdom. We hear that comment from UK businesses operating in Russia.

Q133 Mr. Purchase: I will just follow on from that. We return again to extradition. While we were in Russia, we heard about the very difficult circumstances for British business there. Some British businesses were saying “It’s tough, we have to play by their rules but there is good business”, With regard to the extradition, what is currently going on is this. We cannot hide—if that is the word—behind our own judicial system that says on the one hand, “I don’t think we should be sending this man back,” and then on the other hand tells the Russians that because they have some kind of constitutional issue, the matter should be disregarded. We cannot go on like this, pretending that we have one set of cast-iron rules that cannot be moved or varied, but that another country is just being damned awkward. It will not work. We will have real problems with businesses and in other relationships if that continues in the present mode.

Mr. Murphy: I do not think that it is too much in the Russian business environment for UK companies to expect commercial contracts that are entered into to be upheld and that there is a clear and transparent legal and regulatory framework. Without unintentionally provoking a disagreement, I do not think that there is a parity between this international request for extradition and UK businesses having the opportunity to fulfil in good faith the commercial contracts that they entered into with other UK companies or, of course, with Russian companies or authorities. I would not wish to draw the CBI into the wider issue, but this week the Foreign Secretary met leading UK business leaders to discuss the situation. It has issued a press comment that is publicly available in which it says, “This seems to be a proportionate response to what amounts to a clear lack of co-operation by the Russian authorities in efforts to pursue a serious crime.” Those are the CBI’s words, not mine.
Q134 Mr. Purchase: This is not about parity or equity. It is about British businesses working in Russia in very difficult circumstances and trying hard to bring some bacon home. They find it extremely difficult, but they can make money. The point is that, if we make it even more difficult, they will not bring the bacon home. You have to bear that right at the forefront of your mind.

Mr. Murphy: The answer to the Chairman's first question, and, I think, the first thing that I talked about before any other issue, was the environment for UK business. We are abundantly aware of the importance of Russia as a market for UK business and we are increasingly aware of the importance of the UK for Russian business. When you look at the context, of course it is difficult. Mr. Purchase, you have first-hand experience of listening to UK businesses over recent times, as do I. But we must look at the fact that we are regularly among the top five private sector international investors in Russia. During the first three quarters last year, we were the single biggest foreign investor in Russia. Of course, British business is operating in a very difficult environment, but it is doing so very successfully. It could be more successful if the environment were more conducive to contract maintenance and strong regulatory consistency.

Mr. Purchase: I will let you go there.

Chairman: We have to move on.

Q135 Mr. Hamilton: May I bring us to the area of EU-Russia relations? As you know, the 1994 EU partnership and co-operation agreement with Russia, the framework for our dealings with Russia as the European Union, is about to expire. I wonder whether the UK Government regard having a successor agreement in place by November as a key priority.

Mr. Murphy: It is a key priority to have a successor agreement. We are less tied to a specific time scale. It is my understanding—of course, the Chairman and the Committee may have a different understanding—that the previous Finnish President had hoped to initiate that by November last year. So it is a process that the Finnish presidency had hoped to carry out last year, rather than something for the outgoing German presidency or something the incoming Portuguese presidency would seek to do by this November. However, there are clearly some important bilateral stumbling blocks to this new partnership and co-operation agreement. Polish relations with Russia, for example, particularly over food exports, are an important stumbling block on this issue. The UK and, importantly, Russia also see that as significant. President Putin has alluded to it publicly himself. So there is a need for a new partnership and co-operation agreement that takes into account the myriad important bilateral concerns—EU and Russian—that exist.

Chairman: I have been getting signals that there may be a vote imminently, so I say to members of the public that, if there is, we will suspend and continue after the vote. When the bell starts to ring, we will halt at that point.

Q136 Mr. Hamilton: May I move on to something that many people of my age and older never thought would ever happen, which is that some of the old Soviet bloc countries—the Baltic states, Poland, Hungary, the Czech Republic, Slovakia and so on—have joined the European Union? Now that they have been in the EU for quite a while—a few years—what impact has that had on UK relations with Russia and EU relations with Russia? Should we be concerned if there has been deterioration because those countries are no longer within the sphere of Russia?

Mr. Murphy: This is about one of the most significant issues that we face: Russia’s role in the world and its perception of the allegiance of its near-abroad—a dreadful phrase—which is increasingly western-facing, increasingly open to EU membership and increasingly aspirant about NATO membership. This issue registers highly among the Russian Government and in the Russian psyche and will continue to do so. However, our assessment is that expansion of the EU has been a positive development—up to 27 states—and we would like to see it go further, in terms of Turkey and others. As possibly the key proponent of EU expansion, I do not detect that the EU, of itself, has had an impact on UK-Russia or Russia-UK relations. But it is a factor in Russia’s general posture on a number of issues and will continue to be so.

Q137 Mr. Hamilton: You mentioned earlier the success of British business in Russia and that we are now one of the key investors. Indeed, when we were there last month we saw that for ourselves. We met a number of key British investors first hand and heard what they had to say. How useful do you think that the EU is as a vehicle for UK policy towards Russia or is it not really relevant?

Mr. Murphy: Again, without wishing to provoke Mr. Heathcoat-Amory, the relationship between the EU collectively and Russia is of strategic importance to the United Kingdom on a range of issues, not least the one we spoke about earlier in our conversation today, on which the EU presidency issued a statement that was supportive of the United Kingdom’s position. The EU continues to be strong in its support of the United Kingdom’s position. On a variety of issues—energy supply and energy security—there is a clear EU perspective, in terms of the energy action plan. It is certainly the UK Government’s belief that, of course, we can be effective bilaterally with Russia on a number of issues, but we can be much more effective if we work, where it is appropriate, collectively through the European Union. The fact that the EU is now made up of 27 states adds greater strength to our relationship.
Q138 Mr. Hamilton: Finally, the European neighbourhood policy has been a cause of some friction between the UK and Russia and the EU and Russia. Do you think that we could have a shared understanding on neighbourhood policy, or is that unrealistic?

Mr. Murphy: We increase our chances of a shared understanding if we continue to have the same level of bilateral engagement that we have had in recent years. However, alluding to my earlier comment, the changing nature of the economics and politics of many of the nations that border Russia impact on its sense of self and status, and on its sense of its role in the world. The neighbourhood policy is important in terms of spreading a sense of prosperity and stability to the east and south of the EU, and we will continue to invest considerable energy to do that.

Chairman: You have returned from a vote, Mr. Heathcoat-Amory.

Q139 Mr. Heathcoat-Amory: I do not wish to lower you into the detail of the EU, so we shall have a non-aggression pact on that.

It is tempting to communalise problems and hope that they can be solved by doing so, but there are bilateral problems between other member states and Russia. I am thinking of those concerning meat exports from Poland, war memorials in Estonia and energy supplies to Lithuania. Surely we do not want our bilateral relationship with Russia inhibited or caught up in such issues. Given that the Russians like dealing bilaterally with us, if we can put the issue of the alleged attempt to assassinate British citizens in London and get on to an even keel, could we make better progress that way, as we always have, than if we thought that Brussels could do things better on our behalf?

Mr. Murphy: I do not believe that anything about the UK’s approach or my comments suggests that we have a default position that says that Brussels can do things better. Equally, I would not think it right to hold the default position that Brussels can never do things better for or with us. On this issue, given the type of conversation that we are having, I think that a constructive engagement with Europe strengthens the UK national interest. Do we want to turn every bilateral issue between Russia and one of the 27 EU member states into a 27-versus-one scenario? Of course not, but it is right that we make comments and act on the serious issues that are of strategic importance to member states and when we believe that Russia has not fulfilled its own stated purpose of being open, flexible and democratic, and positive about the EU.

Q140 Chairman: We can now turn to some security-related issues. Some of us were in Serbia and Kosovo last week. One of the burning issues in international relations is the final status of Kosovo and the Ahtisaari plan. A few months ago, a UN Security Council resolution on the Ahtisaari proposals for the supervised independence of Kosovo was envisaged. As things stand, I believe that we are on to the sixth draft, to which the Russians have indicated they will not agree. They will not agree either to the original version of the Ahtisaari plan or any watered down version. It seems that they are even balking at an extended timetable for further negotiation. Have we underestimated the Russian attitude on these matters and, if so, why?

Mr. Murphy: I do not think that we have, but that is for others to judge. I met with President Ahtisaari this morning in London. We had detailed conversations about the future process. It may be helpful for me to put on record again the UK Government’s belief that this process should and will end up with independence for Kosovo, internationally supervised and based on the Ahtisaari proposals. After an enormous amount of work and real effort we believe that that is a balanced package for the future of Kosovo. You rightly say that this is a fluid situation at the United Nations. The intention of the co-sponsors of the resolution, in the dreadful UN phraseology that you will be well aware of, is to put the resolution into blue, and to have further conversations tomorrow in New York.

Sitting suspended for a Division in the House. On resuming—

Q141 Chairman: Minister, you were mid-way through a sentence, I think.

Mr. Murphy: I hope that the record will show that I had come to a full stop.

Q142 Chairman: Do you wish to add anything to your answer?

Mr. Murphy: No, not at the moment.

Q143 Chairman: Clearly, if there is no new Security Council resolution, UN Security Council resolution 1244 remains in existence. Under that resolution, Kosovo is regarded as part of Serbia. Furthermore, the operations of the United Nations Interim Administration in Kosovo and KFOR are currently operating under that resolution. If we are to get the deployment of a European Union police and civil assistance programme into Kosovo, presumably we will need a new Security Council resolution under which that would be possible.

At the same time, if we are to change the status of Kosovo in international law, we will also need a successor resolution to resolution 1244. In the absence of Russian agreement or if there is a Russian veto of any proposal, it is clear to me, having visited Kosovo last week, that there will be an expectation of the unilateral declaration of independence at some point, which people hinted would be a managed unilateral declaration of independence.

Following President Bush’s remarks in Tirana and a number of other countries, my assessment is that the United States will then recognise that UDI. At that point, we will be in a difficult position, will we not? On the one hand, resolution 1244 will still be in existence and there will have been no successor resolution, yet on the other, a country—or at least part of a country—will be making a UDI and seeking international recognition. Presumably, it will get that recognition from a number of countries around the world—the Islamic Conference
Mr. Murphy: I am sure that we could spend the whole of our hearing on that one question. I spoke to President Ahtisaari this morning, as I mentioned. Our policy is that in terms of conditions on the ground as we speak today, the Kosovar Albanians continue to need to see that there is a process in respect of their continued connection and trust in the international community’s responsibility to fulfil its express declarations of the past, and for the Kosovo Serbs. President Ahtisaari’s plans contain significant enough protections and devolution. That can remain the blueprint for our destination. With regard to recognition, we have not given up the determination to achieve this UN resolution. We think that this UN resolution has dealt with the substantial concerns that Russia has about the in-built automaticity of independence at the end of another round of time-limited talks. In that respect, we very much agree with the French Government and President Sarkozy’s approach to the time-limited nature of those talks. We think, therefore, that the removal of automaticity at the end of those time-limited talks removes the reasonable concern that Russia may have on that. On that basis, we are determined to try to get that successful process with the UN. We can speculate on a series of what-ifs. Your general point that it is not for the UN initially to recognise is, of course, accurate, Mr. Chairman. The issue of recognition is a matter for other sovereign states, as is their approach to any potential declaration by Kosovo. Our plan and approach is to try to do this through the UN as far as possible, and that will continue to be our posture. However, as you have said, Mr. Chairman, we will come to an important decision if the UN process exhausts itself. I do not think that it would be helpful for me to speculate on the what-ifs with regard to the UK’s position because that, of course, depends on a different series of circumstances. It is important for us to be clear to our friends in Russia and Serbia that we are clear about the end of this journey and its timetable. I spoke to President Ahtisaari today, and he agrees with our assessment on that.

Q145 Chairman: I do not doubt that it is a coherent package. The problem is that it is not being bought by one community. You have recognised the seriousness of its nature. I shall bring in Mr. Mackinlay in a minute, but may I conclude by asking whether you interpret the Russian objections and the obstruction of the Security Council resolution on Kosovo as part of a wider position? The Russians refer to frozen conflicts, to precedents, to the Helsinki agreement, to international law—they deploy all kinds of arguments. Do you think that that is Serbia-specific, or is it the wider Russian attitude towards solving international issues?

Mr. Murphy: We all know that every international issue is multi-dimensional. It is facile to suggest otherwise. As to the different dimensions at play in Russian attitudes to Kosovo, we can all speculate and we might come to a common conclusion or not. Part of what is in play is Russia’s perception of its role and its importance in the world, which I mentioned earlier. Yes, of course Kosovo has an increasingly westward-looking gaze where its future is concerned, but Russia has a different historic perspective, which is partially in play here. Mr. Chairman, you do not disagree with the Government’s analysis that relatively soon the international community will face a really important decision.

Q146 Andrew Mackinlay: I apologise for having been out for a moment. The position is that if Russia continues to veto the resolution, resolution 1244 endures. Can we have an assurance from you that the United Kingdom will not disregard—however frustrating it is—the Security Council position, if that is where Russia continues to block? If there is a UDI, so it has no
Security Council cover because no Security Council resolution has been passed either rescinding or altering resolution 1244 or adopting the Ahtisaari plan of managed independence, will we, in defiance of that, recognise an independent Kosovo?

Mr. Murphy: As I said—

Q147 Andrew Mackinlay: You understand the point?

Mr. Murphy: Of course I understand the point. It is very similar to the point that the Chairman raised when he emphasised the fact that our view as to the end point is Kosovan independence.

Q148 Andrew Mackinlay: I understand that. That is an objective.

Mr. Murphy: That is the end. What is in dispute is the means to achieve that end. I said earlier that I do not think that it would be helpful to speculate, based on our continued intensive efforts in New York, about a series of scenarios about what-ifs. My understanding of resolution 1244 is that Kosovo remains where it is territorially until the end of the process. In the meantime, it is administered internationally. We shall have to look at the detail of the end process in New York.

Q149 Andrew Mackinlay: Resolution 1244 also gives the mandate to the police and the soldiers. It has either to be rescinded or it will endure. It is not rocket science. It either has to be repealed or altered by resolution of the Security Council. If it does not, it goes on.

Mr. Murphy: What is clear is that whatever scenario we end up with, in terms of Kosovan independence, there needs to be international authorities on the ground with legal cover.

Q150 Andrew Mackinlay: It was somewhat irritating—although I do not blame you—that in our brief prepared by the Foreign and Commonwealth Office, there was no mention of the Helsinki Final Act. One of the things that we discover when we talk to every interlocutor of every shade of opinion is that that is a material factor, and it is part of the case of the Russian Federation. They say that they have honoured the Helsinki Final Act, which said that there would be no arbitrary variation in the boundaries of the nation states of Europe. We have honoured that since the 1970s. This would be a breach of that. The United Kingdom recognised that it would be a breach, but we say that it is a one-off thing. The Russian Federation say that they disagree. There is Transnistria, for instance. There are Russian enclaves in Georgia, Armenia and Azerbaijan. Have they not got a point, rather taking up the Purchase thing? We expect everyone to accept what our reading is. If you came down from Mars and looked at this, it would be clear that Russia has a powerful case. What do you think?

Chairman: We are very short of time.
Q153 Chairman: Can I put it to you, based on a conversation I had earlier this week, that the Russian view may be more to do with the symbolism and their perception that the interceptor and radar system in Poland and the Czech Republic is part of a global system the United States is developing linked to Alaska, California and, potentially, deployment later in Norway. They see it all as part of an overall surrounding of Russia. You said “thus far” there are 10 interceptors planned but their perception is that this is the thin end of the wedge and it foreshadows a changing strategic balance against them. How would you respond to that?

Mr. Murphy: I have three very quick points. First, the conversation has to take place through the NATO-Russia Council. Secondly, you are right—we agree on the assessment that the current detailed plan in respect of all the sites is not intended to address the Russian strategic capacity. On the situation in Poland, you say there are 10 sites; my understanding is that the capacity of those 10 locations would be to target and intercept five missiles. When we look at that in the context of the Russian stockpile and everything else, that clearly would not be affected even if the intention was there, which it is not. In terms of perception, which of course is important, I think it is significant that NATO members continue to share information with Russia. But ultimately, Russia does not have a veto over decisions entered into by other sovereign states that happen to be members of NATO and that should be very clear.

Q154 Chairman: But Russia has just announced its suspension of the Conventional Forces in Europe treaty. In the light of that, is it your assessment that that is linked to this wider question or is it, to coin a phrase, sui generis? Is it part of the wider breakdown in relations with the United States and the perception that countries in central and eastern Europe have joined the west and that NATO’s borders have been expanded to Russia? Or is it linked as a signal to these other questions?

Mr. Murphy: There is no shortage of analysis of this very issue. One way of coming to a conclusion on this, and certainly the way that I have done it, is to ask whether there is a specific dynamic within the Conventional Forces in Europe process that would have led to Russia’s suspension. The conclusion that you have to come to there is that there is no specific current dynamic that would lead to this Russian decision. Therefore as there is not a dynamic within the process, the conclusion must be that it is to do with other events. I do not think that we should seek to narrow it down to a specific other event. It is a continuing part of Russia’s assessment of itself and its international posture, and its continued, understandable intention to be a world player, across the globe, but more importantly for it, on its borders.

Q155 Chairman: When we were in Moscow a few weeks ago, I was struck by what I regarded as the pre-Gorbachev language that was being used by Members of the Duma and others. Do you suspect, as I do, that these recent moves are in effect a breakdown of the post-cold war architecture? I am not saying that the cold war is coming back but that some of the language being used was reminiscent of the period before Gorbachev over 20 years ago.

Mr. Murphy: There is a body of analysis which pretty accurately says that Russia looks back on its recent past and the period of Yeltsin as a matter of some shame and collective humiliation. I do not know whether that is a fair assessment, but the debate will continue. We are undoubtedly in a period where Russia is more confident. That is understandable in view of the evolution of its market, the strengthening of its economic power, the increased wealth and prosperity of its population. That is a natural evolution. That confidence based on material and economic wealth is a positive development. It is a core part of how we would like to see Russia develop. On the wider point of the CFE suspension, NATO would like to sign a new CFE agreement. There are a number of important issues, particularly about the continued siting of Russian forces in specific important locations.

Q156 Chairman: Transnistria, Armenia—

Mr. Murphy: There is also Abkhazia. We have supported a working group on Abkhazia to try to see whether there is a basis of a deal. We think that there is the basis of a deal on Transnistria through the reconfiguration of Russian forces that are in place. That would be an important step forward. I know that the Committee is aware of this. That is the type of change that we need to see as NATO before we would sign up to a revised CFE. But, of course, Russian suspension makes that much more difficult.

Q157 Mr. Moss: Minister, I want to return to the NATO-Russia partnership council. I think that you said that the proposals to site the missiles and the radar equipment, if that is how it can be described, in Poland and the Czech Republic were bilateral agreements or discussions between the United States and those relevant countries. Doesn’t this mean that the United States did not discuss the proposals within NATO, and that the UK was not aware of the proposals before they were broadcast in the media?

Mr. Murphy: First, I apologise for appearing distracted, but the Council of the European Union has made a public declaration about the issues that we spoke about much earlier in the proceedings, in terms of our relations with Russia. Perhaps we will return to it at another point. That will, of course, be available to the Committee.

Q158 Mr. Moss: Would you like me to repeat the question?

Mr. Murphy: No, I am well aware of the question. I am doing two things at once.

Q159 Mr. Moss: He is multi-tasking. He can chew gum and walk at the same time.

Mr. Murphy: On the specific point about the UK’s involvement in those conversations, I know that you will predict the answer, which is that the UK
continues to discuss all those issues with NATO partners. Yesterday, the Foreign Secretary and I met the Czech Foreign Minister, and that was one of the issues that was briefly discussed at that wide-ranging meeting. It is something that we continue to discuss bilaterally and multilaterally, and it is right that we should do so. We made it clear in conversation with our Czech colleagues that we strongly support the deployment in the Czech Republic and will continue to do so. The Czech Foreign Minister—incidentally, unbeknown to me, he is a Green Party nominee—was heartened by our continued support.

Q160 Mr. Moss: Is that support retrospective to a decision that was arrived at bilaterally, or was there a NATO agreement to approach those countries for that purpose?
Mr. Murphy: I do not know if Mr. Davenport wishes to add anything. I understand that there was consultation and discussion within NATO before the agreement was signed between the US and the Czech Republic and Poland took place. Michael Davenport: That was the point that I was going to make. There was certainly a process of consultation along the way, although, as the Minister pointed out, the agreements between the United States and the two countries concerned are bilateral. It is perhaps worth making the further point that the United States has also been involving Russia in consultations on the issue at various points, and is continuing to do so.

Q161 Mr. Moss: Are the Government in favour of enhancing the role of the partnership council as a key area for relationships with Russia?
Mr. Murphy: I think it is very important; as there is aspiration among some non-NATO members, particularly in Russia’s near-abroad, to become more involved and eventually to become members of NATO, it is absolutely essential that the dialogue continues. Ultimately, I come back to the point that while we will, of course, talk in great detail through that dialogue and the council, Russia will not have a veto over NATO membership of sovereign states. It is for NATO members to decide whether other sovereign states should be allowed to join.

Q162 Mr. Moss: But do the Government now take the view, perhaps in regard to NATO expansion, however one defines it, that greater attention should be given to Russian sensitivities on those issues? To reiterate your words, yes, when we were in Moscow, we did clearly get that view. It was not only of a new assertiveness on the part of Russia but of the shame that you talked about during the so-called revolution and the break up of the Soviet Union. Perhaps President Putin’s popularity is largely down to the fact that he has brought the Russian Federation to a position where, to use an analogy, they are batting in the top four of the order again. This small thing seems to have blown out of all proportion. If we had real cognisance of these Russian sensitivities, of where they see themselves, then maybe we would not get into these difficulties.

Mr. Murphy: My response to that would be that where we can we of course have to work through Russian sensitivities; when we spoke a month or two ago about Kosovo, we sought to do in that resolution in New York. But in the context of NATO, through the Russia-NATO council, it is essential that we seek to address Russia’s legitimate concerns on detail or in principle. Once we have worked through that process we come to the point where, despite sensitivities and concerns, Russia would not have a veto over the process. The underpinning analysis is that widening the membership of NATO is a force for increased security and stability, and the more nations that combine in the NATO process the better.

Q163 Mr. Hamilton: I move on to international security, and particularly to non-proliferation and Russia’s role on Iran and North Korea. In March 2006, the FCO identified Russia as “a key player” on non-proliferation issues. We know that Russia has been reluctant to vote for certain of the UN Security Council resolutions passed in the last year and a half on Iran’s nuclear programme, but eventually it did because Moscow felt that a nuclear-armed Iran would be a great threat to its own security. My question is this. Are we satisfied that Russia is co-operating in the attempt to stop Iran becoming nuclear armed? Do we think that Russia’s unwillingness to impose sanctions is a problem?
Mr. Murphy: On this, the UK and Russia have common cause. Neither of us wishes to see Iran with an aggressive nuclear capacity and a military nuclear capacity. Although you are underpinning the fact that the assessment by the United Nations of some of Russia’s actions may be inaccurate, the fact is that Russia has voted on two separate occasions for greater co-operation, through the UN, between Iran and the International Atomic Energy Agency. That is really very important. We can continue to analyse how we got there, but the fact is that we got there and Russia voted for both of those resolutions—as it did, of course, on the resolution on North Korea.

Q164 Mr. Hamilton: I was just about to ask whether they have been credible on North Korea, and a good partner in non-proliferation?
Mr. Murphy: They have. They have less of a formal role in North Korea, but they played a part in chairing one of the sub-committees and in assisting with financial transfers and other matters, so they have played an important part in North Korea—and, importantly, in Iran as well.

Q165 Mr. Hamilton: But you would agree that they continue to be a very important partner in non-proliferation as a member of the Security Council?
Mr. Murphy: Absolutely, and not just as a member of the Security Council but in terms of their own stockpiles of weapons of mass destruction, biological weapons and so many other things, it is important as a nation state but also internationally.
Russia is one of the key players on non-proliferation. But on North Korea and Iran, there has been positive engagement and supportive and effective in the United Nations.

Q166 Chairman: May I ask one final question? I am conscious that we have kept you a long time, for which we are very grateful.

Like the European Union, Russia is part of the Quartet in dealing with the Middle East, and you will be aware that Russia broke with the Quartet’s position by having contact with Hamas before the British Government, which related to the Alan Johnston hostage issue. Do you think that Russia could have a more active role in helping with the Middle East peace process and be an important contributor assisting the Middle East envoy and our own efforts through the EU and directly?

Mr. Murphy: I think that we could all be more active. We would all like to be more effective. I do not wish to stray on to the territory of the Minister responsible—

Q167 Chairman: As much as I am tempting you. Mr. Murphy: I am not going to. As you know from past experience, we both have a keen interest in and, on more than one occasion, a common view on this, and, of course, have been to the Middle East with Mr. Hamilton and Mrs. Osborne in a different capacity. Russia has a crucial role as part of the Quartet and we would like it to do all that it can, as we all must, in supporting Mahmoud Abbas and progressive forces among the Palestinians, who are reasonable and wish to see a two-state solution. Russia, can, should, and I am confident will be a positive influence in that process.

Q168 Chairman: May I thank you, Minister, and your colleagues, Mr. Thwaites and Mr. Davenport? This has been a very useful session. We have covered almost every continent. We also went to the Arctic at one point. This has been your first appearance before the Committee and we have appreciated your contributions and your frankness. We look forward to seeing you in the future, possibly even in the summer. I am sure that we will continue to be engaged in a dialogue with you on this matter and others over the coming months.

Mr. Murphy: Thank you, and I look forward to coming to New York to give evidence to your Committee. I understand that that is where you will be in the summer.

Chairman: No, no, no.

Mr. Murphy: Where will you be?

Chairman: We will be here. Mr. Murphy: No! I thought that you were off to New York.

Chairman: No, we are going to New York in October to the UN. Mr. Murphy: Ah well, that is the summer for me still. Chairman: We have a lot of work to do before then. Mr. Murphy: It might be helpful if I read this statement into the record. It was issued in Brussels on 18 July and it is a declaration by the Presidency, on behalf of the European Union, on the Litvinenko case: “The Presidency recalls its statement of 1 June on the murder of Alexander Litvinenko, a grave and reckless crime. The EU expresses its disappointment at Russia’s failure to co-operate constructively with the UK authorities. The EU underlines the importance of urgent and constructive co-operation by the Russian Federation on this matter. The EU hopes for a satisfactory solution to this matter, which raises important questions of common interest to EU member states.”

Chairman: Thank you.

Letter to the Chairman of the Committee from the Minister for Europe

When I gave evidence on Russia to the Foreign Affairs Committee on 18 July, I undertook to provide more information on Russian cases in the European Court of Human Rights.

As of 1 July 2007, cases from Russia pending at the court totalled 22,150. This represents 22.6% of total cases pending.1

I also mentioned that the number of applications to the Court from Russian citizens is rising year on year. The latest statistics on these, as a percentage of total of new applications, are:

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<tr>
<th>Year</th>
<th>Percentage</th>
<th>New Applications</th>
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<tr>
<td>2002</td>
<td>13.7%</td>
<td>4,006</td>
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<tr>
<td>2003</td>
<td>15.6%</td>
<td>5,996</td>
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<tr>
<td>2004</td>
<td>17.8%</td>
<td>6,691</td>
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<tr>
<td>2005</td>
<td>21.2%</td>
<td>8,781</td>
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<tr>
<td>2006</td>
<td>22.1%</td>
<td>10,569</td>
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I also undertook to provide you with a list of the ministers, including officials with ministerial rank, who have visited Russia in the past year. The figure of 15 ministerial visits to Russia applies to visits in the calendar year January–December 2006. In the list below I have also included visits during 2007.

1 http://www.echr.coe.int/NR/rdonlyres/D240083A-5243-422F-9C5C-DC6A3173246F/0/Pending_casesGraph.pdf
June 2007—Lord Mayor of London.
April 2007—Lord Mayor of London.
February 2007—Rt Hon Alistair Darling MP, Secretary of State, Department of Trade and Industry.
October 2006—Rt Hon John Hutton MP, Secretary of State, Department of Work and Pensions.
September 2006—Rt Hon Geoff Hoon MP, Minister for Europe.
July 2006—Rt Hon Tony Blair MP, Prime Minister.
June 2006—Rt Hon Margaret Beckett MP, Secretary of State, Foreign and Commonwealth Office.
June 2006—Dr Kim Howells MP, Minister of State, Foreign and Commonwealth Office.
June 2006—Rt Hon Tony McNulty MP, Minister of State, Home Office.
June 2006—Rt Hon Gordon Brown MP, Chancellor of the Exchequer (G8 Finance Ministers in St Petersburg).
June 2006—Bill Rammell MP, Minister of State, Higher Education, DfES.
April 2006—Rt. Hon Rosie Winterton MP, Minister of State, Department of Health.
March 2006—Rt Hon Alan Johnson MP, Secretary of State, Department of Trade and Industry.
February/March 2006—Rt Hon Douglas Alexander MP, Minister for Europe.
February 2006—Ian Pearson MP, Minister of State for Trade, DTI.
February 2006—Rt Hon Gordon Brown MP, Chancellor of the Exchequer.

During the session, I also undertook to inform the Committee and the House of any changes to the measures against Russia which my Rt Hon Friend the Foreign Secretary announced to the House on 16 July 2007.

Jim Murphy MP
Minister for Europe
25 July 2007
Written evidence

Foreign and Commonwealth Office brief for Foreign Affairs Committee’s visit to Azerbaijan

ENERGY SECURITY

*How much of a constraint does Russia represent on efforts to develop a more independent energy relationship between the UK and EU and states in Central Asia and the TransCaucasus?*

Through significant international investment, led by BP, the Baku-Tbilisi-Ceyhan (BTC) and Baku-Tbilisi-Erzrum (BTE) oil and gas pipelines have now come on stream and are supplying Caspian energy to the European markets, via Turkey. When these pipelines were still at the concept stage, some 10 years ago, before the significant rises in energy prices, there were those who questioned the return on the economic investment. Russia was one and consequently chose not to be part of the consortium, making these the first major pipelines from part of the ex-Soviet space to not run via or be controlled by, Russia.

A major prize for the future would be for these pipelines to be used to export Central Asian energy resources, whose reserves dwarf those of Azerbaijan, to the Europe market. But the Central Asian energy producers appear largely to be tied into contracts supplying Russia, at least for the short term. The countries concerned need also to manage their political relationships with Russia. Russia has recently put a great deal of effort into courting the new leadership of Turkmenistan, including a visit by Putin and signature of an agreement on gas and oil supplies with Kazakhstan and Turkmenistan, including the construction of a new, onshore Caspian pipeline.

Despite being a net energy supplier, until recently Azerbaijan still imported gas from Russia. Likewise, despite the BTC and BTE pipelines transiting their soil, Georgia has historically been heavily reliant on imports from Russia. 2007 has seen the start of a re-balancing of traditional import and exports. Georgia accepted Russia’s new terms that saw gas prices more than double, but sought and agreed terms with Azerbaijan to source a greater percentage of their demand requirements. Azerbaijan refused the same Russian terms. Russia subsequently cut off supplies to Azerbaijan and Azerbaijan responded by cutting off oil supplies to Russia.

REGIONAL SECURITY

*What is the state of Russia’s relations with Central Asian and TransCaucasian countries and Ukraine?*

The South Caucasus is blighted by unresolved conflicts. Nagorno Karabakh (NK) is one of these, and the result is that Azerbaijan remains in a state of war with Armenia some 15 years after the main conflict ceased. Troops remain dug in on either side of the 1994 cease-fire line (the line of Contact): there is no international peacekeeping force. People still die from sniper fire along the line of contact between the two sides, and from anti-personnel mines. A bitter rhetoric of hatred and the vast sums of GDP spent on the military forces, including equipment, of both countries ensures relations are permanently tense and potential economic growth is stunted.

It is a generally accepted premise amongst Western states that the conflict cannot be solved without at least Russian acquiescence, given her considerable political and economic influence in the region, especially with the Armenians. And that since Russia’s primary objective is to maintain that influence in the region, her default position is to prefer the status quo to resolution of the conflict. There are other Russia factors in the mix. Russia has traditionally been a close ally of Armenia, including at the time of the NK war. But with the emergence of Azerbaijan as an alternate energy supplier to the West, Moscow has made a greater effort to improve Russian-Azerbaijani relations.

Russia is also hugely concerned at Georgia’s drift into the NATO fold. It will not want Azerbaijan to follow suit. Recent developments suggest they are keen to develop military structures in line with NATO standards, and Azerbaijan has modest but significant contributions in the NATO-run International Security Assistance Force in Afghanistan, and the Multi National Force in Iraq.

HUMAN RIGHTS AND DEMOCRACY

Like other ex-Soviet states, Azerbaijan started from a low baseline on human rights and democracy and in many respects, has not achieved very much by way of positive reform. Azerbaijan is traditionally a clan-based society, with control resting with a few very powerful and immensely wealthy senior personalities. Now, with Azerbaijan’s energy wealth coming to fruition (the completion of the BTC and BTE oil and gas pipelines to Turkey, which have been ten years in the building), the stakes for those in power are even higher.
Azerbaijan has noticeably developed a new level of confidence and assertiveness in international relations as her energy has come on stream. Their President avows a Western-orientated path towards eventual membership of NATO and a closer relationship with the EU, while at the same time trying to maintain a balance in Azerbaijan’s relationship with Russia and the West. This includes adopting Russian examples of policy to suit Azerbaijan’s leadership eg in espousing a “managed democracy” or in managing the freedom of the media though economic and other measures.

The EU discusses human rights and good governance issues with Azerbaijan through the institutions established (Co-operation Council and Co-operation Committee) from the EU’s Partnership and Co-operation Agreement with Azerbaijan. Since the adoption of the European Neighbourhood Policy Action Plan in November 2006, negotiated between the EU and Azerbaijan, the dialogue should become more specific. The Action Plan lists a range of priority areas for reform that will bring Azerbaijan closer to mutually accepted values and standards, including in human rights and good governance. Human rights issues are also dealt with in the Council of Europe and the Organisation for Security and Co-operation in Europe (OSCE).

TERRORISM

Azerbaijan is a secular Muslim country, a potentially difficult balance to maintain in stable conditions. And Azerbaijan faces many pressures. Internal ones—a poor record on human rights and democratisation, and the unlikely-to-be-fulfilled expectation that the billions of dollars of energy revenue should significantly improve the lives of the average Azerbaijan—suggest that the conditions for extremism to flourish are there. When you add to the mix Azerbaijan’s geopolitical location, sandwiched between Russia’s unstable North Caucasus and Iran on a North-South axis, and with Central Asia and Orthodox Armenia on an East-West axis, the risks increase as Azerbaijan’s situation leaves her relatively open to external forces of terrorism.

May 2007

Written evidence submitted by Professor Philip Hanson, Chatham House and University of Birmingham

NOTES ON RUSSIA’S ECONOMIC INDEPENDENCE OF THE WEST

In this background note I will cover, first, the broad character of recent developments in the Russian economy and Russian economic policy; then the recent development of Russian state finances; the role of oil and gas; the changing levels and composition of Russian external debt; and prospects. I also include a brief end note on economic dependence.

BACKGROUND: RECENT DEVELOPMENTS IN THE RUSSIAN ECONOMY

Two quite different tendencies can be seen in recent Russian economic development. On the one hand, the state has become more interventionist since 2003, acting in ways that seem damaging for the business environment. On the other hand, private Russian and foreign investment in the economy has continued to grow strongly. GDP growth has averaged 6.7% a year from 1999 through 2006, with no obvious slowdown in the second half of that period. The coexistence of these two tendencies is not easy to understand. Whether buoyant growth can continue alongside such heavy-handed intervention in the long run, is not clear. So far, the two have coexisted for almost four years—a long enough run for many purposes.

The state has intervened in ways that are incompatible with the rule of law. It has made selective use of the tax, environmental and natural-resource licensing systems to destroy the Yukos oil company and re-nationalise most of its Russian assets, and to enable Gazprom to acquire a controlling stake in Sakhalin Energy (by purchase from Shell, Mitsui and Mitsubishi, but a purchase conducted under administrative pressure); and it is in the process of securing a controlling stake in the Kovykta gas field for Gazprom at the expense of TNK-BP. Less attention has been paid in the Western media to the use of similar tactics in the acquisition by the state arms-trading company, Rosoboronexport, of control of the giant titanium producer, VSMPO-Avisma, from private Russian owners. State holding companies are being established in a number of sectors—so far, in defence-related industries, but there has been some talk of going further.

When the Yukos affair began, some observers pointed out that nobody believed the rule of law prevailed in Russia in the first place; therefore, the argument went, events like the state attack on Yukos did not alter expectations: a high political risk was already priced into Russian assets. Indeed, leading economic indicators do not show much obvious damage. Nonetheless, the Yukos affair marked a change of trajectory in Russian economic policy, and the amount of attention it received in the Russian and foreign media suggested that it was not seen as normal, even for Russia. The flattening of the Russian stock exchange (RTS) index in 2004 and the surge in capital flight in 2004–05 probably reflected some loss of business confidence; still, this was a blip, and did not last long.
One interpretation, favoured by Yevgenii Yasin, the doyen of Russian liberal economists, is that there have been real costs to the Russian economy, but they take the form of economic growth forgone; the pace of Russian GDP expansion, while high by international standards, has been considerably lower than it would have been in a liberal environment. It is true that total gross fixed capital formation, at about 19% of GDP, and inward foreign direct investment (IFDI), at about 3% of GDP in 2006, are both rather modest for a middle-income country engaged in catching up the more advanced economies. Another interpretation is that any longer-lasting damage to business confidence is confined to certain sectors, notably oil: that Russian and even foreign investors soon grasped the new informal rules of the game: business as usual outside a few industries.

Certainly the state is re-occupying the oil industry.

Chart 1

(END-YEAR ESTIMATES)

Sources: Derived from Rosstat; OECD; Gazprom.

At the same time, the growth of output and export volume of oil has slowed strikingly. This cannot be blamed entirely on re-nationalisation, but it probably cannot be fully explained without reference to state take-overs. Until summer 2006 the slowdown was masked by rising oil prices. (See Chart 2 below.)

The earlier dynamism in oil production, in 1999–2004, was provided by private firms. Unless it is recovered soon, oil earnings will depend largely on world prices, whereas earlier they were driven by both price and output-volume growth. The implications for Russian GDP growth will be discussed later.
Russian State Finances

For most of the past eight years, rising oil and gas prices have helped strengthen Russian public finances. Those finances have been well managed. This has been the achievement primarily of the Finance Minister, Aleksei Kudrin. But it is notable that Kudrin’s fiscal conservatism has been supported by President Putin against all the lobbies that would love to raid the foreign reserves and the stabilisation fund.

Recovery after the 1998 financial crisis was kick-started by the big devaluation of the rouble that was forced on the Russian authorities at the time. This revived domestic manufacturing. Previously, industry had been close to collapsing in the face of import competition. Then oil-price rises boosted state, company and household incomes, financing consumption and investment spending that lifted economic activity in both goods and services production. (The rapid growth of spending power also boosted imports, and there is some evidence that Russian production of tradable goods outside the natural-resource sector is again losing ground to imports. The real exchange rate of the rouble has appreciated to about where it was before the 1998 devaluation. Rapid restructuring, modernisation, cost control and new investment might have offset this loss of competitiveness, but there has probably not been enough restructuring.)

Public finances, meanwhile, are strikingly robust. End-2006 foreign-exchange reserves were almost twice the level of 2006 merchandise imports ($295 billion against $163 billion). The federal budget last year showed a surplus of 7.3% of GDP. (Regional and local budgets are in aggregate roughly in balance, and are more or less constrained to remain so, with severe restrictions on borrowing, and the assistance of transfers from the centre.) The stabilisation fund, based hitherto on tax revenues on oil—not gas—above a threshold export price, was in March 2006 $108 billion, or about 10% of GDP. (The arrangements governing the stabilisation fund will change from February 2008; the changes will be described below.) At this level relative to GDP, the fund could be drawn down to maintain budget spending at planned levels for three years in the face of a halving of world oil prices.

The stabilisation fund has been used to sterilise foreign currency inflows, reducing inflationary pressure from booming export revenues. This has been done not only by building up the fund but also by deploying substantial tranches of it to pay down state foreign debt, often ahead of schedule. Debt developments will be described in a separate section below. The bottom line is that public debt to non-residents, including debt owed by the Central Bank of Russia, was at end-2006 about 5% of 2006 GDP—a minuscule amount.
THE ROLE OF OIL AND GAS

Overall, the Russian public finances are in enviably good shape. But it should be noted that the dependence of exports, the budget and GDP on oil and gas is high.

![Chart 3](image)

**THE ROLE OF OIL AND GAS IN RUSSIAN FEDERAL BUDGET REVENUE, MERCHANDISE EXPORTS AND GDP, 2006 (%)**

Sources: Central Bank of Russia; Kudrin lecture at Higher School of Economics, 21 February 2007 (for value added in oil and gas as % GDP in 2006, presumably at current prices).

So far as mutual dependence between Russia and the West is concerned, the relationships are closest with Europe. In 2006 Russia conducted 53% of its merchandise trade (imports plus exports) with the EU of 25 nations, as it then was. That compares with only 15% with other CIS countries and a mere 4% with the US. This is roughly what one would expect from gravity models of trade, which predict the partner-composition of countries’ merchandise trade from their economic size (eg, total GDP) and the distances between them.¹

Movements of capital are less influenced by distance; Russian outward and inward FDI (for example) are more geographically diversified than trade. Business and leisure travel by Russians, and acquisitions of personal property (yachts, country houses, football clubs) are again more focussed on Europe. So are banking and stock-market links, with Russian companies’ initial public share offerings (IPOs) lately concentrated on the London Stock Exchange.

Most Russian gas and oil that are exported outside the CIS go to Europe. In 2006 44% of Russian oil output and 24% of gas production went to non-CIS exports. Since domestic sales are at significantly lower prices than exports, the major contribution that oil and gas make to the Russian federal budget (almost a half of revenue—see Chart 3) is dominated by revenues from the European market.

Does that provide Europe with leverage over Russia? The answer is: almost certainly not. That is because Moscow is a single actor controlling one side of the transactions, and there is no single actor on the European side. Russia can and does strike bilateral energy deals, specifically over gas supplies, with individual EU countries.

At the same time there is Russian talk of diversifying their markets, and switching their energy supplies to Asia. That is not a serious concern for the short or medium term. The extent to which, and the prospective period of time over which, Russian oil and gas earnings are tied by the pipeline system to Europe are complicated subjects. Here it may be enough to say that Russia has few market alternatives over the next few years. Sakhalin oil and gas are starting to go to Asia-Pacific markets. That includes liquefied natural gas (LNG) deliveries to Japan and Mexico (the latter partly for the US West Coast market). Development

¹ Gravity supermodels have lots of bells and whistles attached. The summary above conveys just the basic idea. In the case of Russia, it is relevant that the bulk of population and economic activity are in the European part of the country.
of oil and gas pipelines to China and the Pacific coast are at an early stage. Broadly speaking, eastwards deliveries of hydrocarbons depend on the development of reserves in Eastern Siberia and the Russian Far East (the latter including Sakhalin). Only if some West Siberian oil or gas is diverted in future to eastbound pipelines would a geographical diversification of Russian markets be at the expense of traditional sources of supply to Europe, and that would be very costly.

Russia may therefore be said to be stuck with Europe, at least for the next few years, and probably for longer. The problems for Europe, including for the UK, are twofold.

The first one was mentioned three paragraphs above: Russia can bargain more effectively over energy supplies than Europe, or any one European country, can. It is true that the relationship is one of mutual dependence: we need the oil; they need the money. But it is not symmetrical. This is because the Russian state, acting through Gazprom, its statutory gas export monopolist, and Transneft, the oil pipeline monopolist, is a single actor, and the European Union, in this particular context, is not. The energy dependence of EU states on Russian supplies varies greatly, and national monopolies or near-monopolies like E.On, Gaz de France and ENI make ready partners for Gazprom, with both sides having incentives to sign long-term gas supply contracts (the oil market is more open). Lobbying by their own national champions reinforces the desire of many European governments to seek bilateral energy deals with Russia.

The Competition Directorate of the European Commission has been seeking to break up European gas and electricity monopolies and move Europe towards more open and flexible markets. That would weaken the influence of Gazprom in particular national markets, but it is not likely to happen soon.

The second problem is this: Russia’s ability to maintain and increase the volumes of oil and gas deliveries to Europe is in doubt. The major existing gas fields are in decline. Russian domestic gas consumption is growing. It rose at 1.4% per annum in 2000–05 (BP Statistical review of Energy, 2006). EU gas consumption has been rising somewhat faster, at 2.3% pa over the same period (ibid.). Gazprom’s own production (it accounts for around 90% of the Russian total) is approximately flat. Its plans for raising supplies rest on a growth of gas production from Russian independent producers (including oil companies) and the acquisition at favourable prices of growing amounts of Central Asian gas—which for the time being lacks other means of reaching rich markets. Meanwhile Gazprom is also buying its way into Russian projects that others have brought close to fruition (Sakhalin Energy, Kovykta), using state muscle to encourage the original owners to sell. What it is not doing very much of is upstream development of its own. Its $20.1 billion investment programme for 2007 includes $6.4 billion for acquisitions, against $3.9 billion for development of major fields. Its recent acquisitions have included a good deal that was outside the industry: media businesses and power stations, in particular.

Russian oil is extracted by a mixture of private and state enterprises. The disappearance of two leading private companies, Yukos and Sibneft, into the state sector, together with constraints on (state-controlled) export pipeline capacity, seems to have taken the dynamism out of oil-industry development.

The Russian authorities have been reliable energy suppliers to Europe in the past, except for hiccups in January 2006 (gas) and January 2007 (oil). They are hardly likely to want to lose their reputation as reliable suppliers. The two hiccups in supply are best understood as unintended side-effects of badly-managed attempts to alter the terms of their energy relationships with other CIS countries—in these two cases, Ukraine and Belarus.

Russian policy-makers could release more oil and gas for export to Europe by raising domestic electricity and gas prices and thus curbing demand. Russian industrial and household energy usage is wastefully high, and the present low prices are a disincentive to invest in more energy-efficient equipment. For obvious political reasons, however, there are limits on the rate at which those domestic prices are raised.

To sum up: Russia needs Europe, so far as its energy sales are concerned. Moscow, however, has a strong bargaining position over energy because it is a single actor while Europe is not. Russian policymakers have no interest in appearing unreliable as energy suppliers, but bungled policy-making sometimes jeopardises their supplies to Europe; and their ability to raise energy supplies to Europe substantially in the next few years is doubtful.

**Russian External Debt**

In the 1990s, when Russia was economically very weak and politically turbulent, the Russian state was in poor financial shape and had substantial debts outstanding to the Western world—partly inherited Soviet-era debt to Western banks and Western and other governments, and partly post-Soviet debt, including to the IMF and World Bank. This gave Western governments some leverage over Moscow. That leverage has now gone. Russian public external debt has been paid down.
Table 1
RUSSIAN PUBLIC (GOVERNMENT + CENTRAL BANK) DEBT TO NON-RESIDENTS, 2000–07 (1 JANUARY FIGURES, $ BILLION)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total debt</th>
<th>of which: to IFIs(^a)</th>
<th>to Paris Club(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>146.5</td>
<td>22.6</td>
<td>38.7</td>
</tr>
<tr>
<td>2001</td>
<td>128.6</td>
<td>18.9</td>
<td>39.0</td>
</tr>
<tr>
<td>2002</td>
<td>111.1</td>
<td>15.1</td>
<td>36.3</td>
</tr>
<tr>
<td>2003</td>
<td>104.3</td>
<td>14.3</td>
<td>39.2</td>
</tr>
<tr>
<td>2004</td>
<td>106.0</td>
<td>14.4</td>
<td>42.7</td>
</tr>
<tr>
<td>2005</td>
<td>105.4</td>
<td>14.4</td>
<td>43.3</td>
</tr>
<tr>
<td>2006</td>
<td>82.1</td>
<td>16.6</td>
<td>22.2</td>
</tr>
<tr>
<td>2007</td>
<td>49.0</td>
<td>9.3</td>
<td>0.6</td>
</tr>
</tbody>
</table>

\(^a\) IFIs = international financial institutions, chiefly IMF and World Bank;  
\(^b\) Soviet-era debt to foreign governments.

MEMORANDUM ITEMS

2006

*Public external debt defined to include debt of commercial banks that are at least 50% state-owned*

148.7

GDP 978.7

*Notes:* General: total and Paris Club debt are denominated in a variety of currencies, so the dollar total can change over time because of changes in exchange rates; London Club debt to Western banks, also from the Soviet era, was completely paid off during the period covered by the table.

*Sources:* Central Bank of Russia

(www.cbr.ru/statistics/credit_statistics/print.asp?file=debt_06.htm [and 05.htm, etc for earlier years]; the first memorandum item is from: www.cbr.ru/statistics/credit_statistics/print.asp?file=debt_an.htm); the GDP figure is from Troika Dialog.

Meanwhile, as the Russian state’s credit rating has risen—latterly to investment grade—and the Russian economic boom has continued, Russian firms have increasingly borrowed in the West. As public external debt has fallen, Russian private debt to non-residents has risen. Chart 4 illustrates this. “Business debt” here is outstanding indebtedness of Russian non-bank corporations to non-residents.
Source: as for Table 1 debt figures.

The bottom line—to repeat—is that the Russian authorities now owe the West very little. They are financially strong. Russian company debt to Western lenders has been growing, but this does not compromise the financial independence of the Russian state. Indeed, the Russian state plans to inject funds into Western capital markets. The Russian government plans from February 2008 to split the stabilisation fund into a reserve fund of about 10% of GDP, conservatively invested (as it is at present) in other governments' securities, and a future generations fund, invested in (mainly foreign) stocks and shares. It is estimated that the future generations fund will start at about $24 billion.

Prospects

Some slowdown is widely expected in the Russian economy over the next few years. It is of course possible to construct all sorts of scenarios, including some gloomy ones combining large and sustained falls in the oil prices with open conflict within the political elite over (or just after) the Putin succession in 2008. But it makes sense to focus here on two baseline scenarios.

The Russian government recently adopted an economic projection to 2010 in which GDP growth slows from the 2006 year-on-year rate of 6.7% to 6.0% in 2009, turning up slightly to 6.2% in 2010. This is a scenario that assumes some success in switching Russia towards becoming more innovative, and therefore more competitive outside the natural-resource sector. The slowdown stems in part from a projected movement downwards of the average annual Urals oil price to $50 a barrel in 2010. Given the projected modest deterioration of export prices alongside continuing domestic economic growth, the current account balance-of-payments surplus declines and disappears over the period. That in turn assists a modest further disinflation to around 5% (consumer price index) in 2010 (www.economy.gov.ru).

The Bank of Finland, which has an outstanding team of Russia analysts, has put out a forecast through 2009 that is slightly more downbeat: GDP growth in the BoF projection is 6.4% in 2007, 5.8% in 2008 and 5.6% in 2009 (www.bof.fi/bofit_en/seuranta/ennuste/index.htm). Their assumptions about the oil price are similar to those of the Russian government. They, too, foresee the disappearance of the current-account surplus.

These projections look reasonable, as starting points. The Russian economy now has considerable momentum. A substantial middle class has emerged, and is spending freely, propelling among other things a rapid growth in the service sector. A population that suffered grievously from inflation in the 1990s shows no sign of pressing its political class to go in for a spurge of public spending, despite the sorry state of Russian infrastructure and public services. Putin has spoken in populist terms about his 'national projects' in health care, education, affordable housing and agriculture, but spending on them last year was only 0.7% of GDP, and they have not been pursued to the detriment of the stabilisation fund. Investment growth is strong despite uncertain property rights. There is no obvious reason for that to change.
There are several signs of normalisation in the Russian economy, notwithstanding the authorities' turn towards statism. The gross private-sector capital outflow from Russia dipped from $50 billion in 2005 to $40 billion in 2006 and the portion of that outflow that was capital flight—as distinct from officially recorded outward foreign investment—declined. After 2004 the net private capital outflow turned into an inflow.2 The removal of capital controls in mid-2006 has helped; meanwhile a number of big Russian companies are turning themselves into transnationals: the most active recently have been in metals: Norilsk Nickel, Rusal (now, as Rossiiskii alyuminii, the world’s biggest aluminium producer, ahead of Alcoa), Polyus Gold, Severstal and Evraz. These are private companies. They no doubt consult the Kremlin ahead of any major move, but their progress onto the world stage has a commercial logic and probably gives them a little more independence from the political elite. Russia is no longer an anomalous middle-income country that exports more capital than it imports. It is now importing capital, on balance, but also—like other emerging-market economies—growing its own transnational companies.

Factors tending to slow Russian economic growth, regardless of changes in the oil price, are the following.

— The working-age population has started to decline.
— Manufacturing is contending with a rapidly-rising real effective exchange rate (the inflation-adjusted exchange rate of the rouble against a trade-weighted basket of currencies).
— Transport and other physical infrastructure are in poor shape.
— The investment share of national income remains low for a country that has good opportunities for catching up the rich world.
— Studies by Professor Cooper (Birmingham University) and Professor Tabata (Hokkaido University) show a striking lack of export competitiveness outside the natural-resource-based industries, and a decayed research, development and innovation system.
— The state’s increasing control of the oil industry seems to be taking the dynamism out of what has been a key source of growth (see above). If such control is extended further, the consequences will be correspondingly worse.

The balance of evidence and arguments suggests a modest slowdown in the medium term. A return to market reform and a reduction of ad hoc state intervention would help, but are not on the present political horizon.

END-NOTE: SOME OBSERVATIONS ON ECONOMIC DEPENDENCE AND INDEPENDENCE

National economic separateness, or near-autarky, has since World War Two been an unusual state of affairs. Myanmar now and Albania after it broke with both Moscow and Beijing are two examples that come to mind. Even the USSR after Stalin was far from economically independent: it came to depend quite strongly on Western technology and grain. Economic independence on the pattern of Albania or Myanmar brings only limited advantages to a nation’s political leaders, and those are perhaps chiefly to do with keeping their own population under control.

What has happened in Russia since the 1990s is a shift from economic weaknesses, indebtedness and aid receipts to economic strength, financial robustness and a considerable degree of interdependence, chiefly with Europe. The present Russian leaders have made the most of a national sense of recent past humiliations and present economic recovery. It is helpful for them domestically to play up Russia’s new-found strength by repeating that they will not be lectured to about “values” or how to conduct themselves in Chechnya, and by withholding their agreement on Iran or Sudan or anti-missile shields.

It is a big step from this sort of muscle-flexing to a deliberate manipulation of (say) gas supplies to Western Europe to compel agreement in some other area of policy. That is not to say that such use of the energy lever is impossible, but it would have high costs to Moscow in the long run, and would at the very least not be lightly used.

Another source of Russian influence over West or Central European countries’ policies may be quite unrelated to Russia’s economic strength: namely, the buying or blackmailing of leading politicians. Some recent events suggest this is not as far-fetched as it may sound.

Professor Philip Hanson
Chatham House and CREES, University of Birmingham

30 April 2007

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2 Calculated from Central Bank of Russia balance of payment data. Details available if requested.
Written evidence submitted by the Britain-Russia Centre

THE BRITAIN-RUSSIA CENTRE

The Britain-Russia Centre (BRC) (full name The Britain-Russia Centre and The British East-West Centre) is the longest established UK non-government organisation dedicated to working with Russia and the countries of the Commonwealth of Independent States (CIS).

Starting life as the “GB-USSR Association”, a membership organisation dedicated to sustaining dialogue and contact with the countries of the then Soviet Union, the new geo-political situation of the 1990s led to a shift in emphasis away from UK government core-funded membership activities to project-based work with a variety of donor agencies as a non-profit and consultancy organisation.

BEWC is proud of the role it has played in sustaining contact and debate with the region for over 45 years, often in very difficult circumstances.

We remain engaged across the CIS with parliaments, public sector bodies, civil society organisations and businesses—providing information, training, consultancy and other services that support positive processes of sustainable social, political and economic development in the CIS.

Contact details:
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Q1: In the Centre’s experience, what is the current climate for NGOs in Russia, particularly those working with foreign partners?

Summary:
— NGOs are a mixed bag and it is in everyone’s interests (including the NGOs’) for criminal elements to be identified and prevented. Russia should be supported in that endeavour.
— However in a state with a clear history of authoritarianism and little history of NGOs as free-speaking and free-standing entities, there are understandable concerns about opportunities for the abuse of power by the state to crush what it perceives as potential or actual opposition (even when it appears unnecessary to do so).
— Aspects of the legislation passed, and of apparent state policy and the day-to-day realities of public administration provide grounds for such worries.
— NGOs are fearful therefore that their role is not sympathetically understood and indeed that it is being undermined by a state that is becoming more rather than less inclined to control or destroy them. Foreign connections may, in different ways, attract or repel such pressures.

Text:
The climate for all NGOs in Russia, be they connected with foreign partners or not, is currently one of considerable caution.

The recent legislative changes have a rationale that all governments would recognise—to prevent the creation and activities of organisations with objectives that include terrorism or other criminality.

The legislation does however also create opportunities for the state apparatus to control all or any civil society organisations in ways that are inimical to, for example, freedoms of expression, assembly etc and thereby to the underlying ability of civil society to perform its role within the checks and balances of a democratic society.

Similarly the associated re-registration required recently of NGOs in Russia has two possible interpretations: as a practical measure of tidying up the legal status of organisations, which reflects a valid need to regularise matters and prevent NGO status from screening illegal activity; but on the other hand a bureaucratic obstacle to enable exclusion of NGOs that for one reason or another are simply not agreeable to the state.

The apparent centralisation of power within Russia and the “return of the state” into many areas of life have been recurrent themes of recent western discussion about Russia. Judgement of the degree to which these trends are negative (sinister, inefficient, corrupt, anti-democratic, redolent of USSR etc) or positive (necessary for national and international security, global status and competitiveness) is in part a question of subjective views on the role of the state in general but also the needs of Russia in particular. Views differ widely on these issues.

There is always—and perhaps it should be so—an atmosphere of mutual scepticism and scrutiny between state and non-state organisations. This works best in the interests of society where part of the equation is a strong and reliable rule of law to ensure that both “sides” are accountable and are unable to intimidate, rather than persuade, the other. The rule of law in Russia, while we do see positive signs of its evolution, is not sufficiently established or reliable to provide this assurance at present.
A closely related concern is the growing but ill-regulated bureaucracy in Russia. This creates (whether by accident or design) both time- and resource-consuming obstacles that affect civil society and business alike. It also furnishes opportunities for abuse of official powers (whether by policy or individual graft). If/as NGO capacity to press for reform is reduced, so any momentum for reform from this quarter will decline.

Finally, the issue of connection to foreign partners. Assumptions of espionage and/or political interference by/via NGOs still run deep in Russia (perhaps not always without foundation) and NGOs also make easy targets for nationalistic or punitive gestures. Foreign connections can also suggest enviable resources that may be susceptible to extraction or direction. More legitimately, there are also concerns that such NGOs create opportunities for funds that are improperly earned, transferred, accounted or taxed. Foreign connections can also lend some strength to local NGOs in terms of international awareness of their existence and experiences. Frankly however this is a relatively weak tool to deploy if the state is willing to brush off short-term hand-wringing by external commentators whom it can present as interfering in its sovereign affairs.

Q2: What, if anything, could UK policy do to promote democracy, human rights and civil society in Russia more effectively?

Summary:
— Russia tends to react badly to external commentary on these areas, which it often sees/presents as foreign interference based on misunderstanding of Russia and double standards by a UK unable to see the beam in its own eye.
— UK should make its views robustly clear on both principles and particular cases, but these reactions must be fully researched rather than knee-jerk and made in the context of recognising common UK-Russian objectives where they occur and the challenges that these can present for Russia.
— Development of democracy, human rights and civil society are most successful when home-grown. Assistance from UK should be framed in the context of looking for ways to create space for local initiatives.
— The role of a multiparty system based on an acceptance of the role of opposition as a positive force for better government is not applied in Russia but is a key issue for safeguarding democracy. Inter-parliamentary support should focus on this but UK development assistance in this area has fallen away.
— Education as a means to impart democratic values is a sensitive area but UK could assist further in providing information/discussion focused on the intriguing paradoxes inherent in a democratic system.

Text:
There is a Russian saying: “If you want to see a foreigner make a fool of himself, ask him to talk about Russia”.

This saying reflects perhaps the complexity of Russia, but also a common Russian attitude to foreign opinion. Some of the experiences that Russians can (perhaps selectively) point to as derived from listening to foreigners’ opinions on Russia mean that the honeymoon period on simply taking western advice ended for most Russians in the 1990s.

Many Russians subscribe to the view that Russia is “uniquely unique” and thus unlikely to benefit from models that work elsewhere. While often critical in private of their country’s leadership and performance— they quickly become very prickly if this criticism is public and in particular if this comes from outside (something they perhaps have in common with the British!). There is also a “With us or Against us” mentality. These frames of mind may on occasion be nonsense—but they must be taken into account.

A balanced approach can be difficult to achieve when our views of Russia are formed or affected by the unrelentingly negative news coverage Russia receives in the UK. Russians see (and are sometimes encouraged to do so by the presentation of western media stories in Russia) many double standards in this coverage and this exacerbates a feeling of not being understood or appreciated for their positive achievements and contributions.

Our view is that over time the development of a middle class in Russia will be a key factor leading to pressures for more democratic government. Some observers have noted that, while the oil revenues are the big story in the Russian economy, there has also been a consumer boom delivered by a growing middle-class. As the population becomes more prosperous and more interested in participation in decision-making processes, it will be less convinced of the need for strong, centralised and de facto single-party government.

This general context underlies our answers below on the three points (Democracy, Human Rights and Civil Society). They share many aspects, but in particular that what makes them work (or fail) is the degree to which they are locally created, understood and accepted by a society and the relative priority given to them at a particular time.
DEMOCRACY

The UK may have—over hundreds of years and two World Wars—arrived at a system that, while far from perfect and still in evolution, works for us. The very considerable challenge for Russia is to find a system that works for Russia as quickly as possible.

Russia has a democracy—albeit a “managed democracy”—that was unimaginable 20 years ago. However the organs of the state and civil society responsible for ensuring that democracy is transparently practised and sustained are subject to the pressures discussed in our answer to Question 1.

Among the current Russian state’s concerns is a fear of losing control over centrifugal forces that could lead to geographic break-up, along with loss of power and associated global standing. Many open wounds remain from the traumas caused by the collapse of the Soviet Union.

The UK’s realistic role as a genuine partner to Russia is primarily to encourage both the model that Russia develops and its implementation to fall within the standards and agreements subscribed to by the international community.

A key theme that the UK could assist with as an outside entity is the role of parliamentary opposition and multiparty democracy. For many post-soviet union citizens and politicians alike politics (including in a democracy) is understood to be about gaining power through defeating your opponents and, once in power, continuing to confront and if possible destroy them in order without the interference or “destabilisation” of opposition voices. Consensus or concessions are seen as weaknesses and should only be used to further a longer-term agenda of destruction of the enemy.

In the UK there is a long tradition of opposition that has engendered a greater willingness to acknowledge opposition as a valid and useful part of government (and a training ground for future opposition governments). This may sometimes be understood intellectually in the CIS, but it is seldom carried through in practice in the post-soviet approach to parliamentary life. The opposition remain the enemy and a threat to be dealt with rather than having a contribution to make. The paradox that the quality of government can depend on the quality of its opposition is not well understood—or at least practised—in Russia. This fans out into a wider willingness (or lack of it) to consult NGOs and others in a collaborative way and relates to the points made under Question 1.

BEWC’s work has involved seeking to spread awareness of the governance advantages of multi-party democracy. One example has been taking cross-party groups of MPs to participate in discussions with post-soviet parliaments across the CIS on issues of transparency, public scrutiny of finance and other issues.

Apart from the personal learning and contact-building benefits of this process, a key and consistent lesson we see being noted by the recipient countries is through direct observation of their counterpart UK parliamentarians of widely different parties and opinions working practically together to refine views or achieve improved legislation.

DFID, who funded some of our earlier work in this area, no longer supports such initiatives for three reasons: a) they are now focussing on large-scale projects (a profound mistake in our view, and based on administrative convenience); b) DFID now precludes itself from working in Russia as the country (rather than the people) is no longer poor enough; c) work with parliamentarians does not involve direct work with the poorest in society. We suggest that this UK policy direction should be reviewed in respect not only of Russia but also the wider CIS region.

HUMAN RIGHTS

Advocacy by UK

In Russia, and across the neighbouring states, NGOs have tended to have a high profile on human rights issues exactly because the legal system is not picking up cases and/or being able to process them. Foreign states, often rightly, add their concerned voices to these NGOs in an attempt to shame or encourage the state to address them. This is a drawn out affair and can quickly become about diplomacy rather than the rights in the case.

Nevertheless advocacy by the UK of human rights both in principle and in individual cases remains a means by which the UK can assist the cause of human rights in Russia. This must however be subject to the caveat that any such interventions must be soundly researched rather than knee-jerk and the likely responses from Russia thought through and prepared for in advance.
Building local capacity

Human rights are protected in the UK, on occasions even frustrating the wishes of the state, by legislation, by a judiciary that is independent, by legal professionals with the necessary skills, and by citizens who are able and willing to access advice and support. NGOs are thus only one a part of this system.

The main challenge in Russia (and more widely in the CIS) is enabling the legal profession to fulfil its role in enforcing citizens’ human rights, initially via the local court systems and if necessary by international ones. This boils down to two elements: availability of professional lawyers and judges in the human rights field; and adequacy of the courts system to operate free from interference.

In our view the development of a middle class in Russia combined with the progressive rise of a generation that does not have a deep attachment to the centralised control models of the soviet era, is likely to be the main motor for change—and certainly more significant than any outside interventions.

External assistance should therefore look at two elements: support for the development of local professional capacity, and support for democracy-oriented education/information.

External assistance can, through support for targeted training, help in making available to the Russian population a sufficient number of legal professionals with human rights expertise and experience to enable real and sustainable shifts in expectations and enforcement. As time goes on this cadre, combined with rising prosperity and the wider changes in society, will push human rights higher up the agenda, will result in cases being robustly taken up and resourced locally and will encourage the Russian state to participate more actively in international human rights standards and monitoring.

BEWCs work on human rights in the region over the last decade has centred on the development of local professional capacity. Starting with young lawyers and law students we have increasingly worked also with legal professionals and the judiciary. A spin off benefit has been the number of alumni in some countries who, even if no longer practising human rights lawyers, have since achieved places in the government administration.

The FCOs Global Opportunities Fund (GOF) has been, with small but highly targeted support to the work of BEWC and others in the region, achieving some real successes here. If GOF can continue to act on a bilateral basis through small, timely and relatively flexible and unbureaucratic projects, the UK will continue to contribute very positively in this area. DFID now mainly eschews small bilateral projects and considers human rights lawyers as too rich to be able to work with. This has meant they have again not been engaged here.

On the question of education, there is an obvious link between, on the one hand, an understanding gained at school as to the functioning, in particular the checks and balances, of democracy, its links to economic and other policy-making etc; and on the other the mental attitudes and models taken into later life. The UK has relatively little opportunity to affect the overall Russian education system (which is itself in decline) and it is also not easy to see how this could be done without accusations of disseminating foreign propaganda. To the extent that it can do so—for example via online resources—it would be useful to highlight issues such as the paradoxical importance of opposition and multi-party democracy referred to above.

Civil society

Civil society organisations are the non-elected (self-appointed) representatives of a diversity of local interest groups. They have a valuable role to play but the degree to which they can lay claim to representing other people as opposed to representing their own views is usually limited.

This is particularly the case with NGOs that are branches of, created by or receiving support from foreign organisations. As discussed above, the Russian authorities are sensitive on these issues, even where NGOs are doing valuable work that the state itself should be carrying out.

Assistance in the form of training for NGOs on how to organise themselves has been going on for many years and from many sources. It is likely that there is little further need for this currently.

Outside support can assist NGOs—and in “NGOs” we suggest should be included the professions—through technical training and support relevant to the NGOs’ target audience. This, combined with vigilant—but even-handed—moral support where appropriate either publicly or through inter-governmental channels is where UK can contribute.
Q3. Are the current difficulties in the UK-Russia bilateral political relationship having any effect on the climate for UK individuals and organisations working in Russia or with Russian partners (businesses, educational and cultural organisations)?

Bilateral political difficulties can result in a chilling of the atmosphere for companies and others from the UK and, for example, a return to Cold War style accusations of espionage etc or obstructiveness over visas and other bureaucratic issues.

However, as with the Russian state’s re-occupation of “strategic” economic sectors and enterprises, the superficial story of state bullying—while not always absent—can mask more complicated and less one-sided realities. In the business community there are well-publicised concerns about bureaucracy, corruption and state interference. However, those businesses affected do not seem to be leaving Russia—and this suggests the risk-to-reward ratio is still positive.

There is certainly at present an element of both foreign and local businesses and other organisations and individuals being anxious to avoid upsetting the Kremlin for fear of inviting disfavour. This is unhealthy and could develop into a restrictive and claustrophobic atmosphere that will benefit neither country if allowed to grow. However it is not easy to see how UK policy can be determined in respect of this or the degree to which such issues can be given priority over larger international and bilateral issues.

The path which we believe needs to be taken is to show publicly a greater understanding of, and interest in partnering with, Russia on the many issues where we have common cause. This is not to water-down any of the values or objectives that UK holds as important, and which it should robustly pursue, but these do need a new and more balanced context. The current atmosphere—a tendency to selective finger-wagging on one side, and an increasingly irritated resentment on the other—is not the way forward.

Britain–Russia Centre
May 2007

EXECUTIVE SUMMARY

(a) GML Limited, formerly Group Menatep, is the majority shareholder of Yukos Oil Company which has been bankrupted and its assets expropriated by the Russian Federation. The “Yukos affair” was a major strand in the Russian Government’s strategy to bring Russia’s natural resources under direct Kremlin control and to use those resources as a tool to reassert control over Russia’s former sphere of influence and its Western colleagues whilst silencing any opposition to the government regime. It marked a turning point in the Russian Federation’s commitment to the rule of law, property rights and energy security.

(b) The energy supply disputes with Ukraine in January 2006 and with Belarus in January 2007 illustrate the Russian Federation cannot be trusted to provide a reliable source of energy, without regard to the prevailing political conditions.

(c) The Russian Federation needs to reform its energy sector to encourage significant new investment and attract foreign capital in order to ensure that it is able to meet existing oil and gas supply commitments and future export demand. That cannot happen until the Russian Government is prepared to guarantee property rights and respect international treaties aimed at protecting foreign investments from arbitrary re-nationalisation and sudden termination.

(d) The Energy Charter Treaty (“ECT”) is the strongest existing legal framework governing investment in the energy sectors of signatories. The Russian Federation is fully legally bound by the Treaty despite its attempts to suggest otherwise; the UK Government must insist that the Russian Federation abide fully by its obligations under the Treaty, in spite of a muted response from European leaders to Russia’s aggressive energy tactics.

(e) No new Partnership and Cooperation Agreement (PCA) with the Russian Federation can absolve Russia of its obligations under the Energy Charter Treaty irrespective of whether or not the “principles of the ECT” are included therein. Any new PCA must have as its starting point the fact that the ECT is today binding on, and enforceable against, the Russian Federation.

(f) The Russian Federation does not need to ratify the ECT for it to be binding and enforceable. Russia chose not to opt out of applying the Treaty pending ratification when it signed it. If a country chooses not to apply the Treaty provisionally (such as Australia, Iceland and Norway) they must formally state their decision when signing the Treaty. The UK Government should insist Russia acknowledge and abide by its ECT obligations as well calling for the Russian Federation to ratify the Treaty (to give greater protection going forward).
(g) The Russian Federation has systematically broken the “energy principles” agreed under its stewardship of the G8 group of industrialised nations. The Russian Government has consolidated its grip over major energy projects in the Russian Federation, restricting foreign ownership to minority stakes whilst, at the same time, pursuing entry into Europe’s downstream energy markets. The UK Government must insist on true reciprocity of investment, secured by the legally binding rules provided by the ECT.

(h) The politically-motivated attacks on Yukos, the imprisonment of its executives and ultimate beneficial owners, the subsequent dismantling and bankrupting of the company, and the pursuit of legal action against over 45 individuals connected to Yukos, shows that the Russian Federation has allowed its criminal justice system to become infected with corruption and political influence. The Russian Federation has pursued a coordinated campaign of intimidation of western businesses and its prosecution of the Yukos case demonstrates a worrying trend towards Russia’s abuse of its privileges under international extradition treaties and the deterioration of the rule of law in the Russian Federation.

(i) The UK Government must call for the Russian Federation fully to respect human rights, the rule of law, and abide by its international treaty obligations. Until that happens, the UK Government must call on European colleagues to deny extradition requests from the Russian Federation. The UK Government should review the Russian Federation’s status as a Category 2 Territory, under the Extradition Act 2003.

INTRODUCTION

1. The Foreign Affairs Committee has requested evidence on, amongst other issues:
   (a) Whether the United Kingdom and European Union are doing enough to ensure that Russia is a reliable energy partner;
   (b) The prospects that the EU-Russia Partnership & Cooperation Agreement will be successfully concluded and provide an effective framework for the pursuit of UK aims vis-à-vis Russia;
   (c) How the UK can ensure the energy principles agreed under Russia’s Presidency of the G8 can be applied consistently to foreign investors in Russia’s energy sector;
   (d) How the UK and international community can best promote human rights and the rule of law in Russia.

2. GML Limited (“GML”) is a diversified financial holding company established in 1997 by Mikhail Khodorkovsky, the former CEO of Yukos Oil Company (“Yukos”), Platon Lebedev and others. GML remains the majority owner of Yukos, holding approximately 51% of Yukos equity capital through wholly owned subsidiaries.

3. Yukos was once a leader in the field of emerging Russian companies, driving new standards of corporate governance and transparency. However, following huge manufactured tax claims Yukos’ core asset, the oil production facility Yuganskneftegaz (“Yugansk”), which once produced in excess of 1 million barrels of oil per day, was seized by the Russian state. Even though Yukos insisted Yugansk was worth at least US$30.4 billion based on a valuation from leading consulting firm DeGolyer and MacNaughton and had been valued between US$14.7-17.3 billion by Russian Government-appointed auditors, Dresdner Kleinwort Wasserstein, on 19 December 2004, Yugansk was sold at auction for $9 billion to an unknown company called BaikalFinansGroup (“Baikal”) which was incorporated only a couple of days prior to the auction itself. The Russian tax authorities seized and sold Yugansk, a unit responsible for more than 60% of Yukos’ total oil production, despite Russian Federal law which states core assets should not be sold to settle tax liabilities.

4. Baikal was soon purchased by state-owned Rosneft Oil Company (“Rosneft”), which thereby acquired Yugansk at a cost substantially below market value. President Putin himself has acknowledged that Baikal was used to ensure that future legal claims against this auction could not be levelled against Rosneft:
   “As regards Baikal everything is simple. The issue was resolved within the legal, and not the repressive, field. The future owners had to think about how they would work and face possible suits brought against them in court. When Baikal bought the relevant package, it became the owner. All that happened later occurred on the secondary market. So the claims of those who later bought property were practically reduced to zero.”

5. This is a clear indication that the Russian state and Rosneft were determined to seize Yugansk in a manner designed to ensure that investors in Yukos were prevented from bringing claims against the state or government-owned Rosneft in attempts to protect their investments.

6. The Yugansk investment was subsequently included, about 18 months after the auction, in Rosneft’s Initial Public Offering at a value of US$60 billion (over five times its acquisition price) and Rosneft, on its own website, described the acquisition of Yugansk as “the most monumental bargain in Russia’s modern history”.

7. In August 2006 Yukos was declared bankrupt even though assessments, backed up by UBS, clearly showed its assets exceeded its liabilities. This expropriation (rather than simple nationalisation) was all in pursuit of a vendetta against Mr Khodorkovsky and Mr Lebedev, an action that has been roundly criticised as politically motivated retribution for Khodorkovsky’s legitimate political activities and was designed to ensure that the Yukos shareholders received nothing for their investment.
8. Yukos’ assets are presently being auctioned by the state controlled Russian Property Fund, at the direction of the court-appointed receiver, Eduard Rebgun who has stated he expects 90-95% of Yukos assets to be sold by August 2007. The assets are being sold at a significant reduction to market value according to Mr Rebgun, in order to speed up the auction process. For example, Yukos former production facilities Tomskneft and Samaraneftegaz and the Achinsk and Angarsk refineries were all sold at a huge discount to market value\(^5\) and all were picked up by state-owned oil monopoly Rosneft.

9. Although Yukos’ assets are being sold at a discount to market value, there has been no increase in competition for the assets as Russian state-owned oil and gas monopolies, Rosneft and Gazprom, carve up the assets between them behind the scenes. Speaking on the Yukos auction process, former Russian Prime Minister Mikhail Kasayanov has accused the Russian Federation of setting up an ostensibly legal system but one which is accompanied by backroom negotiations in which the Kremlin decides the fate of the assets. “This is just an illusion, an imitation of process,” Kasyanov said.\(^4\) Therefore, even when a non-Russian company wins an auction for Yukos assets, they are more than likely to be acting for the state-owned energy majors. For example, Italian energy majors Enel and Eni managed to purchase Yukos gas assets at auction on 4 April 2007, but only after months of talks with Gazprom, which had negotiated an option to purchase the assets from the Italian companies at a later date, according to news reports.\(^3\) TNK-BP has also participated in certain of the auctions but has to date not been allowed to purchase any assets.

10. To seek redress for the illegal expropriation of Yukos’ assets, GML is claiming compensation from the Russian Federation under the terms of the ECT, discussed below, under which the Russian Federation is legally bound.

11. The forced dismantling of Yukos was a successful ploy to put key elements of the energy sector in the hands of the state and marked a turning point in the Russian Federation’s commitment to both domestic property rights and international energy security, not to mention the rule of law.

1. **Is The Russian Federation A Reliable Energy Partner?**

12. The Russian Federation is the world’s largest gas producer and exporter and is currently the second largest oil producer. Imports from the Russian Federation currently account for 45% of total gas imports (pipeline and LNG) into the EU, equalling approximately 25% of total EU gas consumption. In October 2004 the New York Times reported that Gazprom was the sole supplier of gas to Estonia, Latvia, Lithuania and Slovakia and provides 89% of Hungary’s gas, 86% of Poland’s and nearly three quarters of the Czech Republic’s. The article also added that, according to data available from the Energy Information Agency at the time, Gazprom supplies 36% of Germany’s gas, 27% of Italy’s, 25% of France’s, 67% of Turkey’s, 65% of Austria’s and 100% of Finland’s.\(^6\) It is also thought that Gazprom supplies the majority of gas consumed by Moldavia, Macedonia and Bosnia Herzegovina. Official DTI estimates indicate that Britain will import 80% of its gas by 2020, with the majority of supplies originating in Russia. The Russian Federation currently supplies 27% of Europe’s oil.\(^7\)

13. According to the DTI,\(^8\) domestic energy production, after a long period of growth, has begun to decline which is likely to lead Britain to be a net importer of oil by 2010. By 2020, the UK is likely to be importing three quarters of its primary energy needs. Further, the DTI predicts that by then half the world’s oil and gas will be coming from “countries that are currently perceived as relatively unstable”.

14. The EU gas supply-side is highly concentrated, with the Russian Federation, Norway and Algeria accounting for over 85% of total gas imports into the EU yet the European energy market remains highly segmented and therefore uncompetitive and vulnerable to monopolistic abuse. One of Russia’s objectives has been to ensure that it remains so. It has used its oil and gas pipeline network to control energy distribution beyond its borders, acquire infrastructure in other countries and prevent new supply alternatives. Indeed the Russian Federation, leading the world’s biggest gas producing nations, has taken major steps towards drawing those producers together into a cartel that Gazprom Chairman of the Board of Directors (and First Deputy Prime Minister of Russia), Alexander Medvedev, threatened last year would be “an alliance of gas suppliers that will be more influential than OPEC”. The UK Government, in its Energy White Paper 2003, noted “The development of a gas cartel amongst pipeline gas and LNG producers could undermine long-term price security”.

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\(^3\) “Eni, Enel win YUKOS auction after Gazprom deal”, Reuters, Tanya Mosolova, 4 April 2007.

\(^6\) “Europe worried over Russia Gas Giant’s Influence”, 3 October, Judy Dempsey, retrieved from www.energybulletin.net/ 2389.html

\(^7\) “Peril of using energy as an instrument of political pressure”, Report of the Parliamentary Assembly of the Council of Europe, Political Affairs Committee, Marko Mihkelson, 20 December 2006.

15. Despite increasing supply diversification towards LNG, it is likely that the Russian Federation will remain the single largest gas supplier to Europe. Russia is expected considerably to grow its share of gas supplies in the EU in the future. Some industry observers forecast that, by 2030, the EU may depend on Russian imports for up to 80% of its total gas consumption.9

16. The Russian Federation’s dominance of European energy supplies gives rise to the prospect that this power can be leveraged for the political benefit of the Russian Government. In January 2007, Russia dramatically raised the price at which it sells gas to Belarus to around $200 per 1,000 cubic metres, compared to the heavily subsidised price of $46 per 1,000 cubic metres at which the Russian Federation had formerly sold gas to Belarus. Whilst this increase to market prices for former Soviet states would normally have been welcomed, the suddenness of the move demonstrated the Kremlin’s willingness to use energy as a political weapon.

17. In both examples, energy supplies were cut off, dramatically affecting end-customers in Europe; Germany, France, Poland and Hungary all experienced significant drops in supplies during the disputes. Cliff Kupchan, former US State Department official and director of the Eurasia Group was quoted in the Financial Times on 14 March 2006, as saying: “there is a correlation between the price at which Russia sells gas to its former satellites and their political loyalty to the Kremlin.”10

18. The primary tool of Russia’s dominance over European energy supplies is Gazprom. Created in 1992 from the former Soviet Ministry of Gas, Gazprom has established itself as the single-export channel for gas originating in Russia, transporting over 95% of Russian gas through its pipeline network. Gazprom’s monopoly was cemented by a law passed through the Russian Duma in June 2006.

19. Gazprom is 51% owned by the Russian state and onlookers have noted the high level of control exercised by the Russian political establishment over the company, which is now the world’s third largest. The Institute for Energy Policy, a Moscow-based think-tank, notes that “Putin effectively controls the company and makes all the key decisions about its strategy”. Gazprom is ostensibly controlled by Dmitry Medvedev and Alexei Miller, both of whom are close confidants of President Putin and have presided over an increase in the Kremlin’s shareholding to a majority 51%.

20. The Ukraine crisis was not the first time Russia has interrupted energy supplies as a way of exerting political pressure on a foreign government, and Belarus is unlikely to be the last. Russia cut energy supplies to the Baltic States when they insisted on the withdrawal of Russian forces in the early 1990s, to Ukraine during a dispute about the future of the Black Sea Fleet in 1993–94 and to Belarus, Poland and Lithuania in 2004. Georgia and Moldova have also experienced price rises after signalling their political independence from Moscow.

21. The disputes with Ukraine and Belarus are poignant reminders that the Russian Federation is unwilling to adhere to international norms as an energy supplier. Europe and the UK are now in a position where we must ensure that we are either always on politically friendly terms with Moscow or that there exist sufficient alternatives and safeguards to ensure that supplies from Russia cannot be disrupted in the same way as in Ukraine and Belarus.

22. The UK Government recognises that attempts by the Russian Federation, and other major gas producing nations, to form a gas-OPEC of major gas producing nations could undermine long term price security. This prospect should be confronted at an early stage to ensure it cannot become a reality; Europe must ensure that it applies its anti-trust principles in equal measure to Russian companies operating in Europe as it does to European companies.

2. THE PARTNERSHIP AND COOPERATION AGREEMENT

23. The European Union’s response to Russia’s energy tactics has so far been muted.

24. On 16 January, the European Commission launched its long awaited European Union Common Energy Policy, the “Energy Package”. Whilst the Energy Package is ambitious in terms of environmental objectives (securing reductions in green house gasses and emissions trading for instance) it does not constitute a common external energy policy and in particular mentions nothing about Europe’s relationship with the Russian Federation.

25. In the debate around Europe’s energy policy, it is not unusual for some to suggest that Europe is so dependent on Russian supplies that we must be wary of insisting the Russian Federation abide by its energy obligations. We must, however, also acknowledge that the Russian Federation/Gazprom is equally dependent on Europe as the main end-purchaser of oil and gas. This point was made in a French Parliamentary Report on Energy and Geopolitics in November 2006:11

“It is time to wring the neck of the notion that the European Union would be controlled by an all-powerful energy supplier against whom it would have its hands and feet tied. Today indeed the relation between the European Union and Russia is too much regarded as a unilateral dependency of the former on the latter—but this analysis is not viable in the long term.”


26. Marko Mihkelson, Rapporteur on the Parliamentary Assembly of the Council of Europe’s (“COE”) December 2006 Report, “The Perils of Using Energy as an Instrument of Political Pressure”, confirmed this by noting that energy resources are “at the heart of the Russian Federation’s economy and its trade relationship with other European countries”.12

27. Foremost amongst Europe’s failures to hold the Russian Federation to accepted standards and norms of behaviour is the EU’s fundamentally weak position on the Russian Federation’s observance of the ECT. Eneko Landaburu, Director of DG External Relations and Chief Negotiator of the new Partnership and Cooperation Agreement (“PCA”) with Russia, said in February 2007: “it’s obvious we’re not going to be able to convince the Russian authorities to agree with the ECT” suggesting instead that the “key principles” of the ECT should be incorporated into the new PCA.

28. This position is disturbing in that it would essentially legitimise the Russian Federation’s reneging on commitments it has made to the 50 other signatories to this international treaty. The European Union is not empowered to negotiate on behalf of all the other signatories to the ECT but importantly, if the Russian Federation will not abide by its obligations under this Treaty, it is logical to assume that the Russian Federation will only abide by new agreements that are weaker than those already in existence.

29. This position is also disturbing as it ignores the fundamental truth that the Russian Federation is legally bound by the ECT. No new PCA can change the Russian Federation’s status as a legally bound signatory to the ECT irrespective of whether the PCA includes the “key principles” of the ECT or not.

30. The UK Government has acknowledged the importance of the ECT to the energy relationship between Russia and Europe and continues in its efforts to encourage the Russian Federation to ratify the ECT. The Government has stated13 it is prepared to consider a new initiative with Russia, within the framework of the new PCA, “only if it is based on fair and reciprocal access to market infrastructure including third party access, Russian ratification of the Energy Charter Treaty and Transit Protocol.”

31. The Department of Trade and Industry acknowledges the Treaty’s binding nature on all signatories, on its website:14

“The Energy Charter Treaty obliges Contracting Parties to endeavour to accord non-discriminatory treatment to Investors of other Contracting Parties as regards the Making of Investments. This obligation is relevant for the 38 Contracting Parties who have ratified the Treaty and for the five Signatories applying the Treaty provisionally”

Russia is one of the countries that apply the Treaty provisionally.

ABOUT THE ECT

32. The ECT is a binding, multilateral treaty dealing specifically with inter-governmental cooperation within the energy sector and was developed following the signing of the European Energy Charter (or the Energy Charter Declaration) in December 1991. The fundamental aim of the Treaty is to strengthen the rule of law on energy issues by creating a level playing field of rules to be observed by all governments who are signatories to the Treaty, thus minimising the risks associated with energy related investments and trade.

33. The Russian Federation signed the Treaty on 17 December 1994 and, pursuant to the provisions of the Treaty, is legally bound thereby, notwithstanding the fact that the Treaty has not, to date, been ratified by the Duma.

34. Article 45(1) of the Treaty states that:

“Each signatory agrees to apply this Treaty provisionally pending its entry into force for such signatory in accordance with Article 44 to the extent that such provisional application is not inconsistent with its constitution, laws or regulations.”

35. The Russian Federation chose not to opt out of applying the Treaty pending ratification when it signed it. If a country chooses not to apply the Treaty pending ratification (such as Australia, Iceland and Norway) they must state their decision when signing the Treaty. The ECT is thus binding on Russia.

36. One of the focal points of the Treaty is the investment protection regime found in Part III of the Treaty. The key provisions are Articles 10 (covering promotion, protection and treatment of investments) and 13 (providing for the compensation of investors whose investment has been the subject of nationalisation or expropriation).

37. Article 26 of the Treaty provides for a binding international dispute resolution procedure in the event that a signatory to the Treaty and an investor cannot resolve a dispute amicably.

12 “Peril of using energy as an instrument of political pressure”, Report, Political Affairs Committee, Marko Mihkelson, 20 December 2006.
38. The Energy Charter Treaty is fully binding on and enforceable against the Russian Federation. The UK Government should encourage the Russian Federation both bilaterally and multilaterally, through the European Commission, to acknowledge and abide by its obligations under the ECT, in addition to ratifying the Treaty (for greater protection of investors going forward).

39. Any new PCA with the Russian Federation must have as its starting point the fact that the ECT is binding on the Russian Federation and build an agreement from there. Any other agreement will inherently be weaker and will allow the Russian Federation to continue its aggressive dominance of Europe’s energy supply market. The ECT is the strongest legal protection available and any replacement is likely to be weaker, given the now much stronger negotiating position of Russia.

3. THE G8 ENERGY PRINCIPLES—ENSURING RECIPROCITY OF INVESTMENT

40. Foremost amongst the Principles agreed at the G8 Summit in St Petersburg in July 2006 was a commitment to:

“transparent, equitable, stable and effective legal and regulatory frameworks, including the obligation to uphold contracts, to generate sufficient, sustainable international investments upstream and downstream;” and

“open, transparent, efficient and competitive markets for energy production, supply, use, transmission and transit services as a key to global energy security”.

41. Notably, in the Plan of Action emerging from the Summit, member states highlighted the importance of efforts to “advance transparency; to deepen and spread the rule of law; to establish and strengthen predictable, efficient fiscal and regulatory regimes; and to encourage sound energy supply and demand policies” in securing and maintaining global energy security.

42. However, at the Summit itself, Russian authorities displayed their intransigence and unwillingness to remove Gazprom’s monopoly over gas export channels. Energy Minister Viktor Khristenko denied the Russian Federation was ready to open its gas pipelines to third parties, claiming: “When something already belongs to somebody there can’t be any free access to it.”

43. The Yukos case demonstrates that, far from abiding by stable legal frameworks, the Russian Federation has pursued a systematic campaign of expropriation, culminating in the bankrupting of the company, in contravention of the strongest, legally binding framework in effect, the ECT. Further, since the G8 Summit, Russian authorities have targeted other Western energy majors in attempts to ensure that no major energy project in the Russian Federation is free from Government participation, extending the state’s monopoly even further.

44. In September 2006, Shell’s Sakhalin-2 project was criticised by Russia’s Natural Resources Ministry for cost overruns at the project, in the Russian Far-East. As a Production-Sharing Agreement (“PSA”), the Russian Government receives a share of production in lieu of taxes once the project’s costs have been recovered—an overrun of costs meant a delay in the Government receiving its revenues.

45. Immediately prior to the statement by the Natural Resources Ministry, news emerged that Rosprirodnadzor, the Russian environmental watchdog agency, had launched a legal case against Shell for alleged breaches of a key environmental permit, specifically citing damage to the region’s grey whale and “Sakhalin salmon” populations and excessive logging. This legal action followed a break-down in talks, related to the increased cost estimates, between state-owned energy monopoly Gazprom and Shell to sell Gazprom a stake in the project.

46. Shell was eventually forced to sell a 50% plus one share stake in the project to Gazprom for $7.45 billion. However, Shell is also now being forced to pay the Russian government an annual dividend of $100 million to keep its remaining stake in the project. The environmental pressure on Shell has since subsided considerably and, perhaps unsurprisingly, many onlookers suggest that environmental concerns were merely a red herring. Some even drew a link with the Yukos case, in which supposed tax evasion was cited as the reason for dismantling the company, jailing its owners and re-nationalising its assets.

47. Christopher Hope noted in the Daily Telegraph:15

“The move by the Putin administration was seen by some as an attempt to tighten the Kremlin’s grip on the country’s energy resources after the part re-nationalisation of oil company Yukos”.

48. Exxon’s Sakhalin project, known as Sakhalin-1, also ran into problems with the Russian Government, which refused to expand the scope of Exxon’s production license after Exxon found the field stretched beyond its original permit boundaries. RosPrirodNadzor is due to start checking Exxon’s record at the Sakhalin-1 field in May 2007 but it is notable also that Gazprom is currently attempting to gain the exclusive right to buy and export all of the natural gas produced at Sakhalin-1, in line with its monopoly.

15 Daily Telegraph, 20 September 2006: “It’s time Russia behaved like an adult”.
status and counter to Exxon’s strategy (as agreed in their PSA with the Russian Government) to build a short pipeline to the massive energy market in China. Until the “negotiations” are concluded, little of the gas from the field is being developed; most is being pumped back into the ground.16

49. BP’s joint venture with Alfa Access/Renova (TNK-BP) was not excluded from pressure from the Russian Government nor was France’s Total. The development of TNK-BP’s Kovykta field in Eastern Siberia, which could supply China, was threatened, on environmental grounds, by the region’s natural resources agency in a move apparently linked to Gazprom’s negotiations to buy the Russian half of the joint venture from the Alfa Access/Renova group. Under licensing laws in Kovykta, the field must supply additional gas to the local market which would involve TNK-BP burning off superfluous gas. The project has until June to rectify the problem.

50. The Russian Government Accounting Office has criticised Total for producing less oil than the target agreed under Total’s Production Sharing Agreement with the Russian Government at its Kharyaga project in Siberia. An investigation was launched by the Russian authorities in February 2007.

51. TNK-BP’s participation in the first auction of Yukos assets (a stake in Rosneft) on 27 March 2007 was widely regarded as an attempt to curry favour with the Kremlin with an eye to the dispute over Kovykta. Under Russian law, at least two parties must participate for the auction to be considered legitimate. Rosneft eventually won the auction, paying below market value for the asset. Gazprom is now expected to take a stake in the Kovykta project.

52. Interestingly, the conflict at Sakhalin-I came at a time when Exxon was discussing the possibility of building a pipeline to supply China directly with oil from its Sakhalin field, bypassing Gazprom.17 The key factors linking each of these disputes, and the Yukos affair, are Gazprom and the desire of the Russian Federation to exert monopoly control over oil and gas exports.

53. These developments are occurring at the same time that the Russian Government, through Gazprom, is seeking footholds in Europe’s downstream gas supply markets, including those of Germany and the UK. In early 2006, Gazprom purchased Pennine Natural Gas, a small gas distributor in Wilsom; this was Gazprom’s first acquisition in the UK and followed speculation that it was seeking a stake in Centrica, something that prompted the Chancellor to say that “there are questions about politics as well as economics” involved in such a takeover.

54. As the Russian state seeks to insert itself in foreign energy markets, the Russian Government has simultaneously sought to exclude foreign control over energy projects in the Russian Federation. The latest draft of Russia’s Subsoil Law prohibits companies with foreign ownership of more than 49% to bid for strategic assets and limits their participation in the development of major energy projects to a minority stake. The draft also suggests that if a foreign company discovers a strategic field, it should sell at least half the interest in the project to a Russian entity in order to receive rights to develop that field.

55. Amendments to the Bill are expected to be agreed shortly and the Natural Resources Ministry is likely to submit it to the Duma by the summer.18

56. The Russian Federation should be encouraging foreign investment to ensure gas keeps flowing, not just to Europe but also internally and to its Far Eastern customers. In order to do so, the Russian Federation must ensure it is fully committed to international treaties aimed at protecting foreign investments from arbitrary re-nationalisation and sudden termination. Further, the Russian Federation should open up its gas transport network to producers other than Gazprom in order to ensure diversification and security of supplies to Russia’s European customers.

57. The UK Government must insist that the Russian Federation abide by its legal obligations under the Energy Charter Treaty to ensure UK companies are able to invest in Russian energy projects to the same degree that Russian companies are able to invest in downstream energy assets in Europe and the UK. Without the sound, legally binding rules-based system provided under the ECT, foreign companies could not invest in Russian energy projects without fear that their property could be arbitrarily expropriated.

4. PROPERTY RIGHTS, HUMAN RIGHTS & BILATERAL RELATIONS

58. The politically motivated destruction of Yukos and the imprisonment of its executives and ultimate beneficial owners was a turning point in terms of the Russian Federation’s commitment to both domestic property rights and international energy security. It is clearer now than ever that the Yukos affair was only the first strand in a broader strategy to bring the Russian Federation’s natural resources under direct Kremlin control and to use those resources as a tool to re-establish its position as a regional hegemony and a world economic power worthy of G8 status.

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17 Wall Street Journal Europe, 15 September. Greg Walters and Gregory L White: “Russia pressures Shell, Exxon—Oil firms' projects on Sakhalin attract scrutiny, complaints”.
59. It has also become clear, since the beginning of the Yukos affair, that the Russian Federation has allowed its criminal justice system to become infected with corruption and political influence. Its courts have become susceptible to outside pressure and inducements to the extent that persecution of political enemies of the state has been facilitated by judges. In October 2004, the Chairman of the Russian Constitutional Court, Valerii Zorkin, marked the 13th anniversary of Russia’s judicial reform by saying that the country’s judicial system is in many aspects worse now than it was in the Soviet era. In July 2006 the state controlled oil company Rosneft accepted “the possibility that certain judges may be susceptible to economic, political or nationalistic influences".

60. Since the December 2004 auction of Yukos’ key production unit, Yugansk, the number of people targeted by the Russian authorities in connection with Yukos has risen from 18 to 45 and now includes senior western managers of Yukos and its remaining assets, and Tim Osborne, a director of GML. This is the first time the Russian Prosecutors have targeted western businessmen personally in the Yukos affair and is an alarming escalation in the Russian Federation’s vendetta against Yukos and its shareholders.

61. As reported in The Times, Mr Osborne and the Yukos officers (all US citizens) have received no official communication of the accusations against them. The accusations are groundless and were posted on the Russian Federal Prosecutor’s website straight after GML had won a ruling in The Netherlands whereby the proceeds from any future sale of Yukos’s international assets would be handled by the Dutch Courts rather than the Russian liquidator, something which would ensure that legitimate Yukos creditors would be recognised. The accusations limit Mr Osborne’s ability to travel and discharge his fiduciary duties to manage GML’s claim under the ECT. They further damage his personal and professional reputation and ability to carry on his legal practice. The Foreign and Commonwealth Office have sent a formal Demarche to the Russian Foreign Ministry complaining about the treatment of Mr Osborne and Mr Osborne has offered to be interviewed, in London, by the Russian Federal Prosecutor in connection with this investigation. Mr Osborne has received no reply to his offer.

62. The Russian authorities’ prosecution of the Yukos case demonstrates a worrying trend towards Russia’s abuse of its privileges under international extradition treaties and the deterioration of the rule of law in the Russian Federation. In two rulings in Bow Street Magistrates Court on extradition requests for individuals connected to Yukos, Judge Timothy Workman refused to allow extradition on the basis that the requests were politically motivated and the defendants would not receive a fair trial if deported. The Supreme Court in Lithuania made a similar ruling in a separate case and government authorities in the Netherlands and Luxembourg have refused to hand over Yukos-related documents to the Russian Prosecutor.

63. In its pursuit of individuals connected to Yukos, the Russian Federation has breached several international treaties relating to extradition and mutual assistance, including:

   — The European Convention on Extradition 1957:
      — Article 3 prohibits extradition concerning “political offences". The Russian Federation has been found on three occasions to have nonetheless made extradition requests for such offences, two to the UK and one to Lithuania.
      — The European Convention on Mutual Assistance in Criminal Matters 1959:
         — Article 2 prohibits seeking assistance for political offences.

64. Under UK law, the Russian Federation is designated as having Category 2 status under the Extradition Act 2003. This status permits Russia, when seeking extradition from the UK, to simply provide “particulars of information”. The previous requirement to produce admissible evidence making out a prima facie case was removed. The political justification for according Russia this status was that Russia respects fundamental and due process rights in its criminal law.

65. The Russian Federation has systematically breached these treaties in its prosecution of the Yukos case with the approval and tacit support of the Russian Government therefore no request for extradition to the Russian Federation of an individual connected to the Yukos case can be seen as free from political motivations.

66. The Russian Federation’s behaviour demonstrates that now, more than ever, western governments must call on the Russian Federation to abide by its international treaty obligations and fully respect the principles of rule of law and property rights.

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20 Rosneft Oil Company, IPO Prospectus to the London Stock Exchange, p 52.
22 Article 3—Political offences:
   1 Extradition shall not be granted if the offence in respect of which it is requested is regarded by the requested Party as a political offence or as an offence connected with a political offence.
   2 The same rule shall apply if the requested Party has substantial grounds for believing that a request for extradition for an ordinary criminal offence has been made for the purpose of prosecuting or punishing a person on account of his race, religion, nationality or political opinion, or that that person’s position may be prejudiced for any of these reasons.
23 Article 2: Assistance may be refused: a —if the request concerns an offence which the requested Party considers a political offence, an offence connected with a political offence, or a fiscal offence.
67. Until the Russian Federation lives up to the international standards demanded of Council of Europe members in respect of the rule of law, no member state should accede to a Russian extradition request. Furthermore, the UK Government should place under review, the Russian Federation’s status under the Extradition Act 2003.

Tim Osborne
Director, GML Limited
10 May 2007

Written evidence submitted by the Department for Trade and Industry

BACKGROUND

1. Russia is the world’s second largest crude oil producer behind Saudi Arabia (accounting for 11.4% of global production), and the largest non-OPEC producer. It holds just over a quarter of the world’s proven natural gas reserves, the world’s eighth largest proven oil reserves, and the world’s second largest coal reserves after the USA.

2. In 2006, net imports from all sources accounted for 8% of the UK’s crude oil consumption, 12% of gas demand and 77% of coal demand.\(^\text{24}\) Crude oil, petroleum products and coal are traded in global markets in which importers choose the most competitive supplier for their needs, and are able to switch suppliers relatively easily. Gas markets are generally regional and constrained by expensive cross-border pipeline infrastructure, although global gas markets are developing with the growth of trade in Liquefied Natural Gas (LNG). At present, imports of energy from Russia do not make up a significant proportion of our imports. This picture will evolve in future, but Russia is not expected to become a dominant supplier to the UK.

UK AND EU IMPORTS OF RUSSIAN GAS

3. The UK currently imports around 12% of net annual gas consumption. The chart below shows gross UK gas imports since 2002.

![Chart showing UK gas imports from 2002 to 2006]

Source: DTI

4. In 2006 the majority of UK imports were sourced from Norway. Additional imports included LNG from Algeria, Trinidad & Tobago and Egypt, piped gas from the Netherlands via the BBL pipeline and piped gas from the continent via the IUK interconnector. It is not practical to attribute imports of piped gas from continental Europe to their ultimate sources because the various streams of gas are comingled

\(^{24}\) DTI Energy Trends March 2007.
before they reach the UK, but it is likely that gas arriving through the interconnector includes gas originating in the Netherlands, Norway and possibly Russia. The interconnector link between the UK and continental Europe makes continental European gas supply security important to the UK’s own security of supply.

5. UK gas retailers’ contractual arrangements for gas supply are subject to commercial confidentiality. However the Government does not believe that any major UK suppliers have direct import contracts with Russia for physical supply. There may be commercial arrangements for “virtual” imports from Russia, either along contractual supply chains or via swap arrangements.

6. By 2010 the UK is expected to import up to a third or more of its gas, rising to around 80% by 2020. Where the gas actually flows from will reflect commercial decisions. However it is likely that piped gas from Norway, from continental Europe via the UK and BBL interconnectors, and LNG from Qatar, Egypt, Nigeria, Trinidad & Tobago and Algeria will all contribute to the mix. By 2020 we could expect around a quarter of average winter demand to come from continental Europe, a further quarter from Norway and the remainder from LNG and domestic storage. The chart below from the December 2006 DTI/Ofgem Joint Energy Security of Supply Working Group provides more detail on estimated future gas supply sources. However, assessment of future supply sources is inevitably approximate; new field discoveries or import infrastructure developments could substantially alter these forecasts.

7. The EU currently imports around half the gas it needs, with half of these imports (around 25% of EU gas demand) imported from Russia. By 2030, the EU’s dependence on imported gas is expected to be around 65—85%. The EU is likely to import a mixture of piped gas and LNG from a wide variety of sources including Norway, North Africa, the Caspian, the Middle East and Latin America. The IEA Reference Scenario presents data that suggests Russia’s market share of imports could drop, so Russia would supply around a fifth of total EU gas demand, compared to a 25% share today; with an expanding EU gas market, this would still be consistent with an increase in the volume of Russia’s gas exports to the EU. IEA forecasts also suggest that Africa could overtake Russia as the main supplier to Europe, with the Middle East and LNG from South America also important suppliers.

UK AND EU IMPORTS OF RUSSIAN OIL

8. Since 2004, UK crude oil imports from Russia have been broadly 7 million tonnes per year, representing about 13% of the UK’s total crude oil imports, and 9% of the UK’s total crude oil consumption.

25 This chart represents only one potential picture of what our future gas supply mix might look like. Other estimates are available, for example in National Grid Ten Year Statement or the Wood Mackenzie estimate included in the Energy White Paper.


Most UK crude oil imports come from Norway as UK refiners prefer to use North Sea grade crude for its low sulphur content. As a result of commercial decisions, 64% of the UK’s own crude oil production is exported, meaning that the UK’s net imports of crude oil in 2006 were only 6.2 million tonnes (8% of consumption).

![Crude oil imports by country of origin](image)

Source: HM Revenue and Customs

9. The UK is expected to become an increasing net importer of oil from 2009, and by 2020 net imports could be accounting for around two-thirds of the UK’s oil consumption. These imports will be sourced from the global market so it is not practical to predict the proportion that will come from a particular producing country. However, with Norwegian production also declining, more of the UK’s oil is expected to be sourced from outside the North Sea. UK refineries will have the option of importing similar quality crude to the North Sea, for example from producers in West Africa and the Caspian, or upgrading facilities to refine lower quality crude oil supplies from Russia or the Middle East.

10. The EU-27 imports over 25% of its total oil consumption from Russia.29 This percentage may well increase as North Sea oil production declines. The IEA forecasts that Russia’s global oil exports will increase from around 350 million tonnes in 2005 to 400 million tonnes by 2015.

UK AND EU IMPORTS OF RUSSIAN COAL

11. In 2006 UK coal consumption for electricity generation was 57 million tonnes (Mt), consistent with the 50–60 Mt per year used during 2000–05. UK imports of steam coal30 from Russia have increased from a very low level in 2000 to 22.5 Mt in 2006, a little over half of the total imports of 44 Mt. These increased imports have replaced indigenous output rather than displacing coal from other exporting countries. Reserves of coal are large and well dispersed (as the graph below indicates); Russia is estimated to hold 17% of global proven coal reserves.31 Coal is traded in a well-functioning international market where it is relatively easy to switch supplier. Russia does not export significant quantities of coking coal32 to the UK.

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30 “Steam coal” is coal used for electricity generation. It usually refers to hard coal, although a wide range of coal grades can be employed for this purpose. The main other category of coal (by use) is “coking coal”, which is used for steel making, requiring particular physical and combustion properties.
31 By comparison, the US holds 27%, China 13%, India 10%, Australia 9%.
32 “Coking coal”. See note 1 above.
12. The rapid increase in growth of Russian imports has had three principal drivers (although the reliability of Russian exports, an important factor with UK importers, has also contributed):

— Increases in the cost of shipping coal have adversely affected the competitiveness of southern hemisphere producers;
— Congestion at those UK ports capable of taking large ships has favoured the smaller ships used by Russian exporters;
— Russian coal is low in sulphur compared to UK coal, helping generators meet emissions targets.

All three drivers should decrease in importance over the next few years as more ships enter into service, port expansion takes place in both the UK and Russia, and plant is fitted with flue gas desulphurisation equipment.

13. Most EU countries are now net importers of coal, with only Poland retaining a significant export trade. The EU currently imports 8% of its coal from Russia. Over the next 25 years EU coal imports are expected to grow by around 40%.

**Recent Energy Policy Developments in Russia**

*International*

14. At the 2006 St Petersburg G8 summit heads of state agreed the St Petersburg principles on Global Energy Security, which included the following commitments:

— Effective market access and investment in all stages of the supply chain;
— Open, transparent, efficient and competitive markets in all aspects of energy;
— Transparent, equitable, stable and effective legal and regulatory frameworks;
— Promotion of transparency and good governance in the energy sector.

15. A new Gas Export Law confirming Gazprom’s export monopoly was approved by President Putin only days after the St Petersburg summit. Russia has signed but not ratified the Energy Charter Treaty, which provides a rules-based framework for trade, investment and transit of energy products and services backed up by legally binding investor-to-state dispute resolution mechanisms. Russia cites the lack of an agreed Transit Protocol as the reason it will not ratify. Negotiations on the Transit Protocol are ongoing but reached a stalemate last autumn due to disagreements between the EU and Russian delegations. There is also considerable speculation that an unwillingness to provide transit to Central Asian gas supplies (currently under effective control by Russia), could be another significant reason for failure to ratify. These international policy developments, and a number of other domestic energy policy developments (see paragraphs 16 and 17), appear inconsistent with some of the St Petersburg principles.

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16. Energy is a key element of Russia’s relations with its near abroad. Russia has contracted nearly all the
gas export potential of Turkmenistan, Kazakhstan and Uzbekistan. Such Central Asian imports are likely to
become increasingly important to Russia in future as production from the largest domestic gas fields
declines. At present these countries do not have independent access to European gas markets because all the
pipeline routes are controlled by Gazprom.

17. Russia increased prices charged for gas sold to several FSU neighbours between 2006 and 2007. For
example the price charged to Ukraine rose from $95 per thousand cubic metres (tcm) to $130/tcm, to Belarus
from $46/tcm to $100/tcm, and to Georgia from $110/tcm to $235/tcm. The UK supports Russia’s move
towards market pricing for gas, but is concerned at the manner in which these price rises have been
implemented. Negotiations on changes to energy pricing and transit tariffs have also resulted in Russia
reducing supplies to or through individual countries. During a dispute on the price of gas sold to Ukraine
in January 2006 Gazprom substantially decreased gas flows to Ukraine, leading to some countries in
Western Europe reporting declines in gas received of up to 40%. Between 8 and 11 January this year Russia
stopped pumping crude oil through the Druzbha (“Friendship”) pipeline which crosses Belarus to central
Europe, in response to a complex dispute over export and transit tariffs for crude oil supplies from Russia
to Belarus.

Domestic

18. The last five years have seen a concerted increase in state control of the energy sector in Russia. The
gas sector is entirely dominated by Gazprom, in which the Russian state has a stake of 50% + 1 share.
Gazprom is responsible for around 85% of output and has monopoly control of the gas transportation and
transit network. State ownership in the oil sector grew from 18% in 2005 to 36% by 2006. Much of this
increase was the result of the acquisition by state-owned Rosneft of many of the assets of Yukos (formerly
Russia’s largest oil company but declared bankrupt following claims of unpaid taxes) and the acquisition
of Sibneft (from Roman Abramovich). Foreign investment projects such as the Sakhalin II project in
Russia’s Far East and the Kovytyka project in East Siberia have experienced unstable regulatory
environments. Following drawn out negotiations with potential partners for the massive Shtokman project,
Gazprom announced that foreign company involvement would be limited to contractor roles rather than
full partners. A Subsoil Law limiting overseas investment in oil, gas and coal projects is under development,
and a Strategic Sectors Bill limiting foreign investment in a range of sectors is also under discussion. These
policies and developments are all examples of the policy of re-asserting state control over natural resources.

19. There is also evidence of modest energy market reform, possibly motivated by domestic energy supply
concerns. IEA analysis suggests that without major new investments Gazprom’s production could decline
by about 25% by 2015. Domestic supply is already tight, and a booming economy combined with poor
energy efficiency is likely to exacerbate this. Economy Minister German Gref has admitted that gas supply
is becoming a serious constraint on economic growth. In December the Russian cabinet agreed to raise
domestic industrial gas prices from their current low level to market prices by 2011, as required by Russia’s
WTO accession agreement with the EU. A trial gas trading scheme involving sale of 10 bcm gas per year at
unregulated prices has also been established, resulting in prices around 30% to 40% higher than the regulated
tariff. Electricity sector reform is proceeding, with state electricity monopoly RAO UES due to be disbanded
in 2008. Its generating assets are currently being spun off in a series of IPOs.

UK Government Policy

International Energy Markets

20. Russia’s role in supply of energy to the UK and EU should not be seen in isolation; the Government’s
approach to Russia forms an integral part of a broader international energy strategy. The Government
believes that international energy policy should be driven by a robust and objective assessment of risks to
energy security. A number of factors have the potential to affect the UK’s security of energy supply:
— Closed markets in which oil and gas reserves are under the control of state entities are likely to lack
competition and hence lack incentive to exploit resources efficiently, potentially leading to
underinvestment, lower production and higher prices.
— Market power through concentration of reserves or control of transportation infrastructure
enables some countries to exert significant influence over prices.
— Inadequate information about the production, consumption and stocks of fuels, and about the
direction of policy, can exacerbate fluctuations in oil and gas prices. This volatility can deter long-
term investments.
— The threat of terrorism, accident and natural disaster can compromise the working environment
in the energy sector, increase the likelihood of supply disruptions, hamper investment and increase
the costs of oil and gas production.
— Producer countries may make politically rather than economically motivated supply or investment
decisions.
21. The best way to manage these risks and maintain energy reliability is through diversity of energy source, suppliers, and transit routes. Competitive markets help achieve diversity as companies themselves seek flexibility and diversity in order to manage risks. In the UK this market-based approach is leading to around £10 billion investment in new gas import, storage and pipeline capacity in the period 2005–10, enabling a significant diversification of gas import source, supplier and route.

22. The UK will also take a lead influencing role in the international community. This approach builds on the success of our 2005 G8 presidency, during which G8 members agreed on the need for urgent action to tackle the twin challenges of energy and climate security, and on our support for the EU’s common external energy policy, initiated during our 2005 EU presidency. Our international strategy stresses the need to promote open, competitive energy markets worldwide, to develop global frameworks to tackle climate change, and to promote energy efficiency and deployment of low carbon technologies. Working to promote these principles worldwide will help mitigate against the risks described above. Our international agenda is active on three fronts:

— Bilaterally, we are building stronger political relationships with energy producers to ensure UK energy suppliers have fair access to energy supplies.

— Within the EU, we are supporting the Commission in securing effective implementation of a competitive, liberal energy market. As well as addressing anti-competitive behaviour, this will provide clear signals to potential infrastructure investors and ensure more reliable UK access to gas coming into European networks.

— Multilaterally, we are working to strengthen the dialogue between consumers and producers so there is a better common understanding of the mutual benefits of investment in exploration and production, rapid deployment of cleaner and more efficient technologies, and open trade in energy.

**BILATERAL ENERGY RELATIONS WITH RUSSIA**

23. The UK’s approach to Russia focuses on areas of clear mutual interest such as improving energy efficiency, on using the UK’s own experience of energy market liberalisation to promote energy sector reform, and on emphasising the importance of a stable investment climate in the Russian energy sector. The Secretary of State for Trade and Industry visited Moscow in February of this year and discussed these issues with Minister for Energy and Industry Viktor Khristenko, Minister for Economics and Trade German Gref, and Finance Minister Alexei Kudrin. During the visit Mr Khristenko and the Secretary of State also agreed to establish a UK-Russia energy forum to strengthen mutual understanding in these areas, looking in particular at energy efficiency, measures to tackle gas flaring (the burning of “waste” gas produced in conjunction with oil) and conditions for mutual investment. The UK-Russia forum will also provide a vehicle to reinforce the EU’s messages towards Russia. In parallel the Government is actively developing relations with other major producers such as Algeria and Qatar, emphasising the benefits of competitive energy markets to producers and consumers alike.

24. The UK Government has maintained close contact with all the UK companies affected by the Russian government’s policy of re-asserting state control over natural resources and has lobbied the Russian authorities consistently, including at the highest levels, for the rule of law and international standards of corporate governance to prevail. Establishment of the UK-Russia energy forum, providing opportunities for regular personal contact between UK and Russian ministers, is a means of ensuring these concerns are understood.

**Russian presence in UK energy sector**

25. The Government welcomes overseas investment in the UK, including in the energy sector. This openness to overseas investment has contributed to the much of the new gas import infrastructure delivered over the past few years. We are confident that the UK’s regulatory and competition framework will protect consumers, regardless of the ownership of companies. The UK’s energy markets are regulated by Ofgem, whose principal objective is to protect the interest of consumers. In general, all businesses, both UK and foreign owned, can only participate in the gas and electricity sectors if they have a licence. Ofgem issues and enforces these licences. Attached to these licences are various industry and best practice codes to ensure consumers get the best deal. If Ofgem finds a business in breach of its licence, it can be fined up to 10% of its turnover. Ultimately, Ofgem could revoke a business’s licence. Commercial considerations also provide a strong imperative for energy companies to respect consumers’ interests; any company perceived as an unreliable supplier would be likely to lose market share rapidly. Any foreign company bidding for a UK energy company would also be subject to the same regulatory control of mergers as any other takeover with the relevant competition authorities considering the case on grounds of its impact on competition in the relevant market.

26. The Government is aware of two Russian-owned companies operating in the UK energy market. Gazprom Marketing and Trading Limited (GMLT), a wholly-owned subsidiary of Gazprom, is a licensed gas shipper and is licensed to supply non-residential consumers through its purchase of Pennine Natural Gas. GMTL currently has around a 1% share of the UK non-residential market, but has announced plans to grow their market share to around 20% by 2015 but has not set out whether it plans to achieve this through
organic growth or acquisition. GMTL also has modest activity in Belgium and France and aims to become
a trader and supplier throughout North West Europe. Russian coal producer Kuzbassrazrezugol is involved
in the project to re-open the Hatfield colliery and to build a carbon-capture ready 1 GW power station at
the site.

EU ENERGY RELATIONS WITH RUSSIA

EU external energy policy

27. EU Member States have agreed the principle of “speaking with a common voice” on external EU
energy policy several times over the past 18 months, most recently at the Spring European Council 2007 in
the context of agreeing an overarching EU Energy Action Plan. The UK was instrumental in launching this
debate during our Presidency and mandated the Commission to present a detailed paper on External
Relations for discussion at the informal European Council meeting in Lahti in 2006, which President Putin
attended. This paper focused on the need for a coherent, coordinated European voice on energy, and
effective use of all available multilateral, inter-regional instruments and bilateral arrangements.

28. Since the agreement to “speak with a common voice”, the focus has now shifted towards
implementation. In reality this means ensuring that the EU position is agreed by all Member States and that
our energy objectives are reflected in all of our EU external relations. Whereas this happened previously on
an ad hoc basis it is now happening more systematically across all of our EU external relations, although
further progress remains possible. EU external energy policy will be most effective if combined with a fully
functioning internal market, providing greater resilience to supply disruptions through access to energy
sources from across Europe, and clear signals to encourage new infrastructure investment. The UK is active
in promoting recognition of this link among Member States.

Diversification

29. A key tenet of the EU’s external energy policy is the need to diversify our energy sources, so that in
the case of interruption from one source, either intentional or unintentional, we have others to draw upon.
The diversification can be taken to mean both types and sources of energy. The UK has played an active
role in promoting agreement to both of these principles among our fellow Member States and is continuing
to do so through active involvement in discussions at the European level. In particular, the UK has used the
current review of European Neighbourhood Policy to stress the importance of a coherent EU energy policy
towards the Caspian region, focussing on promoting the transparency and clear regulatory frameworks
which are a pre-condition to development of any new energy infrastructure in the region.

EU energy policy towards Russia: the post-PCA agreement and Permanent Partnership Council on Energy

30. The EU and Russia are mutually dependent in the energy sector. Oil and gas export revenues
contribute around half of the Federal budget. As Russia’s most significant energy export market the
collective negotiating power of the EU is significant, although differences in approach to Russia have the
capacity to reduce the EU’s ability to harness this advantage.

31. The EU-Russia energy relationship forms part of the wider EU-Russia relationship enshrined in the
EU-Russia Partnership and Cooperation Agreement. The EU and Russia are shortly to begin negotiations
on a successor to the current agreement, known as the post-PCA. The UK is stressing that energy aspects
of this agreement should reflect the St Petersburg and Energy Charter Treaty principles and be backed up
by legally binding dispute resolution mechanisms, while continuing to press in parallel for Russian
ratification of the Energy Charter Treaty.

32. EU-Russia energy dialogue is also promoted through the EU-Russia Permanent Partnership Council
(PPC) on energy, established during the UK’s presidency of the EU in 2005. The PPC comprises meetings
between Russian and EU Presidency energy ministers to identify areas for joint work between the EU and
Russia, supported by working groups of Russian and EU Member State officials. The 2006 PPC agreed to
combine the existing four working groups into three, focussing on energy efficiency, market developments
and energy strategies, forecasts and scenarios. The UK views the PPC process as a valuable opportunity to
increase mutual understanding between the EU and Russia in energy, and to identify and deliver joint work
in areas of common interest. We are therefore pleased to have retained the chair of the market developments
working group, due to meet for the first time this June.

Russian investment in EU energy markets

33. Russia has extensive interests in downstream EU energy markets through Gazprom’s joint ventures
with several EU energy majors. It has been a long standing UK Government objective to have in place a
fully functioning internal energy market for gas and electricity at the EU level. A key and necessary feature
of the internal market is strong and independent regulation so that large players cannot abuse their positions
and new players can enter the market. European legislation requires that independent national regulators
be established by July 2004; DG Competition in the European Commission is the relevant authority for cross-border mergers and take-overs and will act alongside DG Transport & Energy in energy matters. At the recent Spring Council, Member States asked the Commission to bring forward further measures to improve the functioning of the internal market, including strengthening the powers of regulators across the EU. This included an assessment of the impact of vertically integrated energy companies from third countries on the EU’s internal market.

MULTILATERAL FORA

International Energy Agency

34. Energy security was a key theme of this year’s IEA Ministerial on 14 May and 15 May, which included discussion of the IEA’s increasing work on gas security and development of responses to gas supply disruptions. The IEA has identified Russia as a priority country for its outreach strategy, together with China and India, and all three were invited to the Ministerial meeting. Over the next year IEA experts will focus on developing relations with Gazprom, carrying out detailed work with Russia on energy efficiency indicators, promotion of clean energy in the district heating sector and encouraging Russian industry participation in the IEA’s Coal Industry Advisory Board.

G8, EBRD, IEF

35. Russia’s agreement to the St Petersburg energy security principles was a welcome step. We continue to work through the G8 to advocate full compliance with these principles by all partners. The UK also contributes to energy efficiency work in Russia through our contribution to the EBRD’s Sustainable Energy Initiative, which has a substantial programme of clean energy investment in Russia. Projects funded by the UK of particular interest include work on clean coal technology and market demand for energy efficiency investment within Russia. With energy interdependence increasing, we also attach a high importance to developing the global dialogue between producers and consumers through the International Energy Forum’s work in promoting greater market stability, transparency and understanding.

May 2007

Written evidence submitted by Dr Alex Marshall, Defence Studies Department, King’s College London, Joint Services Command and Staff College

1. The committee on the role of Russia in Global Security has invited responses on a broad range of security related topics, and therefore must forgive a response that will often seek to merely summarise rather than engage in depth across so many numerous policy areas. In broad outline, this paper will argue that dialogue and even cooperation with Russia remains far more attainable from a UK perspective than many commentators may presently wish to credit; but that such cooperation is also highly conditional upon a better understanding of Moscow’s own perspective, and on genuine negotiation rather than confrontation taking place. In short, the bilateral relationship between the two countries could be considerably improved, but this would remain entirely dependent on the UK’s own willingness to maintain an independent policy line from other states, and even take the lead over key issues. Such an approach is invariably conditioned by a cost-benefit analysis; this author maintains the view that the costs of not taking such an approach still considerably outweigh whatever benefits might accrue from subsuming the UK approach to the more confrontational stance of other countries. As this paper will go on to argue, Russia continues to merit an individualised UK approach simply because it is a very special case (which is not the same as saying that a “special” relationship in the traditional transatlantic sense could therefore be attained—merely that a better relationship with Russia still offers potential benefits on a scale that certain other countries never can and never will match).

2. None of these conditioning premises, it should be noted, fundamentally contradict either the FCO’s own stated list of “international priorities”, nor indeed the Cabinet Office’s own more recent recognition of the need to “continue to work closely with Russia.” Nonetheless the implementation of such an approach will, I suggest, require developing a new program for engagement that would mark a genuinely fresh start. Before moving on to broader strategic issues and then outlining what such a program might comprise, it must be noted that in the particular Russian-UK bilateral arena, the one issue which could potentially catalyse an attitudinal shift allowing such a new agenda of engagement a fair chance to develop would be that regarding the position of Russian asylum seekers in London, most notably Boris Berezovskii and Akhmed Zakaev. From the very outset therefore, this paper would strongly recommend redoubled measures to resolve these long standing issues in a manner mutually satisfactory to both sides. The present author fully appreciates the difficulties such an issue presents, not least in terms of the UK courts system; however he would only point out that if a tactical issue comes to disproportionately affect a strategic relationship,
then it is wholly normal for the state affected to then take extraordinary measures to resolve it. If the Berezovsky issue were to be elevated to the same category of bilateral issues as Guantánamo Bay, or the extradition of an extremist Muslim cleric back to his country of origin, then an accord could probably be struck relatively quickly; Berezovsky’s most recent statements publicly advocating the violent overthrow of the Russian government would appear to justify such an approach.

3. To better explain and contextualise what follows, the paper seeks first to answer the question of what Russian foreign policy itself seeks to achieve in the world according to its own statements; it will then examine two critical policy areas—Russian relations with the “near abroad”, and Russia’s potential and still mostly untapped role as a partner in the war on terror. In the process, I will also examine the question of Russia as both a potential military threat and ally, and Russia’s military alliance structures (the Collective Security Treaty Organisation, or CSTO, and Shanghai Cooperation Organisation, or SCO).

4. THE CONVENTIONAL DEBATE

The present author fully accepts that his own views on the possibility and even the need for greater partnership and dialogue may appear to travel perversely against the tide of most current orthodox analysis. In fact what follows is consciously intended as a measured riposte within a debate in which, in several important ways, all sense of balance and proportion risks being lost. Conventional perspectives on Russia today are too well known to require lengthy reiteration here. There has always been, and today there remains firmly entrenched, a view that Russian foreign policy has and always will remain incorrigibly imperialistic. The election of Vladimir Putin as President of the Russian Federation in May 2000 was generally interpreted as a return to semi-authoritarianism in Russia by much of Western—most notably British and American—political and public opinion. Putin’s image in many Western eyes was tarnished from the very start by his past history as a KGB agent in East Berlin. The growing self-censorship of the Russian media, the murder by unknown assailants of prominent dissidents like Anna Politkovskaia, the perceived “bullying” of its nearest neighbours through what the American Vice President Dick Cheney in 2006 labelled “energy blackmail”, and most recently her threats to withdraw from the CFE (Conventional Forces Europe) treaty, have all been interpreted by many in the West as indicators of a Russia returning to greater authoritarianism internally, and to what some have labelled as “outdated” geopolitical views on the world externally. To go by conventional analysis, one would conclude that Russia is re-emerging as a threat to the West in both “hard” and “soft” security terms, and should therefore be increasingly regarded as an enemy. Such worrying apparent trends were certainly reflected in the report of the US Council on Foreign Relations on Russia last year, chaired by Senators John Edwards and Jack Kemp, which warily advocated “selective co-operation” with Russia in future rather than any kind of “broad partnership, which is not now possible”.36 This present paper however aims to present a series of points that argue instead the need for reinvigorated re-engagement by the UK, and the construction of a new type of pragmatic yet expanded partnership. In the view of this author, the UK should not adopt the US approach of “selective cooperation”, but should rather continue to seek partnership across a broad range of issues with the Russian Federation, by engaging with Russian foreign policy formulations on their own terms. To allow a “Cold Peace” to emerge in Europe, as American Secretary of State Strobe Talbott once feared would occur during the 1990s, would damage both European and UK national interests needlessly. Moreover a “Cold Peace” is not only unnecessary, it is eminently avoidable given that Russia is no longer a state driven by an aggressive political ideology, nor one openly seeking territorial conquests.37 In the same breath, to deal briefly with one of the other most recently fashionable foreign policy paradigms, engaging instead in a new “Great Game” with Russia for influence and military access in Central Asia, as some American analysts such as Professor Stephen Blank of the US Army War College appear to advocate, represents an enterprise that is neither desirable nor affordable from the UK perspective.38 As far as the Russian-UK relationship is concerned, constructive engagement, not containment or competition, ought to be the dominant theme.

5. The main obstacle to strategic partnership however remains, as the American Council of Foreign Relations report on the American side itself identified, one of trust—“[t]he mutual confidence that partnership requires is missing.”39 In the case of Britain, the single biggest blow to public confidence towards Russia has undoubtedly been the Litvinenko affair. However, for this very reason, the present author

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57 The term “Cold Peace” was first coined by Yeltsin during the Balkans Crisis: Strobe Talbott, The Russia Hand New York: Random House, 2002 pp 134–41. One Russian analyst pithily summed up the more recent shift in relations as “from Cold War to cold shoulder”: Konstantin Kosachev, “America and Russia: from Cold War to Cold Shoulder”, 23 March 2007 Financial Times, London.
58 In 2005 Professor Blank advocated of Central Asia that: “the theatre itself must be co-operatively reordered by the US, its other partners, and host governments, working together to stabilise it and legitimise US presence and a political order that has a genuine chance to evolve in a liberal, democratic direction enjoying popular support. America must also develop an appropriate long-term and multi-dimensional strategy for retaining permanent access [emphasis added] to the area.” Blank, After Two Wars: Reflections on the American Strategic Revolution in Central Asia. Conflict Studies Research Centre April 2003 Central Asian Series 05/14, frontispiece. An alternative approach is that articulated by Richard Weitz: “Averting a New Great Game in Central Asia”. Washington Quarterly 29. 3 (Summer 2006) pp 155–167.
believes that redoubled efforts should actually be undertaken to create the conditions for more open partnership and dialogue. To bring this about however, Russian perceptions and national interests also need to be taken into account to a far greater degree than they have in the past; true partnership requires accommodation by both sides. It will certainly never emerge by merely appearing to forge an impossibly bloc of “Western Unity”, as the Council on Foreign Relations report for example advocated.\footnote{Ibid, pp 38–9.} Such an approach is handicapped firstly by the fact that such a bloc is inherently unattainable in any case; secondly because it carries the underlying risk of manipulation by individual nations that are currently excessively “Russophobic” (Poland, Estonia, Lithuania); and thirdly and finally because the mere rhetorical invocation of just such a bloc creates a narrative of exclusion and submission already acutely sensed by many Russian policy makers.

6. Russian politicians feel that since the early 1990s Russia, having in the Soviet period engineered the most remarkable and bloodless retreat from ideological deadlock ever seen (including active participation at the covert level in forcing through democratic change in Czechoslovakia), has nonetheless thereafter been forced to relentlessly make yet further and now—excessive concessions—in particular over NATO expansion, proposed NATO exercises around the Crimean Peninsula, and over the appearance of American military bases in Georgia. The “colour revolutions” in Georgia, the Ukraine and Kyrgyzstan during 2003–04 did little to advance the cause of democracy in the region (President Mikhail Saakashvili of Georgia remains a deeply authoritarian figure, albeit now a pro-American one, whilst the Ukraine descended into economic and political anarchy rapidly following the “Orange” Revolution there), but have instead served only to further fuel the cynicism of the indigenous populations of these countries towards the democratic process, and to simultaneously increase Russian distrust of the role of Western NGOs in the whole of the former Soviet space. The most recent diplomatic row over the positioning of missile defence sites in Poland and the Czech Republic therefore reflects less their actual threat to the Russian nuclear arsenal—which, as even Russian statesmen admit, remains absolutely minimal—and more exasperation that, once again, Russia has not been consulted nor its interests taken into account. It is the great weight now attached to relatively minor phenomena which make the present diplomatic moment particularly critical.

7. For the sake of brevity and analytical clarity this paper will assume that the statements of Russian foreign policy are sincere. This is not to claim that they are not underpinned by Russia’s desire to advance its own national interests—such in fact is the natural condition of every nation’s foreign policy. Nor is it to suggest that such statements provide an infallible template of understanding—the present author fully concurs with the view that “[foreign policy making in most developed countries is a highly intricate and messy process that involves many subjective and even random elements.”\footnote{Dmitri Trenin and Bobo Lo, The Landscape of Russian Foreign Policy Decision Making. http://www.chathamhouse.org.uk/pdf/research/rep/Pcmcfp.pdf pp 7–8.} But it is to presuppose that they offer the best starting point from which to consider afresh the possibility of renewed engagement and negotiation. Starting from this basis, I would suggest that the possibilities for engagement to mutual advantage are actually rather more numerous than it is traditionally assumed. Though Russian foreign policy has gone through a number of permutations since 1992, the Foreign Policy Concept of 2000 and the statements of Igor Ivanov’s successor as Foreign Minister, Sergei Lavrov, still offer the most reliable insight into the goals of Russian foreign policy today—all the more so since the foreign policy making process in Russia has now stabilised considerably, and future radical shifts in direction appear highly unlikely.

8. The Russian foreign policy concept of 2000 set out to “influence general world processes with the aim of forming a stable, just and democratic world order, built on generally recognised norms of international law, including, first of all, the goals and principles in the UN Charter, on equitable and partnership relations among states.” It saw as essential to “form a good-neighbour belt along the perimeter of Russia’s borders, to promote elimination of the existing and prevent the emergence of potential hotbeds of tension and conflicts in regions adjacent to the Russian Federation.” For my own purposes I would particularly highlight the emphasis the policy placed on “mutually advantageous [emphasis added] pragmatism.” “This policy is maximally transparent; it takes into consideration the legitimate interests of other states and is aimed at seeking joint decisions.” With specific regard to NATO, the document went on to add that “on a number of parameters, NATO’s present-day political and military guidelines do not coincide with the security interests of the Russian Federation and occasionally directly contradict them. This primarily concerns the provisions of NATO’s new strategic concept, which does not exclude the conduct of use-of-force operations outside of the zone of application of the Washington Treaty without the sanction of the UN Security Council. Russia retains its negative attitude towards the expansion of NATO.” Furthermore, “[s]ubstantive and constructive cooperation between Russia and NATO is only possible if it is based on the foundation of a due respect for the interests of the sides and an unconditional fulfillment of mutual obligations assumed.” The foreign policy concept also added however that “[t]he interaction with the states of Western Europe, primarily with such influential ones as Britain, Germany, Italy and France, represents an important resource for Russia’s defence of its national interests in European and world affairs, and for the stabilisation and growth of the Russian economy.”
9. The framework of engagement that this foreign policy document represents (partnership and legal equality within a multipolar world; the centrality of the UN; suspicion towards NATO but with an emphasis on the need for continuous joint consultation and negotiation) requires further contextualisation via more recent developments and statements. Foreign Minister Sergei Lavrov, speaking to the Duma in May 2005, stated that Russia did not desire to join the EU or NATO, but preferred to cooperate with these organisations as an equal [emphasis added]. Summarising developments within the NATO-Russia Council more recently, Lavrov went on to comment that cooperation within that forum remained under-utilized—although a consensus had unquestionably been formed in combating terrorism, narcotrafficking, and regional crises in some areas. He expressed concern, however, that NATO’s remit for action at the most recent Riga summit had increased, without parallel declarations that NATO’s freedom of action remained constrained by the UN, and re-articulated Russian concerns over the actual movement of infrastructure and military forces closer to Russia’s borders.42

10. It has been felt necessary to briefly outline the publicly stated goals, aims and concerns of Russian foreign policy for the very reason that the present author has no interest in the outdated art of “Kremlimology.” During the Cold War it was common practice to attempt to measure potential shifts in Soviet policy in both the domestic and international sphere by speculation over the role of individual personality and the rise and fall of “court favourites”. Whilst to some degree this approach has value in assessing the political stance of any advanced state (and could equally be potentially applied, for example, to American governmental structures), this author feels its real utility has been often overrated, and that the Cold War itself demonstrated the distinct limitations and even dangers of such an approach. Not the least of these dangers is that it potentially creates the false and misguided impression of leverage where in reality it does not exist—that by courting one set of actors within an internal power struggle, one might influence policy and simultaneously advance one’s own national interests. With regard to the policy making process of the Russian Federation, whilst it is undoubtedly shaped by competing internal interest groups, for the UK to believe that it can itself shape that process by external manipulation or targeted support would today constitute a dangerous illusion. The best point for open engagement remains the existing explicitly stated set of foreign policy concerns, which possess the further virtue of having evolved to a stage of great consistency and relative stability. Lavrov’s stance represents a natural evolution of Ivanov’s views, which in themselves were a natural development and evolution of those of Evgenii Primakov.

Russia and the “near abroad”

11. Russian relations with its so-called “near abroad”, most particularly with Poland, the Baltic states, the Ukraine and Southern Caucasus, constitute the theatre within which political tensions have grown greatest in recent years, and where the need for UK and wider EU/NATO re-engagement with Russia’s concerns and interests is arguably most critical. There are three intertwined agendas creating conflict here—political rhetoric and programs based on contested historical memory, military competition and military alliance politics, and energy security. The best way to make progress, in the view of the present author, would be to decouple these three sources of tension, trading progress in one area for concessions in another, and thereby achieving a real reduction in tensions overall.

12. The best way to engage Russia as an energy partner will be set out in my conclusions. Regarding political tensions, one must note a general increase in authoritarianism in some instances, and nationalist extremism in many areas of Eastern Europe—the blame for growing tensions in this region does not lie solely with Russia.43 It would be extremely helpful from the point of view of broader Russian-European relations, for example, were Estonia to not merely desist from disassembling memorials to Soviet war dead, but also abstain from raising monuments to fascist fellow-travellers from the Second World War. These are not simply “internal matters” for the Estonians alone to resolve; they impact extremely poorly upon the development of a balanced, consensus-based, cross-European historical approach to the Second World War (a struggle in which, as historians have recently reiterated in studies based on primary source evidence, the Soviet Union probably contributed more than any other single state to combating and eradicating the threat of fascism in Europe).44 A broader based Pan-European approach to the history of that period would certainly not amount to wholly rehabilitating Stalin—a project in which none in the Russian government today are truly interested—but it would amount to re-centring historical studies of the Second World War upon the Grand Alliance—upon those forces that actively fought fascism rather than collaborated with it. Within that framework, memorials to Soviet war dead today merit as much respect as the eternal flame in Paris or the Cenotaph in London. Russia has long recognised Stalin’s individual crimes during the Second World War, such as the Molotov-Ribbenbrop Pact and the Katyn massacre; it is disappointing, however, that a broader, more dispasionate and more pan-European perspective upon the Second World War, one that acknowledges and memorialises Russia’s positive contribution to the overthrow of fascism, has not

42 http://www.mid.ru/bdp_4.nsf/0/3B496EB87040DEDEC32572CA003532DE
43 Negative trends in this regard have been picked up even by American commentators, but without reference to how they complicate relations with Russia: F Stephen Larrabee “Danger and Opportunity in Eastern Europe” Foreign Affairs Volume 85 No 6 November/December 2006, pp 117–131.
44 Geoffrey Roberts, Stalin’s Wars. From World War to Cold War 1939–1953 Yale: Yale University Press 2006 represents the latest scholarship in this field, emphasising the breakdown of the “Grand Alliance” through mutual misunderstanding and disappointment.
emerged in the wake of such steps. Poland is another state which, in its relations with Russia, appears today more bent upon reiterating the errors of the 1920s inter-war period rather than learning from them. Neither the UK nor Europe more generally benefit from such tone-deaf historical ignorance; in the same vein, the American President’s recent comments in Riga— that the Yalta agreement was in his view unjust—reflects the worst kind of ahistorical pandering to local audiences.45 Regardless of the Bush administration’s views today, the Grand Alliance of the Second World War made agreements to which all parties were fully privy. The Second World War as a historical case study would potentially provide the focus for a broader cultural understanding on all sides that would help further cement a Europe “whole and free” with Russia in it; so far no politician or set of cultural initiatives has successfully advanced such an agenda, despite the opportunity provided by the fast approaching 70th anniversary celebrations of the end of that conflict. The UK, as a subordinate partner and occasional interlocutor in the historical Grand Alliance, would appear ideally positioned to set such an agenda as a further step towards facilitating a broader strategic engagement with the Russian Federation.

13. The manner of dealing with contested military alliance architectures in a potentially more mutually beneficial manner will be dealt with at greater length in the next section and conclusion. Russia today is a prominent member in two major alliance structures—the CSTO (Russia, Belarus, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan) and SCO (Russia, China, Uzbekistan, Tajikistan, Kazakhstan, Kyrgyzstan and Tajikistan). Neither group presents a direct threat to Western interests, although that is not how the latter in particular is often portrayed.46 If properly engaged with in a pragmatic fashion, they in fact present opportunities for considerably greater burden sharing. Facilitating such an engagement, however, requires both more positive talks, and a clearer demarcation of lines of responsibility and common action than has so far occurred.

14. The Russian armed forces themselves represent a force in transition, and therefore pose little immediate threat to any of their neighbours. Whilst modernisation plans are underway to update nearly half of all Russian military hardware by 2015, including changes to the MiG-29, Russia’s premier air superiority fighter, as well as the introduction of a new class of nuclear submarines equipped with the Bulava-30 solid fuel SLBM (a sea-based version of the Topol-M), the latter in particular has been dogged by repeated failures during the design and testing process.47 Russia’s proposed new fleet of eight “Borei” class subs would moreover still pack significantly less megaton delivery payload than already existing American platforms (1.15 tons in 12 silos per boat, compared to the 2.8 ton payload of a Trident II D-5 in the 24 silos of an Ohio-class boat), and would very likely also be outmatched by the planned replacement for the Vanguard-class of nuclear submarines recently announced by the UK. Russian military reform, practically a frozen debate during the 1990s, has made some progress more recently with the introduction of contract-service soldiers, alongside more capable close air support platforms (modernized fighter-bombers and attack helicopters), the majority of which have been deployed in the North Caucasus.48 However, the million-strong Russian armed forces are also now facing up to a number of serious crises. Of these, none is of greater import than the unspoken but very real manning crisis now about to befal them as a consequence of the demographic disasters of the 1990s. Between 1992 and 1994 the Russian population declined by some two million, the highest rate ever recorded in peacetime. The much smaller pool of available children born during that period is now approaching draft age. The introduction of a one year rather than two year conscription term furthermore means that the vast bulk of the Russian armed forces “human material” will now be even less well trained than in the past, a phenomenon already felt in regard to the new generation of urban-combat configured BMP-4 Armoured Personnel carriers, whose updated systems are now too sophisticated to be configured for normal use. It will take a minimum of 30 years for the current modernisation program of the Russian armed forces to produce a more capable and professional force, an outcome that is anyway far from guaranteed.

15. Though not the formidable potential enemy it is sometimes portrayed as, however, the Russian security forces still possess assets which could bring considerable benefit were greater partnership and a division of responsibilities to be on the agenda instead. The Russian intelligence services possess an invaluable level of insight on Islamic extremism in the North Caucasus and Central Asia which ought to make a continuation of the intelligence sharing agenda already created since 2001 a prominent priority. Russian Special Forces remain highly capable, and Russian anti-terrorist practices have a robustness which remains attractive to other countries. Within Central Asia, Western interests would in fact arguably be well served and further advanced, were the Russian armed forces to take up a greater burden of the anti-terrorist

45 Michael Fuchs accurately characterised Bush’s comments as “idealized ignorance” and goes on to challenge Roberts more recent re-interpretation of Stalin as an “honest partner”: Fuchs, Yalta: Bush’s Shifting Blame Game. http://www.americanprogress.org/issues/2005/05/b727679.html Such a debate reflects exactly where the current centre of engagement should be—one that allows a balanced but still pluralistic assessment of the Second World War, and one that remains focused on the Grand Alliance.


48 Dennis Trifanov “Russia boosts counterinsurgency efforts in North Caucasus”. Jane’s Intelligence Review February 2006 pp 34-7.
struggle in that particular region. Finally, Russia possesses the technology to actually contribute substantially to a future missile defence shield, were such an enterprise to ever be pursued in a manner that actually includes rather than explicitly excludes the Russian Federation, and Russian collaboration in the tracking of rogue fissile material and the collaborative Russian-US project to establish a radioactive isotope “signature bank” represents an enterprise that ought to be continued and further fostered as an important deterrent against potential future nuclear proliferation.

The “War on Terror”, Central Asia and Afghanistan

16. Central Asia and Afghanistan present the theatres where more positive engagement and a process of mutual concessions and fairer negotiations would potentially bring the greatest benefits. In both regions the final answer to local conflicts and crises lies at the regional level. Strategy ought to be performed from the perspective that the Western military and political presence in the region is temporary; so far NATO has shown little public interest in grasping this nettle. Afghanistan is a country that throughout its history has been a victim of geography, a contested zone between its nearest neighbours. The stabilisation of Afghanistan will therefore be truly ensured not by Western investment—which will very likely never come in sufficient quantities—but by the development of greater economic and cultural interconnections and burden sharing amongst its nearest regional neighbours. NATO needs to therefore remove the impression that it is engaged in a “war for influence” in the region, if it is to develop a longer-term strategy to ensure Afghanistan’s stable and sustainable development. An Afghanistan serving as a conduit of trade and communication, in which all the regional neighbours become significant but not dominating stakeholders, is the best hope for the stabilization of Afghanistan itself. The establishment of a north-south energy conduit via a Russian-backed hydroelectric consortium in Central Asia could be supplemented and balanced by the development of greater east-west traffic between Iran and China. An Afghan army substantially equipped with cheap and wholly adequate Russian military equipment could moreover also provide the hard security required for the creation and development of a prosperous Indian “investment zone” in the south of Afghanistan. For this to occur the army itself must be cooperatively transformed from a NATO-friendly but ineffective “auxiliary force” into a truly combat capable body, able to independently protect not only Afghanistan’s physical territory but also its airspace. Five years after 2002, this remains a distant prospect, suggesting the need for redoubled efforts, and the drawing in of greater investment and cooperation from the most powerful military neighbours (Russia, China and India). Finally, the wait inherent in establishing suitable educational infrastructures in Afghanistan in order to develop a literate civilian bureaucracy could be substantially bypassed, and the process significantly accelerated, by providing subsidised training programs for younger Afghan students in Russian, Indian, Central Asian and Chinese universities—instates capable of giving a world class education at a fraction of the cost of most western educational establishments, and bodies whose existing infrastructure moreover more closely corresponds to local economic realities (thereby avoiding the risk of creating a “spoilt” educational elite who, having been exposed to the higher standards of living enjoyed by many in the West, might then fail to actually return to Afghanistan in the requisite numbers).

Conclusions

17. UK foreign policy towards Russia runs the risk, through the force of momentum and habit, of becoming outdated and ineffective. In 2006 for example, the two greatest scandals to scar the UK-Russian bilateral relationship on Russian soil were the “spy scandal over the rock”, and the associated tale of British financing of Russian NGOs. The present author is not qualified, nor ought he to be, to comment on the veracity of these allegations, or of the value that the British government attached to or derived from such activities if they did take place; but if they did occur, it would appear on the surface that any benefits were considerably outweighed by the wider strategic costs created by their exposure. Continuing to support and maintain civil society and democracy promotion projects within a country which no longer feels it requires lessons from the West, is no longer a supplicant for financial aid, and has come to associate such activities instead with active political subversion and interference, achieves little of positive benefit, and verges on becoming acutely counter-productive. To borrow for a moment the comparative lens suggested by Sergei Ivanov most recently in an interview with the Financial Times, one might consider the reaction of British public opinion were opposition parties within the British political establishment suddenly discovered to be gaining the majority of their funding from foreign governments. The counter will of course be immediately made that Britain is a mature political democracy, whereas Russia is not—but this also misses the point. Russians today have evolved their own manner of democratic system which they feel conforms to their own unique historical, cultural and geographical inheritance, and they also value stability and the economic growth it has brought about extremely highly. Given President Putin’s consistently high ratings in the Russian opinion polls—between 70–80%—Russians are unlikely to abandon the systems and practices he has instituted anytime soon. The American government has already been steadily reducing funding to and scaling back Freedom Support Act activities, and the UK should mirror this trend in its own sphere. Such activities had a certain role to play during the 1990s (though even then their effect was often over-rated),

but are increasingly inappropriate today in a Russia which is steadily more prosperous, possesses a growing middle class, and which since the 1930s already possessed a highly literate and educated society. The focus ought now to shift to engaging with the Russian political classes in their own area of stated greatest interest—the business sphere. Fears over general trends within the Russian political class, and over Russia as a secure energy provider, could both be considerably alleviated by greater engagement at the sub-governmental level. The capacity for Russian political life to evolve under its own volition as a product of internal re-assessment and analysis should never be under-estimated. No Western lobby group after all compelled Khrushchev to initiate De-Stalinization during the 1950s, nor did Mikhail Gorbachev require external advice to initiate glasnost. As the current generation of silovarchs become ever more exposed to Western business practices and customs, via mutually profitable enterprises, the prospect of Russia’s political elites continuing to evolve in a manner that presents no immediate strategic threat to the West actually remains extremely strong.\footnote{An undoubtedly ghost-written piece: Tymoshenko, “Containing Russia” Foreign Affairs Volume 86, Issue 3 May–June 2007, pp 69–82.}

18. Redoubling diplomatic efforts to engage Russia (rather than developing ultimately counter-productive approaches to contain, bypass or isolate it, that being the approach most recently suggested by Julia Tymoshenko)\footnote{This argument agrees with aspects of Daniel Treisman’s, who points out that a silovarch’s metamorphosis into an international businessman both uniquely increases his own security and that of governmental stability as a whole. Treisman also makes the point, based on historical evidence (Indonesia, South Korea), that “economically, silovarchs are not doomed to fail.” He then concludes that, “Although not morally appealing, the most promising path toward authentic democracy in Russia involves the cooptation of leading siloviki into the international business world.” Treisman, Putin’s Silovarchs http://www.zhezhe.us/2007/01/13/putins-silovarchs/ consulted 15 January 2007.} requires not merely an abandonment of the outdated policies of the past, but a new and consciously organised program of positive diplomacy, akin to the specifically designed “first hundred days” by which any new government plans to make its mark in office. The important difference, of course, is that diplomatic activity must unfold and the momentum then be sustained not across days, but over the course of many months and years. As a tactical “first step” that could unlock the potential for more positive strategic momentum in the bilateral relationship, this paper has already indicated that it favours providing resolution over the status of certain individuals abusing their asylum status in London. Reinvigorated negotiations between the two governments should aim to achieve a mutually satisfactory outcome, with Britain receiving greater cooperation in the Litvinenko investigation as a consequence, but Russia also retaining the right to try all those responsible on its sovereign territory. Of necessity these negotiations should proceed as far as possible out of the media spotlight. If this individual tactical issue were considered to be too difficult however, the FCO possesses a wealth of diplomatic expertise, and the author is confident that another similar tactical issue with the potential of unlocking much broader strategic discussions could be found. However the difficulties presented within the bilateral relationship over the status of Berezovskii in particular should not then be downplayed—efforts to resolve this as rapidly as possible should be redoubled and ongoing.

19. Having unlocked the possibility for greater dialogue through small measures which cost little but generate greater goodwill, UK policy makers ought then to take the lead in a program that engages with Russia on a number of broad strategic fronts simultaneously. As this paper has already implied, areas urgently demanding greater discussion and dialogue include the expansion of NATO (most particularly over the manner that it occurs), even greater intelligence cooperation in the war against terror, removing the perception that Russian investments in the UK are regarded as a strategic threat, and the potential establishment of a joint NATO-SCO or NATO-CSTO body, the latter to provide an institutionalized discussion forum facilitating the sharing of approaches and greater burden-sharing towards the problem of stabilizing Afghanistan, all within the overall context of managing complete NATO withdrawal from the region.

20. Given that Russia is unlikely ever to be a member of NATO (the costs of transforming the Russian military to NATO standards alone would be prohibitive), the nature of NATO itself needs to be reconsidered yet again, in particular the role of the NATO-Russian Council, which has so far been a relatively ineffectual forum. Both the UK and NATO itself needs to recognise that the potential acceptance of new members such as Georgia, the Ukraine, or Azerbaijan, without a process of intensified dialogue with Russia as well, presents a quantifiably different order of challenge from the absorption of states like Romania or the Czech Republic. The nearest historical equivalent for understanding this problem would be the Cuban missile crisis, itself triggered of course by the Soviet Union’s desire to repay the appearance of American missile bases in Turkey by presenting a geographically symmetrical level of threat to the American continent. Readers will remember that this crisis was only resolved in the end by what was effectively, behind the scenes, a climb-down by both sides. Today this clash of interests remains at the moment more political than military, but this happy condition needs to be more capitalised upon by Western leaders. If Russia’s stated foreign policy ambition today is that Georgia remains militarily “neutral” for example, the most immediately obvious diplomatic route towards meeting such a desire halfway lies in reconsidering NATO’s approach to states like Georgia and the Ukraine, and offering the possibility of engineering a mutually

\footnote{The term comes from an adaptation of the slang for former members of the Russian security services, the siloviki, many of whom now occupy managerial positions in enterprises once owned entirely by Yeltsin-era oligarchs.}
binding NATO-Russian or EU-Russian security guarantee over these countries instead. Such an approach of course risks the charge that the West is engineering a second Yalta, or sacrificing these smaller countries interests to assuage Russia, but again, these objections miss the point. Russia is uniquely disadvantaged by the sheer size of its armed forces (amongst many other factors) from ever fully joining NATO as it is currently constituted and configured. It is precisely this very fact which sabotaged the optimistic premises of President Bill Clinton’s approach to NATO expansion—“no surprises, no rush and no exclusion”—from the very outset; the last condition was simply never credible, as even Yeltsin certainly recognised.53 On the other side of the equation, Russia has shown neither the desire nor the capability for territorial aggrandisement, nor is it likely to do so within the immediately foreseeable future. Whatever its other difficulties with its immediate neighbours, Russia today does not present the kind of immediate hard security threat to them that makes traditional-style NATO membership an urgent priority—no matter what their own perceptions may be. The absorption by NATO of a state like Georgia also presents a uniquely difficult set of problems over the status of Abkhazia and South Ossetia. The current official NATO position guaranteeing Georgia’s territorial integrity for example exists in complete contradiction to the territorial and cultural facts on the ground, where the Abkhaz have been seeking separation from the Georgians ever since their first emergence as a conscious nation in 1918, and the South Ossetians, if polled tomorrow, would (again) vote unanimously to join their ethnic brothers in North Ossetia.54 Mutual security guarantees over the territorial sovereignty of these territories by contrast would both bind Russia closer to the West, and mark a happy revival of policies first proposed by Mikhail Gorbachev in the immediate aftermath of the Cold War. It would also mark a healthy evolution of NATO which, due to ongoing revelations over uneven burden sharing and inefficiencies during its current out-of-area operations in Afghanistan today, risks devastating exposure not only as a “two-speed” alliance (comprising the “ABCD” states55 and “the rest”), but also the larger and even more dangerous implication of becoming exposed as a strategic anachronism. Such need not be the case—but NATO itself requires further positive rather than reactionary or defensive evolution and reform, a positive process of greater engagement that would also acknowledge that the world generally is inextricably evolving towards a “multipolar” rather than a “unipolar” global moment. 21. A similar approach of open engagement possesses the potential to defuse the debate over missile defence bases; although this area is complicated by the fact that it is almost entirely a purely bilateral issue between Russia and the United States. Nonetheless, Russian offers to develop a joint anti-missile defence shield represent the kind of diplomatic offer which it costs relatively little to pursue, and if actually developed might bring great benefits to both sides, broadening the strategic relationship. The United States has already responded to Russian criticisms of its proposals by engaging in direct talks with Moscow; the UK should itself encourage such efforts, and be furthermore prepared behind the scenes to investigate and suggest practical and implementable measures that might heighten its actual viability (making a last-minute refusal by either side to go further, always a possibility, more difficult to tactically negotiate). 22. In conclusion, this paper advocates the rollout in the nearest future of a new engagement agenda between the UK and Russian Federation that would both better reflect the consolidation of democracy within Russia that has occurred since the end of the 1990s, and the existing and most likely future global security environment. The paper has suggested a range of actions running from the purely tactical at the bilateral level to the broadest strategic level, with the intention that, if implemented as an organised program, progress at the tactical and bilateral level would unlock the potential for subsequent greater engagement at the broader strategic level. Such a program, implemented steadily over at least five years, would in sum look something like this: (i) Settlement of tactical disputes affecting the Russian-UK bilateral relationship. (ii) Institution by the UK of a cultural program of conferences, films, tours and documentaries creating a broad Pan-European historical perspective on the Second World War, one grounded in the historical fact of the Grand Alliance. The approaching seventieth anniversary of the end of hostilities in 2015 offers an apposite moment for reflection on this point. (iii) The fostering of a climate of ever greater economic interaction between the Russian Federation and UK, embedding the Russian silovarchs in the global economy, and removing the perception that the UK is hostile to Russian business or investment. (iv) Redoubled dialogue over possible NATO entry for Georgia, the Ukraine or Azerbaijan, taking into account both the difficulties this presents Moscow as a “special case” not itself able to join NATO, and the uniquely bitter territorial disputes affecting Georgia, with the follow-up option to then explore the creation of binding mutual security guarantees rather than offering full membership status for these states instead. (v) Expansion of existing anti-terrorist intelligence sharing and NNPT activities with the Russian Federation as and when opportunity arises. (vi) Greater dialogue with SCO and CSTO structures, with a view to expanding cooperation and a longer-term transfer of burden sharing of security concerns in the Central Asian arena.

54 http://www.csmonitor.com/2006/1110/p07s01-woeu.html
55 America, Britain, Canada and the Netherlands.
Afghanistan to be cooperatively transformed into a stable state in which all regional states enjoy a near equal burden of investment and security, thereby facilitating the future full-scale and peaceful withdrawal of NATO and US forces from the greater Central Asian arena.

_Written evidence submitted by Amnesty International_

Amnesty International is a worldwide membership movement. Our vision is of a world in which every person enjoys all of the human rights enshrined in the Universal Declaration of Human Rights. We promote all human rights and undertake research and action focussed on preventing grave abuses of the rights to physical and mental integrity, freedom of conscience and expression and freedom from discrimination.

Amnesty International welcomes the inquiry by the Foreign Affairs Committee into the Russian Federation. We submit our views below on three key human rights challenges currently persisting in the Russian Federation and make some recommendations regarding actions on the part of the UK government.

**SUMMARY**

Amnesty International is gravely concerned over:

— the persistent impunity for human rights violations perpetrated by state officials in the North Caucasus and in the course of the second Chechen conflict;

— the dramatic deterioration of freedom of expression and assembly in Russia, as well as the increased pressure on civil society organisations in general and human rights organisations in particular; and

— the disturbing upsurge in racist attacks and killings. The response of the Russian authorities to violent racist attacks continues to fall short of its obligations under international law.

**PERSISTENT IMPUNITY FOR HUMAN RIGHTS VIOLATIONS**

The Russian authorities’ record on investigation, prosecution and conviction of state officials for serious violations of human rights and humanitarian law in the North Caucasus, in the course of the second Chechen conflict, falls far short of its obligations under international law. At the same time, according to Amnesty International’s information, there have been hundreds of prosecutions of alleged participants in terrorist activities in the Chechen Republic, resulting in convictions. Amnesty International and other human rights organisations have gathered information indicating that many of these convictions are based on fabricated accusations and that the accused may have signed a “confession” under torture or ill-treatment. Amnesty International has interviewed several men and women from the North Caucasus, who had been detained during the last two to three years in the region. All of them told Amnesty International they had been tortured in order to extract a confession. While several of the interviewees had complained about their treatment to the authorities, Amnesty International is not aware of investigations against anyone responsible for the alleged torture of the detainees. Several of those interviewed by Amnesty International later fled the Russian Federation for fear of renewed persecution.

Amnesty International is aware that the Office of the Public Prosecutor has opened a large number of investigations into alleged serious human rights violations committed by state officials not only in the North Caucasus, but also in other regions of the Russian Federation. However, it appears that many of these investigations of serious human rights violations are conducted wholly ineffectively and do not, as a rule, lead to the prosecution of the suspected perpetrator. One reason for this apparent lack of will to prosecute perpetrators of human rights violations is structural: the Office of the Public Prosecutor is both responsible for the investigation and prosecution of serious crimes, and the supervision of the legality of actions of state officials. This dual role means that investigations into allegations of torture are conducted by the same Public Prosecutor’s office that was responsible for leading the investigation during which the torture allegedly took place. Such investigations fail to meet the necessary requirements of independence and impartiality. The government of the Russian Federation has recently announced its intention to establish an independent body of investigation within the procuracy. It remains to be seen if such a division of responsibility will be successful in enhancing the rule of law and ending impunity.

Today, despite claims by Russian and Chechen officials that the situation in Chechnya is normalising, there continue to be reports about serious human rights violations committed in the Chechen Republic and other regions of the North Caucasus. Given the scale of the violations committed, relatively few Russian federal and Chechen law enforcement officers, security service officers and military servicemen have been prosecuted and convicted as a result of such investigations, for crimes relating to torture, extra-judicial executions, enforced disappearances, rape, and indiscriminate use of force, resulting in the loss of civilian life. Those cases which are currently before Russian courts have been ongoing for years, which adds to the perception among the population in the North Caucasus, that their rights can be violated with impunity. In this context Amnesty International would like to draw attention to the continuing failure of the authorities...
to bring to justice those who are responsible for any of the many cases of enforced disappearance in the North Caucasus. Currently, the organisation is aware of only one case where a state agent has been found guilty specifically for the enforced disappearance of an individual in Chechnya. The Russian NGO “Memorial” estimate that over the conflict, between 3,000 and 5,000 people have been subjected to enforced disappearance or have been abducted. The lack of effective investigation of these violations is a major obstacle to tackling impunity. In addition, the lack of a functioning forensics institute in Chechnya has hampered work to identify bodies in the 52 mass graves recorded in the republic. Individual bodies are sent to Mozdok in North Ossetia for identification, but the forensic facility in Mozdok does not have the resources to undertake a large scale exhumation and identification process.

Given the widespread human rights violations in Chechnya, Amnesty International believes that those in charge of the disinterment and investigation of these grave sites must operate with the clear mandate of investigating human rights violations, including enforced disappearances, torture and extra-judicial executions, that have taken place during the two Chechen conflicts.

Many of those individuals who turn to the European Court of Human Rights in order to find justice for those human rights violations they have been subjected to, continue to face harassment and persecution in reported attempts to encourage them to withdraw their complaints. In this context it is also very important to note that Russia is yet to fully implement those decisions of the European Court of Human Rights finding serious human rights violations in the context of the conflict in Chechnya.

Amnesty International advocates that the UK government should:

— urge the Russian authorities to take all necessary measures to immediately end human rights violations by law enforcement officials, especially in the North Caucasus;
— urge the Russian government to carry out investigations of the recognised mass graves fully and impartially, and in line with UN guidelines on the disinterment and analysis of skeletal remains, as set out in the Minnesota Protocol. Meanwhile the sites must be protected from any interference. Adequate resources should be made available to ensure that this work can be started without further delay; and
— urge the Russian government to fully cooperate with the European Court of Human Rights, including ensuring criminal investigations are effective and end in prosecutions and convictions of those reasonably suspected or named in the European Court decisions as being responsible for violations such as enforced disappearances, extra-judicial executions, and indiscriminate use of force.

**Freedom of Expression, Assembly and Pressure on NGOs**

Human rights defenders are subjected to administrative harassment and face other pressures, including anonymous death threats. The new legal provisions and regulations brought into law in April 2006 governing NGOs have impeded the work of Russian and foreign NGOs. It appears the Russian authorities have attempted on several occasions to use the new provisions in order to interfere in the lawful work of human rights organisations and other civil society activists. The closure of the Russian-Chechen Friendship Society in January 2007 has been widely publicised; it appears that in this case both the new law on NGOs as well as amendments to the law on extremism have been used to clamp down on an independent human rights organisation and to silence dissent. Other organisations have been affected by various restrictions and actions undertaken by the authorities, which may have been attempts to hamper the ability of these NGOs to continue their work independently. Such restrictions range from being fined for holding an allegedly “unsanctioned meeting” in a public place with members of a foreign NGO to having to divert human resources to additional administrative tasks, thereby being unable to undertake activities which are at the core of the work of human rights NGOs.

Not only does the law on NGOs give increased power of scrutiny to the authorities about the activities of NGOs, it also allows arbitrariness in its implementation due to the lack of precise legal definitions of some aspects of the law.

Negative statements made by government officials and in the media over the last years have added to a climate of mistrust towards all NGOs, which have been presented either as foreign spies, supporters of terrorism or simply as oriented against Russian interests. To Amnesty International’s knowledge none of these allegations have been substantiated to date.

As a consequence, several human rights NGOs have expressed concern that previously good contacts with the authorities have soured, simply due to the political climate in which law enforcement officials do not wish to be seen as co-operating with NGOs, even on non-controversial issues such as the promotion of respect for human rights, and tolerance.

Civil society activists, including those who are promoting the rights of ethnic or religious minorities are repeatedly under pressure from local or regional authorities. Members of the Muslim community have told Amnesty International about repeated checks on those attending mosques regularly and about various acts of intimidation and harassment by the law enforcement agencies against those who dress according to religious rules.
In the Republic of Mari El Amnesty International has learned about the clamp-down on organisations promoting Mari culture and language. Two activists, including a pagan priest, have been found guilty of inciting racial hatred or slander, while others have been physically attacked under circumstances which may suggest political motives behind the attack.

Amnesty International is concerned as well about attempts to intimidate human rights lawyers especially those acting on behalf of former YUKOS owner Mikhail Khodorkovsky (see Annex), who have raised concern about the numerous alleged procedural violations during the judicial process.

There is less space for peaceful exercise of the right to freedom of expression and assembly. Journalists are intimidated and in some cases attacked, killed or forced into exile. In particular, journalists reporting from the North Caucasus, including Chechnya have received threats and have been warned by individuals working for the law enforcement agencies not to write critically about the situation in the region.

Bans on demonstrations are not always legitimate or proportionate restrictions of freedom of assembly. Peaceful protesters have been detained despite informing the authorities of their intention to demonstrate as required in law; journalists monitoring demonstrations have also been detained. Participants at the recent marches of dissent felt that the official response had been grossly disproportionate. Reportedly, 20,000 police officers were deployed in order to prevent the march of dissent in Nizhnii Novgorod on 24 March 2007.

At demonstrations in Moscow and St Petersburg on 14 and 15 April 2007 there were reports of police ill-treatment, including kicking and hitting with batons. This was despite official declarations made by law enforcement officials that demonstrators would be treated “politely” and in line with the law. Amnesty International delegates along with other monitors and participants of the “Dissenters’ March” witnessed the police beat peaceful participants in both Moscow and St Petersburg. According to medical staff in one of the hospitals close to the events in Moscow, 54 people sought medical assistance from them on Saturday with injuries sustained during the violent dispersal of the “Dissenters’ March”.

In view of the upcoming elections new regulations are being discussed, which may make demonstrations in major cities such as Moscow nearly impossible due to broad restrictions, such as prohibiting demonstrations in front of historical monuments.

Amnesty International advocates that the UK government should:

- urge the Russian government to amend the law on NGOs in order to allow civil society organisations to be able to continue their valuable work;
- urge the Russian government to respect the right to freedom of assembly and freedom of expression, to investigate without delay human rights violations which have occurred during the policing of recent demonstrations in Samara, St. Petersburg, Moscow and Nizhnii Novgorod;
- urge the Russian authorities to refrain from disproportionate and punitive measures of restriction of activities of NGOs and civil society activists;
- urge the Russian government to fully and thoroughly investigate the killing of Anna Politkovskaya as well as the killings of other journalists. It should also closely follow the investigations of attacks on civil society activists, such as the attack on Galina Kozlova and her husband Victor Kozlov (see Annex).

RACISM

The response of the Russian authorities to violent racist attacks continues to fall short of its obligations under international law. There still appears to be no comprehensive federal programme to combat racist and xenophobic ideas and ideologies. New amendments to the law on extremism seem to be used inconsistently in tackling crimes based on racist and extremist views. There has been a noticeable rise in the number of prosecutions and convictions of racist and xenophobic ideas and ideologies. New amendments to the law on extremism seem to be used inconsistently in tackling crimes based on racist and extremist views. At the same time the figures for racially motivated crimes remain high, there are nearly daily reports of attacks on non-Russians and people from an ethnic minority background, many of which reportedly have a racist context. SOVA, the Russian non-governmental informational analytical organisation found that in 2006, 54 people died in Russia as a result of crimes based on racism and xenophobia. The Centre concluded that such crimes are on the rise in Russia.

Anti-racism campaigners continue to face threats because of their work while the authorities often seem to be reluctant to investigate death threats. There have been a number of attacks on young anti-fascists, of which at least one was fatal. Lawyers and relatives of the victims are concerned that these attacks are considered as acts of hooliganism under Russian criminal law and evidence pointing towards a more severe nature of the crime has been ignored.
Amnesty International is concerned that ineffective investigations by the police and prosecutor’s office may be hampering the ability of the public prosecutor’s office to ensure convictions for such attacks which match the gravity and nature of the crime. Therefore the authorities should address the deficiencies in the investigation and prosecution of racist attacks, including through the development of clear guidelines and training for police, prosecutors and judges who deal with such cases.

Amnesty International research shows that while anyone, including ethnic Russians, can be a victim of human rights violations at the hands of the police, ethnic minorities, in particular from the North Caucasus and Central Asia, and migrant workers can be particularly vulnerable to violations such as extortion, arbitrary arrest, and torture and ill-treatment. Document checks on members of the above mentioned ethnic groups, in order to establish their legal status, as so-called “counter-terrorist” measures or for the purposes of extortion by police are a daily occurrence in Moscow and St Petersburg. Following from this, migrant workers who are in the Russian Federation without adequate documents are especially vulnerable by their uncertain legal status, and in consequence suffer a lack of access to means of redress, or can be threatened with deportation should they pursue a complaint. In addition, Amnesty International has researched several cases of deportation of migrants and refugees from the Russian Federation despite them having had the right to remain in the country.

Russian registration rules continue to be used as a means of discrimination against non-ethnic Russians. Registration at the place of permanent residency may be denied to members of certain ethnic groups, such as Roma or Chechen in an arbitrary way. The lack of such registration has serious consequences for the individuals’ ability to enjoy his or her economic, social and cultural rights, such as access to free medical care and education. In addition, Amnesty International is concerned that recent new laws on migrant workers have been accompanied by official statements which sweepingly accused migrants and non-Russians of violations of Russian laws and thereby may add to a widespread climate of hostility towards migrants.

Amnesty International advocates that the UK government should:

— urge the Russian authorities to continue to speak out against racism and intolerance at a federal and regional level;

— welcome the increase in prosecutions and convictions for racially motivated attacks but, urge the authorities to address any deficiencies in the investigation and prosecution of racist attacks, including through the development of clear guidelines and training for police, procurators and judges who deal with such cases; and ensure that such attacks are not classed as “hooliganism”; and

— urge the Russian authorities to make tackling racism and intolerance a federal-level priority, including among state officials, introducing a comprehensive government Plan of Action.

Amnesty International (UK)

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Annex

INDIVIDUAL CASES

RELEATING TO THE NORTH CAUCASUS

Enforced disappearance of Artur Akhmatkhanov

Artur Akhmatkhanov worked for the NGO Russian-Chechen Friendship Society when he was detained on 2 April 2003 in Chechnya near his house in Shali, by men who appeared to be members of the Russian federal forces, and subsequently “disappeared”. According to the Office of the Prosecutor General, a criminal investigation was opened into the reported arbitrary detention under Article 126 of the Russian Criminal Code, which found that unknown armed, masked men wearing camouflage uniform had abducted Artur Akhmatkhanov on 2 April 2003 and taken him away to an unknown destination. However, the criminal investigation was suspended on 10 July 2004, due to the failure to identify suspects in the case. Since then the case has been opened again but according to Amnesty International’s information has been halted.

Enforced disappearance of Bashir Mutsolgov

Bashir Mutsolgov from Karabulak in Ingushetia was last seen in the afternoon of 18 December 2003 as he was forced into a car by several men in camouflage uniforms outside of his family home. A witness tried to get the Ingush traffic police to stop the car, in which Bashir Mutsolgov was taken away as well as another car, which was also involved in the incident. However, both cars reportedly had a special permit to travel and the police did not attempt to stop them. His family has since heard from contacts in the Federal Security Service (FSB) that he was taken to the headquarters of the Ingush department of the FSB in Magas, where he was reportedly kept until the next day. From there he may have been transferred to the Russian military
base at Khankala in the Chechen Republic, but his fate and whereabouts remain unknown. The criminal investigation into Bashir Mutsolgov’s enforced disappearance has been halted at the moment for lack of identification of suspects. After Bashir Mutsolgov disappeared in Ingushetia in December 2003, his brother Magomed set up the NGO Mashr (“peace” in Ingush) in order to highlight the plight of victims of enforced disappearance and their families in the Republic. In October 2006, he together with other human rights activists organised a vigil for murdered journalist Anna Politkovskaya in Nazran, Ingushetia, which was dispersed violently by police and men in civilian clothes. Magomed Mutsolgov was fined for violations of procedure of organising a picket. According to him and to local human rights lawyers, he had followed the law.

“Disappearance” of Bulat Chilaev and Aslan Israilov

Bulat Chilaev, a driver for the Russian non-governmental human rights and humanitarian organisation Komitet Grazhdansko Sodeistvie (Civic Assistance Committee), and Aslan Israilov were arbitrarily detained on 9 April 2006 in Chechnya by security forces personnel and have subsequently disappeared. The office of the Sunzhenskii District public prosecutor opened a criminal investigation, which, according to Memorial, has ground to a halt. When Amnesty International spoke to colleagues of Bulat Chilaev in June, they were told that about 10 people witnessed the detention of Bulat Chilaev and Aslan Israilov, of whom at least three had also given a statement to the public prosecutor’s office. These statements had included details on the registration numbers of the cars, and had also referred to a military identity tag, with the number 142733, found next to where the two men had been dragged out of the car. When the head of Grazhdansko Sodeistvie met with the then President of Chechnya, Alu Alkhanov, and the Chechen Procurator in May 2006 to discuss enforced disappearances and abductions in Chechnya, the Chechen Procurator reportedly stated that his office had so far been unable to question the owner of the identity tag, giving the reason, according to the NGO report, that since the owner was a member of the Ministry of Defence battalion Zapad (West) he had many duties to perform—in other words, he was too busy to be questioned. Nevertheless, according to an official letter from the military prosecutor’s office to the head of Grazhdansko Sodeistvie in June 2006, the owner of the identity tag was subsequently questioned and stated that it was possible he had lost the tag at about 10am on 9 April near the crossroads with the Kavkaz highway, in the Suzhenskii district of Chechnya. He stated that he only noticed it was missing on returning to his battalion’s base, and filed a report. Bulat Chilaev and Aslan Israilov had been arbitrarily detained at the same crossroads at about 1pm. At the moment the investigation is open, but no further information has been made available to relatives and colleagues of the two men.

Apparent enforced disappearance of Elina Ersenoeva and her mother, Margarita Ersenoeva

Freelance journalist and humanitarian worker Elina Ersenoeva and her aunt were detained on 17 August 2006 in the centre of the capital Grozny, Chechnya, by armed, masked men and taken away in a car. While the aunt was released after a couple of hours, Elina Ersenoeva has not been seen since. Reportedly, her mother Margarita Ersenoeva learned a few days after her daughter’s reported enforced disappearance that she had been married to Chechen separatist leader Shamil Basaev the year before. Margarita Ersenoeva told Amnesty International that she considered her daughter to have been a hostage of Shamil Basaev rather than his wife. Margarita Ersenoeva met with representatives of the Committee for the prevention of Torture (CPT) of the Council of Europe in September 2006. Amnesty International is concerned that she and other people who met with the representatives of the CPT were filmed by police when they entered the meeting place. On 2 October, Margarita Ersenoeva reportedly received a call on her mobile phone and was asked to come to the building of the local administration in Starye Atagi, in order to receive information about her daughter. Following that call she left the house of her relatives where she was staying at the time. She has not been seen since and it is believed that she has also been “disappeared” or abducted. The authorities in Chechnya have opened criminal investigations into the abductions but no one has yet been identified as being responsible.

RELATING TO FREEDOM OF EXPRESSION AND ASSEMBLY

Murder of journalist Anna Politkovskaya

Russian journalist Anna Politkovskaya was murdered on 7 October 2006 outside the entrance to her flat in Moscow. The journalist, who had written extensively about the human rights situation in Chechnya and in other regions of the Russian Federation, had received numerous threats against her life and had allegedly been poisoned in order to prevent her from reporting about the human rights crisis in the North Caucasus. Her murder is currently being investigated by the Office of the Prosecutor General of the Russian Federation. While there have been media reports that the investigators have stated suspects for her murder have been identified, no further information is currently available. Amnesty International is concerned that the investigation into Anna Politkovskaya’s murder should be prompt, thorough and impartial.
Restrictions on Freedom of Association in Krasnodar

On 23 January 2007 members of the human rights organisation FRODO, whose members are mainly former members of the closed “school of peace” in Krasnodar, held a meeting in an art school for children, where the human rights activists together with students and other interested people from Krasnodar had organised an exhibition of children’s art on the issue of interethnic tolerance. Two guests from Germany wanted to discuss a project on football for tolerance. The meeting was broken up by a group of policemen, staff from the Federal Migration Service and the Federal Security Service. The participants were separated and most of them were questioned by the law enforcement officials without being given an official reason and without the presence of a lawyer. The head of the children’s art school, the organiser of the exhibition and the head of the organisation FRODO, Vadim Karastelev were accused of holding an unsanctioned meeting and charged with violations of Article 20.2 the Administrative Code of the Russian Federation (violations of the regulations for organising and holding meetings, demonstrations and vigils) and were ordered to pay a fine. Following an appeal against his sentencing, a regional court decided to reduce the fine for Vadim Karastelev but did not clear him.

Attacks on Mari activists Galina Kozlova and Vladimir Kozlov

Galina Kozlova, from the Republic of Mari El in the Volga Federal District, works as a subeditor and campaigns for the protection of the Mari culture. She told Amnesty International that on 25 January 2007 she was attacked on her way home by an unknown man, who sprayed what she believes to be teargas in her face, kicked her and beat her. When she fell to the ground he dragged her along the icy street for several meters (about 50). According to Galina Kozlova, the man did not attempt to take her bag or any of her possessions. She was hospitalised and stayed in hospital for 11 days, only returning to work in March. After the attack, a police investigator came once to see her in hospital but, according to Galina Kozlova, did not seem to be very interested in what had happened to her. She said that only after the European Parliament adopted a resolution on 15 March, calling on the authorities to bring the perpetrators to justice and ensure respect for freedom of expression did the local authorities start a more thorough investigation into the attack. Galina Kozlova’s husband, Vladimir Kozlov, who is also a well known activist for the Mari culture, was similarly attacked in February 2005 on his way to work. He was beaten up by one man, while two others stood guard. He reportedly lost consciousness during the attack. The men did not attempt to steal anything from him. Until now, none of the attackers have been found. Galina and Vladimir Kozlov believe that the attacks are likely to be connected to their work for the protection of Mari culture and for their criticism on current government policies. Vladimir Kozlov told Amnesty International about what he considered to be other recent attempts by the authorities of the Republic of Mari El to hinder his campaigning, including preventing him from attending an international meeting in May 2006 with other representatives of Finno-Ugric ethnic groups, to which the Mari belong, and confiscation of his computer also in May 2006.

Pressure on Legal Team for Former Yukos Executives

The legal defence team of former Yukos executives Mikhail Khodorkovskii and Platon Lebedev is concerned that the public prosecutor’s office is deliberately hindering their access to their clients and putting undue pressure on them in an attempt to intimidate them. In January 2007 the public prosecutor’s office opened new criminal investigations against Mikhail Khodorkovskii and Platon Lebedev and decided to hold the initial stage of investigation in Chita rather than in Moscow, which would have been possible under Russian law. A Moscow court found on 20 March that the decision to hold the initial investigation in Chita was in violation of Russian law. The defence team believes that this decision was taken in order to hinder their access to the two men, requiring them to undertake the lengthy journey to Chita to visit their clients. Moreover, on 4 February 2007 a group of lawyers working for former Yukos executives Mikhail Khodorkovskii and Platon Lebedev were stopped by police officers from boarding a plane to Chita, in the Far East of Russia, where their clients are currently detained during the initial investigation into the new charges against them. The lawyers claim that they were detained by police at the airport in Moscow for nearly two hours before being able to board the flight. On their way back to Moscow one of the lawyers, Karina Moskalenko, had to sign a statement that she had acquainted herself with some documents of the investigation but that she would not reveal any of the details of the preliminary investigation. The lawyer told Amnesty International that she signed the statement in order to be able to get on the plane to Moscow together with her colleagues, despite wholly disagreeing with the demands of the statement and not having seen the mentioned document. Upon her arrival in Moscow she filed a complaint with the Office of the Prosecutor General against the way she had been treated by the law enforcement officials. Amnesty International are deeply concerned that on 18 April 2007 the Russian Procurator General sent a request to the Moscow Bar Association to initiate disciplinary proceedings against Karina Moskalenko on the basis that she may not have represented Mikhail Khodorkovsky in bona fide manner.
Deportation of Rustam Muminov

Rustam Muminov, a citizen of Uzbekistan, had been detained in February 2006 following an extradition request from the Uzbekistani authorities. The Russian Procurator General decided on 29 September that Rustam Muminov could not be extradited to Uzbekistan and he was released the same day from detention. However, during his period in detention, his registration in the Russian Federation had expired and following his release, the authorities refused to renew it. On 17 October he was detained again at the office of the Russian human rights organization Komitet Grazhdanskoe Sodeistvie in Moscow. The same day a court in Moscow found him guilty of violations of the Administrative Code of the Russian Federation in connection with his expired registration permit, and issued an order for his deportation. A lawyer from Grazhdanskoe Sodeistvie appealed against this order on his behalf. Rustam Muminov also appealed to the European Court of Human Rights to take interim measures to halt his deportation. Despite these two pending court decisions on 24 October Rustam Muminov was taken in handcuffs to an airport in Moscow and flown to Uzbekistan. According to the news agency Interfax, the FSB proclaimed Rustam Muminov guilty of crimes committed in Uzbekistan, which constituted a violation of the principle of presumption of innocence. A week after his deportation, the district court in Moscow found Rustam Muminov not guilty of violations of the Administrative Code. A criminal investigation into the unlawful deportation of Rustam Muminov was opened. Despite all this, the FMS informed Grazhdanskoe Sodeistvie on 18 December that Rustam Muminov had left the country voluntarily on 24 October, not awaiting a final court decision. In March 2007, Grazhdanskoe Sodeistvie learned that Rustam Muminov had been sentenced to five and a half years imprisonment in Uzbekistan. In May 2007, Grazhdanskoe Sodeistvie presented material to the media, indicating that the Federal Security Service of the Russian Federation had ordered the deportation of Rustam Muminov and had requested to tap his telephone conversation in clear violation of Russian and international human rights law. At the moment, a member of the Federal Migration Service has been sentenced for exceeding official authority in connection with the unlawful deportation of Rustam Muminov. No official from the FSB has been charged so far.

Written evidence submitted by Saferworld

A. Summary

1. This briefing draws on a recent Saferworld report on small arms proliferation, transparency and implementing responsible arms export controls in Russia. The report is intended to help spark debate and further research on small arms in Russia, but also raises concerns relevant for this inquiry, including the export of Russian small arms and light weapons (SALW) to Algeria, Eritrea, Ethiopia, India, Syria, Venezuela and Yemen as part of an effort to expand Russia’s export markets in Africa, Asia, the Middle East and South America.

2. Russia is the second largest arms producer and exporter in the world. It is also one of the world’s largest SALW producers and one of the most active countries on the world SALW market. It continues to export a broad range of SALW types and models. Increases in Russia’s military and internal security budgets and spending could signal an increase in SALW production and trade.

3. There are major concerns about the quality and implementation of Russia’s arms transfer controls. The Russian Government does not apply a criteria-based approach in its decisions on licensing arms exports, such as that enshrined in the EU Code of Conduct on Arms Exports. There are concerns that human rights and the humanitarian situation in recipient countries are not given priority in licensing exports, despite Russia’s existing obligations under international law (including international treaties) and commitments to a variety of international, multilateral and regional initiatives.

4. Public information concerning Russian production and trade of armaments, especially SALW, is also often difficult to obtain, inaccurate or shrouded in excessive secrecy. The problem is compounded by the fact that the Russian Government is subject to limited or no pressure from the general public, as well as its own parliament, to become more “transparent”.

5. The UK Government is one of the co-authors of the UN General Assembly resolution on the international arms trade treaty (ATT). The resolution won support from 153 UN Member States. However, Russia was amongst 24 countries that abstained, so it will be important for the UK Government to consider how to promote international arms controls and the ATT with Russia.

56 Small arms production in Russia, Saferworld, March 2007.
B. KEY QUESTIONS FOR THE INQUIRY

What efforts are underway to promote effective arms transfer controls in Russia?

How can the UK Government support efforts towards greater transparency and accountability of Russia’s arms trade?

What efforts have been made to engage Russian decision makers on the benefits of increased public transparency, for example, through the publication of detailed annual reports on arms exports?

What measures is the UK Government taking to encourage Russia to support the ATT?

C. THE VALUE OF RUSSIAN SMALL ARMS AND LIGHT WEAPONS EXPORTS

6. Saferworld has collected a range of estimates for Russian SALW exports for the period 2000–05 from a number of reputable experts on Russian arms exports. Based on these figures, Russian SALW exports are estimated to be worth somewhere between US$60–200 million per year.

7. It is very difficult to discern SALW trade patterns from the very partial data that is available in open source materials. However, using Rosoboronexport’s official Russian arms export figures, and the assumption that Russian SALW exports constitute somewhere between 2–5% of total arms exports, a range of US$73–300 million per year has been calculated for average annual Russian SALW exports for the period 2000–05. However, these figures are still very rough estimates as SALW exports may not constantly fall between 2–5% of all Russian conventional arms exports.

8. The publication of comprehensive, detailed and clearly structured information on national arms exports controls is key to ensuring the highest possible levels of transparency and accountability. Similarly to the practice of other major arms manufacturing and exporting countries, Russia should produce annual reports on its arms exports and imports, which, at a minimum, should contain details of what arms and dual-use goods are exported and where to.

D. SMALL ARMS AND LIGHT WEAPONS EXPORTS: DESTINATIONS

9. More important than the volume of Russian SALW production and exports is the destination of those exports. While arms exports patterns have traditionally been used to identify a particular country’s allies and enemies—ie based upon to whom they will and will not sell—since the Yel stdin era, it has been assumed that the Russian Government has had few qualms about selling arms to any state that seeks to purchase them, as long as they are not subject to an UN arms embargo.

10. The Putin era has been characterised by attempts to reduce the number of, or “integrate,” enterprises producing arms in Russia. There has also been a reduction in the number of state enterprises that are legally permitted to engage in the international trade in arms. From 1 March 2007, Rosoboronexport is now the only company with the right to engage in foreign trade of military goods.

11. Rosoboronexport has reportedly been providing credits to Russian defence companies to enable them to begin production on export orders. For example, one such company, Izhmash, required credit from Rosoboronexport to be able to start serial production of AK assault rifles for a recent Venezuelan order. Rosoboronexport officials also plays a key role in the marketing of Russian arms to overseas clients by displaying their wares at a large number of domestic and international arms fairs.

12. There are specific concerns about recent efforts by Rosoboronexport to expand Russia’s export markets in a number of “unsafe” destinations in Africa, Asia, Latin America and the Middle East. Moreover, Russian portable anti-tank and surface-to-air missile systems and projectiles are reportedly being sought by a large number of developing countries.

13. Some Russian analysts have acknowledged that several recipients of Russian arms are regarded as “undesirable arms recipients” in other parts of the world, with Algeria, Eritrea, Ethiopia, Syria, United Arab Emirates and Yemen recognised as significant but “awkward” markets.

14. Saferworld’s recent research finds that established markets for major conventional weapons systems, such as India, have purchased SALW from other suppliers in recent years. However, Rosoboronexport has attempted to seize a share of not only India’s SALW market, but also the broader South East Asian market as a whole. LW transfers to Indonesia, Malaysia, Thailand and Vietnam have been recently reported.

15. Saferworld shares Amnesty International’s concern that Russia, a permanent member of the United Nations (UN) Security Council, has allegedly broken the embargo on supply of arms to all parties in the conflict in Darfur. Amnesty International’s recent report, Sudan: Arming the perpetrators of grave abuses in Darfur,57 indicates that Russia is a major supplier of armaments to Sudan and produced evidence that some of these weapons are being used in Darfur. The Russian Government has however denied these allegations.

16. American and Israeli concerns have also been voiced on a number of occasions with regard to Russian SALW transfers to Iran and Syria. Russian SALW sales to Syria have been a particular cause of concern for these states, due to suspicions that Syria is diverting arms to Hezbollah forces in Lebanon. In 2005 and 2006, Israeli officials reportedly presented evidence that Russian anti-tank guided missiles (ATGMs) and rocket propelled grenades (RPGs) had been diverted from Syria to Hezbollah. The Russian Government’s October 2006 resolution on post-shipment verification, which requires a follow up check by the exporter that the goods were received and used as intended in the receiving country, is thought to have been directly linked to these accusations.

E. LICENSED PRODUCTION OF RUSSIAN SMALL ARMS AND LIGHT WEAPONS

17. The legacy of Soviet technology transfers can still be seen in the large number of former Warsaw Pact and developing countries that have production facilities and assault rifle models that are merely copies of the AK assault rifle. Russia has AK licensed production arrangements with Hungary, Israel, Turkey, Kazakhstan, India and France and was in talks on licensed production arrangements with China, Italy, the Czech Republic and a number of other countries in 2006.

18. A licensed production agreement has also reportedly been concluded with Myanmar, among others, though information surrounding such deals remains difficult to obtain. It is also worth noting that there is reportedly a clause in the contract for licensed production of AKs in Venezuela that explicitly calls for Russian consent to be sought and successfully received before any Venezuelan-produced AKs could be exported.

19. At the same time, Russia is a keen advocate of international arrangements, controls and punishments for the unlicensed manufacture of arms, drawing attention to the issue at various UN Programme of Action sessions and in other international forums. However, as Saferworld’s report highlights, there is most likely an economic rationale behind the Russian calls for stricter controls on unlicensed production rather than motivations relating to the spread of armaments worldwide.58

20. The fact that more and more countries, including Russia, are increasingly transferring technology, through licensed production or other arrangements, to third countries, which often don’t have very high standards of arms transfer controls, shows that there is an increased global spread of armaments that requires global control standards. If a country cannot guarantee compliance with those standards, a licensed production deal to that country should never be authorised. The ATT seeks to establish a set of legally-binding international principles to govern this trade and curb the irresponsible transfer of weapons and ammunition that serve to prolong and exacerbate violent conflict and human rights violations, undermining development prospects.

F. RUSSIA AND THE ARMS TRADE TREATY

21. Russia is sceptical about the future of the ATT initiative and has on numerous occasions cited, amongst others, a lack of information by governments sponsoring the ATT initiative, procedural reasons, the hasty pace of the process, and the challenges of fully implementing, monitoring and enforcing such a Treaty for its decision to abstain during the UN vote. However, Russian officials have also described Russia’s abstention from the UN vote as a “positive signal” of Russia’s willingness to have a dialogue on the issue.

G. CONCLUSIONS

22. In democratic societies, transparency in governmental policies and practice is a key feature for ensuring public oversight and government accountability. This is particularly important in a sensitive area such as production and trade in arms, where the country’s international image and reputation—as a responsible arms producer and exporter—is at stake.

23. Greater transparency and openness in this sphere would give Russia additional credit as a new democracy, increasingly bringing its practices into line with those of its international peers. To this end, a number of transparency measures have been identified that could assist Russian policymakers and expert communities to carry out well-informed analyses of the state of the Russian SALW industry, trade and potential markets, and also demonstrate that Russia is an open and responsible arms supplier.

24. These include de-classifying enterprise data on SALW employment, profit, sales and export figures; ensuring Russian SALW-producing enterprises regularly publish comparable sets of data on sales, exports and customers and providing the UN Commodity Trade Statistics Database and the UN Register of Conventional Arms with full, accurate and timely data on SALW transfers. In addition, Russia should be encouraged to publish a regular report on the value, volume and recipients of Russian conventional arms transfers, including SALW.

58 Small arms production in Russia, Saferworld, March 2007, p 39.
25. Russia’s role as a leading arms exporter and international power means that its support for improved common international standards in arms trade is essential. Saferworld calls on the UK Government to work together with other EU Governments to engage Russia in the process of setting and implementing these international standards. As part of these efforts, the UK Government should encourage and facilitate Russia’s participation in multilateral discussions around the international ATT. There is scope and indeed a need to intensify policy dialogue and information exchange on the ATT with Russia as the country’s position will remain a strong factor in future developments of the initiative.

Daniel Tyler
Advocacy and Communications, Saferworld

May 2007

Written evidence submitted by the British Council

This submission deals primarily with the future role of the British Council within the context of UK-Russia bilateral relations.

SUMMARY

The British Council plays a significant and high-profile role in building ties between the UK and Russian society. Last year we reached two million young Russians, either face-to-face or on-line. More than 20,000 young leaders participated in our science, arts, English and education programmes, providing the basis for powerful new networks.

Over 27,000 students and business people sat UK professional and English language qualifications administered by the British Council, while 22,000 Russian students were following courses in the UK as a result of promotional initiatives by the education sector and the British Council.

Our current network of eleven public-access centres, used by 334,000 predominantly young Russians annually, and our strategic partnerships with governmental and non-governmental organisations, have provided both impact and a high visible presence for the UK across the federation.

We have provided access to resources for millions of young, aspirational future leaders, while our partnerships have resulted in positive advances in areas such as school leadership and governance, the teaching of English in state schools and teacher training.

High-profile events, such as the recent Whistler exhibition organised by the British Council in partnership with the Tretyakov Gallery in Moscow, attracting 50,000 visitors and our own surveys demonstrate the continuing appetite amongst influential publics for strengthened relationships between the UK and Russia. The DfES-funded BRIDGE programme, which we manage, has so far brokered 37 new partnerships between Russian and British higher education institutions.

The deterioration of the bi-lateral relationship between the UK and Russia in recent years, and the growth of suspicion on the part of the Russian authorities of the UK’s motives for working in Russia, have been accompanied by an increasingly difficult operating environment for the British Council. This has been exacerbated by the authorities’ suspicion of foreign non-governmental organisations operating in Russia, and by changes to the legislation governing their operation in the country.

These difficulties indicate that the model used in the past decade, appropriate for an era of a more benign operating environment, is no longer the most effective way of achieving impact. We are therefore reshaping the way we work in Russia. This will enable us to continue to meet what is still a high demand amongst many segments of Russian society for contacts and links with British business, education, culture and science.

IMPACT AND SCOPE OF BC’S ROLE IN RUSSIA

Russia’s continuing importance as a major player on the world stage, and its critical role in areas such as energy and climate security, make it a high priority country for the UK. There is, however, considerable mistrust of the UK by the Russians at official level, and Britain is regarded as a difficult partner. A recent report by the Ministry of Foreign Affairs has accused the British political elite of acting with “messianic zeal” in interfering in Russian internal affairs.

While the Russian government sees Germany and France as its strategic partners within the European Union, there is still a sizeable public demand for engagement with the UK. The UK remains, for example, the country of choice for students seeking to study overseas. The appetite within Russia to collaborate with UK institutions as part of the drive to be a player in a number of global agendas, and the quality of engagement with British specialists, enables the British Council to be a valued partner.
In contrast to the mistrust of the Russian authorities, there is nevertheless still a high level of interest in partnerships with the British Council at an institutional level, and for engagement at an individual level. Additionally, the trend towards increasing centralisation, the rise of xenophobia, control of the media and the tendency for the country to become more inward looking, indicate a need for a strengthening of collaboration between the UK and Russia.

**Future Strategy**

Our strategy for the next three years will be based on working principally with and through partner institutions, and networks of young leaders. Partner institutions will help us deliver our key services, such as Education UK, British examinations, the teaching of English, and high-profile events, such as art exhibitions and music festivals, to millions of young people. We will concentrate on engaging young influencers and opinion formers in our programmes, encouraging them to act as advocates of our work to senior decision makers.

We will deliver programmes across Russia, but will focus on Moscow and St Petersburg. We will undertake regional work in the Urals, the Volga basin, Siberia and southern Russia, regions where we know that there is the best fit of Russian and UK interests. Our work will focus on higher education and school links, climate security, inter-cultural understanding and on encouraging stronger international links amongst scientists and on building partnerships in the creative industries.

We will reprioritise our resources so that by 2009 50% of our resource will be spent in Moscow (compared to the current 25%) and 25% will be spent in the four regional hubs (compared to the current 50%). St Petersburg will continue to receive 25% of the budget. This reflects the fact that the senior people that matter most to UK interests live in Moscow and most young leaders are concentrated in Moscow and St Petersburg.

We have discontinued English-language teaching in both Moscow and St Petersburg, and instead are developing new models for supporting the teaching and learning of English for wider numbers of younger Russians than we can reach individually. In place of our current network of open, public-access centres, we will establish new agreements which reflect our strategy for outreach.

We will move to fewer but much larger-scale, higher impact programmes that provide Russia and neighbouring countries with access to global expertise, mediated by our own networks of staff and contacts. We will expand our English language, Examinations, Education UK and information services through partnerships with private and state institutions across Russia.

We will work with colleagues in Europe to facilitate the development of high impact EU-Russia and European neighbourhood programmes, as well as delivering operational efficiencies. We will develop cross-regional working with the other European regions, and Central and Southern Asia, as well as sharing experience and plans with India and China, which share with Russia some of the same issues of scale and pace of change.

Since 2005, we have prioritised work on climate change, aiming to raise awareness amongst the general public and to achieve greater consensus through our work with scientists. Our Zero Carbon City programme, comprising the NorthSouthEastWest exhibition, public debates, seminars for teachers, experts achieving widespread media coverage in Krasnoyarsk, Moscow, St Petersburg, Petrozavodsk, Novosibirsk, Samara, and Yekaterinburg.

Our emphasis since July 2006 has been on developing scientific links in climate change science between the UK and Russia. This includes cooperative work with academic and research institutions in areas such as the ecological effects of climate change, and the potential implications for the Volga river basin system. In the past two years, there has been a marked increase in understanding and growing interest in developing collaboration on climate change issues, with greater media awareness and with more scientists open to dialogue and collaboration. We will develop the programme to build further positive action for climate security.

**Status and Taxation**

The British Council operates under a cultural agreement signed in 1994. This document is no longer considered an adequate framework by the Russian government, and we are continuing to seek agreement on a new Cultural Centres Agreement, working closely with the Foreign and Commonwealth Office to achieve this.

Due to worsening bilateral relations, and the authorities’ suspicion of our activities, pressure is increasingly being exerted on our network of partner institutions to withdraw from their agreements with us.

As we have informed the committee on an earlier occasion, we have been registered for taxation since 2004, have been working to bring our systems in line with complex Russian regulations and have settled outstanding tax issues with the authorities. We are currently being subjected to a further tax inspection.
CONCLUSION

We are focusing on how best to achieve impact for the UK in an operating environment which is likely to remain difficult for the foreseeable future. We believe operating with partner institutions provides the most effective route of maintaining and increasing our levels of engagement with the audiences of most interest in developing UK-Russian links.

We will work on building dynamic and sustainable networks between young Russian leaders and their peers in the UK and other parts of Europe, aiming to find solutions with common problems, with a focus on the delivery of programmes on Moscow and St Petersburg and on four key regions.

Our work will aim to build demonstrable trust and understanding between influential Russians and their UK counterparts, and demonstrate that the UK is committed both to listening and learning from Russia as well as developing the areas of UK expertise of demonstrable interest to young Russian leaders, professionals, scientists and academics.

May 2007

Written evidence submitted by Major General (retired) Peter Williams CMG OBE

BREAKING THE LOGJAM: SOME THOUGHTS ON MOVING FORWARD UK-RUSSIAN MILITARY-MILITARY COOPERATION

OVERVIEW

Unfortunately, the history of UK-Russian military-military relations since the end of the Cold War has reflected the unspectacular achievements of the programmes launched by our principal Allies, as well as by NATO and the European Union. Churchill may have asserted that “it is my firm belief that on the friendship and understanding between the British and Russian people depends the future of mankind” but this noble aspiration has not been realised in the following six decades.

The reasons for this disappointing record are complex, but in the military-military sphere there are four constant preconditions for successful cooperation: (1) political will; (2) robust structures and procedures; (3) realistic policies and programmes; and (4) the necessary resources. The UK’s efforts to meet these four requirements have been greater than those of many of our Allies, but have still not amounted to much when assessed objectively.

NATO’s own special relationship with the Russian Federation reaches its tenth anniversary in late May this year and it also sees the fifth anniversary of the reinvigorated structures and processes that are overseen by the NATO-Russia Council. Well defined policies, structures, procedures and programmes have been developed by consensus and delivered in part, but the limited success achieved has reflected the waxing and waning of the political will and the manifestly inadequate resources devoted to the NATO-Russia military-military cooperation project.

THE RUSSIAN VIEW OF CO-OPERATION

Co-operation with outsiders is not something that automatically appeals to the Russian mentality. So-called friends and allies have all too often proved to be unreliable and so Russians have been used to relying on their own best efforts to overcome threats to their national security.

At the core of the Russian view of the world is a craving for “control” in order to stave off the forces of “disorder” (“byesporyadok”) and this is also what motivates its officer class. The dramatic history of Russia in the 20th century demonstrates why such a cautious approach may be seen as prudent.

As a result Russian leaders prefer to manage decline (or progress) in a controlled and independent manner, rather than to attempt major changes of direction which might prove so risky that they lead to a loss of control and a slide into unmanageable disorder. There is no place for radical, mould-breaking thinkers within the Russian security elite and their military education system reflects this culture of cautious, self-reliant conservatism.

Sharing sovereignty or responsibility for national security by joining partnerships (of shared interests) or alliances (of shared interests and values) is seen as a potentially dangerous route for the government to explore. An exception may be considered when the Russian Federation can dominate the organisation, as was the case with the Warsaw Pact or today’s Collective Security Treaty Organisation, but the chance of being let down by one’s partners and allies is always borne in mind and is normally seen as a risky option.

59 The author was the first Head of the NATO Military Liaison Mission in Moscow (2002–05). Initially he trained as a Russian Interpreter at the Army School of Languages at Beaconsfield (1979–1981), before serving two tours with the British Commanders’-in-Chief Mission to the Soviet Forces in Germany (1981–83 and 1987–89). He remains interested in Russian defence and security issues and is contactable on fraddsmeadow@hotmail.com

60 Churchill’s Victory in Europe message to the Russian people, 8 May 1945.
The consequence of this state of affairs is that Russian political and military leaders will only countenance military-military cooperation when its outcomes in no way threaten the core values and objectives of the nation’s security establishment. It is for this reason that the Russian Ministry of Defence has routinely rejected all Western offers to engage in a worthwhile dialogue on defence reform.61

Thus the spectre of “disorder” hovers behind every Russian decision maker who enters into a cooperation arrangement with another country or an outside organisation. In this regard the Russians remain very different from their Western partners and are both destined and determined to remain so.62

**The Existing Approach to Co-operation with the Russian Military**

Faced by this very different approach to the idea of co-operation and the sharing of security responsibilities, how best can the British military seek to build an enduring and productive military-military relationship with its Russian counterpart?

The recent history of UK military-military cooperation with Russia has been patchy and inevitably prone to being battered by the changing tides of political relations at the grand strategic level. The Royal Navy prides itself, to some extent justifiably, on having formed a relatively close relationship with the Russian Navy and the highpoint of this project to date was the rescue of the Russian submersible in 2005 by a Royal Navy rescue vessel.

This event, however, embarrassed the Russian naval hierarchy by highlighting its own capability shortfalls and it did not actually demonstrate any real meeting of minds or commonality of policy and operational concepts. The programmes offered by the Army and the Royal Air Force have been even less successful in reaching out to the Russians and in any sense affecting or reshaping their military culture and *modus operandi*.

While the Russian armed forces have been being reduced in size over the last decade or so, many millions of pounds have also been spent from the UK defence budget on retraining Russian officers and preparing them for civilian life.63 In Whitehall we have prided ourselves on the fact that this is something that the British military does well and that the Russian Ministry of Defence has been suitably grateful for our contribution in this area.

Before congratulating ourselves too heartily in this regard, though, it is worth noting that the Russian authorities have apparently expended no funding on meeting its own avowed intent to retrain retirees. In effect, this is evidently a project of low importance to the Russians and an area into which they have persuaded the UK Ministry of Defence to invest a large portion of its limited funds for military-military co-operation with Moscow. The result is that the all-important “control” of the core values and objectives of the Russian Ministry of Defence have not been diluted or reshaped by Whitehall’s determination to “do something to help the Russian to be more like us”.

The Russians have similarly deflected the best attempts of other Allies and of NATO collectively to influence their military policies, structures and capabilities. For instance, the complex programmes developed by the NATO Strategic Commanders with their Russian counterparts have so far delivered disappointing results where developing and delivering NATO-Russia military interoperability is concerned.

**Some Thoughts on a Constructive Way Ahead**

Difficult though it may be to work closely with our Russian military counterparts, there is no doubt that Russia is too important a geo-political player for the UK to be able to give up the effort to build effective cooperation with its armed forces. And so, if constructive engagement is not only desirable, but essential, how best should Whitehall be developing its military-military cooperation project with Moscow? What are the principles on which its programmes should be based and how can the desired outcomes be delivered?

First, any British programme must be focused on addressing common challenges, such as combating terrorism and the proliferation of weapons of mass destruction (WMD), and on improving environmental conditions. These topics, and others like them, can be shown to deliver advantages to both parties and so constitute a “win win” scenario.

Second, wherever possible, individual co-operative projects must be seen as reciprocal, rather than one-sided. Russia is not a supplicant nation seeking to transform its armed forces by espousing NATO standards and procedures; instead, it expects Allied countries to engage in two-way exchanges of information, ideas and even personnel.

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61 The Russian MOD has repeatedly insisted that it is perfectly capable of analysing any lessons to be learned from defence reform programmes undertaken by other countries and that, given Russia’s unique geo-strategic characteristics, there is no point in listening to detailed descriptions of how the UK or other states have tackled these issues.

62 The author was warned by a Polish general that “if the Russians had yellow faces and spoke an oriental language, you’d expect them to be fundamentally unlike us. But in their case, although they may look and even sound like us, they remain fundamentally unlike us”.

63 Official statistics and experts differ on the size of the reductions, but there is a loose consensus that the armed forces have come down from about 2.3 million in the mid-1990s to about 1.2 million at present, of whom over 500,000 are officers.
The Russian Ministry of Defence does not understand, for example, why its UK counterpart feels that Moscow ought to aspire to send students to UK staff colleges (such as the Royal College of Defence Studies or the Joint Service Command and Staff Course), when Whitehall appears to have no interest in sending British officers on the equivalent Russian courses (such as the General Staff Academy or the Combined Arms Academy).

It is worth noting that the NATO-Russia Council’s programme of military-military cooperation events already includes short reciprocal staff courses. NATO experts travel to Moscow to explain the Alliance’s strategy, policies and operations to Russian staff officers, while in return senior Russian officers provide insights into Moscow’s military thinking at courses held at the NATO School in Oberammergau. These events have confirmed that there is more than a grain of truth in the Russian assertion that we have as much to learn from them as they have from us.

Another area where current efforts are clearly very one-sided is language training. While we may criticise the Russian military for not having anything like enough officers who have been taught to operate in English, the military “lingua franca” for most multinational operations today, the British armed forces have all but abandoned the teaching of Russian to our own servicemen and women.64 The Cold War may be over, but the lack of investment in Russian language training does a disservice to one of the great languages and cultures of Europe and Asia. We cannot hope to understand what makes our military counterparts tick if we neglect the need to train a cadre of our own personnel to speak Russian.

Third, whatever projects and programmes we may seek to agree and launch with our Russian colleagues need to be evolutionary, rather than revolutionary, in their style and implementation. Modest, quantifiable steps forward must be preferable to comparatively grandiose gestures that fail to deliver their ambitious objectives.

This approach is, for example, the basis for the NATO-Russia Council’s initiative to create a real capability for military interoperability with Allied forces in a small number of Russian units. This programme is agreed by the 26 members of the Council and its results are assessed annually by the Alliance’s Strategic Commanders, who report back to Brussels on the achievements and shortfalls. It is generally accepted that it will take many years to build the capability for NATO-Russia military interoperability, but the path is clear, the benchmarks have been defined and agreed and the degree of success can be objectively assessed at fixed and frequent intervals.

Fourth, a great improvement could be anticipated were Whitehall to seek to develop a consensus among our NATO friends on a coordinated Allied approach to cooperation with our Russian partner. Currently many Allied countries are offering military-military cooperative initiatives and projects to the Russian Ministry of Defence, but there is no one in the West who has an overview of what is being proposed.65

The result is that, when considered as a whole, there must be overlaps and gaps in what is being offered by the individual Allies and by NATO collectively, but there is no way to identify or remedy them. Furthermore, this gives the Russian Ministry of Defence every opportunity to “cherry pick” and to deflect any proposals that might present a threat, real or potential, to the “control” of Moscow’s core values, policies and capabilities. Common sense suggests that some degree of informal coordination in Brussels before offering national and collective programmes to the Russian authorities would surely pay great dividends.

Fifth and finally, there is the issue of the resources committed to military-military co-operation with Russia. Despite frequent public reaffirmations at summits and ministerial meetings of the political will behind initiatives to collaborate more closely with Russia, the resources devoted to the projects, both in the agreed UK-Russia and NATO-Russia programmes, have been decidedly modest.

If military-military co-operation and the goal of a degree of effective interoperability between UK (and by extension NATO) forces and their Russian counterparts really is an important political objective, the commitment of considerable resources to the project is essential. Talk is cheap, but education and training can only be delivered at a cost and the ultimate goal, creating the capability for combined joint operations involving Allied and Russian forces, is going to be very expensive for all concerned.

In conclusion, the challenges facing Whitehall as it seeks to chart a steady and constructive course in its relations with Moscow are complex and ever-changing and the area of military-military cooperation reflects the grander picture. For very understandable reasons, the Russian Federation continues to base its military relationships with Western countries, such as the United Kingdom, on a fundamental requirement not to lose “control” of its sovereignty. No Russian leader is likely to enter into any close partnership or alliance with outsiders that he cannot dominate and so, for instance, the chances of London or Brussels (be it in the form of NATO or of the EU) persuading the Kremlin to remodel its armed forces along more Western lines must be negligible.

64 In the 1950s more than 400 officers and other ranks were taught Russian each year at the Army School of Languages; by 1980 this figure had gone down to around 10 per annum; the current course at the Defence School of Languages in Beaconsfield apparently consists of less than a handful of British military students.
65 Only in the office of the Chief of the Main Directorate for International Military Co-operation are all these different offers brought together in a closely guarded composite document.
Nevertheless, once we have acknowledged these basic constraints and the need to stay engaged with Russia in the interests of our common security, there must be a strong case for Whitehall to discuss its military-military initiatives with fellow Allies and collectively within NATO before presenting a set of targeted and well resourced proposals to the authorities in Moscow.

Just as the Russian Ministry of Defence has cleverly deflected our best efforts in the past, in future the British authorities must focus its efforts on projects that will deliver clear defence outputs in the decades ahead. For example, retraining retirees can hardly provide lasting military benefits, whereas spending money on introducing junior Russian officers to the English language and to the British military “modus operandi” can only pay dividends in the medium to long term where interoperability is concerned. The same must be the case where teaching British officers and other ranks the Russian language and exposing them to Russian culture is concerned.

Having started with a quotation from Churchill, it may be appropriate to end with one of his more famous remarks: “I cannot forecast to you the action of Russia. It is a riddle wrapped in a mystery inside an enigma”.66 In truth, I believe that the actions of the Russian authorities are much less mysterious than the Prime Minister suggested; they are governed by national interest and a deep-seated suspicion that outsiders are seeking to undermine the fundamental requirement for sovereign “control”. However, working within these constraints, effective military-military co-operation is not only desirable in order to address common security issues, it is also achievable and real progress can be made.

15 May 2007

Written evidence submitted by Dr John Russell (University of Bradford)

1. AUTHOR’S EXPERTISE

1.1 My field of expertise covers the former Soviet Union, terrorism and, specifically, the Russo-Chechen Wars (1994–96 and 1999–2006).

1.2 I have published widely on the above topics. I have also presented a number of papers on these topics in the UK, USA, Finland, Germany, Poland and Russia as well as having led seminars designed for the MOD (Bradford and St Andrews) and for government and research institutions (FCO, IISS, RIIA etc).

1.3 In 2003 I was called as an expert witness by the defence in the Akhmed Zakayev extradition case at Bow Street Magistrates’ Court in London, which I have characterised as representing the classical “terrorist versus freedom fighter” dilemma.67

2. SCOPE OF REPORT

2.1 This report focuses on “insurgent”, rather than “state” terrorism.68

2.2 However, it is worth pointing out that (a) the absence of accountable good governance in Russia currently not only facilitates acts of violence that, outside of parameters established by the “war on terror” might well be considered acts of “state” terrorism (eg the assassination of Chechen separatist leaders Maskhadov69 and Zanderbiyev)70 and (b) the prevalence throughout Russian society of “might” over “right” creates a disturbing identity of interests between Russian political, economic and criminal worlds that obscures both the perpetrators and commissioners of such acts of violence, at home and abroad, as those against such outspoken opponents of the regime as Anna Politkovskaya and Aleksandr Litvinenko.

2.2 Theorists of terrorism and counter-terrorism would tend to identify in Russia today elements of a state of “violent” politics.71 Historically, such a state tends to give rise to forms of “violent” opposition that include terrorism.

2.3 It is axiomatic, therefore, that any move within Russia towards the establishment of “normal” politics would reduce significantly the internal terrorist threat, confining it, in effect, to the radical margins of society, as is the case in such democratic countries as the United Kingdom. All available evidence would point to the Russian Federation, under Putin, heading in the opposite direction.

2.4 The report considers the “Chechen” factor (3), the threat of terrorism beyond Chechnya (4), Russian counter-terrorist policies (5) and contains a Conclusion (6).

66 Churchill, broadcast talk, 1 October 1939.
68 I use these terms as generally accepted amongst theorists of terrorism. See, for example, Paul Wilkinson, Terrorism versus Democracy, 2nd edition, London: Frank Cass, 2006.
70 Former Acting President of Chechnya-Ichkeria, Zelimkhian Yandirbiyev, was assassinated by Russian special agents in Qatar in February 2005; see 13 February 2004, http://news.bbc.co.uk/1/hi/world/europe/3486179.stm
3. THE “CHECHEN” FACTOR

3.1 Until the death on 9–10 July 2006 of Shamyl Basayev, acknowledged mastermind of the Budennovsk (June 1995), Dubrovka (October 2002) and Beslan (September 2004) hostage-taking crises, terrorism in Russia was widely interpreted as being linked to the coalition-led “war on terror” announced by President Bush following the terrorist attacks of 11 September 2001. After the theatre siege in Moscow (Dubrovka), the US State Department, in February 2003, added three of Basayev’s units to the list of proscribed terrorist organisations.72

3.2. Since the death of Basayev, ostensibly at the hands of Russian special forces, there have been no major terrorist incidents emanating from Chechnya. Indeed, with the exception of the mass attack on Nalchik (capital of Kabardino-Balkaria) in October 2005, the lifting of the Beslan siege marks the effective end of Chechen-inspired “international” terror. Acts of violence perpetrated since by Chechen separatist forces, led currently by Doku Umarov, appear to be targeting military and so-called ‘collaborationist’ elements rather than civilians.

3.3 The death of Basayev and of the Jordanian-born Abu Hafs al-Urdani in November 200673 appears to have reduced significantly the influence and threat of the so-called Wahhabist “Arab” mercenaries in Chechnya, as had the amnesty granted to former Chechen boyeviki (fighters) by Ramzan Kadyrov (see 3.10). However, outside funding, training and insurgent activity from this source continue to be a factor.74

3.4 It is generally agreed that President Vladimir Putin exploited the “war on terror” to eliminate all shades of Chechen separatist opposition. Indeed, he referred to the second conflict as a “Counter-terrorist operation”. This was used to justify the physical elimination of such Chechen separatist leaders as former president of Chechnya-Ichkeria, Aslan Maskhadov, in March 2005 and his successor Abdul-Khalim Sadulaev in June 2006. Any overlap in the activities of such “legitimate” opponents with Basayev and his followers was presented as proof positive that all separatists in the North Caucasus were “terrorists”; a view hotly disputed in the West.

3.5 This deliberate attempt to solve the political question of self-determination in the North Caucasus by military means led to a spread of resistance to Russian rule throughout the North Caucasus and a concomitant spread of Wahhabist ideology, organised mainly through jamaats (originally communal, now religion-based, military organisations).75

3.6 From mid-2000, Putin has sought to present the world with a “political” solution to the conflict in Chechnya with his policy of “Chechenisation”.76 This involved supporting the ex-rebel Mufti of Chechnya, Akhmad Kadyrov, in the latter’s efforts to eradicate Wahhabist influence in Chechnya.

3.7 In exchange for undertakings to keep Chechnya within the Russian Federation, Kadyrov was given a fairly free hand to deal with the Chechen opposition as he saw fit. That this included the severe abuse of human rights by forces led by his son Ramzan, has been well documented by Russian and Western NGOs.

3.8 No supporters of Chechen independence were allowed to participate in any of the three stages, none of which were recognised as “free and fair” by Western observers.77 These Chechen factions were also excluded from the Strasbourg Round Table, organised by the Parliamentary Assembly of the Council of Europe (PACE) in 2005.78 Although most Chechens are pragmatic enough to accept a fair degree of autonomy instead of outright independence, the effective outlawing of such a legitimate aspiration inevitably gives rise to charges of hypocrisy and double standards being levelled at Western governments.

3.9 On 9 May 2004, Akhmad Kadyrov was assassinated, ostensibly by Basayev’s men, while attending a Victory Day parade at the main stadium in Grozny, capital of Chechnya.79 He was subsequently replaced (in August 2004) by Alu Alkhanov, although de facto power devolved to Ramzan, his son, who not yet having attained the age of 30, could not constitutionally be president. Ramzan Kadyrov has since acquired a status not unlike that of the former Ugandan dictator Idi Amin, being recognised simultaneously as a figure of fun, worthy of media attention, and as a ruthless dictator who, while very popular amongst his own supporters, uses extreme violence against his opponents.80

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72 The three groups were The Special Purpose Islamic Regiment, Riyadus-Salikhin Reconnaissance and Sabotage Battalion of Chechen martyrs and the Islamic International Peacekeeping Brigade, see US Department of State, Office of the Coordinator for Counterterrorism, Russia: Country Report on Terrorism 2006.
73 Ibid.
74 Ibid.
80 See, for example, Mark Franchetti, “In the torture cell of Chechnya’s tyrant”, in The Sunday Times, 30 April 2006, p 1:21.
3.10 In February 2007, Putin replaced Alkhanov, initially in an acting capacity, but from 2 March on a permanent basis, with Ramzan Kadyrov (who attained the age of 30 on 5 October 2006). Since then Kadyrov Jr has imposed a one-man rule in Chechnya, through his armed detachments—the kadyrovtsy. The fact that over half of these troops, estimated to number 15,000, are former Chechen resistance fighters81 (ie “terrorists” under Putin’s terminology) has led to considerable disquiet in Russia as to the loyalty and degree of autonomy given to such units.

3.11 It has been claimed that the considerable number of Russian federal troops still stationed in Chechnya are still there due both to this distrust of Kadyrov and to the fact that Russian military officers are making significant profits through illegal activities in Chechnya, sometimes allegedly, in collaboration with their Chechen opponents.82

3.12 Although officially the situation in Chechnya is said to have been “normalised”, military skirmishes continue (a military helicopter downed in April 2007 with 18 dead,83 unconfirmed reports of up to 20 federal dead in violent clashes in Khattuni in May 2007).84 This scenario would appear to confirm that “violent politics” persist in Chechnya, leading to an expectation that insurgents would resort to, among other tactics, “terrorism” in their continuing struggle with the authorities.

4. THE TERRORISM OF TERRORISM BEYOND CHECHNYA

4.1 The major fears arising from what has been termed the “Kadyrovisation”85 of Chechnya is that this brutally effective, in the short term, method could be used to suppress opposition not only throughout the North Caucasus, thus igniting longstanding tribal and ethnic enmities, but also throughout the Russian Federation, stoking up further the well-documented “Caucasophobia”,86 prevalent amongst ethnic Russians. The recent events in Kondopoga87 (Karelia), after which Kadyrov threatened to intervene if the local authorities stood idly, might serve as a preview as to how this scenario might develop.

4.2 The focus of insurgent activity appears to have shifted from Chechnya to, in particular, neighbouring Dagestan and Ingushetia. As Kadyrov has expressed territorial ambitions in both regions, the prospect of his forces being used against insurgents, with or without the approval of the Kremlin, cannot be ruled out.

4.3 As noted, the organising force for insurgent terrorism throughout the North Caucasus is the djamaat or jamaat (see 3.5). The most notable are the Sharia djamaat in both Dagestan and Ingushetia and the Yarmuk in Kabardino-Balkaria.88 Other djamaats are operative in Adygea and Karachai-Cherkessia as well as in the Stavropol and Krasnodar territories of Russia.89 D Jamaats continue to operate within Chechnya: Maskhadov’s successor as leader of the Chechen resistance, Sadulayev, was leader of the Argun djamaat.90 One American academic expert on the region has concluded: “The emergence of the ‘military jamaat’ threatens to stretch Russian resources to the limit and turn the North Caucasus into a minefield of anti-Russian resistance”.91

4.4 Extreme dissatisfaction with Russian rule that has the potential to be articulated through violence has spread to areas of the North Caucasus previously considered the most pro-Russian. This is particularly evident in Kabardino-Balkaria, since the mass armed assault on its capital, Nalchik, by insurgents in October 2005,92 and in North Ossetia, following the opaque and unsatisfactory handling by the authorities of the investigations into the Beslan tragedy.93

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81 Pochti polovina sotrudnikov militsii Chechnyi byvshiye boyeviki: 7 tysyach chelovek (Almost half of those serving in Chechnya’s police force are former fighters: seven thousand persons), http://www.newsru.com/russia/21oct2005/chechnya.html
84 http://www.kavkazcenter.com/eng/content/2007/05/08/8235
85 http://www.cacianalyst.org/view—article.php/articleid = 424
88 See McGregor, op cit.
89 Ibid.
91 See McGregor, op cit.
4.5 This form of organisational violence has the potential to spread not only to other traditionally Muslim areas of Russia, such as Tatarstan and Bashkortostan on the Volga, but also throughout the considerable Muslim diaspora in every large Russian city. To the extent that “Muslims” are conflated with “Caucasians” as constituting a “terrorist threat” in the perception of ethnic Russians, the potential for violent conflict will rise.

4.6 Given the threat of violence, the comparatively low level of socio-economic development and uncertain prospects throughout the North Caucasus, there has been a significant migration flow from the region amongst both ethnic Russians and Caucasians. Both groups take with them to their new areas of settlements all over Russia their own cultural narrative. This potential for social conflict is exacerbated by the fact that upwards of one and a half million Russians have experienced the “meat grinder” of Chechnya, resulting in the so-called “Chechen syndrome”, which manifests itself in alcohol and drug abuse, criminality, violence, depression and suicide.

4.7 Perceptive Russian observers have drawn attention to the fact that more and more of Russia is becoming like the “black hole” of lawlessness in Chechnya. Given the availability of weapons of mass destruction and the aforementioned overlap of interests between political, economic and criminal circles, the terrorist threat that this poses within Russia and beyond is apparent.

5. RUSSIAN COUNTER-TERROURIST POLICIES

5.1 In order to understand the current Russian administration’s attitude to counter-terrorism it is important to take into account that the President, Vladimir Putin, is a former KGB officer as well as a former head of its successor organisation, the FSB. Many observers have noted the prominence in his administration of the siloviki—representatives from the ministries responsible for law and order. In the Soviet period the KGB was the epitome of the pre-eminence in Russian thinking of the “ends” over the “means”.

5.2 The mindset of the siloviki would appear to favour uncompromising, hard-line approaches to countering terror, including the policies of “eradication” and employing “terror” against terror, while at the same time, be less predisposed to policies that might be termed “hearts and minds” (containment and addressing the root causes). This mindset was horrifyingly evident not only in the bloody resolutions of the Dubrovka and Beslan hostage-taking crises, but also in the disproportionate and indiscriminate use of firepower in both Chechen wars.

5.3 Russia was amongst the first to sign up for the “war on terror” after 9/11, having already warned of an Islamic “arc of instability from Kosovo to the Philippines” since 2000. Its counter-terrorist policies have always been closer to those of Israel and the current US administration than those advocated by members of the European Union.

5.3 In February 2006, in response to the unsatisfactory handling of the Beslan siege, a National Counterterrorism Committee was established to establish a single, centralised chain of command, under the FSB, to co-ordinate counterterrorism.

5.4 In March 2006, the Russian legislature approved the law “On Counteracting Terrorism”. This listed the criteria for designating organisations as “terrorist”:

(i) Engaging in activities aimed at changing Russia’s constitutional system through violence, including terrorism;

(ii) Maintaining links to illegal armed groups and other extremist organisations operating in the North Caucasus; and

(iii) Having association with, or links to, groups regarded as terrorists by the international community.

On this basis 17 groups were designated as “terrorist”.

5.5 Russia continues to share information and cooperate in a number of international counter-terrorist initiatives, including the US-Russian Counterterrorism Working Group, the Global Initiative to Combat Nuclear Terrorism and the Financial Action Task Force on Money Laundering and Terrorist Financing.

94 Maksim Glikin, Velikhoye pereseleniye kavkaztsev (The great resettlement of the Caucasians), in Nezavisimaya gazeta, 27 November 2002.
95 See Nick Sturdeo’s film Chechen Syndrome, accessed on http://english.aljazeera.net/NR/exeres/E0454030-21D2-4E27-8831-4E95C1500A85.htm
98 See US Department of State, op cit.
99 Ibid.
100 Ibid.
6. CONCLUSIONS

6.1 Although the immediate threat of terrorism in Russia has receded in recent years, the medium and long-term prospects remain a source of concern. The policies of the current administration, far from resolving issues likely to spawn violence, appear to be spreading the potential for insurgent violence in the form of what the administration, although not necessarily outsiders, would identify as terrorism.

6.2 A lid has been placed, temporarily perhaps, on the Chechen conflict. The maintenance of “violent” rather than “normal” politics in that region, however, would appear to ensure future manifestations of insurgent violence, including terrorism.

6.3. The “success” of “Chechenisation” appears to have encouraged Putin to employ similarly hardline strategies in tackling opposition throughout Russia, thus increasing “violent” politics at the expense of “normal”.

6.4 Although the influence and presence of Wahhabist outsiders has been significantly reduced, the spread of jihadist ideas through the North Caucasian djamaats appears to pose as great a terrorist threat as that previously posed by the Wahhabites.

6.5 Although a signatory to many international counter-terrorist initiatives, Russia appears to retain an idiosyncratic understanding as what represents a “terrorist” threat. The lessons learned, for example, in Northern Ireland, do not appear to be regarded as applicable to the Russian situation.

6.6 The lack of any meaningful criticism of Russia’s approach to terrorism from the West dismays not only those non-ethnic Russians striving for some form of self-determination and those Russians that might be termed liberal or human rights activists but also those within Western society that perceive the injustice of such an approach. The danger inherent in this is apparent if one bears in mind that two of the four London suicide bombers mentioned Chechnya in their farewell messages.\(^{101}\)

6.7 While Russia might well be regarded as our “partner” in combating terrorism, the unfortunate impression appears to have been given by Western leaders in recent years, notably Bush, Blair, Berlusconi and Schroeder,\(^{102}\) that Putin is our “friend”. Such a lack of discrimination is hardly likely to win the hearts and minds of those in both Russia and the United Kingdom who would prefer to see matters settled by “right” rather than “might”.

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12 May 2007

Written evidence submitted by the EU-Russia Centre

INTRODUCTION

This submission by the EU-Russia Centre covers two key issues. The first concerns the prospects for a new strategic partnership between the EU and Russia (and whether this will be/can be an effective framework for the pursuit of UK aims in its relationship with Russia). The second concerns how the UK and international community can best promote civil liberties and the rule of law in Russia.

Following the failure of the Samara summit on 18 May the prospects of negotiations on a new strategic partnership agreement starting in the near future are bleak. The EU demonstrated a welcome solidarity at the summit but too often the member states are prepared to make bilateral deals with Russia which weakens the EU position on issues such as energy.

RECOMMENDATIONS

— That the UK takes the lead in promoting a common EU approach towards Russia. Bi-lateral agreements between EU member states and Russia are weakening the EU as it is seen as not speaking with one voice. Russia is adopting a more assertive and nationalist foreign policy. It is essential that the EU protects its own interests in a robust manner by speaking with one voice.

— That the UK seeks to promote European values of democracy and civil liberties, insisting that Russia lives up to its international commitments. The UK needs to ensure that EU Member States recognise the importance of values, especially in holding Russia to task for the commitments it has entered into (Council of Europe, OSCE, PCA, etc). The UK should also promote more student and other exchanges with Russia.


\(^{102}\)In December 2005, the former German Chancellor was appointed Chairman of Gazprom’s Baltic pipeline subsidiary, see http://www.mosnews.com/news/2005/12/10/gerschr.shtml
EU-RUSSIA RELATIONS

EU-Russia relations are based on the 1997 Partnership and Cooperation Agreement (PCA). The PCA is scheduled to expire this year but both sides have stated that it will continue until a new agreement is negotiated. Moscow contends that the PCA was negotiated during a period of Russian weakness and expects that new negotiations will be carried out by two equals. Brussels contends that the PCA needs to be replaced in order to provide a legal base for new policy areas that have been developed over the past decade. These include sensitive areas of legal and police cooperation, as well as the energy sector.

The opening of negotiations has been delayed due to a bilateral Polish-Russian dispute on meat exports, and the termination of Russian oil supplies to Lithuania via the Druzhba pipeline. The Russians alleged technical problems but it would seem to be a clear case of the Kremlin using the energy weapon for political purposes. In addition, Russia launched a broad attack on Estonia (cutting transport links, boycotting Estonian goods, cyber attacks on government websites, “sponsored” demonstrations against the Estonian embassy in Moscow, and intimidation of the ambassador) as a result of the Estonian government’s decision to move a Soviet war memorial from the centre of Tallinn. These disputes have led some of the newer member states to press the EU to adopt a tougher approach towards Russia, a position only reluctantly accepted by other member states. To its credit, the German presidency, under Chancellor Merkel, put the emphasis on EU solidarity at the Samara summit. Other disputes with Russia are the future status of Kosovo and the rights of former Soviet countries to pursue a genuinely independent path.

Despite the difficulties of achieving a common EU approach towards Russia, it is incontestable that all Member States, including the UK, are likely to be more effective in securing their aims by speaking with one voice. This applies to the security of energy supplies, investment protection to tackling international issues such as climate change, Kosovo, Iran and terrorism among other topics. At present, however, both sides seem to be talking past each other, with the Russians playing the energy power card and the Europeans insisting on values. It is vital to explain to Russians that a rules-based system is very much in their own interest, not least in helping to provide a more stable environment for foreign investment.

Given the political uncertainties on both sides, including changes in leadership of Russia and some of the major member states, the negotiations—whenever they start—may last for at least two years with a further two years for ratification. They will be wide-ranging, building on current negotiations on the “four common spaces”. One key area will be security of energy supplies, with the EU concerned at the disruption to supplies to some of Russia’s neighboring states in the past two winters.

Another key area will be ensuring that Russia takes common values seriously. Russia already agreed to respect common values on democracy, human rights and the rule of law in the PCA as well as the Council of Europe which it joined in 1996. But in the past few years there have been increasing concerns at developments in Russia.

Russia is not a stable country and there are no real democratic institutions. The rule of law and an independent judiciary exist only on paper. Judges deliver verdicts that the state wishes to see, corruption in law-enforcement agencies is widespread and several show trials demonstrate that the state often violates and/or re-writes its own laws. Civil society is under constant threat. An alarming indicator is the huge increase in the number of appeals to the European Court of Human Rights in Strasbourg from Russia in the last four years.

The negative view of Russia in Europe was given a further blow with the murders of Mrs Politskovskaya and Mr Litvinenko. More than 25 journalists have been murdered in Russia in the past five years. These developments are causing concern in Europe about the direction in which Russia is heading. If there is a further slide in popular attitudes towards Russia it may be impossible to get a new treaty ratified by all 27 member states.

Recent research by the EU-Russia Centre reveals limited understanding and support for democracy in Russia. Less than a third of Russians understand the importance of the separation of powers, a third state that they prefer the former Soviet system and a clear majority prefers a strong president who will take decisions. These results testify to the major role played by the state-controlled media in influencing attitudes. At the same time, the state-controlled media fails to address fundamental social and economic problems such as the poor state of the health service (around 30% of the 142 million population cannot afford medical care) or the dismal standard of pensions (around €100–200 per month).

The UK and the EU, therefore, have a major task ahead in engaging with Russians across the spectrum to demonstrate the importance of European values and to strengthen democratic forces in Russia. That engagement needs to take place among the leaders of tomorrow and will only be achieved by developing an understanding and appreciation of one another’s cultures. There needs to be a vast increase in the number
of student exchanges and serious consideration should be also given to abolishing visas, encouraging more visits to EU countries by Russians from all walks of life, giving them exposure to different values and societal systems. This would have an immediate and positive impact on people to people contacts.

Conclusion

EU-Russia relations are at a crossroads. Short-term commercial interests cannot trump the UK and EU’s long-term interests in promoting a stable, democratic and prosperous Russia that enjoys the same civil liberties and rule of law as EU citizens. The negotiations for a new strategic partnership should be judged on whether they promote these aims. A sound and long-term relationship cannot be built between two actors who do not share common values. The UK should lead the calls for a unified EU policy towards Russia and encourage the 27 Member States to speak with one voice. The UK, with its minimal dependence on Russian energy at the moment, is in a good position to take the lead.

May 2007

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Written evidence submitted by the BBC World Service and Global News in Russia

BBC WORLD SERVICE AND GLOBAL NEWS IN RUSSIA

Summary

— The media market in Russia is very competitive with TV attracting big audiences.
— The Kremlin has secured greater control over the big national TV networks in recent years.
— The BBC’s global news offer is available in English and Russian via radio, TV and the internet.
— The BBC’s partnerships with Russian FM radio stations have suffered setbacks since November 2006.
— The Russian Service is back on FM in Moscow following the successful launch of Bolshoye Radio, a joint project between the Russian Service and Voice of Russia.
— BBC newsgathering has experienced difficulties in obtaining official comment from the Kremlin.
— Access to the North Caucasus for journalists is restricted.
— Radio audience figures have fallen since the FM problems encountered; online audiences continue to grow.
— BBC World is available in 1.8 million full-time homes and over 13,200 hotel rooms.
— Russian adults are increasingly using 24-hour news channels, and are increasingly aware of BBC World’s independence and impartiality.

Media Market Overview

Russia’s broadcasting market is very competitive; state-owned or influenced TV networks attract the biggest audiences. Hundreds of radio stations crowd the dial; traditional state-run networks compete with music-based commercial FM stations.

The radio market continues to evolve and is becoming more fragmented. Commercial music stations generally have bigger audiences than state radio. Niche stations appealing to particular audience segments continue to grow.

Russian TV channels include:
— Russia TV Channel—national network, run by state-owned Russian State Television and Radio Broadcasting Company (RTR).
— Channel One—national network, 51% owned by state, 49% by private shareholders.
— NTV—national network, owned by state-run Gazprom.
— Centre TV—commercial, Moscow area.
— Ren TV—Moscow-based commercial station with strong regional network.

In recent years the Kremlin has secured greater control over Russia’s big national TV networks—Channel One, RTR and NTV—and critics say independent reporting has suffered as a result.

An English-language satellite channel, Russia Today, was launched in late 2005. The news-based station is funded by the Kremlin and aims to present “global news from a Russian perspective”.

More recently, the first Russian TV news channel broadcasting in Arabic was launched in May. Operated by an autonomous non-profit organisation “TV-Novosti”, the channel aims to cover current events in an objective and balanced way, but also aims to clarify the Russian stance towards international issues.
There are more than 400 daily newspaper titles, catering for every taste and persuasion. All of the major nationals are based in Moscow, but many Russians living in the regions prefer to take local papers instead. Several influential dailies have been bought by companies with close links to the Kremlin.

The conflict in Chechnya has been blamed for government attacks on press freedom. Journalists have been killed in Chechnya while others have disappeared or have been abducted.

In Moscow and elsewhere journalists have been harassed, physically abused and there have been high profile murders, such as that of journalist Anna Politkovskaya. Reporters investigating the affairs of the political and corporate elite are said to be particularly at risk.

Media rights organisation Reporters Without Borders has expressed concern at “mounting press freedom violations” in Vladimir Putin’s Russia, including “the absence of pluralism in news and information, an intensifying crackdown against journalists . . . and the drastic state of press freedom in Chechnya”.

**BBC Presence in Russia**

The BBC bureau in Moscow is a multimedia broadcast, newsgathering and monitoring unit which employs in total around 80 people.

The Russian Service is the largest segment of the Moscow bureau employing 45 producers and editors working for radio, online and video. The service broadcasts from two studios in the bureau for up to four hours a day and works closely with the BBC news correspondents reporting in English for the rest of the BBC. It has stringers in St Petersburg, Tbilisi, Kazakhstan and Tajikistan. There are three other World Service producers in the bureau, one working for the Persian Service and two for the Central Asian services.

BBC Newsgathering in Moscow has one bureau chief, three correspondents, three producers and two cameraman-editors. The Moscow bureau is designated as a hub covering the whole of the Former Soviet Union. The BBC has a staff reporter based in Almaty, Kazakhstan, covering the five republics that used to make up Soviet central Asia, as well as freelance stringers based in Riga (Latvia), Kiev (Ukraine) and Tbilisi (Georgia). All of these coordinate their work through the Moscow bureau.

The BBC Moscow office has recently moved to new custom-built premises bringing together Newsgathering, World Service and Monitoring under one roof. It is one of the largest bureaux in the world.

**BBC Output Available in Russia**

BBC output is available in English and Russian across a number of media platforms:

**Radio**

World Service in English, with news and current affairs and general interest programmes, is available at peak listening times across the whole of Russia on short wave. It is available in Moscow, St Petersburg and Ekaterinburg on the BBC’s medium wave frequencies, in conjunction with Russian programming.

The BBC Russian Service currently broadcasts 78 hours a week of radio programming. This is made up of half hourly news bulletins broadcast round the clock; two main blocks of weekly current affairs programming (0700–1000 and 1700–2000 Moscow time); two hours a day of current affairs at weekends; a daily half hour programme aimed at the FSU; a range of pre-recorded and repeated material. BBC Russian Service programming is carried on three medium wave frequencies (Moscow, St Petersburg, Ekaterinburg); in Moscow on Bolshoye Radio FM station; on the NTV+ direct to home satellite network; and on short wave.

**Internet**

BBC Russian and English programming is carried 24/7 by the online audio stream at bbcrussian.com live and on demand.

**Television**

BBC World, the BBC’s commercial international news channel broadcasting in English, is available in 1.8 million full-time homes and over 13,200 hotel rooms through satellite and cable subscription in Russia.
DELIVERY METHODS AND PROBLEMS

Radio

In recent years the BBC has been available in English and Russian via FM, medium wave and short wave. However, the BBC has had significant difficulties with distribution in Russia since November 2006.

FM

The Russian Service’s flagship morning programme, Utro na BBC, as well as another key programme, BBSeva, were carried by FM stations in St Petersburg (Radio Leningrad) and Moscow (Radio Arsenal). These stations carried four hours, Monday–Friday.

After the illness of Alexander Litvinenko became public in November 2006, the BBC disappeared from the airwaves of Radio Leningrad in a “freak storm” that damaged the station’s antenna. However, BBC programmes were restored on that frequency two weeks later, but finally in January 2007, after pressure on the station owner by local authorities, the station ended the relationship with the BBC. That station has since been sold.

Additionally, the BBC went off air on Radio Arsenal in Moscow the day after the death of Alexander Litvinenko, and has never been restored. That station has also suspended its relationship with the BBC.

These two events follow an earlier loss of license, in August 2005, by another BBC FM partner, the Silver Rain regional radio network.

However, on 23 April 2007, the BBC Russian Service started providing content for a new FM radio station, Bolshoye Radio in Moscow (six hours a day, Monday–Friday). The station is a joint project between the BBC Russian Service and Voice of Russia (the international arm of the Russian state broadcasting network), and it is the first time the BBC has been formally present on its own FM licence in Russia.

This means that the flagship morning programme, Utro na BBC, as well as the drive time strand, is once again available in the Russian capital in clear quality. The signal is audible in the city, and as far as 100 kilometres outside.

It’s only fair to say that the Russian authorities’ interpretation of the BBC’s loss of FM was that it was a technicality—neither partner had amended their license to allow them to take external programming.

BBC Russia also has some programming (two half hour programmes a week) taken by Radio Russia (federal radio network). This has reduced from last year. Additionally, the Russian Service is no longer present on the Mayak federal network, although talks are continuing to restore this relationship. These networks offered a mix of FM and MW distribution.

Medium wave

Apart from the Radio Bolshoye FM agreement, MW is currently the main form of distribution for the Russian Service. There are three MW frequencies; in Moscow (1260 MW); St Petersburg (1260 MW); Ekaterinburg (666 MW). These frequencies carry BBC 24/7—when Russian is not on air, English is. The BBC tendered for and won these frequencies formally in December 2005. Over Christmas 2006, the BBC’s MW signal in Moscow experienced a marked deterioration in quality and audibility.

This deterioration was picked up by the Russian press which referred to the BBC’s signal being jammed. After monitoring this, the BBC decided to make a public statement expressing its concern via its website. There was an immediate improvement in quality, and an engineer who had been denied a visa on several occasions previously was allowed in for testing. The signal has since improved.

Short wave

The Russian Service is available at peak listening times on one or more of the following shortwave frequencies: 5875, 7325, 9510, 9585, 9635, 9680. World Service in English is also available at peak listening times on 9410, 12095, 15565.

Internet

The BBC’s Russian language site, bbcRussian.com, is one of the BBC’s biggest language sites. Producers are based in London and in Moscow. User figures compare favourably with similar news sites in Russia.

The site offers a mix of text, video, and audio. This multiplatform offer is unique in what is a competitive marketplace. The Russian Service is one of six key BBC World Service languages to have recently launched a broadband video offer—a unit of three producers, one based in Moscow, produce several video items a day, and occasional webcasts.
Broadband is currently the most viable video opportunity for the Service, as there is very little potential for partnerships with or carriage on domestic Russian Television.

The site has also introduced a live audiostream, offering a radio schedule (Russian and English) to online listeners, as well as offering programmes on demand. It is hoped that a podcast service will be introduced soon.

Interactivity has been a success for the site. The number of people visiting forums on bbcprussian.com is high. The numbers are generally in the top two compared to other BBC language sites. Russian Service radio has recently launched a web-based interactive programme to make the most of the interest from the audience, and with the return to FM, the Service has reintroduced interactive slots in other radio programmes.

The site is also developing its blog offer and has recently conducted research into the Russian blogosphere.

Additionally, the Russian Service recently soft launched Russia Select—a new java application for reading BBC News on mobiles, for which the World Service is currently trying to develop partnerships.

Radio via Satellite

All the BBC’s Russian programming is carried by the New Day channel on the NTV Plus direct to home satellite distribution system. World Service in English is also available on Hot Bird 8.

Television—BBC World

In homes the major platform is DTH channel, NTV Plus, which has 449,671 subscribers. The remainder of BBC World subscribers are with a large number of cable operators. Consolidation of the cable market in any major form has yet to take place.

Kosmos TV is the main cable operator providing BBC World in hotels.

Reporting Restrictions

The most frequent frustration for BBC journalists in Russia is not pressure exerted to stop them covering a story, but the absence of anyone willing to give official comment. The Kremlin has an English-speaking spokesman who will talk on the record quite often, but not always on camera. The Foreign Ministry does not have a system of foreign-language capable spokespeople and very rarely grants interviews of any kind. Most requests to Russian Ministries for interviews have to be prepared weeks, if not months, ahead of the desired interview date and usually involve sending faxes to officials who may take days or weeks to reply.

The North Caucasus remains the trickiest area for news coverage. Access to Chechnya is only officially possible on government-organised trips and there is a system of additional accreditation cards for journalists travelling to the so-called “zone of the counter terrorist operation” (in the BBC’s experience this also covers the neighbouring republics of North Ossetia, Ingushetia and Dagestan). The BBC Russian Service was unable to travel on a planned trip to Chechnya for the Schools Day 24 project due to last minute new restrictions imposed on journalists’ travel to Chechnya by the Russian authorities.

The BBC approaches these areas with great care, in terms of how correspondents are sent in, and the training they receive.

In general there is still a fair amount of suspicion of foreign journalists in Russia—this may come from police, security forces, ordinary people or the private security of rich Russians in Moscow. The BBC is often perceived in the first instance as state media just doing the bidding of the British government (the way state television works in Russia).

BBC World Service is certainly working in a much more tense situation now than prior to the death of Alexander Litvinenko. There have been many tensions in UK bilateral relations, and the difficulties with FM seem to suggest that these may have had an impact on the World Service.

There has been a great deal of Russian press interest in both the distribution problems experienced and in what seems to be a campaign by a group of London-based exiles aimed at trying to prove the Russian Service’s editorial policy is “under the thumb” of the Kremlin. This campaign has focused on the service as a whole, and a couple of editors in particular. The complaints submitted have been investigated and answered in detail, and found to have no substance. The FM issue and dissident criticism was also covered in the British press.
BBC World Service in English held three public debates last year in Russian cities: in Moscow (on Russia and the West), in St Petersburg (on Democracy) and in Tomsk (on Ordinary People’s lives).

The G8 summit in July was also widely covered.

Other topics covered included:

— The uncertainty around who will succeed President Putin in next year’s presidential elections, and the recent demonstrations by opposition groups.
— Deteriorating UK-Russia relations (Berezovsky row; boycott of Russian Economic Forum in London; Litvinenko death and investigation; Ambassador harassed by Nashi; Shell/Sakhalin etc).
— The murder of the Anna Politkovskaya, Russia’s best known investigative journalist and fierce critic of the war in Chechnya.
— The death of Boris Yeltsin.
— Disputes with neighbouring countries over gas, wine and mineral water.
— Russia’s increasing economic and political self-confidence because of its energy resources.
— Civil society (media, NGOs) coming under increasing pressure as government tightens regulatory and legislative framework.
— The targeted killing of several other high profile individuals such as banker Andrei Kozlov.
— IPOs (Initial Public Offerings) by Russian companies on western stock exchanges.

The Russian Service has carried a range of special programming over the last year. Probably the most significant outside broadcast was the three days of broadcasting from an internet café in the heart of St Petersburg during the G8 summit. Key programmes were co-presented in front of an audience. This was a big success, with the emphasis on interactivity and audiences, including a guest editor. There was also special coverage of summit themes online and on radio prior to the event itself.

Prior to that, the Russian Service produced an hour long debate in St Petersburg in March 2006 looking at bilateral relations between the UK and Russia.

The Russian Service recently launched a new interactive radio programme, Vam Slovo (Over To You), for which the audience sets the agenda through the website. The programme went on the road to the Russian town of Samara for its launch, and looked at issues such as interfaith society, migration, and education.

Coverage of the death of Alexander Litvinenko in November 2006 was one of the major stories of the year, and the Russian Service covered it comprehensively from all angles. The last interview with Mr Litvinenko was conducted by the BBC online team on 11 November 2006 and was widely quoted in the British and international media.

The news of Yeltsin’s death broke during the Russian Service’s afternoon programme. The teams in London got the news into the end of the programme, the news bulletin on the hour and online. The speed of the BBC’s reporting on both TV and radio was noted in subsequent commentary on the media coverage in Russia.

Key interviews with former Soviet leaders, like the USSR Foreign Minister and later President of Georgia Eduard Shevardnadze, were secured for the discussion programme Radius, and the interactive programme Vam Slovo was extended. Strong listener and reader reaction to Yeltsin’s death continued for several days through Russian Service online forums, and via contributions to radio programmes, where the impact of the Service’s renewed audibility on FM was immediately felt.

For the World Service season on young people, Generation Next, the Russian Service took part in Schools Day 24. The team organised a live link-up between a school in Moscow and a school in Tbilisi. The children talked about bilateral relations and politics, but also about more cultural issues, education and migration. It was a very interesting and lively programme, given the tense relations between the two countries at the time.

The Service has undertaken several special “seasons” of its own, such as one on children, another entitled NET (internet and new media), and Londongrad (about the Russian community in London) which ran for online and radio. The idea of “seasons” is to have an intensive focus on an issue so as to get maximum impact.

There have been a few high profile webcasts with newsmakers such as President Putin (details below), Moldovan President Voronin (live), Tartarstan President Shaimiyev, Russia’s ambassador to the UK Yuri Fokin, and recently an interview with Toomas Ilves, President of Estonia.

Radio, online and video teams work in close cooperation on all big stories and seasons. A video team was recently sent to Dagestan to report on the tense situation there, and the Russian Service is currently working on a tri-media story on police brutality in Bashkortostan.

There are also plans for the Service to undertake a video, online and radio project about Russian-speaking communities in the FSU—Latvia, Georgia, Ukraine, Azerbaijan, and Kazakhstan.
**BBC World**

Recent BBC World programmes on Russia have included the following:

As part of the *Inside Russia* season in July 2006, *Have Your Say* presenter Bridget Kendall put forward questions to President Putin, direct from the Kremlin. He was the first G8 leader to take part in the programme. More than 3,700 questions were received from BBC viewers and listeners—the most ever on the programme for a head of state.

As part of the *Generation Next* season in December 2006, BBC World took a unique glimpse into the future of the biggest country on the planet, 15 years after the break-up of the Soviet Union. It focussed on children born after 1991, the first Russians in history to be born into a “democracy”. The programme looked at where Russia is going through the eyes of its next generation and included a day of live broadcasting from a school in Tver.

*HARDtalk* interviewed Alexander Lebedev at the Russian Economic Forum (April 2007) in London. The interview transmitted on 1 May 2007. Stephen Sackur, presenter of *HARDtalk*, has also interviewed prominent Russians: Sergei Ivanov and Sergei Lavrov, as well as leading figures from the world of business, most recently Anders Dahlvig (President of IKEA).

BBC World has a variety of programming planned for the next Russian parliamentary elections at the end of this year, and the presidential elections in 2008.

**Marketing, Audiences and BBC Impact in Russia**

*Marketing*—The World Service ran a big marketing campaign in St Petersburg in the run up to the G8 in July. At that time the organisation had a good FM rebroadcasting partner in Radio Leningrad. A new marketing campaign is being prepared for the website, bbcrussian.com from May 2007.

The Russian Service has also run a series of presentations in Russian schools and universities in Moscow, St Petersburg and Novosibirsk to promote its Learn English resources.

*Radio audiences*—The BBC’s own annual audience research conducted in November/December 2006, when the World Service was already experiencing some FM problems, showed that the audiences for Russian and English had dropped significantly.

According to BBC World Service’s latest estimate, taking into account the ending of the BBC’s partnership with Mayak Radio, the national audience for Russian is now 670,000 (down 330,000). The estimated weekly reach in Moscow and St Petersburg is 1.5% and 2.25% respectively, down from 4% since the previous year.

For English the fall was greater, down by 62,000 to 58,000.

However, it is hoped that the start of transmissions on Bolshoye Radio in April 2007 will boost the figures in Moscow and the surrounding area.

The World Service recently conducted a series of focus groups in Moscow among news “influencers” (the target audience). This highlighted some barriers. The biggest were: the distribution problems experienced, suspicion of foreign broadcasters, as well as a bigger interest in domestic rather than international stories. However, it also highlighted market gaps and high appreciation for BBC style, objective news offer and internet services.

The BBC’s online audience is growing steadily. The BBC Russian online services (on bbcrussian.com and on partner sites) had 1.1 million unique visitors in March 2007, (up 0.2 million from the same month in 2006), and 8.3 million page impressions (up 1.1 million from the same time a year ago).

*Impact*—The impact of the online service is clearly shown through the audience figures and also through interactivity with the audience. The impact of radio is more difficult to judge. Stories or quotes are often picked up by the Russian media, such as the webcast by the Russian Ambassador to London—comments were widely quoted by the Russian news media and websites; the radio interview with the Estonian president was also quoted widely.

The fact that the Russian Service had the last interview with Alexander Litvinenko was quoted widely in the Russian and British media. Russian Service staff were commissioned to write pieces for *The New Statesman*, *Russian Newsweek* and other publications on the story.

The visit of *Vam Slovo* to Samara was covered by the local media, and there was a large amount of press coverage around the BBC’s outside broadcast from the St Petersburg G8 summit.

There was also a lot of Russian media attention in February 2007 when news of the planned Bolshoye Radio FM station came out.

BBC World television is available in 1.8 million full-time homes and over 13,200 hotel rooms.

Audience data for BBC World from Russia is not readily available. However, BBC World has previously conducted short tracker surveys in Russia. According to the GMI Survey, Russian adults increasingly are: using 24-hour news channels; aware of BBC World’s independence and impartiality; and increasingly

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103 GMI Global Omnibus Summer 2005.
confident of BBC World’s trustworthiness. The same survey finds that over one quarter (26%) of Russians surveyed, spontaneously named BBC World when asked to name an international news channel. This result was higher than in most countries.

In the Global 2005 International Air Travellers Survey (IATS), results show that more than 25% of international flyers resident in Russia watch BBC World each week and trust in BBC World is very high among travellers to Russia.

**PLANS FOR THE FUTURE**

It is hoped that Bolshoye Radio will remain on air, although this is hard to guarantee in the current political climate in Russia. The World Service hope to formally launch the station in September. The amount of audience interactivity following the death of Boris Yeltsin, which was announced on the launch day in April, was an encouraging sign.

The Russian Service plans to relaunch its radio afternoon drivetime strand, as well as strengthen its news bulletin offer.

There are quite a few issues around the BBC’s status in Russia as a broadcaster, which the World Service will continue to try and move forward. At the moment, the World Service has a license to broadcast based on its MW frequencies, and it is currently in the process of registering its Moscow office as a Russian company which will enable it to bid for broadcast licences and ease various registration requirements.

There are lots of distribution challenges and the World Service has recently appointed a new business development manager for Russia, based in Moscow, whose priorities are to manage the Bolshoye Radio partnership, find new FM radio partners, particularly in St Petersburg, get the Russian Service back onto the federal Mayak network, expand online partnerships, and secure a deal with mobile phone operators.

 Going forward the Russian service is constantly assessing ways to develop and improve its impact in the very difficult Russian market. Despite the recent distribution problems, the focus groups carried out in Moscow showed that there is a high appreciation for BBC style and objective news. The Service will continue to seek new platform opportunities wherever they offer the potential for growth and impact.

The online audience in Russia continues to grow, and the World Service has responded to this by developing the Russian Service’s broadband video offer. There is very little potential for Russian Service partnerships with, or carriage on, domestic Russian television.

BBC World aim to continue to increase distribution in a growing television news market place.

*May 2007*

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**Written Evidence submitted by Sergei Cristo**

1. Here are some important points which, in my view, should be taken by the Committee into account whilst considering its recommendations about the future of the BBC World Service in Russia.

**INTRODUCTION**

2. I am a naturalised British citizen born in the Soviet Union. I have closely followed the work of the BBC World Service in Russia for the last 14 years. From 1993 to 2000 I worked at the BBC as a radio producer and a journalist, engaged at various times by the BBC World Service Trust, the BBC Central Asian Service, the BBC Russian Service and BBC Television (Panorama) before leaving journalism to become a specialist in financial marketing and public relations. Nevertheless, since then I have retained many informal personal contacts at the BBC, who kept me well informed of the progress made by the BBC World Service in Russia.

**CONCERNS**

3. There are serious concerns about the BBC World Service’s strategy of broadcasting in Russia through state-owned media networks, which I believe inevitably puts the Corporation’s reputation for impartial news at risk in Russia.

4. It is my view that the BBC Russian Service’s output is generally more balanced and reliable than from the average Russian media outlet. However, it is often weaker than the main BBC News in reporting on Russia.

5. Earlier this year, *The Daily Telegraph* published an article by Andrew Pierce giving a good summary of some recent claims, entitled “Dissidents say BBC caved in to Moscow”. Here is an extract from the article:

6. “Leading dissidents from the former Soviet Union have demanded an investigation into the BBC Russian Service, which they have accused of caving in to pressure to be less critical of President Vladimir Putin’s regime.”
7. They have written to Mark Thompson, the BBC director-general, demanding an examination of what they claim is a string of examples of pro-Putin bias on the taxpayer-funded service, which has a weekly audience of two million. (. . . )

8. The dissidents' letter states: “At a time when Britain needs a strong voice in Russia more than at any point over the past decade, the taxpayer-funded BBC Russian Service radio seems to have considerably mellowed in its tone towards the Russian government”.

9. By design or by neglect, it has become more accommodating of Russian government views, dispensing with difficult questions and denying a platform to some critics.

10. Is the BBC Russian Service trying to soften up its news coverage mindful of the Kremlin’s ever-watchful eye over the airwaves? The UK taxpayer funds the BBC World Service so that Britain can have a strong voice in the world and it should not be compromised.”

(Source: The Daily Telegraph, 1 January 2007)

11. Having following the Russian Service’s news coverage around the time of the ruthless murder of Alexander Litvinenko, I totally agree with the claims.

12. The BBC Russian Service has this year commenced a joint venture with the Big Radio network and The Voice of Russia, a propaganda news radio station, both owned by the Russian government. For some years now, the BBC Russian Service has been signing re-broadcasting contracts with numerous Russian radio stations, all under the ultimate control of the Kremlin. It is not surprising that, according to my sources at the BBC Russian Service, its journalists have to be much more careful now of what they say in their reports. Having entrusted the transmission of its programmes to radio channels owned by the Russian authorities, the BBC faces a constant risk of being taken off the air by them when they consider it appropriate. This is exactly what happened during the Litvinenko crisis—the BBC Russian Service was silenced in Moscow and St Petersburg.

13. Another unfortunate problem faced by the Russian Service in the aftermath of the Cold War is the influx of professional Soviet journalists. During the Cold War the BBC World Service has operated, together with the relevant British government agencies, pre-employment screening in order to prevent KGB agents infiltrating the organisation. However, after the Cold War the BBC Russian Service started to actively recruit professional journalists from Russia, which gradually resulted in a few journalists with dubious past reaching key posts at the World Service. I am absolutely certain that they play a major part in routinely denying a platform to some of the biggest critics of the Kremlin, such as Akhmed Zakaev, the Chechen envoy in London and others.

14. The BBC has also censored critics in order to avoid problems with the Russian authorities. Moscow is known to delay or refuse visas to certain foreign journalists and restrict their access in other ways. In a memorandum to key news editors, Alan Quartly, asked “can we pass onto programmes not to use Akhmed Zakaev (Chechen envoy in London) as a guest . . . The Russians regard him as a terrorist and are seeking his extradition from the UK, where he currently has political asylum . . . The Russian government [sic] keeps an eagle eye on when the BBC talks to him and then tries to use it against us here in Moscow. There is currently a bit of an issue with the foreign ministry about a past interview with him on the BBC Russian Service website. It would be good not to aggravate this” (a copy of this memo is attached).104

Objectives

15. It is in Britain’s interests to strengthen the BBC Russian Service. The bottom line must be that unless its broadcasts are as robust in examining the Russian regime as the main BBC News, they should not be funded by the British taxpayer.

16. Whilst developing relationships with local Russian radio stations was a good idea under the Yeltsin government, when the Russian media enjoyed relative freedom and editorial independence from the authorities, in Putin’s Russia this approach no longer makes any sense. The BBC World Service must not be allowed to trade impartiality for access.

Recommendations

17. One way of strengthening the BBC Russian Service’s independence from the Russian authorities is for the Corporation to invest considerably more in their medium wave transmitters (which are currently too weak) and step up its campaign for its own licence to broadcast on FM frequency in Moscow and St Petersburg—in line with its competitor, the US-funded Radio Liberty.

18. In addition, the Foreign Office, instead of distancing itself from the problem, should have the right of veto over the choice of re-broadcasters in Russia and reject any deals that could potentially put the BBC’s editorial independence under pressure from the Kremlin.

104 Not printed.
19. Finally, the BBC World Service must re-think its policy of hiring career journalists in Russia and make sure that the integrity of its news output is properly protected by stringent editorial standards enforced by experienced BBC journalists who have been educated in this country.

Sergei Cristo
June 2007

Written evidence submitted by the Confederation of British Industry

BACKGROUND

1. The Confederation of British Industry (CBI) is the premier voice of UK business, speaking for around 240,000 companies and 150 trade associations. Our membership stretches across the UK, with businesses from all sectors and of all sizes. Through their worldwide trading activities, UK businesses contribute 25% of UK GDP. They are the world’s second largest source of foreign direct investment (FDI) and the UK is the second largest recipient of global FDI.

2. CBI has a large number of members with interests in Russia, Central Asia, Ukraine and the Transcaucasus. These interests range from multi-million pound investments to longstanding and substantial trading relationships in the energy, natural resources and other key sectors. We believe that there are significant opportunities to consolidate and develop these business relationships, and through this process improve energy and economic security in the region. The views outlined in this submission represent the opinions of the major investors in the region and the experience of companies doing business in these markets. It does not seek to provide detailed trade or investment data that is available from other sources.

ENERGY SECURITY

UK and Russia as energy partners

3. Maintaining the security of UK energy supplies becomes increasingly important as North Sea fields decline and the UK becomes a net importer of oil and gas. Currently less than 2% of UK gas imports originate in Russia but reliance on imports from continental Europe mean that the UK can be affected by reductions in supply. This will have long-term implications for business and domestic consumers.

4. Russian acquisitions in the UK energy industry remain relatively small. But even without these, Russia will soon increase its share of the UK’s gas supplies. Gazprom’s acquisitions of shares in Norsk Hydro and Statoil projects mean that it will supply 20% of the UK gas market by 2015 with deliveries commencing in autumn 2007.

5. UK business seeks to promote open, competitive energy markets that encourage investment, deliver security of supply and competitive pricing. In Russia, UK participation in energy projects has enhanced project performance and corporate governance standards. As the world’s largest energy producer, Russia stands to benefit from the continued growth in energy trade, but requires investment of $300 billion to modernise its power sector and to exploit fossil fuel reserves.

6. The UK remains the largest foreign investor in the Russian energy sector. However, Gazprom’s campaign to gain control of the Shell Sakhalin II LNG project, and current bureaucratic pressures being brought to bear on BP and other international oil majors make it clear that the Russian state will in future retain control of major energy projects.

7. The announcement of a UK-Russia Energy Forum by the Secretary of State during a recent CBI visit to Moscow is therefore welcomed by UK companies active in the Russian natural resources sectors. We will seek involvement for our members in setting priorities for the work of this important bilateral forum. In particular, we would propose to support the Forum’s forward programme on national energy strategies, conditions for mutual investment and energy efficiency.

8. Consistent cabinet-level support for energy focussed and other business initiatives in Russia is vital to the success of future UK-Russian energy co-operation, as well as for broader commercial interests in Russia.

Russian legislation

9. The Russian government has recently approved in principle new legislation limiting foreign investment in 40 named strategic industries including natural resource fields. UK business is seeking clarification of the terms and implementation of this legislation. We hope that this legislation may provide a clear mechanism for foreign involvement in the Russian economy, compared to the non-transparent, ad-hoc decisions made to date. Care will need to be taken, however, that it is not indicative of an increasing trend towards economic nationalism.
10. The Subsoil Law—which would, among other important measures, clarify the terms of any foreign control over reserves defined as strategic—is still bogged down in the Duma. Recent reports suggest that detailed dissection of its provisions may delay the new legislation by up to two years. President Putin has publicly stated that investors need clear rules governing restrictions in strategic sectors. Such a law will bring a welcome stability if it establishes clear provisions.

11. In the meantime, investors continue to be threatened with licence revocations and fines for alleged violations of environmental legislation, cost overruns or failure to comply with existing—in most cases outdated—licence terms. There are concerns that future investment opportunities will be limited to minority equity participation and/or partnerships with Russian energy companies steering future projects. The protection of minority shareholders rights does not have a good track record in Russia.

EU-Russia dynamics

12. Energy is an extremely important element of the EU-Russia relationship in terms of mutual interdependence of supply, demand, investment and know-how. The EU is dependent on Russia for 50% of its gas and 30% of its oil. Conversely, sales of raw materials to the EU provide most of Russia’s foreign currency and contribute over 40% of the Russian federal budget. There is a strong shared interest in a closer energy partnership between the EU and Russia that offers security and predictability for both sides.

13. Despite six years of co-operation within the framework of the EU-Russia Energy Dialogue covering issues such as security of supply, energy efficiency, infrastructure (e.g., pipelines), investment and trade, a positive breakthrough is still lacking. Bilateral deals between Russia and EU Member States continue to prevail over a specific EU approach.

14. For future development and prosperity, it is important that EU and Russian companies should have fair, transparent and reciprocal access to energy resources and markets, as well as to oil and gas transportation infrastructure. The Energy Charter Treaty plays an important role in creating a legal foundation for energy security, based on the principles of open, competitive markets and sustainable development. It also prohibits participating countries from interrupting existing energy transit flows, and aims to strengthen the rule of law on energy issues, by creating a legal framework to be observed by all participating governments. Once a foreign investment is made in line with a country’s national legislation, the treaty protects foreign investors against discriminatory treatment, direct or indirect expropriation or the breach of individual investment contracts.

15. Interruptions to EU energy supplies—last year gas via Ukraine, this year oil via Belarus—are a matter of serious concern. The UK and EU should encourage Russia to finalise the Transit Protocol of the Energy Charter Treaty to help establish long term transit energy arrangements. While it is evident that Russia is unlikely to do so in the short term, it is nonetheless vital to continue to reinforce the message that multilateral rules provide a more balanced, efficient framework for international energy co-operation than is offered by bilateral agreements or by non-legislative instruments.

16. At a bilateral level we believe the EU should strengthen co-operation with producer, transit and consumer countries throughout the region to promote investment in energy development and to co-operate on energy efficiency. The EU should also revitalise its energy dialogue with Central Asia, the Caspian and Black Sea regions in order to help diversify its energy sources and supply routes.

17. EU business organisations are calling for a common framework to anticipate energy disruptions by sharing information between Member States about external energy vulnerability, strategic oil and gas stocks, possible energy shortages and disruptions, as well as critical infrastructure risks.

18. Greater transparency in the terms of co-operation between Russia and the EU, with a clear definition of the role of energy trading companies in third countries is needed. Increased access for alternative producers to the EU’s gas markets and transport networks is required, in particular to ensure unrestricted gas transit from the Caspian region to the EU via both Russia and Turkey.

RUSSIA’S G8 PRESIDENCY

19. The principles agreed at the St Petersburg G8 Summit are important steps in providing for a firm framework for future energy security, not only in Europe and Eurasia but globally too.

20. In line with the G8 principles, UK investors fully support the implementation in Russia of the following:
   — increased investment in all stages of the energy supply chain;
   — open, transparent, efficient and competitive markets for energy production, supply, use, transmission and transit services as a key to global energy security;
   — promotion of transparency and good governance in the energy sector to discourage corruption;
   — transparent, equitable, stable and effective legal and regulatory frameworks, including the obligation to uphold contracts, and generate sustainable international investments upstream and downstream;
— the diversification of energy supply and demand, energy sources and transportation routes;
— and co-operation on energy efficiency and clean technologies to tackle climate change.

21. Free, competitive and open markets are essential to the efficient functioning of the global energy system. Efforts to advance transparency in Russia, to deepen and spread the rule of law, to establish and strengthen predictable, efficient and regulatory regimes, and to encourage sound energy supply and demand policies all play a significant role in maintaining EU and UK energy security.

22. We welcome the commencement of implementation of the Joint Oil Data Initiative (JODI), and the contribution it will make to the creation of a global common standard for reporting oil and energy reserves.

The Energy Relationship between the UK and EU and States in Central Asia and the Transcaucasus

23. Bilateral disputes between Russia and its neighbours over energy transit can quickly have multilateral implications. Russia’s political disagreements with Ukraine, Belarus and Georgia, and indeed with EU members such as Estonia and Lithuania, can have negative impacts on EU energy supply. It is therefore essential to use instruments available under the European Neighbourhood Policy to support projects that diversify EU energy supplies, such as the Nabucco gas pipeline linking Central Europe to Turkey, and other projects connecting the EU with the Caspian and Middle East.

24. Political and economic tensions affecting business strategies for the region arise from:
— Russia’s perceptions of the EU’s continued eastward enlargement;
— the expansion of NATO;
— the treatment of ethnic Russians in the Baltic states;
— the perception that some of the new EU members are trying to make the EU more hostile towards Russia;
— the Orange Revolution in Ukraine and supposed western (particularly Polish and US) interference;
— Russia’s treatment of Georgia; and
— human rights in Chechnya and Russian policies toward former Soviet states located between Russia and the EU.

25. Russian relations with Ukraine remain central to EU energy security. Gas pipelines crossing Ukraine constitute a vital EU supply route but they are also the most important route for Russian gas exports, transmitting over 80% of all gas sold outside the CIS.

26. Recent agreements with Turkmenistan and Kazakhstan have strengthened Russian control of future pipeline developments in Central Asia. Concerns have been expressed that Russia will be able to limit gas exports to the EU in particular from the Caspian region.

27. Despite the lack of investment in new gas fields and a levelling off in gas production, Russia has announced plans to increase gas exports to the EU. In order to meet contractual obligations to supply Western partners, Gazprom is reliant on supplies from Central Asia. Gazprom aims to keep full control of gas exports from this region, aided by soviet era pipeline networks that currently prevent Central Asian producers from selling direct to the EU.

28. Gazprom owns all gas pipelines bringing Russian gas to Europe. There has been little progress on transparent access to pipelines for independent producers, nor on access for private companies in neighbouring countries. This means that Russia is able to compel landlocked Central Asian states to sell gas at one quarter of European prices because they have no other export routes. Even independent Russian gas producers such as Lukoil have little choice over what price they sell at because without pipelines they have no access to external markets. In theory they can sell direct to Europe but in practice they have to sell through Gazprom’s export arm, Gazexport. TNK-BP’s plans to develop the East Siberian Kovykta field have been delayed by Gazprom’s refusal to allow access to its pipelines.

29. Gazprom has no plans to give up its monopoly despite continued pressure from Europe for it to liberalise trade. Liberal reformers in the Russian government have advocated access for foreign producers, but President Putin remains firmly behind Gazprom. This reflects the continuing tension between statist and reformist elements in the Russian government.

30. Gazprom sells gas abroad in three principal ways:
— directly;
— via subsidiaries and joint-ventures with local businesses (eg Germany’s ZMB and Wintershall Erdgas Handelshaus in Switzerland); and
— via trading companies with no formal ownership links to Gazprom (eg RosUkrEnergo).
31. Gazprom has been strengthening its presence in the EU, most recently through the purchase of a stake in the Central European Gas Hub (CEGH), a company owned by Austrian energy group OMV. This could give Gazprom influence over the Nabucco pipeline project, which if built would link Europe with the Caspian region and the Middle East.

EU-Russia: Partnership and Co-operation Agreement

32. CBI remains fully supportive of Russia’s expeditious accession to the WTO. UK business believes that WTO accession will bring major benefits to the Russian economy, as well as ensuring that the process of liberalisation in Russia is strengthened and maintained. CBI also believes that Russian accession will generate significant new commercial opportunities for UK companies operating in the Russian Federation. Furthermore, since the WTO is the only authority regulating global trade, Russia’s entry will substantially enhance the transparency, predictability and security of its trade regime. Upon accession, we urge the Russian government to ensure full and rapid implementation of WTO rules and its specific market access commitments according to the schedule agreed with its trading partners.

33. Building on Russia’s accession to the WTO, CBI also supports a robust and comprehensive new Partnership and Cooperation Agreement (PCA) to be agreed between Russia and the EU. The previous EU-Russia PCA was originally negotiated in 1994 and is now in need of revision to take account of the substantial changes in bilateral relations in the intervening period. CBI therefore fully supports a PCA that leads to a substantial improvement in the economic climate for UK businesses trading and investing in the Russian Federation. Furthermore, we acknowledge the broad range of issues that will likely be tackled within the framework of the PCA, including political and social objectives. We note, however, that priority should be given to economic issues given the importance of Russia as a market. CBI’s position paper on the PCA is attached as an Annex to this document.

34. We are deeply concerned that political dynamics have to date prevented the launch of negotiations on the PCA. The recent EU-Russia summit failed to make significant progress due to diplomatic tensions between Estonia and Russia, as well as an ongoing issue related to Polish meat exports to Russia. We urge the EU Commission, Member States and the Russian Government to work together to resolve these issues as rapidly as possible. A renewed PCA could have very substantial economic benefits for both the EU and Russia, so the launch of negotiations should be prioritised. It is unfortunate that political issues are preventing the development of more prosperous economic relations between the EU and Russia.

UK-Russia Bilateral Relations

35. UK business has major interests in Russia with over 400 UK companies invested in a broad range of sectors. These include retailing, services (particularly financial services), oil and gas supplies and services. While many British investors experience problems operating in Russia, most outside the natural resource sectors express optimism for the future with significant numbers expanding their activities. Even those in strategic sectors clearly state that they cannot afford to be absent from the Russian market.

36. Bilateral trade growth has grown for the sixth successive year—with increases averaging 20% per year. In 2006, exports grew to £1.9 billion, while UK imports from Russia stood at £3.6 billion.

37. UK companies invested $5.5 billion in Russia in the first nine months of 2006, and the UK is currently ranked fourth in terms of accumulated investment. The largest UK investments to date include BP’s $6.75 billion invested in a joint venture with TNK, and Shell’s $5.5 billion investment to build the Sakhalin II LNG plant.

38. There is significant individual portfolio Russian investment in the UK, most famously Roman Abramovich’s investment in Chelsea Football Club and a great deal of Russian private investment in the property, land and education sectors. Much of this comes from 'off-shore' centres such as Cyprus and is therefore difficult to quantify. Russian commercial vehicle manufacturer GAZ’s acquisition of Birmingham based van producer LDV in 2005 was one of the first major Russian manufacturing ventures in the UK.

39. There is significant Russian interest in the London Metals Exchange, London Stock Exchange and Alternative Investment Market, in particular by Russian metals and oil companies but increasingly others too. The sums involved are huge: over $4 billion in Initial Public Offerings in 2005, rising to $20 billion in 2006 (provisional). Over 40 are expected in 2007, with a total value of $30 billion.

40. Given the increasing role of government in Russia’s economic strategy, the decision to reinvigorate the UK-Russia Intergovernmental Steering Committee on Trade and Investment is welcomed by British business. For it to be a viable forum it will need consistent and senior support from government on both sides and the ability to involve decision-makers from industry in Russia and the UK. The creation of the UK-Russia Energy Forum (referred to above) is also a welcome initiative, and could help to protect British interests in the Russian energy sector.

41. Recent political tensions between the UK and Russia have caused frustration in the business relationship and have adversely impacted on the level of Russian participation in some bi-lateral business fora. We hope that such tensions will be addressed effectively and that two-way economic and business links can continue to grow.
PERFORMANCE OF FCO IN RUSSIA

42. The CBI recognises the considerable support given by the British Embassy in Moscow to Ministerial and CBI delegations to Russia. We also welcome regular dialogue on priorities and forward planning, which enables the delivery of best outcomes in terms of senior business involvement in a range of policy initiatives.

43. It is important to note that the political dynamics in Russia and its relationship with Central Asia and the Transcaucasus have a key impact on the way that business is conducted in the region, particularly in the energy and strategic sectors. We believe due consideration should be given to the following points:

— the significant commercial impact of the political and economic briefings given by FCO officials. This is recognised and appreciated by business. In addition, diplomatic assistance provided by the FCO has been central to investment decisions in the region; and

— official government contact is extremely important in all these countries. It is vital to maintain and strengthen networks of contacts to assist in growing existing commercial interests, to facilitate the search for solutions to business and investment related problems, and to best take advantage of emerging opportunities.

44. Business feels that there are strong arguments for an enhanced level of resources in Russia and Central Asia. It believes that:

— in spite of the recognition given to the overall limitations on FCO resources, increased FCO representation in the region is made necessary by the growing complexity of energy supply and transit politics in the region;

— the CBI would urge that this situation is kept under review; and

— high levels of experience and expertise in FCO staff are particularly important. These markets often operate in a complex manner and exhibit less than transparent characteristics. Business recognises the role that Ambassadors play in trade and investment matters. This is valued. There is, however, a need for more sector specialisation in commercial staff, particularly in the energy sector.

BRITISH COUNCIL AND BBC WORLD SERVICE

45. Business values the work of the British Council and BBC World Service in promoting educational opportunities and cultural relations with Russia. UK business in Russia benefits from the promotion of English language, UK education and training, working with government institutions and organisations, and showcasing the innovation, creativity and excellence of UK science and design.

CLIMATE SECURITY AND CLIMATE CHANGE

46. In addition to trade, investment and transit issues, the EU-Russia Energy Dialogue will focus on energy efficiency and energy saving. There is a substantial common interest in enhancing energy efficiency in Russia, which, according to International Energy Agency data, is still 2.5 times lower than in the OECD countries.

47. Examples of EU-Russia co-operation on a practical level include the joint Energy Dialogue Technology Centre in Moscow, which is a focal point for practical co-operation in the energy sector. It covers areas such as harmonisation of energy policies and the promotion of energy efficiency regional pilot projects.

48. At a global level, the commitment of the EU and Russia is vital to combat climate change, to promote the sustainable use of forest resources, to halt the decline of bio-diversity, and reduce waste in the energy sector. Russia’s decision in 2005 to ratify the Kyoto Protocol was pivotal in bringing the agreement into force. We look forward to continued close co-operation in this area.

49. The EU-Russia Environmental Dialogue launched in Helsinki in October 2006 is currently developing joint projects on climate change, industrial pollution, forestry and water and marine issues. There is also joint working on the reduction of trans-boundary air pollution, reduction of industrial accidents and to clean up the Baltic, Barents and Black Seas. Progress is evident in other areas including the joint funding of projects in the context of the Northern Dimension Environmental Partnership, bilateral collaboration on Kyoto implementation and the work of the EU-funded Russian Regional Environment Centre.

50. On a UK-Russia level, these issues will be high on the agenda by the recently announced UK-Russia Energy Forum, in which the CBI wishes to take an active role. We also support work under the FCO Global Opportunities Fund Climate Change and Energy Programme in promoting energy security and efficiency, and renewable energy use. The most important element for Russia is an improved investment regime in the Russian energy sector, along with a continued process of structural and economic reform.

May 2007
Email to the Second Clerk of the Committee from Colin Wells, Deputy Head of Mission, Baku

Dear Gosia

The Ambassador has now left Azerbaijan to prepare for his posting to Moscow. I’m in charge until the new Ambassador arrives.

It has become clear from our enquiries that the President had been consulted ahead of the announcement by President Putin, by telephone. Foreign Minister Lavrow also discussed the proposal with his Azerbaijani counterpart during a visit to Baku in early May.

What is less clear is whether the President was aware of the timing of the announcement. On that I cannot provide clear advice at this stage.

Colin Wells
20 June 2007

Letter received from Konstantin Gabashvili, Chairman, Committee on Foreign Relations
Parliament of Georgia

The Foreign Relations Committee of the Parliaments of Georgia presents its compliments to the partner Parliaments and respective Committees and has the honour and desire to bring to your attention the alarming fact: on 6 August 2007, at 19.30 local time, two Russian SU-24 aircraft violating Georgian airspace, entered more than 75 kilometres into the sovereign Georgian territory (close to the conflict area—South Ossetia, Georgia) and fired air-to-surface missiles near the village of Tskitlisubani. By our strong conviction this attack constitutes the continuation of aggression launched on 11 March this year by bombing of Kodoy Valley (Upper Abkhazia, Georgia).

These attacks against Georgia’s sovereign territory represent an attempt to disrupt ongoing political and economic reforms in Georgia and hinder its further democratic development. Such aggression impedes Georgia’s integration into European and Euro-Atlantic structures as well as poses threat to the Georgian and generally European security.

We believe that international community will react on that fact and put all efforts to stop such hard line policy of Russian authorities undermining normal relationship between two neighbouring states. We also believe that our colleagues, heads of Foreign Affairs Committees will raise this issue before their respective Parliaments.

The Georgian authorities as well as OSCE experts started investigation of the incident. Internal report of OSCE acknowledged radar information that the aircrafts entered to the Georgian airspace from the north-east (Russia’s territory). International experts are also involved in the investigation. We invited the Russian experts to take part in the process in order to reach fair and clear picture.

I attach the documents and information related to this incident.105

The Foreign Relations Committee of the Parliament of Georgia avails itself of this opportunity to renew to the partner Parliaments and respective Committees the assurances of its highest consideration.

14 August 2007

Further memorandum submitted by Sergei Cristo

Previously submitted evidence regarding the future of the BBC World Service in Russia.106 Following yesterday’s news that the BBC was taken off air by the Russian authorities (a relevant article from today’s Daily Telegraph is pasted below for your information), I would like to respectfully request the members of the Committee to note again the relevant points I have made in the written evidence that was submitted in June this year.107 In that document, I have informed the Committee that the BBC is placing the Russian Service in a vulnerable position by broadcasting through Russian radio stations. I have highlighted the relevant passages in the document, which is attached, namely:

“Having entrusted the transmission of its programmes to radio channels owned by the Russian authorities, the BBC faces a constant risk of being taken off the air by them when they consider it appropriate. . . .

“Whilst developing relationships with local Russian radio stations was a good idea under the Yeltsin government, when the Russian media enjoyed relative freedom and editorial independence from the authorities, in Putin’s Russia this approach no longer makes any sense. . . .

105 Not printed.
106 Ev 162
107 Ev 162
“One way of strengthening the BBC Russian Service’s independence from the Russian authorities is for the Corporation to invest considerably more in their medium wave transmitters (which are currently too weak) and step up its campaign for its own licence to broadcast on FM frequency in Moscow and St Petersburg—in line with its competitor, the US-funded Radio Liberty.

“18. In addition, the Foreign Office, instead of distancing itself from the problem, should have the right of veto over the choice of re-broadcasters in Russia and reject any deals that could potentially put the BBC’s editorial independence under pressure from the Kremlin.”

I hope that in the light of yesterday’s events, which point to the above analysis being correct, the Committee would critically examine the BBC World Service’s rebroadcasting policy in Russia and, perhaps, recommend extra resources available for obtaining a licence for the Russian Service’s own FM frequency in Moscow and St Petersburg. Please do let me know if I can be of further help.

18 August 2007

Memorandum submitted by Dr Derek Averre, Senior Research Fellow, University of Birmingham

Responsible Russian analysts understand that Britain had to take some kind of action to underline the seriousness of the Litvinenko affair, given that Moscow has refused requests to extradite Lugovoi to stand trial in the UK. However, they were surprised and bewildered by what are seen as hasty actions by the new Labour administration in using what Sir Rodric Braithwaite, a former ambassador to Moscow, called “one of the bluntest instruments of diplomacy” by ordering the expulsion of four Russian diplomats. In their opinion (shared by the present writer) it would have been better for Gordon Brown to consult experts in the Foreign and Commonwealth Office and instigate a post-Blair review of relations with Russia, which have steadily deteriorated in the recent period (UK diplomats and organisations in Russia have been subject to pressure recently by “youth groups” such as Nashi, which have reportedly only received a “mild rebuke” from Russian officials), and attempt to open a constructive dialogue with the Putin administration. The Brown team may have judged it better to take action and then, after the initial fuss died down, to initiate a more sober dialogue; Miliband was in fact careful to accentuate common interests between the UK and Russia across a range of issues. With relations currently much worse at the moment than in 1996, the last time Russian diplomats were ordered out of the UK, the expulsion is easily interpreted by Russia’s political class as implying that their country is beyond the pale of respectable international society. This impression is reinforced by what Russian analysts (again, with some justification in the view of the present writer) perceive as irresponsible and often poorly informed criticism in large sections of the British media about both Russia’s domestic politics and its behaviour on the international stage. Indeed, the media in both countries are tending to link diverse issues—energy disputes, arms control agreements, Moscow’s concerns over US plans for missile defences in Europe, Russia’s increased budget allocations on defence and relations with neighbouring countries—as evidence of a long-term downturn in Russian-Western relations and even a new “cold war”.

The decision to expel the Russian diplomats was, arguably, flawed in two other important respects. First, there is no clear consensus among Europe’s leaders over how to deal with a more assertive Russia and it is not certain that Brown’s action has received unequivocal support; the UK is seen by the Putin administration (this was clearly stated in the Foreign Policy Review published in March this year) as one of its most difficult partners in Europe. Second, there is some speculation in Moscow that the expulsion was motivated by the difficulties being experienced by British energy companies in Russia; this is not the case, and major disruption to trade relations is unlikely to happen, but both sides have a lot at stake and it is in nobody’s interest to give the impression of politicising trade relations.

In fact the indications are that Moscow’s expected reciprocal response was restrained insofar as key British diplomats were not among those expelled. This is very much in line with the Putin administration’s pragmatism in its foreign policy dealings; despite occasionally unfortunate rhetoric, Moscow has hitherto sought to play a responsible international role and strengthen its international standing after the Yeltsin years, and has no interest in spoiling relations over the Litvinenko affair. Responsible Russian commentators agree that the governing elite does need to think hard about controlling the activities of the FSB and some of the rather dubious elements linked with it (assuming from the available evidence that Litvinenko’s death was a settling of scores among people linked with the security services), but this is something that the UK has little or no influence over.

The legal aspects of bringing Lugovoi to trial are complex and are not debated here. However, the mainstream Russian view is that the authorities are justified in refusing to compromise the Russian Constitution by allowing his extradition; and of course the charge that the Russian courts have come under political pressure are being met with accusations of “double standards” and the suspicion of political interference (naturally strongly repudiated by the UK) due to the refusal of British courts to comply with Russian demands to extradite Boris Berezovsky. Berezovsky’s extravagant criticism of the current Russian regime, the apparent plot to assassinate him and his subsequent accusations that President Putin was behind it, have complicated this situation even further and may well have a lasting influence on political relations (the suspension of security cooperation between the UK and Russia is already unfortunate). The alternative put forward put forward by Moscow, to stage a trial in Russia, would at least mean that the Lugovoi case
would be subject to the judicial process and that some of the evidence would be presented in the public domain; however, the UK’s reluctance to do so, probable rightly, anticipates myriad difficulties, including the opportunity for certain elements some to make political capital. (As this commentary was being written, Lugovoi is reported as saying that he will run for the Liberal Democratic Party of the Russian nationalist Vladimir Zhirinovsky in December’s parliamentary elections; if elected he may, sources speculate, receive immunity from prosecution in Russian courts.) It may be that the evidence in neither the Litvinenko nor the Berezovsky case—both extremely serious—will ever come to light. The British government thus faces the challenge over the coming period of maintaining pressure on Moscow to cooperate over Litvinenko while isolating the case from and resuming exchanges on other issues of long-term common interest, both bilaterally and in the context of the EU-Russia dialogue.

Dr Derek Averre
16 September 2007

Further memorandum submitted by David Clark, Chairman of the Russia Foundation

UK-RUSSIA RELATIONS AND THE LITVINENKO AFFAIR

I have been invited to submit additional written evidence to the Committee following the diplomatic measures taken against the Russian Federation by the UK Government on 16 July 2007 and the retaliatory measures announced by the Russian Federation three days later. As the Foreign Secretary, David Miliband, said in his statement to the House of Commons, the UK Government’s actions were prompted by the decision of the Russian authorities to reject a formal request from the Crown Prosecution Service to extradite one of its citizens, Andrei Lugovoi, to stand trial in the UK for the murder of Alexander Litvinenko, a naturalised British citizen and former Russian intelligence officer, in November 2006.

Below I set out the main conclusions that I believe need to be drawn from this episode along with some thoughts about the implications for future policy towards Russia.

THE UK’S DIPLOMATIC MEASURES

On 16 July the Foreign Secretary informed the House of Commons that the Government had received a formal response from the Russian Deputy Prosecutor General refusing a UK request to extradite Andrei Lugovoi. In response he announced that the UK would be expelling four accredited Russian diplomats, suspending bilateral visa facilitation negotiations, amending certain existing visa arrangements and reviewing cooperation with Russia in a series of other, unspecified areas.

The Russian response was received on 19 July when the Russian Foreign Ministry released a statement announcing that the British Ambassador to Moscow had been informed that four of his diplomatic staff were being expelled and that bilateral visa restrictions were being introduced in a “mirror-like fashion”. It also said: “the measures announced on July 16 by the British side make continued Russian-British cooperation impossible in the fight against terrorism at this stage.”

In assessing this exchange I would like to make the following points:

— Given the gravity of the crime committed on British soil and the refusal of the Russian authorities to cooperate in bringing the main suspect to trial, the measures taken by the UK Government were reasonable and proportionate. This was not, as has been suggested by some, an ordinary murder of the kind that routinely happens on British streets. It was one that involved the use of an extremely dangerous radioactive substance, causing widespread contamination, fear and disruption in the process. The Health Protection Agency had to spend £2 million screening 47 locations and more than 1,000 individuals.

— Although the diplomatic measures were officially a response to the Russian Federation’s refusal to act on an extradition request, there is no doubt that part of the reason for the tough line taken by the UK Government was a strong suspicion of Russian state involvement in Mr Litvinenko’s murder. The nature of the radioactive isotope used makes it extremely unlikely that it was organised and carried out on a purely private basis. The only question in Whitehall appears to be whether the operation was politically sanctioned or organised by rogue elements within the Russian state security apparatus.

— Either way, it was necessary to put down a marker that this sort of incident would meet with a stiff response. For good or ill, the UK will remain one of the most important destinations for Russians wishing to live and work abroad, including those who have fallen out of favour in the Kremlin. A failure to act would have risked inviting more problems in the future. Those inclined to use violent methods to advance their interests within Russia must be deterred from exporting them to the UK and elsewhere.

108 The views expressed in submission do not necessarily reflect those of the Russia Foundation or individual members of its Advisory Council.
— Apart from the expulsion of four Russian diplomats and the measures relating to visas, the Foreign Secretary also promised to “review the extent of our co-operation with Russia on a range of issues”. It is not clear whether this review has been completed or what the outcome is likely to be, but there is a strong case for withdrawing the legal privileges Russia currently enjoys as a designated Category 2 status country under the terms of the 2003 Extradition Act. This means that the Russian authorities are no longer required to provide prima facie evidence when submitting an extradition request because their legal system is deemed to meet a certain standard of integrity. When asked whether Mr Lugovoi could be tried in Russia, the Foreign Secretary replied that this was out of the question because “both the UN and the EU have reported that the law in Russia is applied selectively”. Clearly, in that case, Russia’s Category 2 status has become anomalous.

— The reaction from Moscow indicates that the diplomatic measures taken by the UK were well judged and targeted. Although the Russian authorities were clearly stung, the largely symmetrical nature of their response suggests a desire to avoid escalating the crisis through direct confrontation. President Putin’s statement downplaying the “mini-crisis” and urging a return to normal relations was particularly noteworthy. The view of UK officials is that he came under pressure to take a more hardline approach, but chose instead to follow the advice of more moderate elements within his circle. If so, it has influenced the internal dynamic of Kremlin decision-making in a positive way.

— The impact of Russia’s announcement that bilateral cooperation on counter-terrorism is currently “impossible” is not yet clear. The Russian Foreign Ministry claims that this is the result of a UK decision to “suspend cooperation with the FSB”, although no such measure has been publicly announced. Even so, this ought not to prevent cooperation on counter-terrorism matters since the main point of contact would normally be the foreign intelligence service, the SVR. This would appear to be a symbolically provocative move on Russia’s part, but not necessarily one with significant operational consequences. Russia does not have extensive intelligence assets in the countries of greatest concern to the UK, although it can be a useful source of information about the illicit arms trade. As a precaution, the Government should make it clear to the Russian authorities that they will be held responsible if they are found to have withheld information that would be operationally useful in the fight against terrorism.

— Although the official fallout from the Litvinenko affair appears to have been contained, UK-Russia relations are likely to remain tense on a number of levels for the foreseeable future. An already discernible pattern of unofficial and deniable acts of hostility towards UK interests has continued and perhaps escalated. The organised intimidation of British Embassy staff by ostensibly private political groups and the bureaucratic harassment of the British Council by the Russian authorities are now familiar tactics. In August, the BBC World Service became the latest target after its local partner, Bolshoye Radio, was ordered by the Russian authorities to stop broadcasting World Service content or lose its licence.

WIDER ISSUES

Although the Litvinenko affair is a bilateral dispute between the UK and Russia, it has wider diplomatic implications that need to be considered. It is also clear from the UK Government’s efforts to secure the public support of key allies that the UK cannot achieve its objectives by exclusively bilateral means. In that respect, the following observations can be made:

— The very public efforts of the Russia government to divide the EU and deter it from adopting a common position in support of the UK ultimately failed. Despite a warning from Russia’s Deputy Foreign Minister that the EU “should not give in to attempts to turn relations between Russia and the EU into a tool to achieve unilateral political goals”, the Portuguese Presidency issued a statement on behalf of the EU on 18 July expressing “disappointment” at Russia’s stance and urging cooperation with the UK. However, the statement took two days to emerge and there were reports that a minority of Member States were reluctant to become involved. EU solidarity ought to be more forthcoming to a Member State in the UK’s position.

— It was encouraging that the new French government offered very full and forceful support within 24 hours. This was particularly impressive given France’s close political relationship with Russia and her extensive economic and energy related interests there. Ministers should build on this by working closely with their French counterparts in developing policy towards Russia. However, it was disappointing to note the more equivocal stance taken by the German government. The nature of the Grand Coalition poses a problem in this regard. Although Chancellor Merkel takes a firmer line than her predecessor, the SPD controlled Foreign Ministry consistently pursues a more emollient approach towards the current Russian government. The UK Government needs to work more intensively with EU partners to develop a common analysis of the problems caused by recent Russian behaviour and the measures needed to influence it in a positive direction.
— The UK and the rest of the EU need to see the Litvinenko affair as part of a trend in Russia’s external posture that can only be addressed collectively. The UK is certainly not the only country to have experienced recent problems in relation to Russia. Within the EU, Estonia has been the target of cyber-attacks launched from Russian territory as part of a dispute over a Russian war memorial, Lithuania is subject to an ongoing oil embargo following its refusal to sell its Majeika Nafta oil refinery to a Russian company and Poland has seen various agricultural exports banned following a deterioration in bilateral relations. Beyond the EU, there have been politically motivated energy supply interruptions against Georgia, Belarus and Ukraine. Georgia, long subject to Russian military interference in its internal affairs, claims that a Russian military jet violated its airspace and dropped a missile on its territory on 6 August. In an echo of the Litvinenko affair, President Yushchenko of Ukraine complained in early September that Russia was providing sanctuary to people wanted for trying to murder him by poisoning three years ago.

— In each of these cases the country in question has received negligible international support and has been left to deal with Russian behaviour on an almost entirely bilateral basis. Unfortunately, the UK has been among those countries reluctant to get involved. An appeal from the Georgian Government for the UK to provide technical assistance in verifying its claims concerning the Russian air incursion was ignored. It is perhaps time to ask whether the west’s failure to adopt a stronger and more united approach is one of the reasons why the Russian Government has felt increasingly able to employ coercive and illegitimate means in advancing its external goals.

CONCLUSIONS

The Litvinenko affair should not be seen as a temporary bilateral problem. It is the symptom of a long-term process of political estrangement that has its origins in Russia’s evolution away from democracy and towards a more authoritarian and nationalist style of politics. Among the consequences of this is a determination on the part of Russia’s ruling elite to suppress political opposition, reconstruct a sphere of influence in the post-Soviet space and pursue diplomatic relations with the west according to zero-sum principles. A newfound confidence as an “energy superpower”, combined with a deeply felt sense of grievance about the past, means that Russian leaders are willing to act outside the rules and norms of the international community whenever they feel able. As a country with global interests, a democratic orientation and a large and growing Russian expatriate community, the UK cannot avoid feeling the impact of this trend.

A narrow bilateralism, in which each Russian transgression is treated as a separate issue, will not arrest this process. It needs to be replaced by a comprehensive and multilateral approach that draws on the UK’s considerable diplomatic assets as a member of key international bodies. The aim should be to shape Russian perceptions of how best to advance its interests, blocking and punishing the coercive and illegitimate use of power while opening peaceful and legitimate avenues of progress. For example, the EU should be willing to begin negotiations on a bilateral free trade area once Russia accedes to the WTO, but this should be made conditional on Russia’s willingness to accept fair market rules in the energy sector.

An essential part of this must be a greater willingness to insist on Russia’s compliance with the international laws and instruments by which it is already bound. Russia’s violations of its obligations as a member of the Council of Europe are serious and systematic. So is it refusal to comply with the Energy Charter Treaty. But until now there has been no cost to Russia. It needs to be made clearer to Russia that it cannot continue to enjoy privileged status as an international partner unless it is also willing to respect the obligations involved. Effective judicial cooperation is only one aspect of this, albeit an important one.

Letter to the Chairman of the Committee from the Minister for Europe

I appeared before the Committee on 12 September to discuss Developments in the EU. The Committee also took the opportunity to ask me about bilateral developments with Russia.

In answer to a question from Fabian Hamilton on developments since the Litvinenko expulsions in July, I said “The Foreign Secretary announced on 16 July, I think, measures on co-operation with the Russian intelligence services, judicial co-operation and some visa issues.”

The Foreign Secretary did not refer to measures on co-operation with the Russian intelligence services in his announcement of 16 July. He in fact said:

“First, we will expel four diplomats from the Russian Embassy in the UK. Second, we shall review the extent of our co-operation with Russia on a range of issues and as an initial step we have suspended visa facilitation negotiations with Russia and made other changes to visa practice. Third, international agreements mean Mr Lugovoy could be extradited to the UK if he travelled abroad. Fourth, we are grateful for the strong support we have received from EU partners and
close allies, including through the EU Presidency Statement on 1 June. We will discuss with partners the need for future EU-Russia engagements to take our concerns on this case into account.

I do hope that you find this information helpful. The government’s position is that we will not comment on allegations of measures relating to intelligence co-operation with the Russians.

Jim Murphy MP
Minister for Europe
31 October 2007

Email to the Chairman of the Committee from the British Council

As I know you have an interest in the work of the British Council, and in UK–Russia relations, I am writing personally to brief you on forthcoming changes to our operations in Russia.

The British Council regularly reviews its operations in order to ensure that it is achieving the maximum impact and efficiency with its use of tax payers’ funds. As part of this, our current corporate strategy places a greater emphasis on investing resources in programmes rather than in fixed costs such as premises, on maximising the use of new technologies to reach our target audiences around the world, reflecting their changing needs, and on building new relationships with local partners for the delivery of activity.

The British Council’s specific objectives in Russia are:
— to build a platform of trust between influential Russians and their UK counterparts; and
— to position the UK as an innovative, flexible and effective European partner for Russia.

Within this context, we are reviewing how we can best operate in Russia, to allow us to continue working across the country, delivering impact for the UK more efficiently. As a first stage, we have decided to transfer our network of nine small regional centres, based in major cities across Russia, to local partners, and will complete this process by the end of December 2007. We will retain offices in Moscow, St Petersburg and Ekaterinburg.

We have concluded that, in Russia, our regional centres are now sufficiently established that they no longer need to be run by the British Council itself. We will therefore transfer them to local partners and will continue to support their operation through partnership agreements, which will include the regular updating of their printed and online resources and the professional development of their staff. We believe that, under such arrangements, the centres will be able to serve even wider groups of teachers and students in the cities and oblasts where they are located.

We are also successfully introducing similar changes to the work of the British Council across Europe, where the benefits are already being seen in terms of impact and efficiency.

The British Council remains committed to its range of programmes across Russia in the fields of education, science and culture, and our funding for these will remain substantial.

If you would like further information about these changes, please do not hesitate to contact me or my colleague Kate Board, Geographical Director, on 020 7389 4196.

Martin Davidson
Chief Executive
11 October 2007