

**Issues Paper on relations with Russia**  
**Foreign Affairs Council of 19 January 2015**

Since early 2014 EU-Russia relations have largely been determined by the Ukraine crisis, with negative spill-over in many areas of cooperation. The unity and resolve the EU has demonstrated in the past months in the face of the crisis, including on sanctions, has been a key asset, and the European Council on 18 December 2014 confirmed the EU's resolve "to stay the course" and that it is "ready to take further steps if necessary". In this context the question arises on whether to complement that policy with a more proactive approach in order to induce a policy change from Russia.

With a view to preparing a strategic discussion on Russia and EU-Russia relations at the March European Council, the FAC is invited to provide further considerations regarding the implications of the Ukraine crisis for EU-Russia relations. The objective of this paper is to provide food-for-thought on how the EU might wish to engage with Russia in the short- to medium-term. Such a process would need to be selective and gradual, and commensurate with the degree to which Russia responds positively.

The goal underpinning any decision regarding the bilateral relationship with Russia is to increase the EU's leverage to promote EU interests, starting with achieving peace in our neighbourhood. Further such steps would not mean a return to 'business as usual' and would be closely linked to full implementation of the Minsk agreements, as part of a sustainable political solution in Ukraine, good faith implementation of the trilateral understanding on EU-UA DCFTA and trilateral agreement on gas deliveries and payment.

In parallel, further consideration should be given to initiatives aimed at strengthening the EU's resilience, and that of our neighbours, to future Russian pressure, intimidation and manipulation, including energy security, cyber security, security of civilian aviation, a response to Russia's financing of radical parties in Europe and the countering of Russian propaganda.

EU's policy response towards the crisis in Ukraine

*The EU has made a significant contribution in support of stabilisation and reforms in Ukraine. How can the EU's political role in the search for a lasting solution to the Ukraine crisis be enhanced, including through support to various political fora?*

The EU has made major contributions to the search for a peaceful solution to the crisis, including: strong technical and financial support to the OSCE mediating and monitoring efforts; the CSDP EU Advisory mission on civilian security sector reform; The Support Group for Ukraine, significant support to the macro financial stabilisation and reform process in Ukraine; diplomatic efforts in various negotiating formats and two interim agreements in the trilateral framework on an energy winter package and on the delayed implementation of the DCFTA part of the Association Agreement with Ukraine. The EU will continue to actively engage within the trilateral context for a new deal on energy beyond the winter package as well as on trade by using existing flexibilities in the DCFTA provisions and implementation timelines.



*Would MS consider a differentiation between the Crimea-related sanctions and sanctions related to destabilisation of Eastern Ukraine?*

The sanctions policy is a clear expression of the EU's firm and consistent response to the violation of the rules-based international order, but also to the breach of the European security architecture that can only be changed by mutual consent<sup>1</sup>.

A differentiation in the sanctions regime could be envisaged between: (i) the situation in Crimea where no change is expected in the short term and for which sanctions should remain in force as long as the annexation persists and (ii) the situation related to the destabilisation in Eastern Ukraine where sanctions would be linked to Russia's compliance with the Minsk agreements. In the absence of measurable and significant progress from Russia on such compliance, sanctions would remain in force for an extended period of time. Conversely, the EU should be ready to scale down these sanctions as soon as Russia implements the Minsk agreements.

#### Possible elements for selective and gradual re-engagement

There are significant interests on both sides, which may be conflicting but could serve as a basis for trade-offs and could imply a give-and-take approach within or between sectors.

***Russia's interests with regard to cooperation with the EU, in addition to the lifting of sanctions, mostly lie in:*** resumption of formal EU-Russia dialogues; limiting a perceived negative effect of EU-UA association on Russia; recognition of the Eurasian Economic Union; enhanced technology transfer and investments; exemption of Gazprom from provisions of the third energy package; achieving visa freedom for short term travel; increased transport cooperation while maintaining Siberian overflight fees and imposing PNR requirements.

***The EU's interests lie mostly in:*** ensuring Russia's implementation of the Minsk agreements and its respect for international law and OSCE-based European security order; ending destabilising military and security activities at the EU Member States' borders; ending Russia's pressure on Eastern Partnership countries undermining their sovereign choice and securing a more constructive role with regards to protracted conflicts; improving fundamental freedoms and human rights and civil society space; intensifying foreign policy cooperation in tackling major regional and international crises; Russian compliance with WTO commitments and end to all unjustified trade restrictive measures; Russia's constructive approach to the membership aspirations of candidates to the WTO; Russia complying with EU energy legislation and providing non-discriminatory access to its own energy market; improving transport cooperation, including the phasing out of Siberian overflight fees; strengthening people-to-people contacts in the fields of individual mobility, education and research.

On this basis, selective and gradual cooperation could focus on three core areas: foreign policy, trade and sectorial cooperation.

#### a. Political dialogue and foreign policy cooperation:

In addition to political contacts at the highest level as part of EU efforts in support of a solution to the Ukraine crisis, certain communication lines have been kept open throughout

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<sup>1</sup> This issue is to be tackled notably under German and Austrian CiO's within the context of the OSCE Helsinki+40 process of which Russia is a part.



the crisis. Some political dialogues at the working level have continued to take place with more limited agendas.

*Should the EU consider resuming political dialogues, with a view to ensuring a more cooperative attitude by Russia in tackling major regional challenges and to promoting the EU's interests including human rights?*

This would apply particularly to:

- Syria / Iraq / Daesh: Whilst there are evident differences in opinion between Russia and the EU on the Syrian crisis, Russia has recently made efforts to contribute to a political solution to the war in Syria. The question arises whether further ways in which to work together effectively to reach such a solution should be explored in line with the December FAC Conclusions. More coordination on steps to confront Daesh in Syria and Iraq could also be explored. In this respect, the existing counterterrorism dialogue with Russia is a valuable vehicle for taking forward efforts to tackle common challenges such as extremism, including foreign fighters.

- Libya: with the crisis in Libya intensifying, additional efforts are required to mobilise an effective response by all key players in the international community. To that end, the EU could consider exploring the possibility of working more closely with Russia. Such an approach could include involving Russia in discussions on the role of UNSMIL and the future direction of the process.

- MEPP: Russia has an important contribution to make, including through its role in the Quartet and UN Security Council. Need to work with Russia in order to encourage a de-escalation of present tensions, steps towards a revival of peace negotiations and effective engagement with key partners, including Arab states.

- Iran: need to further maintain Russia's active participation in the nuclear talks with Iran, where Russia's contribution has been critical to finding a long term solution to the Iranian nuclear issue.

- Ebola: Continued efforts are necessary from the whole international community to stem the scourge of Ebola. Russia should be encouraged to continue to participate in the international efforts (substantial funding engaged last year – 20M\$, working in research on vaccines and announced readiness to using air means for medical evacuation). An invitation to the High Level Conference in March could be considered.

- DPRK: need to keep Russia committed to the consensus of the Six-Party Talks on the DPRK (in light of Putin's recent invitation to Kim Jong-un).

#### **b. Trade:**

The EU will need to continue to accord a high priority to the good faith implementation by all sides of the trilateral understanding on EU-Ukraine DCFTA.

In addition, recently, some level of engagement with the Eurasian Economic Union (EEU) has been suggested. Eurasian integration is a major foreign policy initiative and priority of Russia, but also has a direct impact on the scope of the EU's economic relations with Russia's integration partners, such as Kazakhstan, Belarus and Armenia. Geopolitical and other considerations also need to be taken into account, including the non-negotiable principle of free choice for all partners in the common neighbourhood.



*While recalling the EU's and Russia's shared objective of creating a common economic space "from Lisbon to Vladivostok" the question arises how best to promote such a vision, whether through the establishment of ties between the EU and the EEU or a set of other bilateral and/or multilateral arrangements? In this respect, a number of determining factors should play a role such as Eastern Partnership countries' approach to this question and trade issues currently challenging EU-Russia bilateral trade relations including the satisfactory conclusion of the WTO panels and lifting of the February 2014 pork import ban and other such discriminatory measures.*

Possible step for consideration:

- *Launch of an internal study analysing options and limitations for different EU trade relations with Russia and the wider region, taking into account their political and economic implications, including an assessment of the implications of a possible establishment of relations with the EEU?*

c. Sectoral dialogues/cooperation:

On sectoral policies, a number of dialogues came to a standstill already before the Ukraine crisis due to limited or lack of progress. The EU has interests in various sectors such as energy security and compliance with the EU legal framework, transport safety, Siberian overflight fees or PNR legislation, protection of biodiversity and the environment, space policy, including Galileo.

*Bearing in mind the 'non-business as usual' approach, and depending on Russia's degree of cooperation, should the EU resume sectoral dialogues or cooperation in areas of interest such as:*

- *In the **energy** area a Meeting of the Gas Advisory Council and of an Energy Permanent Partnership Council may be considered.*
- *Movement on finalising negotiations on an upgraded **Visa Facilitation Agreement** could be coupled with demands for Russia to move on the Passenger Name Records (**PNR**) requirements introduced by 1.12.14, which remain unacceptable from a data protection angle.*
- ***Climate change** in the run-up to the Paris conference.*
- *In the **environment** field meetings at officials' level should/could resume in areas of common interest such as water, waste, forest management, bio-diversity.*
- *A partial resumption of cooperation under the **Partnership for Modernisation** could be envisaged to promote notably regulatory convergence and rule of law cooperation.*
- *Gradual resumption of suspended **part of Erasmus+ and Horizon 2020** (related to institutional cooperation with Russian university and research establishments).*

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Moving beyond the short- to medium-term approach will require further reflection, including on the desirability and feasibility of a new framework for EU-Russia relations, resumption of

common steps towards visa-free-short term travel, as well as resumption of EU-Russia Summits.