Briefing

European Parliament

The EU's Russia policy
Five guiding principles

SUMMARY

While EU-Russia relations had long been difficult, in 2013 they took an abrupt turn for the worse, after Ukraine signed an association agreement with the EU, and Russia responded with attacks on its former ally in spring 2014. The latest setback came in October 2016, following Western condemnation of Russia's part in the brutal bombardment of Aleppo. In the short term, an easing of tensions seems unlikely.

In March 2016, EU foreign ministers agreed with the EU High Representative for Foreign Affairs and Security Policy, Federica Mogherini, on five guiding principles for EU-Russia relations: full implementation of the Minsk agreements; closer ties with Russia's former Soviet neighbours; strengthening EU resilience to Russian threats; selective engagement with Russia on certain issues such as counter-terrorism; and support for people-to-people contacts.

Implementing each of these principles faces major difficulties. The EU is unlikely to lift sanctions against Russia while implementation of the Minsk agreements remains stalled; the EU's Eastern Neighbourhood remains a zone of confrontation; EU security is threatened by dependence on Russian energy imports and the destabilising effects of aggressive propaganda; cooperation on international issues has become a victim of tensions between the two sides; repressive legislation obstructs EU support for Russian civil society; and EU-Russian people-to-people contacts are in decline.

EU-Russia relations across these five principles are to be discussed at the 20-21 October European Council meeting.

Queen Louise Bridge, on the Russian-Lithuanian border.

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Recent developments in EU-Russia relations

Signed in 1994, the EU-Russia Partnership and Cooperation Agreement came into effect in **1997**.

In **2008** the EU and Russia began negotiations on a new agreement, with possible objectives including an EU-Russia free trade area and visa-free travel. The 2008 Georgian-Russian war only resulted in a temporary cooling of relations, and talks between the two sides made very slow progress.

Relations took an abrupt turn for the worse in **2013** over the EU's negotiations with Eastern Partnership countries on their association agreements, to which until then Russia had not raised any objections.

In **March 2014**, Russia annexed Crimea, in breach of international law, and allegedly fomented separatist uprisings in the eastern Ukrainian regions of Donetsk and Luhansk.

In **July 2014**, the EU responded by adopting a series of sanctions on Russia:

- **diplomatic sanctions**: suspension of EU-Russia summits with indefinite effect;
- **individual sanctions**: travel bans/asset freezes on 146 persons and 37 organisations;
- **sanctions against Crimea**: a ban on trade and investment between EU and Crimea;
- **economic sanctions**, targeted at Russia's financial, defence and energy sectors. These are next due for renewal in January 2017.

Russia has responded with counter-sanctions **banning around half of EU agrifood imports**, such as fruit, vegetables, meat and dairy.

September 2016: after a ceasefire in Syria agreed by the USA and Russia collapsed, there are no signs of tensions easing.

The five guiding principles of the EU's Russia policy

On 14 March 2016, the foreign ministers of the 28 EU Member States agreed on the five guiding principles of the EU's policy towards Russia:

- insisting on full implementation of the Minsk agreements before economic sanctions against Russia are lifted;
- pursuing closer relations with the former Soviet republics in the EU's Eastern Neighbourhood (including Ukraine) and of central Asia;
- becoming more resilient to Russian threats such as energy security, hybrid threats, and disinformation;
- despite tensions, engaging selectively with Russia on a range of foreign policy issues, among them cooperation on the Middle East, counter-terrorism and climate change;
- increasing support for Russian civil society and promoting people-to-people contacts, given that sanctions target the regime rather than Russian people.

These five principles will be discussed by EU Heads of State and Government at the 20-21 October 2016 European Council meeting.

Full implementation of the Minsk agreements

Implementation of the Minsk Agreements has stalled
In February 2015, leaders from France, Germany, Ukraine and Russia signed the Minsk II agreement, the second of two agreements intended to end fighting in eastern Ukraine and enable a political settlement for the region. A month later, EU Heads of State and Government decided that economic sanctions against Russia could only be lifted once

this agreement was fully implemented; they also ruled out recognition of Russia's annexation of Crimea (not covered by the Minsk agreements).

Today, 20 months later, none of the key points of the Minsk II agreement have been fully implemented. Ceasefire violations continued throughout 2016, with 173 Ukrainian soldiers killed by September, according to the country's Defence Ministry. Not all heavy weapons have been withdrawn from the combat zone nor have all prisoners been exchanged. Ukraine still does not control its border in the east of the country. The Ukrainian government lacks the two-thirds parliamentary majority needed to push through the constitutional reforms demanded by separatists.

Sanctions come at a heavy cost
Russia's economy shrank by 3.7 % in 2015, and this slowdown has affected the EU, which saw its own exports to Russia decline by 36 % over the July 2014-June 2015 period. Most observers agree that falling oil prices, which have slashed Russia's export earnings, are the main cause of the Russian recession, but they also see sanctions as a significant exacerbating factor. The annual cost of sanctions and counter-sanctions has been estimated at 0.25 % of GDP for the EU, and 2 % of GDP for Russia (according to European Commission and Kremlin calculations). There is also a high political cost, as sanctions are one of the main obstacles to normalisation of EU-Russia relations.

Some opposition to sanctions – but unity has prevailed so far
Lack of progress on implementing the Minsk agreements and the heavy cost of sanctions are reflected in growing parliamentary opposition to their continuation. The Cypriot Parliament, four regional parliaments in Italy and the French National Assembly have called for the lifting of sanctions (however, fewer than one fifth of members took part in the latter vote; a second vote in the French Senate called for an end to sanctions on Russian parliamentarians, but not to economic sanctions).

Some EU governments have also expressed reservations. German Foreign Minister Frank-Walter Steinmeier has suggested that, if there is progress in Ukraine, some sanctions could be lifted without full implementation of Minsk; a proposal backed by his Austrian counterpart Sebastian Kurz. Several EU leaders have expressed outright opposition to continuing sanctions – including Slovakian Prime Minister Robert Fico, Slovenian Foreign Minister Karl Erjavec, Czech President Miloš Zeman, (but not Prime Minister Bohuslav Sobotka), Greek Prime Minister Alexis Tsipras and Cypriot President Nicos Anastasiades.

Nevertheless, most EU governments continue to insist on full implementation of Minsk. So far, even those which have publicly criticised sanctions have also emphasised that EU unity comes first.

Closer relations between the EU and former Soviet republics

EU-Russia rivalry in eastern Europe and the southern Caucasus
All six countries in the EU's Eastern Neighbourhood except Belarus have long-standing cooperation agreements with the EU. Russia did not raise any objections to these until 2013, when the EU negotiated association agreements (AAs) with Ukraine, Moldova, Georgia and Armenia, envisaging closer economic integration through deep and comprehensive free trade areas (DCFTAs). Russia, which still sees the region as its former Soviet sphere of influence, pressured Ukraine and Armenia to pull out of the AAs and join its own economic integration project, the Eurasian Economic Union (EEU), instead. In June 2014, Ukraine went ahead with the signing of its AA, whereas Armenia became the fourth country (after Russia, Belarus and Kazakhstan) to join the EEU in

January 2015. Azerbaijan is the only country to stay out of the confrontation, neither joining the EEU nor signing an AA with the EU.

Country	Agreements with the EU	Agreements with Russia
Armenia	PCA (1999) AA and DCFTA negotiated in 2013 but never signed Negotiations on a new agreement began in 2015	CIS (1991) CIS FTA (2011) EEU (October 2015)
Azerbaijan	PCA (1999)	CIS (1991) CIS FTA (2011)
Belarus	PCA negotiated in 1995 but never signed	CIS (1991) CIS FTA (2011) EEU (May 2015)
Georgia	PCA (1999) AA and DCFTA (signed 2014, in force since July 2016)	Left CIS after 2008 war with Russia. FTA with Russia (1994)
Moldova	PCA (1998) AA and DCFTA (signed 2014, in force since July 2016)	CIS (1991) CIS FTA (2011)
Ukraine	PCA (1998) AA and DCFTA (signed 2014; with some parts provisionally implemented since then, its ratification is now in doubt following a popular vote against it in the Netherlands)	CIS (1991) CIS FTA (2011) In January 2016, Russia ended free trade with Ukraine

(PCA: partnership and cooperation agreement; AA: association agreement; DCFTA: deep and comprehensive free trade area; CIS: Commonwealth of Independent States; CIS FTA: Commonwealth of Independent States Free Trade Area; EEU: Eurasian Economic Union). Based on: When Choosing Means Losing, De Micco P., EP, 2015.

Russia raised various concerns over the EU-Ukraine DCFTA – for example, Ukraine's alignment with EU technical standards could potentially block some Russian exports to Ukraine. During lengthy trilateral negotiations, the EU attempted to allay those concerns, but in vain. After talks broke down in December 2015, Russia ended its free trade agreement with Ukraine and started obstructing the transit of Ukrainian goods to other countries. It started applying similarly punitive measures to Moldova, blocking Moldovan agrifood products over alleged health concerns. Both Ukraine and Moldova have been hit hard by the partial loss of one of their main export markets (in 2014, Russia accounted for 95 % of Moldovan fruit exports). Russia also threatened to tear up its 1994 bilateral free-trade agreement with Georgia, but has not done so yet.

Despite closer EU-central Asia ties, the EU's role in the region is still marginal

The EU has signed partnership and cooperation agreements with all five former Soviet central Asian countries (the agreement with Turkmenistan has not yet been ratified), and in 2007 it adopted a Strategy for central Asia, aiming to build closer ties with the region. Kazakhstan provides the EU with 6 % of its oil imports, and a proposed Trans-Caspian pipeline would give Europe access to Turkmenistan's vast gas reserves. Counter-terrorism and border management is another focus of cooperation, due to the region's porous borders with Afghanistan, which can easily be crossed by terrorists.

However, concerns about the dire human rights situation in the region and its geographical remoteness make it unlikely that the EU will become a major player in central Asia. For this reason, closer ties with the EU are less contentious for Russia than in Eastern Partnership countries; for example, it raised no objections to the EU's May 2015 enhanced partnership and cooperation agreement with Kazakhstan; though this does not go as far as the Eastern Partnership association agreements, it still represents a significant upgrade to relations between the two sides.

Improving the EU's resilience to Russian threats

EU dependence on Russian energy imports

Russia is the EU's leading supplier of fossil fuels, providing one third of its gas and oil imports. It also supplies nuclear fuel and technology to several EU countries. For the

most part, the relationship is a mutually beneficial one, providing the EU with relatively cheap and reliable energy, and Russia with 70 % of its export earnings. However, Russian gas supplies transiting Ukraine were cut off for nearly two weeks in 2009, and again in 2014, due to recurrent disputes between the two countries; such interruptions highlight the risks of over-dependence, particularly for countries, such as the Baltic states, Finland, Slovakia and Hungary, which import all or nearly all of their gas from Russia. The proposed TurkStream and NordStream 2 pipelines would bypass Ukraine and reduce the risk of Russia-Ukraine tensions disrupting supplies, but the latter pipeline is opposed by Poland, as it would consolidate Russian dominance of EU gas markets.

EU sanctions have not changed any of this. No sanctions apply to the Russian gas sector, and in the oil sector they only restrict EU innovative technology used for developing new oil fields. In the long-term, these restrictions will make it difficult for Russia to maintain oil production at its current level, but in the short term energy exports are unaffected. Russian Central Bank statistics show that the country's oil and gas exports to non-CIS (mostly EU) countries are higher in terms of volume than before sanctions.

EU and national response
The EU has made reducing dependence on energy imports from third countries such as Russia a priority of its 2014 energy security strategy and its 2015 strategy on an Energy Union. Member States are also taking action: Lithuania has built a terminal enabling deliveries of liquefied natural gas by ship; Latvia is increasing its storage capacity to over two years' consumption; Slovakia, Hungary and Poland have built interconnecting pipelines enabling them to share gas supplies. European Commission 'stress tests' carried out in October 2014 show that, thanks to such measures, EU resilience has improved since the 2009 crisis; however, some vulnerability remains, with Bulgaria and Finland among the countries facing a severe shortfall in the event of a completely unprecedented (and very unlikely) total shutdown of Russian gas over several months.

The European Commission is also tackling Russian gas giant Gazprom's abuse of its dominant position on EU energy markets, with an ongoing investigation into its pricing practices: some countries pay Gazprom up to 40 % more for natural gas than others.

Russian military and non-military threats to EU stability
Russia is using its newly upgraded military to carry out a series of threatening manoeuvres: large-scale military drills across the border with Latvia, deployment of nuclear-capable Iskander missiles to its Kaliningrad exclave, and frequent incursions by Russian bombers probing NATO airspace as far south as Spain. War games carried out in early 2015 showed that Russian forces could overrun the Baltic States in just a few days.

In a wider European conflict, Russia could hardly defeat NATO, given that the military balance is heavily in favour of the latter. However, it also has an arsenal of non-military tools, which in the words of Armed Forces Chief of General Staff, Valery Gerasimov, have 'exceeded the power of force of weapons in their effectiveness'. Such tools include disinformation, funding for pro-Kremlin political parties and NGOs, as well as cyber-attacks, all of which are increasingly used by Russia in its confrontation with the West.

Russia has invested heavily in international media such as RT news channel and Sputnik news agency, both of which produce sophisticated content targeted at international audiences. The Kremlin uses propaganda aggressively, not only to justify and divert attention away from its own actions (for example, in Ukraine) but also to destabilise EU countries. An example was the story disseminated by Kremlin media of a Russian-

speaking girl in Germany, allegedly raped by asylum-seekers. Though subsequently exposed as a fake, the story helped to stir up anti-migrant feeling. Relentlessly negative Russian media coverage of Ukraine as a failed and corrupt state may have contributed to the Dutch vote against ratifying the EU's association agreement with the country. Similar messages are propagated on social media by an army of trolls, many of them believed to operate from Kremlin 'troll factories'.

Financial support to pro-Kremlin NGOs, think-tanks and political parties is another channel of Kremlin influence. In 2014 the French National Front received a €9 million loan from a Russian-owned bank; since then, its leader Marine Le Pen has hailed Vladimir Putin as a defender of Christian civilization. Jobbik (Hungary) is one of several other European far-right parties suspected of receiving Russian funding. On the other hand, although Kremlin media showed clear bias towards the Vote Leave campaign in the UK's Brexit referendum, there is no hard evidence of Russian financial support.

EU and national response

In response to the Russian military threat, in July 2016 NATO decided to station 3-4 000 troops in Poland and the Baltic States, just a few weeks after carrying out a massive military exercise in Poland.

On the information front, Latvia and Lithuania have both blocked some Russian media on the grounds of biased coverage, while United Kingdom regulator Ofcom has also taken action against Kremlin news channel RT. In September 2015, Estonia launched a new Russian-language TV channel to provide its large Russian minority with alternative sources of information to Kremlin media, but in August 2016 the audience was just 0.5 % of the population (fewer than 10 000 viewers). A similar channel is planned in Latvia.

Russian cyber-threats to the EU

Described by US intelligence agencies in 2015 as the world's leading source of cyber-threats, Russian hackers are accused of September 2016 attacks on German political parties and parliamentarians, raising fears of possible meddling in next year's federal elections. Another recent attack targeted French channel TV5Monde. However, the lack of conclusive evidence linking such attacks to the Kremlin makes an adequate response difficult.

At EU level, the European External Action Service (EEAS) has set up an East StratCom Task Force to draw up and implement an EU action plan on strategic communication. One of its most visible results to date is a weekly disinformation review, which compiles and exposes some of the myths propagated by pro-Kremlin media.

Selective engagement with Russia on foreign-policy issues

Despite the current EU-Russia confrontation in Ukraine, there are still many areas where the two sides have common interests and concerns. As a permanent member of the United Nations Security Council and an increasingly influential player in the Middle East, Russia has a key part to play in helping to tackle global challenges.

Recent examples of Russian-Western cooperation include negotiations on Iran's nuclear programme and the Middle Eastern Quartet, which attempts to mediate in the Israeli-Palestine conflict and comprises Russia, the EU, the USA and the UN. Unfortunately, these are increasingly rare exceptions against a general backdrop of confrontation.

In Syria, both Russia and the West have a common interest in fighting ISIL/Da'esh, which downed a Russian passenger plane in Egypt in October 2015, and in August 2016 claimed responsibility for killing two policemen, its first attack on Russian soil. An estimated 2 400 Russian citizens have joined rebel groups in Iraq and Syria. However,

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efforts to build a common front against ISIL/Da'esh have failed. Since the collapse of a ceasefire agreed between the US and Russia in September 2016, Syria has become even more of a stumbling block to relations between the two sides than Ukraine: Western countries accuse Russia of complicity in war crimes due to its part in the brutal siege of Aleppo, and EU Member States are considering sanctions against Russian officials involved. For its part, Russia claims that 'aggressive steps' by the US threaten its national security.

The current confrontation in Syria reflects a wider ideological divide between Western support for the spread of democracy and Russian opposition to popular uprisings toppling authoritarian regimes. In September 2015, Vladimir Putin accused the West of unleashing violence on the Middle East by encouraging the Arab Spring revolutions.

Supporting Russian civil society and promoting people-to-people contacts

Russian civil society cut off from Western support

Russia's 2012 Foreign Agents Law has made it much harder for the country's NGOs to work with foreign donors. Any NGO receiving foreign funding for vaguely defined 'political activity' faces an unpalatable choice: the stigma of being labelled 'foreign agent'; having to rely on scarce domestic sources instead of foreign funding; or closing down altogether. As of October 2016, over 100 NGOs are on the list of foreign agents. Many Western NGOs have pulled out of Russia on their own initiative, while others have been banned by a 2015 law on undesirable international organisations.

In this context, EU support for Russia's increasingly isolated NGOs is more important than ever before. Although the EU cut off most of its Russian funding in July 2014 in conjunction with economic sanctions, support for civil society continues. The EU finances an EU-Russia Civil Society Forum which holds regular meetings between Russian civil society organisations and their EU counterparts. Furthermore, in 2015 the European Instrument for Democracy and Human Rights paid out €2.2 million in grants to Russian NGOs. Unfortunately, such funding is too limited to benefit more than a tiny number of organisations (just four in 2015).

People-to-people contacts are also suffering

Educational exchanges, research and cross-border cooperation are the three other areas in which the EU continues to provide grants to Russian beneficiaries. In 2015, the EU paid €1.6 million in Horizon 2020 research grants to Russian institutes and universities. In the same year, 1 900 Russian students and academics benefited from Erasmus exchanges lasting up to a year in EU countries, while 1 200 EU students travelled in the opposite direction (according to unpublished Commission data).

Valuable though such exchanges are, they are not enough to compensate for the overall decline in EU-Russia individual contacts. In the first nine months of 2015, Russians made 11 million trips to EU countries, 27 % less than during the corresponding period a year earlier. This decline reflects the economic slowdown in Russia and the devalued rouble, which have made foreign travel too expensive for many Russians. For their part, EU citizens made just 4.6 million trips to Russia during the same period. Visa formalities for travel in both directions are onerous and expensive, and unlikely to be lifted since EU-Russia talks on common steps towards visa-free travel were broken off in 2014.

Fewer contacts mean fewer opportunities to overcome mutual suspicion. Surveys show that public opinion on both sides mirrors frosty diplomatic relations: 61 % of Russians view the EU unfavourably, and over two thirds of EU respondents are hostile towards Russia.

Position of the European Parliament

EP resolutions are supportive of the European Council in all five areas outlined by High Representative Federica Mogherini.

Minsk agreements/sanctions. EP resolutions[1, 2] have repeatedly [backed](#) EU sanctions against Russia. The EP has also taken punitive action of its own: it has [restricted access](#) by Russian diplomats to its buildings, and broken off contacts with the Russian Parliament through the EU-Russia Parliamentary Cooperation Committee (PCC). For the time being there are no plans to re-convene the PCC, but some informal contacts between MEPs and Russian parliamentarians [continue](#); these include mutual participation in parliamentary events.

Since the September 2016 elections, the Russian State Duma (lower house of parliament) includes seven members from Crimea. Two have been [blacklisted](#) by the EU, but the remaining five have not, which could create an awkward situation in the event of official meetings between them and MEPs who have [voted](#) to oppose recognition of Crimea as part of Russia. To end this potential quandary, on 6 October 2016 36 MEPs wrote a [letter](#) to EU High Representative Federica Mogherini asking for all the Crimean members to be blacklisted.

Relations with Russia's former Soviet neighbours. EP resolutions[2, 3] welcome [association agreements](#) signed with Ukraine, Moldova and Georgia, as well as [closer ties](#) with central Asian countries.

Improving EU resilience to Russian threats. An EP resolution[4] [welcomes](#) efforts outlined in the European Commission's 2015 proposals for an Energy Union to reduce dependence on energy imports from Russia, denounced as 'an unreliable partner ... which uses its energy supplies as a political weapon'. A [draft resolution](#) adopted by Parliament's Committee on Foreign Affairs on 10 October 2016 calls for EU measures to counter aggressive propaganda from Russia and other third parties.

Selective engagement with Russia on foreign policy issues: EP resolutions[1, 5] [call](#) for cooperation with Russia on issues such as counter-terrorism and the Middle East Peace Process, but also [condemn](#) attacks on civilians in Syria, and call on Russia to end its part in them.

Supporting Russian civil society/people-to-people contacts. An EP resolution[1] [condemns](#) the Russian crackdown on independent NGOs and calls on the European Commission to provide 'more ambitious financial assistance to Russian civil society'. It also emphasises the need to promote people-to-people contacts between the two sides, despite the difficult situation.

(EP resolutions on: (1) [EU-Russia relations](#), June 2015; (2) [AAs with Georgia, Moldova and Ukraine](#), January 2016; (3) [the EU-central Asia strategy](#), April 2016; (4) [the European Energy Union](#), December 2015; (5) [Syria](#), October 2016).

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