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The EU-Russia Partnership – basic facts and figures

The EU and Russia are not only neighbours but strategic partners who cooperate on a wide range of bilateral and global challenges, based on joint commitments and shared interests. The forthcoming executive-to-executive meeting in Brussels is the largest and most substantive ever. Such meetings between the Commission and the Government of the Russian Federation have been organized since 1997.

Institutional Framework

The current legal basis for relations between the EU and Russia is the **Partnership and Cooperation Agreement (PCA)**, in force since December 1997. The Agreement provides for political dialogue, bilateral trade and investment liberalization and social, economic, financial, scientific and cultural cooperation. It is automatically extended annually until it is replaced by a **New Agreement**. Negotiations on a new, ambitious bilateral treaty were launched by the 2008 Khanty-Mansyisk Summit and have since made progress on a wide array of economic, political and sectoral matters. When in force, the New Agreement should provide a solid basis for strong EU-Russia relations in the 21st century, covering all areas of our cooperation including far-reaching trade, investment and energy provisions.

At the St. Petersburg Summit (May 2003), the EU and Russia agreed to reinforce their cooperation by creating **four 'common spaces'**, i.e. areas of deep policy cooperation in a number of key sectors. At the Moscow Summit in May 2005, detailed "road maps" for the implementation of each of these common spaces were adopted. The Common **Economic** Space covers economic and trade relations and aims to make the Europe's and Russia's economic and regulatory frameworks more compatible, thus boosting investment and trade; The Common Space of **Freedom, Security and Justice** covers justice and home affairs, rule of law, and human rights. The Common Space of **External Security**, which includes crisis management and non-proliferation, deals with bilateral and global cooperation between the EU and Russia. The Common Space of **Research and Education** allows for enhanced cooperation in these fields, including cultural aspects.

To support Russia's reforms in an even more targeted fashion, last year's Summit in Rostov-on-Don launched the **Partnership for Modernisation**. This serves as a flexible framework for promoting reform, enhancing growth and raising competitiveness, while involving society at large. The rule of law, the protection of citizens' rights and ensuring a level-playing field for companies are all critical in this regard. The Partnership builds on the four Common Spaces and complements the bilateral partnerships for modernisation that exist between several EU Member States and Russia.

Twice-yearly **human rights consultations** have been taking place since 2005, and allow open and frank exchanges on human rights issues in the EU and in Russia, including on individual cases.

Economic relations

Economic ties between Russia and the EU have grown substantially over the last years. Russia is the EU's third most **important trading partner** in goods (after the US and China), with 66 billion EUR in exports to Russia (6% of all EU exports, 4th place) and 115 billion EUR in imports in 2009 (9.6 % of all EU imports, 3rd place after China and US, mostly natural resources). The EU is thus the **largest market** for Russian goods.

In 2009 both imports and exports fell by a third due to the global economic crisis. In 2010 trade has been picking up again significantly. Russia's total account surplus rose by 47% compared to 2009 and reached \$ 79 billion.

Foreign Direct Investment flows from the EU to Russia reached 25.5 billion EUR in 2008 before dropping during the crisis. Still, Europe clearly remains the largest investor in Russia. In 2009 inverse investment flows from Russia to the EU amounted to 3.3 billion EUR.

More specifically, Russia is the EU's most important single supplier of **energy products** (oil, oil products, gas, uranium and coal), covering for over 25% of the EU consumption of oil and gas. In turn, the European Union is the most important destination for Russia's energy exports. Russia's economy remains very dependent on the export of raw materials. For example, the EU accounts for 88% of Russia's total oil exports, 70% of its gas exports and 50% of its coal exports. The export of raw materials to the EU represents around 40% of the Russian budget. Energy represents 65% of total EU imports from Russia.

Financial cooperation

Financial cooperation with Russia began in the early 1990s, under the **TACIS** program, which has in the meantime been replaced by the **European Neighbourhood and Partnership Instrument**. To help smooth Russia's transition, a whole range of sectors were supported. Since 1991, a total of around **€2.8 billion** of assistance was provided through the European Commission. A number of TACIS projects are still being implemented until 2013.

Given the significant recent improvements in the Russian Federation's fiscal position, the need for large volumes of financial assistance has declined. In fact, Russia herself has become a donor. Financial cooperation is now specifically targeted to meet the objectives defined in the road-maps to the **EU-Russia Common Spaces**. Cooperation is now carried out on the principle of co-financing by the EU and Russia. Most notably, Russia is **co-financing** Cross Border Cooperation programmes. Emphasis is on higher education cooperation, with Erasmus Mundus and Tempus supporting mobility of students and teaching staff.

Furthermore, funding for Russia also came from the **Nuclear Safety** Instrument (€500 million since 1991) and a number of other thematic programs. The European **Democracy and Human Rights** Instrument (EIDHR) financed 14 human rights projects in Russia in 2010 for nearly € 2 million, and the **Institution Building** Partnership Programme supported 16 projects with NGOs for a total of €5 million.