

**COOPERATION BETWEEN THE
EUROPEAN UNION AND RUSSIA
A MATTER OF MUTUAL INTEREST**



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OFFICIAL OPENING by Mrs. Y.E.M.A. Timmerman-Buck, President of the Senate of the Netherlands.

Mrs. **Timmerman-Buck**: Dear guests. As president of the Dutch Senate it is with great pleasure to welcome you in the plenary hall of the Senate for the Symposium on the relations between the European Union and Russia. A symposium co-organized by the Senate and the Advisory Council on International Affairs of the Netherlands.

I would like to especially welcome the President of the Advisory Council, Mr. Korthals Altes. I would also like to give a special welcome to our four key note speakers, Mr. Kosachev, Chairman of the Committee on Foreign Affairs of the Russian Duma. Mr. Brok, member and former chair of the Committee on Foreign Affairs of the European Parliament, Mr. Verberg, former President of the International Gas Union and currently President of the Energy Delta Institute and Mr. van Koningsbrugge, extraordinary professor at the Moscow State University and President of the Centre on Relations between the Netherlands and Russia.

It is the strong conviction of the Dutch Senate that Europe goes beyond the borders of the European Union. We have a very active delegation to the Parliamentary Assembly of the Council of Europe and we integrate our cross-border work into our national activities. In November I will participate in a conference of the Association of European Senates about European cooperation in St. Petersburg.

Your gathering today to discuss the relationship of the European Union with Russia, not only underlines the conviction of the Senate but also carries it into effect. Therefore, I am pleased to see that representatives from so many different organizations and institutes are participating today.

The initiative for this symposium originated at the beginning of this year when the Standing Committee on European Affairs of the Senate and the Standing Committee on Foreign Affairs, Defence and Development Policy of the Senate decided to ask the Advisory Council on International Affairs for a report concerning the EU and Russia. The content of this report and the importance of the relationship itself made the committees decide to invite you for a discussion.

Since that rather uncomplicated decision, new unexpected developments occurred in Europe, leading towards a complicated situation in the summer. The geopolitical balance as we knew it at the Eastern borders of the EU was altered. The range of events stressed the need for today's constructive dialogue even further.

The subtitle of the report of the Advisory Council on International Affairs 'A matter of mutual interest' immediately puts into perspective the central notion of the report and therefore of today's symposium. Stating that cooperation is a matter of mutual interest seems obvious and yet, in the past decades the relationship between the EU and Russia has not always been one of convincing mutual consent.

The EU and Russia have both changed. This obviously has affected their relationship and both sides are challenged to further shape and develop this relationship. The report gives us an excellent analysis of the many changes that took place and offers a range of recommendations for the future.

There are many differences, which we should not only be aware of but which we must also take into consideration. Yet, there is an abundance of fields of common interest. Our common future is to be found on the European continent. There is a mutual dependence and there are international challenges facing us. The future of Russia, of the EU and of the Netherlands cannot and should not be looked upon separately nor in an isolated matter. Hopefully, today's symposium will further encourage you to investigate what you and your organization can do to contribute.

Dear guests, before the discussions can start I would like to inform you that on a cultural note the Dutch men choral society Don Kozakken, conducted by Mr. Serge Latychev from Russia has offered to add lustre to our symposium by giving a short performance. We will welcome them at the end of our symposium.

It is a great pleasure for me now to introduce your moderator for today, Mr. Ben Knapen. He is, to be brief, an author, a journalist, general editor of a widely known newspaper in this country, extraordinary professor in Media and Quality and he is a member of the Scientific Council for Government Policy. In conclusion, he is a man of many talents and therefore I can, with great confidence, leave you in his very capable hands.

I would like to wish you a very interesting and inspiring symposium. Thank you!

Mr. **Knapen**: Thank you very much, Yvonne Timmerman, for this kind introduction. I know from an experience that you are a busy woman and as president of the Senate you have duties elsewhere to perform. So, we thank you very much for these introductory remarks but we hope to see you later on today, because we heard there is a slight chance that you might return when the Cossacks choir enlightens us. Thank you very much.

Ladies and gentlemen, dear guests. Welcome here in this very special arena. We are here today to have a discussion on the report on Russia and the EU by our Dutch Advisory Council on International Affairs. Let me give you, just as a starter, some provocative quotes from this report to refresh the mind and to stir up things as good as possible.

The report observes in Russia a drive to assert itself as a great power. Russia no longer wishes to be guided by the EU on the path to democracy, the rule of law and the free market economy. The EU approach is misplaced towards a former superpower that is back on the road to recovery. Then it says: To the Russians modernization is not the same as Europeanization.

Then it goes on: No compromise on the principle that southern states decide for themselves which organizations they want to join. That does not mean that NATO is obliged to admit them, which has the Ukraine and Georgia as members. The EU must continue to insist on Russia's greater observance of human rights and compliance with the judgments of the European Court of Human Rights.

This report came out as it happened on July 4. The report still talked about so called frozen conflicts. The report delivered some remarkable blind rule that still is valid, although one may say that not all conflicts that was referred to were frozen conflicts in the meantime. Something changed between 4th July and today, as we all know.

The report gives useful advice as to how to structure consultations, how to avoid pitfalls and how to use the building blocks that are already there. In short, how to get to a balanced relationship. Precisely on this question, on how to get to a balanced relationship, I would like to continue this afternoon.

Today's order is very simple. We have four speakers. Each of them will give a short contribution and after each presentation we will take time for questions and answers and for debate.

First of all, I would like to ask Mr. Elmer Brok to take the rostrum and make some remarks. Elmer Brok is, as we all know, chairman of the Committee on Foreign Affairs of the European Parliament. I will not quote all his functions now, because we want to have a debate this afternoon. He had a pivotal role in all European treaties from Amsterdam via Nice to the European Constitutional Treaty ending in the Lisbon Treaty. Mr. Brok, I am delighted to announce you. It is good to have you here. The floor is yours!

Session 1

Address by Elmer Brok, member and former chair of the Committee on Foreign Affairs of the European Parliament.

Mr. **Brok**: Mr. Chairman, ladies and gentlemen. Thank you very much for this opportunity to be in this great hall, one of the most beautiful parliaments in Europe. To see such a hall I must say how little history we have in the European Parliament and how much more we have to do to come to such an image.

I must also say -- I am happy to talk about this -- that I just learned that Czar Peter has lived for one night in the Amsterdam House here at the Binnenhof. That was during the stage where Russia wanted to become more European. Perhaps we are in a situation to discuss a similar situation again, where we have to do all our best.

The present relations with Russia are in quite a difficult situation and not just because of the Georgia case. On the other hand, we see that we perhaps have lost an opportunity after 1990 as there was a possibility to build on a multilateral world which was refused by our closest ally who was looking for unilateral policy. On the same side I must say, without excusing things that happened in Russia and from Russia, that we have perhaps not seen something which is important in normal life. If someone is down you have to be nice to him otherwise he will tell you later that he is back again. Perhaps we have not done not our utmost in such a situation, which has perhaps not brought us to the present development. Thirdly, I would like to say that the European Union itself has a weakness, because we have no Russian policy strategy. We have strategy papers but no strategy. This has to do with the fact that after the enlargement of the European Union in 2004, we did not have a proper debate between ourselves to come to a common strategy. We see it every week that there is still a deep division. I would not like to say who is right and wrong in that. Perhaps we, as old Europeans, have not understood that new member countries have a different view of this situation than we in Western Europe because of geographical and historical reasons. I think we have to give more assurance to our Eastern members that we see a common solidarity, that we look into policy that we have to accept that in the European Union we have countries with a different level of security. The security guarantee must be the same for everyone. Therefore, I think it is very important that in the Treaty of Lisbon there is a solidarity clause, which perhaps gives more possibilities to do so.

I would also like to talk about energy in this situation. If a countries rightly or wrongly are afraid that Russia with its strong energy possibilities is stopping the supply to such a country then we do not have to do something about Russia: we have to strengthen ourselves. That means for example that we need to establish a consumer power against a supplier power. If we have the interconnectivity of our pipelines everyone can be sure that he will not run into difficulties.

When we have problems with Russia we should not look firstly to Russia but to ourselves, to strengthen our internal situation. And when you strengthen your internal situation you might perhaps have the courage to come to an open strategy towards Russia whereas because of the internal blockades you were not able to do so. Therefore, we do not have the impact on the international politics as we would like to have. With a better European foreign policy under the Treaty of Lisbon and with the political will we can perhaps arrange, as Europeans, with our ally on the other side of the Atlantic, a common approach with a multilateral framework of work politics, which gives Russia the place it has to be as a very important power and not as someone that we are afraid of. I believe that despite the problems we discussed in the last years you have to see that Russia is not the Soviet Union anymore. In my understanding Russia is a great power with a lot of potential, which is looking to come back to the world stage and have influence, not to be asked if we need Russia but normally to be asked in part of the game. This Russia looks into its interests as every great power looks into its interests. And if such a power looks into its interests I can find out what its interests are and then define my answers to that. And if I have the opportunity to find a solution for that, a compromise can be found in order to have a way that we have these interests not directed against each other but have them combined. That is the difference with the Soviet Union, which wanted to transform the world with a certain type of ideology. Therefore, the threat that came out of that old system is not there anymore and therefore, I think that some of us in the European Union have to learn that we are dealing with a different Russia, despite old problems and that this is a much better place to talk on finding solutions.

Ladies and gentlemen, I believe that on the other hand we need Russia. There are many challenges we face as member states of the European Union and as the European Union. We cannot even solve a loan as member states anymore, as we have learned from the financial crisis. There are certain questions for which the nation state is too small to do so. Therefore, we need Europe. Most of the questions we face, on terrorism, climate change, organized crime, globalization and certain aspects of foreign aspects of foreign security policy, no nation or country can give an answer to alone anymore. Therefore, we need this European integration.

But we see that even a lot of these questions cannot be solved even by the European Union alone anymore. In certain questions we need others in the world and Russia, as a member of the Security Council and with a veto right and its potential, is in the position where we need Russia to solve certain problems. We have seen that despite the discussions about whether we should start negotiations on the partnership and cooperation agreement and the big discussions about these in Brussels. Only a few days after the Georgia incident the 5+1 met because of Iran, including Condoleezza Rice, in New York at the United Nations because everyone knows perfectly well that stopping the proliferation of mass destruction means – Iran, North Korea – cannot be done without Russia. How can we solve certain questions of terrorism without Russia? How is it possible to solve the Middle East conflict without Russia? I can give many reasons why it would be better, both for Russia as well as the European Union and the world, if we could come to common strategies and solve such problems. Therefore, I believe that the problems we have, both historical and present ones, should not be the reason to stop us to work on such common policies because this is indeed the question that we cannot solve alone anymore.

Ladies and gentlemen. I therefore believe we should clearly say what we are angry about. Despite of what I have said before, as a member of the European Parliament I will always talk about human

rights when I see a lack of the rule of law or a lack of democracy, human rights or rights of journalists. Human rights are not a subject on which we can make many compromises. But despite the fact that in Russia this subject has not had the same development we believe we have had, it should not stop us having practical and operational policies together. Here we also have to accept a common position and limits, on both sides. Since the Helsinki Act it is forbidden to talk about spheres of influence. It is forbidden that because of your interest another country is not allowed to join an alliance. The sovereignty of nations who are independent cannot be stopped and must be accepted. In the case of Georgia – whether the situation was more wrong in the beginning of the war or not; that is not my issue today – it is very clear that we have to accept international law and that we have to accept the territory integrity of a country that is part of this Helsinki Act agreement. But we also have to say that you should not immediately use every right you have. Therefore, I believe that it is right that we consider it carefully when we talk about NATO enlargement. There is a right of NATO and a right of Ukraine and Georgia to come together but it is the question whether we want to do that now. And this has to be considered in such a situation. Or is it not better to have developments in a peaceful way, as the European Parliament asked for two or three years before, and to have a more practical development for such countries, like Georgia, Ukraine and so on. A new partnership and cooperation agreement, a free trade area, Eastern partnership or a European economic area come to such countries, a status like Norway and Switzerland at the end of the day. Close, but not in the institutions of the European Union. This is practical progress for such countries, which is not directed against anybody and cannot be seen as an alibi by Russia or named as a 'threat'. This would be the practical term and could be reached in 15 or 20 years from now. Nobody knows what the development is of such countries of the European Union. This is a peaceful development that gives independent countries the right to strengthen themselves, to strengthen their independence and their internal situation but without having problems with Russia on such a basis. I hope that this decision on 1st September will become the future strategy, that everyone agrees to that and that it will become the operational policy.

But this also means that we have to talk to Russia again. I hope that the Geneva negotiations about Georgia will have a successful outcome at the end of the day. But I do not believe that the outcome of these negotiations, which might last very long as a type of 'frozen conflict', should stop us starting negotiations again for the partnership and cooperation agreement with Russia. We have stopped them for the moment but I hope that from a Russia-EU summit on 14th November there will come a clear statement that negotiations can now be continued. I also believe that it is both in our interest as in the Russian interest to come to a successful conclusion to membership in the WTO. If we have both the bilateral treaty of the PCA and the WTO – legally binding agreements between each other – it will give more security for each other. It gives more security for investment on both sides, which again brings interests closer together. I do not believe that this agreement in certain questions should stop us having joint legally binding agreements on both sides, which give us a better chance for the future.

Ladies and gentlemen, this would be a basis where the European Union can look into its interests and in the interests of its member states and gives Russia the place as an important power in this world and that we would accept that. We have to discuss one more point, where certain points have to be clarified. This is the proposal by president Medvedev about a security partnership, as it is named now a Trans Alp, but a Euro-Atlantic partnership and security I would accept. We should not come to the result that the United States are politically not part of Europe. I also do not believe that this should come instead of existing alliances. There might be different opinions in Moscow or in the European Union but if we see these certain preconditions they could be a good basis, also on that level, to come

to proper negotiations that give us more security and more understanding for each other in order to have the success Czar Peter already wanted to have some centuries ago. I think, this time we should look into the opportunity. As a German I must say there is a feeling in Germany that it was never good for Europe, nor for Germany and Russia to get into a war or nearly get into a war. In the Napoleon time there was a difference. We have seen the reasons for European Unification and not just within the European Union: the cemeteries of soldiers, of people who died because of war and dictatorship, especially also in these countries. It is the same we have with Russia and we should learn from the cemeteries that these things should never happen again and that we have the pride and the courage to go to a new policy in order to build a good relationship for the future.

Thank you very much!

DISCUSSION

Mr. **Knapen**: Thank you very much, Mr. Brok, for this enlightening introduction to this afternoon's topic. We will now begin the QandA part. We have microphones in the hall. If you will please state your name and your function we can register that. I would like to give the floor to the audience.

Mr. **Kox** (MP): I am a member of the Senate and I also chair the United Left Group in the Council of Europe. And that is what my question deals with. Mr. Brok, you have mentioned the European Union and Russia, two powers on one continent, often partners but sometimes opponents but looking for a way how to work together. One place where the European Union member states and Russia and 20 other European states work together is the Council of Europe. I sometimes have the impression that the European Union does not have any knowledge of the existence of that body of which, for instance, Mr. Kosachev is very eager to be a member and to stay a member. We discussed this in Strasbourg recently. Wouldn't it be possible that the European Union takes more advantage of the Council of Europe and its experience to increase the cooperation between these two 'superpowers' on the European continent? The European Union as such is, I think, not able to build all bridges to Russia and Russia cannot build them to the European Union. But the Council of Europe is already there. Could you comment on that?

Mr. **Brok**: The Council of Europe must be run for the Netherlands when I see how many people here hold a position in the Council of Europe! Also René van der Linden reminds me every day and even this morning about what you have said about it. The last years nearly convinced me and I believe you should use it more.

The European Union makes two mistakes. They have no real relationship with both the Council of Europe in Strasbourg as to NATO in Brussels, which is a mistake on both sides. The communities do not meet each other, with individual exceptions. Here, we have to come up with better strategies. In the questions where the Council of Europe has the competences we should deal much more with the Council of Europe and make it in a broader way. When we talk about human rights and democracy development, the rule of law and cultural developments and such questions, it is sometimes easier to talk to Russia, where Russia is a member and not a European Union opponent on the other side. So, in this way there are more ways where perhaps criticism is 'taken' easier by Russia, because there it is part of the family. Therefore, I believe the European Council should be used more.

Mr. **van Staden** (AIV): Mr. Brok, I would like to thank you for your thoughtful and very balanced speech. It is good to hear the voice of the European Parliament here. I have two questions, two points.

First of all, in the first part of your speech you referred to the deep divisions and disagreements between the EU countries as far as the definition of our relationship with Russia is concerned. Of course, there is no denial that there are deep disagreements. Nevertheless, against the odds the European Union was able to act as a rather effective player or actor as far as the crisis in Georgia is concerned. Maybe you are a little bit surprised by that but by comparison to NATO and the United States the conclusion is warranted that the European Union made some difference. My question is here whether there is any lesson to be learned from that experience? You rightly pointed out there is not a

lack of common strategy but there is between the common policies. So, is there something to be learned from that experience?

My second point is about your perception of present day Russia. Of course, you are right in claiming that Russia is unlike the Soviet Union. However, it is an assertive power and there is a lot of talk and Russian discourse about the post-Soviet space. There are some suggestions that Russia is rightly claiming some 'droit de regard' as far as the common neighbours are concerned. So, here is the question how can we persuade Russia that the European Union and Russia are sharing some interest that this completely puts the problems here in a zero-sum perspective. In addition, what can we do to reassure countries like the Ukraine to get rid of their fears about the Russian threat? Those were my questions, thank you!

Mr. Brok: The divisions in Europe and in the European Union have played a role. It has shown that the European Union was the only power that was on the stage at a certain moment. There were no United Nations, no United States, nobody else. The meetings that president Sarkozy as president of the European Council in Moscow and Tbilisi on 12th August and 8th September undertook were the real reason that Europe, if it is united, could play a role. But I must also say that this was a lucky coincidence in the present situation that it was the president of a big country who did this. If it would have been the prime minister of Malta it might have had a somewhat different impact in Moscow. This shows that we need the Treaty of Lisbon with the permanent presidency of the European Council but even more because that is the place where operational policy has to be done. With this foreign minister around we are not allowed to call foreign ministers anymore since the Dutch referendum. When we can put together the chair of the foreign relations council of the European Council, the Solana position and the position of the foreign relations commission – all the instruments, powers, money and staff – we would be able to develop an operational policy, come to common points of view and take more time for that. This was a strong proof that we need to come to the Treaty of Lisbon in order to have the peace making capacities of the European Union and not to have been in such a lucky coincidence we were this time.

Your second point was that in Russia there is again talk about having the space of the former Soviet Union again. I think I made it very clear that these are independent countries that have to make their own choices and that discussions and sounds about influence are not acceptable anymore. It is also against the Helsinki Accords. But this should not be developed against Russia and therefore I said that we should give such countries the strength and the perspective to come to common positions under the rule of their own democracy and democracy building. That is an important question. We see for example the present situation in Ukraine: every nine months there is a new government and nothing goes forward. This instability and the internal situation is more of a danger to Ukraine than some speeches in Moscow. I do not believe that, after it had a certain result with the Georgia, because of this experience Russia will try and go to Ukraine next week and do a similar thing on the Crimea. At the same time I would like to say that we should also not bring problems to the Russian navy base in Sebastopol, where they have a contract until 2017. We have to accept that and not make difficulties for them there. If because of these different situations we see that half of the Ukraine has a different opinion on such questions it is better to have a constructive development within such countries to the rule of law and democracy and a better economic situations, which will stabilize such countries as independent countries, more than anything else. Here we should concentrate on not talking about former and future memberships. I must also say, though I do not like to say so in the presence of

Konstantin Kosachev, that the speech of vice president Cheney two and half years ago in Vilnius was not helpful to believe in the innocence of our policy. He said we had to have a policy in order to make a circle around Russia. Therefore, we also have to clarify that we do not accept such a strategy.

Mr. **Hofstee** (member of the AIV-Committee on the future of the Relationship between the EU and Russia): I will try to put my question as briefly as I can and therefore I may have to put it in fairly strong terms. This concerns the possible NATO-membership of Georgia and Ukraine. NATO-members and EU-members all agree that it is up to any sovereign state to decide for itself whether or not it should wish to join an international organization or not. That said, would it be correct to assume that the enthusiasm within NATO is bigger at the other side of the Atlantic Ocean and East of Berlin than it is West of Berlin? In other words, that the Western European members of NATO are not all that enthusiastic about a possible NATO-membership of Georgia and Ukraine and that maybe they also feel – as I do -- that a membership of the European Union would be much more advantageous to these two countries and to possible other countries that are common neighbours of Russia and the European Union? These NATO-members might realize very well that a EU-membership of Ukraine and Georgia is not in the currents because our voters simply will not allow it. Any enlargement of the European Union is something that cannot be discussed by any government or any politician in Western Europe at the moment. Is it then also possible that these 'Western' or 'original' members of NATO might allow these two countries to become members of NATO in the end, in order to defer the question of whether these countries should join the European Union? We give them something and then we can avoid the very important question of whether these countries should not be better off in joining the European Union.

Mr. **Brok**: To make such a choice could be dangerous because of opportunism but for the moment I do not see that. If we would enlarge the Union with the Western Balkan states, which have a clear promise – we negotiate with Turkey – and if we would take them in and would not talk about Georgia, we would talk about Moldova, Georgia, Ukraine and Azerbaijan. Altogether the European Union would have 44 members. I am not quite sure whether we have not already reached the question of overstretching. I believe the European Union as it presently is would be destroyed if we would go so far. It has not just even to do with such countries. We now need time for consolidation of the European Union after we have enlarged it with twelve countries. When I became a member of the European Parliament we had nine countries and now we have 27, three times as much. We are not prepared to major further enlargement steps under the present conditions. The Treaty of Lisbon is the last condition of the last enlargement and is not meant so much for the future.

The second point is that after the Georgian incident there is a big opposition of the population in my country for the Georgian and Ukrainian membership. People say: if Georgia would already have been a member of NATO we would be at war with Russia because of Article 5. The thing is we cannot only have members who look for the solidarity of others but also work for the solidarity. If you want to ask for solidarity you should not provoke someone and then ask for solidarity if things go wrong. This is when we have to talk about the missile shield, about the Estonian monument. I do not want to say whether it is right or wrong to have a missile shield but we have to debate it with all partners if you want to have solidarity. Solidarity is a two-way street that we have to learn in the enlarged European Union, too.

As regards the division of NATO, first of all I believe this is partly the old Cheney-policy to wait for the November election in the United States. When we have a new administration and then we should discuss the future of NATO. I do not believe that the strategy by some Americans, to make NATO a worldwide organization, is the right approach. NATO is a European organization for collective security in Europe. This is not an organization to build something about Russia, which is not the Soviet Union anymore. Also, we have to come to the situation where NATO becomes again the place of strategic decisions and debates and not to follow. Here, we have to file and do a very internal debate within NATO. Rightly, the United States asked for an Article 5 of the NATO Treaty after 9-11 but a few weeks later, when we came to Afghanistan, this was not used. But NATO is now involved. If we want to become equal partners it must be a partnership. One side takes a decision and the other side has to follow. If it does not follow it is not full of solidarity. We have to have this principal debate about the future of NATO after the American elections.

Mr. **Knapen**: Thank you very much! Before we give the floor to the next speaker I have one last question myself. In the beginning of your speech you were saying that the European Union does not have a strategy towards Russia. You followed on by saying that we did not have a proper debate on this issue amongst ourselves. Does this mean that the 'older' European member states like Germany and France in particular and Poland and the Baltics were not able to create some sense of collective security amongst each other, that they still have not been able to bridge the gap – probably a gap of emotions – between these two parts of Europe? Is that what you are saying or are you simply saying that we did not take the time?

Mr. **Brok**: I think both sides did not do it. We lost time and that is a mistake and a fault on both sides. I would not just include Germany and France. If we look at the Baltic countries and others and at the involvement of the smaller countries of the 'old' European Union we see these are equally important because if it was only done by the big countries it would be seen as a directorate. I am very much against the pictures we had of Schröder, Chirac and Putin. In this sense I am in favour of the pictures of Tusk, Merkel and Sarkozy, to give you an example in order that the smaller countries feel at home in Europe. I do believe that there are old and new countries, that this European Union is a big difference from the past. In the past, over the centuries the big countries decided what was happening in Europe and the smaller countries were the victims of it. This European Union is the place where for the first time every country, big or small, sits at the same table of decision making. Therefore, I am very much against any directorate solution. Any decision making like Sarkozy with the Euro Group is now proposing means that some sit at the table and others do not. Everyone should sit at the table. That makes the difference with the past while we had the development towards peace and we had to defend such a situation. On the other hand we have to take time for the countries that lived so long under dictatorships as the new member countries, with other experiences caused by communism but also a different historical thinking because they are closer to Russia. They have another approach to that than countries near the Atlantic Ocean. Therefore, we have to take their feelings and their fears into account and give them the feeling that we care for them. I think it is very important to make them feel at home. If they feel at home they feel more secure and if they feel more secure they are able to compromise with us to have a proper policy towards Russia.

Mr. **Kuiper** (MP): May I add something to this question? You see you do not like the picture of Sarkozy, Merkel, etc. It is a question about the political form of negotiating with Russia. There is an invitation of the idea of several European countries to go bilateral with Russia. Perhaps we do not have

clear political forms. I would like to ask you to give some ideas about the best political forms for better negotiations. In the report there is an idea and I would like you to comment that. The idea is to give a kind of bypass to the problems: the advice is to appoint three wise persons from the Western countries to consult with Russia at the highest level on all problems involving common neighbours, frozen conflicts and European security issues. I would like you comment on this, in the broader context of giving a comment on the best political form for the future.

Mr. Brok: Too many still believe they can make a bilateral deal with Russia, especially in the energy field. I made my positive proposal of this interconnectivity and a common European energy strategy. I believe we have to come to that. It is quite different because most of our companies in member states are private companies, so how can you force them into a common strategy? This is quite difficult. Nevertheless, we have to do so in order to achieve certain positions. But that has not just to do with Russia. It has to do with Nabuko, with oil from Arabian countries and so on. We do not do it just because of Russia. But this energy and energy security is not a European Union competence at the moment. Only with the Treaty of Lisbon does it become a competence. This, too, is why we need this treaty and that is sometimes forgotten. On more occasions we have to learn that we are only able to go for our interests if we make a compromise on the European level beforehand. None of our countries is able to go for 100% of its interests with big countries like Russia, in many other fields too. If we make a compromise and get 70% of our interests in the European position it has a chance that it will be accepted and that it will become reality. We have to learn this new definition of interest in all our member countries. I am not quite sure about this proposal of three wise persons but here again I would like to say that institutionally they should be appointed from Brussels. It is not a new intergovernmental approach. There should not be a repeat of last time where it is Germany, France and Britain who will send these three persons. It should be a good mix of countries, small and big, East and West. Then it might be that they make proper proposals for that if they could compromise on a common position.

Mr. Knapen: In that case three wise men would not do, I guess! We need more.

Mr. Brok: If you cannot do it with three, you have to take five because it is easier to find a solution!

Mr. Knapen: Thank you very much, Elmer Brok, for your participation and your answers.

We will continue now with our next speaker.

Session II

Address by Mr. Verberg, President of the Energy Delta Institute and former President of the International Gas Union

Mr. **Verberg**: Thank you Mr. Chairman. Your Excellency, ladies and gentlemen, I am honoured to participate in this relevant symposium EU and Russia. In the mid-nineties SNAM, the natural gas division of the Italian group ENI at that time celebrated 25 years of gas from Russia and from the Netherlands at the same party at the same time. As usual, the sellers brought a gift for SNAM. So, on behalf of Gasunie I was very pleased to present a nice statue of Kiny Copinga -- as you know Gasunie is known to promote art – to make it known that we were also very happy with this Dutch-Italian gas contact. But to the surprise of those present I also gave, be it a somewhat smaller statue, to Rem Viakhirev, my colleague at Gazprom that time. He was puzzled: why, it is a festivity for Italy and not between the Netherlands and Russia? I told him to think about the origin of this Dutch-Italian gas contract. Then a smile on his face appeared and his eyes were really sparkling. Of course, he knew the origin of the Dutch-Italian contract. The Gazprom-SNAM contract was wanted by NATO due to potentially disturbing the delicate political balance at that time in favour of the Western alliance. Mr. Luns, our former minister of foreign affairs at the time rubbed it quite a bit at the ministry of Economic Affairs and at the end of the day Gasunie entered into a contract with SNAM. That was the reason why I was quite happy to have this Gazprom-Italian contract. Otherwise, we would never have come to Italy. Why am I telling you this after so many years? I think it shows that energy, business and politics are always intertwined, whether you like it or not.

Let me make a few remarks about the European Union energy situation. We use in the European Union some 3.75 tonnes of oil per capita per year. You can compare that to 8 tonnes in the United States and by 5 in the Netherlands. That indicates our energy intensive industry and also our energy intensive agricultural sector, greenhouses for instance. In the global setting these figures are pretty high. Think about China; there the amount is just 1 tonne of oil equivalent per capita per year. In India it is even 0.5. So, if you see that societies like the Chinese society and the Indian economy are taking a fast track to develop their economic situation and if you think about the sheer size of their population, then even small numbers in terms of energy consumption per capita becomes very important. So, even if nowadays it is expected that China's growth will decline from a double digit figure to a single digit figure, nevertheless the impact of China and India on the global energy situation will be enormous. That is quite something because already now many observers think there are not enough investments being made in the energy sector worldwide. The IEA recently published a very outspoken report on that. Of course, you could say that prices recently declined because of an expected lower demand but if you have a backlog in investments even a decline in energy demand will not help you out. Even more so because the present financial and economic situation will have a lasting and deeper effect on the investments rather than just the expected drop in your energy demand. Think also about the other side of the coin of lower oil prices: projects that need an oil price of 70 USD/barrel to 90 USD/barrel, like many if not all of the tar sands projects. They are of the utmost importance for the oil and gas industry to get new and sizeable reserves from but probably will be stalled because it just does not

work. I have not even mentioned – but now I do – the recent find offshore Brazil in the very deep waters that at least needs 100USD/barrel and for which USD 400 billion of investments are mentioned in the professional press.

From this I think it is clear that the ongoing development in the world will put Europe in a position where it needs to compete very hard for the required energy. On top of that we cannot even invest very much in our own jurisdiction of Europe, because we are a 'mature' continent, as it is being called in the oil and gas industry. So, seeing our import dependency rising to some 92% for oil in 2030 and 80% for natural gas, it is clear that Europe should be very, very innovative, cautious and determined to find its energy supplies we need in order to keep our European Union machinery going on.

Of course you could think that the market will fix it. But the market is not as well accepted as we thought in the nineties, in the aftermath of the Reagan-era. At that time, in the early nineties there was a general belief that all over the globe the market mechanism would really be the mechanism that would allocate scarce resources, in particular in the energy domain. That has also very much influenced the European Commission and the European Union with respect to the liberalization. This liberalization began in the early nineties and then you can think of a very good strategy if you have the assumption that indeed all available hydrocarbons – I am just talking about energy – will be brought to the global market, so that there the allocation of scarce resources will be done in the most efficient way.

But reality is different. Studies from for instance the Clingendael International Energy Programme (CIEP) have shown that the acceptance of the market model is not the fullest extent and certainly not in the energy domain. Nevertheless, in Europe we went on with our liberalisation, which in itself is good if the base assumption is true that you are in a situation with ample supplies and without suppliers that can influence the market outcome. But if that assumption is false you are in for problems. I think that for the energy and in particular the natural gas sector the assumption of many, many suppliers of which none can influence the market, is false. We live in a global situation in which there are two oligopolies: one at the consumer side and one at the supplier side. That requires different tools in order to make the whole energy sector working efficiently and to the best of all stakeholders, consumers as well as investors.

At the same time we based our liberalisation on this assumption – which at least for the natural gas sector is not the right one – we tried to export to Russia this set of ideas about the organization of the market. Of course, there were reasons for that. In the early nineties, in the Jeltsin-era, we all thought that indeed a fully fledged market economy would be part and parcel of the Russian society. But the Jeltsin-era was less organized and less determined to go towards a real market economy than we had hoped for and believed in. There was a lot of applause in the West – of course – for the freedom of press but at the same time we sometimes forgot that every society also needs some fabric that cannot be too chaotic in order to keep society together. At the end of the nineties it became clear that Russia, the Russian Federation, had more or less lost its position in the geopolitical scene. As is rightly worded in the AIV-advice as well as recently in an article in the New York times: it was humiliated. The Russian Federation was humiliated in the geopolitical setting. And that is something that cannot last. So, we should not have been surprised that a change occurred in the Russian Federation.

Let me get back to the energy issue, which has to do with the same issue of trying to get back your place in the geopolitical setting and in the geopolitical picking order. First, the issue of liberalisation and jurisdiction of the European Union. The European Union wanted to export its model, also to Russia. But think about the real core issue of liberalisation: that was the idea of lower prices. If you look at the gas value chain, where do you find the best economic profits? You will find it at the upstream part. Where is that upstream part located? Not so much in Europe anymore but very much in Russia, in the Russian Federation. So, in essence, the liberalisation asked the Russian Federation government to accept the rules and regulations of liberalisation because we want to have lower prices and that is by implication a lower economic rent for the Russian Federation. Is that a win-situation for the Russian Federation? I do not think so. So, if you want to export, ideas, rules and regulations outside your jurisdiction you had better ask yourself and check and check again whether you could give something in exchange in order to create a win-win situation. As far as I have noticed I could not see that happening.

Another issue that I would like to draw your attention to is that the economic rent to a large extent is also an issue which is a dynamic part of the natural gas sector in Russia. Let me explain this to you. In the past, in the nineties, domestic prices in Russia were very, very low. They were so low that of course they became part of the negotiations about the WTO. One way or the other it was a kind of dumping for the energy intensive industry based in the Russian Federation to accept these low prices for energy if at the same time they wanted to have an open door approach for their exports to the European Union. At the same time, during these negotiations, the government of the Russian Federation was willing to give in with respect to the prices, not only because of the negotiations for the WTO but also because they knew very well they wanted to have an efficient, market based natural gas sector without giving away the economic rent of the upstream shackle of that chain.

In 2012 it can be expected that domestic prices in Russia will by and large be of the same magnitude as export prices. Of course, the European Union could be happy about that but did you think about the following implication? Until now – until 2012 – Gazprom and the Russian Federation have an incentive to export gas to the detriment of domestic consumption, because exporting gas gives much higher revenues per cubic metre than domestic consumption. If you have brought these two prices at par, the priorities of the Russian government and the priorities of Gazprom could somewhat change because there is no real incentive to go only for export. Even for the Russian government you can say it in another way: how do you think the Russian government could explain to its own population that they are deprived of natural gas because they want to export it, if the domestic prices are by and large at the same level as export prices? So, having this economic rent being safeguarded by putting the domestic price at a higher level, which fulfils one of the needs of the WTO negotiations and also fulfils the need to establish a more efficient natural gas sector within Russia itself, you have also created a situation in which Russia can reconsider its priorities. While we in the nineties thought – at least at the official levels in the European Union – that Russia, the Russian Federation almost automatically would renew its export and extend and expand its export of natural gas to the European Union, nowadays that no longer goes on automatically. If you look at the real facts: Stockman Scoria for instance is an enormous important gas region north of the Scandinavian Peninsula. You will find liquefaction there in order to be able to send LNG to the North American market and in order to escape the so called captive supplier situation Russia is in now. If you go to Sakhalin you see enormous investments being made to send gas to the Pacific Rim and China. Not to Europe. If new investments have to be made you certainly need to realize that these new investments will not serve

production capacity for the good of the European Union by definition. So, this is another reason why the European Union should realize that we are in competition with other major energy consuming regions in the world. We are not alone, we have to compete. And if you want to compete and if you realize that the Russian Federation with 25% of the world's natural gas reserves is by far the number one – number two is Iran with 16%, but not very helpful nowadays given the geopolitical situation – it is best to look for very constructive ways of cooperating with the Russian natural gas industry, in order to get also your part, your share of the cake. I think that with the teams in Gasunie they have been able to do so, to have a business win-win situation. They have the gas we want and we are willing to pay. We have services they want to pay for. We built up respect for each other, took each other completely serious. We had a deep interest in each other's culture and professional knowledge. We had invested a lot of time in creating personal relationships, which are valuable even after signing the contract. We maintained these relationships and I tell you, so far Gasunie had never been disappointed. The Gasunie-Gazprom relationship of the last eight years had only been a success story. Also other European gas business companies have experienced that if you have reached a good cooperation with the Gazprom people it is possible to maintain that relationship to create and maintain a win-win situation. May I leave it to this? Thank you.

Mr. **Knapen**: Thank you very much for this thoughtful and instructive contribution.

DEBATE

Mr. **van der Linden** (MP): First of all, I would like to underline particularly the last part of your introduction. Could you perhaps explain a bit more the role of education of the Delta Institute and also the role of culture, the relationship between the Groninger Museum and the culture in Russia, in building up this relationship and as part of business in the later phase of the relationship between Groningen and Gasunie?

Secondly, there was a lot of confusion after the gas interruption between Russia and the Ukraine. Many people know what was behind that. Did you have any hesitations in the past between Gasunie and Gazprom?

Mr. **Verberg**: The Energy Delta Institute is a foundation, established six years ago in a partnership between Gazprom, Gasunie and the University of Groningen. Other major actors in the energy domain are participating now. It is a platform in which we give professional courses, including executive master courses that are officially accredited in the domain of the natural gas business and in the oil and gas business, the upstream course that is given in cooperation with the University of Delft, for example. It is a platform in which people, mainly young professionals from all over the world, come together in very interactive courses in Groningen or in other places in the world where we think we can serve the customers. We have now had some 1200 students, amongst which is the personal assistant of minister Revchenko and the vice-president of the Bolivian state oil and gas company. So, we have alumni you can point at.

As regards your question about culture: very early in our relationship-building with Gazprom we were intrigued by the rich cultural heritage of Russia. The best example was the Bilibin exposition that the Groninger Museum organized with the assistance of Gasunie and Gazprom. Since then, many other exhibitions in Groningen saw the light and were successful.

With respect to the present issues it is difficult for a retired CEO to really mention them because it is no longer my business. However, it is publicly known that Gasunie has entered into agreement with the other partners in the North stream, which is of vital importance for the supplies to North-Western Europe and also to establish and realize the so called gas roundabout in the Netherlands, which will enhance the securitised supply of North-Western Europe and by that of course also of the Netherlands.

Your last question was about Ukraine. If you pay your bills and do not do the wrong things business wise I would not have expected that anything would happen like what has happened in the Ukraine. I think the very poor name of the Ukrainian gas industry that has built up within the gas industry in Europe is very much underestimated. They have done things that are not business-like and for which I also would have closed the tap in order to get payment first before I would go on. If you think about the price Gazprom was getting for the Ukrainian gas, it turned out to be a subsidy from Russia to the Ukraine of some USD 3 billion a year. That might be ok if you belong to the same political setting but if you have deliberately chosen to do otherwise that is your sovereignty but then you can expect these kinds of subsidy would no longer be available to you because you have chosen to go to the other side. By the way, the other side has never lived up to the same kind of subsidies, at least as far as I am aware of, unless I missed some information.

Mr. **Wellenstein**: Mr. Verberg reminded us of the fact that energy matters in principal are matters between companies and not between governments. That is a comment to the often heard complaint that the governments in Europe do not act together in this field. Indeed not, because the companies are not theirs. But in Russia and in many other places that is different. There we deal with state companies. So, there may be – may be not – political influence in commercial decisions. That is one addition I would like to make to Mr. Verberg's analysis.

As he rightly said, especially for gas there is not a 'normal' market, the more so because you cannot carry gas with you. You need pipelines to bring it to the consumer. If there is no pipeline a foreigner cannot deliver the gas. So, the matter is much more complex than simply saying that the markets should work. My question is the following. Would you agree that in this non-market situation, with mutual dependence cross investments, investments from the supplier on the side of the consumer and vice versa could be an enormously important stabilizer in the situation? Could this be a very important item between the EU and Russia i.e. an appropriate system of protection, of foreign investments in this case, especially European and Russian investments on each other's territories?

Mr. **Verberg**: Thank you for your remarks. I agree with you that cross investments could be to the better of the relationship between these two very important regions, the European Union and Russia. However, if you talk about cross investments you should have the right expectations. Long ago I worked for the ministry of Economic Affairs and there I have learned that of the state's participation in upstream concessions of let's say between 40% and 60% were deemed normal. In Sakhalin, in the Jeltsin-era, concessions were negotiated by Western based oil and gas companies with almost no state participation. That is not something you should consider normal because the economic rent of natural resources should to a large extent belong to the public at large. Of course, the government is the representative of the public at large. So, if you have the right expectations I fully agree with you. If your question had the implication or had the undertone that investments in upstream activities in Russia should be allowed without or with a negligible state participation, then I do not agree with you.

Mrs. **Broekers** (MP): Thank you, Mr. Verberg, for your speech. You said that the European Union has to compete with the rest of the world in energy matters, maybe also in other matters but in any case in energy matters. You also said to look for a cooperative way to deal with Russia on the energy supply. As you know, Gazprom had a monopoly on production and on distribution. Very recently – they are still working on it – new rules in the European Union were introduced on the internal market to forbid companies, European Union operators, from exercising the double role of distribution and production. Third country companies, active in the European Union, should be subjected to the same rules. What is your opinion on this when you say that the EU has to compete with the rest of the world? Should the European Union forego these requirements of separating distribution and production?

Mr. **Verberg**: With respect to the expert monopoly of Gazprom this is, as you know, very much like the de facto expert monopoly Gasunie has had for decades, before it was changed. That was very much stimulated by the Dutch government, because it was one of the practical tools in order to safeguard the economic rent of our natural resources. That is my comment on your first point.

Your second question was about the unbundling. It is known that also in the European Union there is a difference between the onshore and the offshore gas grids. These gas grids – which are really offshore gas pipelines – were very important in order to evacuate the gas from the fields, smaller and larger, not

also in the Netherlands but also in the remaining parts of the North Sea Shelf. It had its own legal regime because that was the way to fine tune the economics of such reserves with the evacuation, so that indeed the gas which was found could be brought to the market against an economic price. The pipelines like North Stream, the friendship pipelines – though they are onshore – should be considered as evacuation pipelines of huge reserve areas which deserve its own regime in order of the financial and economic situation. They should not be compared to a gas pipe line between the Netherlands and Belgium or Germany, or whatever other example you would choose.

With respect to your last remark I think it unwise of the European Union not to acknowledge that this fine tuning in the economic and financial sphere of the evacuation pipelines and the gas regions like Jamal, Stokman Scoria and the other regions should be placed in a different setting in order to secure that indeed the supplies are coming to the North Western part of Europe and not just to show the world that we are very good in pointing out and implementing regulations. If you have no cake you cannot share it.

Mr. **Knapen**: I would like to thank you very much for your introductory remarks and for your enlightening answers on a complicated issues.

Coffee-break

Mr. **Knapen**: We now have the privilege to listen to Konstantin Kosachev, chairman of the International Affairs committee of the Duma, he is chairman of the Russian delegation of the council of Europe, and he is also a former diplomat.

Session III

ADDRESS by Mr. Konstantin Kosachev, Chairman of the International Affairs Committee of the State Duma of Russia

Mr. **Kosachev**: Thank you very much for inviting me here and letting me introduce the Russian point of view on what is going on in relations between Russia and the European Union as well as Russia and the so called West. First of all, I would like to thank the Advisory Council on International Affairs for their balanced and in many parts deep, good and sometimes excellent report on cooperation between the European Union and Russia. I think that one of the major descriptions which was being used in this report towards the Russian foreign policy of today is the definition of Russia being assertive and trying to assert itself as a great power. I do not mind using that definition. For me assertive is something between active and aggressive and as long as we use the definition in a positive way I accept it. I believe that the foreign policy – if any – of the European Union may also be called an assertive one and also that of the United States, as long as we use it the same way towards Russia. But we are here not to speak about definitions; we are here to analyse why things are happening the way they are. The most important question for me as a Russian citizen is why the Russian foreign policy has become more assertive in comparison with, let's say, the nineties.

There is one opinion on that which has been presented mostly by the newcomers to the European Union and that interpretation is that the only reason is that Russia is over floated with oil and gas revenues, that Russia has always been an empire and will definitely stay as an empire and behave that way. In that case, the goal in Russia described by people interpreting it that way, is definitely to restore control over the neighbouring states in the first hand, later on over Eastern Europe and maybe later on over the Netherlands and other European countries. If so, the logical sequence of that would be that the Georgian crisis was unavoidable: Russia had to take control over Georgia being a democratic country trying to make its own democratic choice in the field of security joining NATO and doing other things that Russia definitely disliked and wanted to prevent. Of course, by that, the second conclusion would be that other crises are to come and Russia is definitely going to take Crimea from the Ukraine and other tasty parts of neighbouring countries as well. Then, the logical final conclusion would be to contain Russia to oppose to that trend and to do everything possible to protect a united Europe against Russia.

I believe that this is a very simplified interpretation and I have another one to propose. I think that though Russia definitely does take advantage of both high oil and gas prices, our more active foreign policy depends on completely different motivations and has just coincided in time with the high prices. My interpretation is that Russia, since the late nineties, feels very uncomfortable in a European construction of cooperation. Since the collapse of the Soviet Union we have been, I believe, one of the major sponsors of a new system of collective security the way we were seeing it. Our interpretation was that the Cold War was over, all European countries were equal and we should build something together, with each country taking its part of the weight, being the golden rule. Russia has joined the

council of Europe and I believe that this is still the most important European project for Russia, thanks to the Council of Europe. Russia has entered into a very prospective cooperation with the European Union by signing the Partnership Agreement with not as clarified consequences, because in some cases I believe the approach by the European Union towards Russia has been rather consumptive. I am speaking about better access to the Russian raw materials, such as unprocessed wood to be exported from Russia, about unlimited over flights from Europe to Asia through the Russian airspace and other good, tasty things for the European parliament, not to mention the Energy Charter which is also very much one sided; very good for the European Union but not as good for Russia. But in any case I believe that the experience of our cooperation with the European Union has been much more positive than negative if you look at the experiences from the nineties as well as from this decade.

But if you look at the field of common security – and now I am speaking about military security in the first hand – the result for Russia has not been satisfactory at all. We have been sponsors of this new collective system being a bit too romantic maybe. We have withdrawn our bases from Cuba, Vietnam, Eastern Europe, the last years from the so called Post-Soviet countries, including Georgia which I would like to stress especially. Since the end of the Cold War we have not started a single military operation anywhere beyond the national borders of Russia. I will speak about the last Georgian conflict a little bit later but I will now speak about the last two decades. We have fulfilled all of our commitments according to the international agreements, including the bilateral agreement with the United States on anti-missile systems, the Conventional Forces in Europe Treaty, and all other possible treaties as well as ratifying the adopted version of the CFE Treaty.

What we got in response was NATO enlargement. It was the United States getting out of the anti-missile treaty and NATO refusing to ratify the adopted CFE Treaty. I was listening to Mr. Brok describing the situation inside of NATO and claiming that 'Look, we do not want to be ruled by any country within this organisation taking decisions instead of us'. I may understand that emotion but imagine Russia being outside of NATO and all the time being confronted with decisions being made somewhere else in Brussels without any possibility for us to influence them.

The same goes to some extent for the European Union. If you look at this situation with Russian eyes – specific maybe but nevertheless – you see that Malta or Ireland have veto right on very important issues for the European policy. Not for the policy of the European Union but frankly speaking for the European policy in general. While Russia has no chance. The area of Europe, with the extension of NATO and with the extension of the European Union becomes much more limited for us Russians. Just to mention one example: Cyprus. A paradise for Russian tourists. Cyprus has earned a fortune from people from Russia coming there. But since Cyprus became a member of the European Union we have visa requirements. Cyprus was against and Russian has asked the European Union not to do that. This is another area and our space, our European space has become more limited as well.

So, the major problem of the united Europe of today is again like Mr. Brok put it when he described small countries who need to have a place in Europe. I am afraid that the existing construction and the way it is being developed right now by the majority of the European countries – I definitely do not blame them for that, because they feel comfortable in this countries – may be not as comfortable for countries like Russia. Countries like Russia do not have a place in this developing construction. They do not have a good enough perspective. So, for me the greatest challenge for the European politicians

in the European Union is to develop a construction, which should be comfortable for each European country, Russia included and not excluded.

Now speaking about democracy in Russia, because that part of the situation was also mentioned in this excellent report. Mr. Brok – I cite him all the time and he cannot answer me! – started his intervention today by mentioning that he is very proud to deliver his speech in this ancient hall and that there is less history in the European Parliament. Believe me, there is much less history in the Russian parliament. A couple of years ago we celebrated the 100th anniversary together with Mr. van der Linden of Russian parliamentarism. It was just a formal anniversary because out of this 100 years 70 were somehow taken away in the Soviet period. So, we had ten years of experience before the Soviet Union and now a little bit less than twenty years after. Believe me, that is not much. In any case, they have started by trying to introduce an unlimited and unadopted version of the European democracy in Russia in the early nineties. Unfortunately, we have failed because in 1993 the political part of that system collapsed. We had tanks in the street of Moscow and we had the President of Russia fighting the parliament of Russia. That was the defeat of the very young Russian democracy, I believe. Later on, in 1998 the economic part of that model also collapsed because we literally followed all instructions and advice given to us by IMF, the World Bank and other advisors. The Russian economy was just in ruins in 1998.

Since that time we try to avoid mistakes and develop something that functions, as a model. To my mind, democracy is just partially a self-goal. It is good to be free and it is good to have the right to speak or to read what you want in mass media. This is a self-goal and it is good. But on the other hand, democracy is an instrument that should make people's life better. Only in the case this instrument functions properly it is good enough for a country. The problem of Russia as well as it is the problem of almost every other Post-Soviet state is that the instruments of democracy, in the first hand the political parties, are still very weak or absent. You may see what is going on right now in Ukraine. I do not like that model of democracy. It may be absolutely free and it may be absolutely unlimited but it ruins the country and does not assist its development. This is our experience and this is what we try to avoid right now.

One of my German interlocutors, not being Mr. Brok this time, once gave me a very good formula. He is absolutely in favour of import of democracy and absolutely against export of democracy. I like that formula. Each country should be ready to accept foreign assistance, foreign advisors and foreign experience but a precondition is that this country desires that and is ready for that development. To my mind, it takes time for any country, including Russia. We are on the right track.

What is to be done? This is the final part of my humble contribution. People in the European Union frequently speak about the need to develop a common strategy vis-à-vis Russia. Not against Russia, ok, but vis-à-vis Russia. Again I may accept it but I would prefer to have a common strategy and solidarity not vis-à-vis Russia but with Russia. I would like to mention here especially one example that was already mentioned and this is Ukraine. In the early nineties the three Baltic states did a very efficient thing: they wanted to speed up the access to the European Union and to NATO and they immediately after the breakup of the Soviet Union started to provoke problems in their relationship with Russia. I would like to remind you that Russia was a part of the Soviet Union but was the first one to recognize the independence of the three Baltic states and assist in their independence. When started to respond to those problems it was presented as a confirmation that Russia was a threat. This

is why the three Baltic needed to be taken inside the European Union and NATO as soon as possible. And they have succeeded. I acknowledge that this policy of the three Baltic states was very efficient.

Unfortunately, the same thing is being done by Georgia and by Ukraine, provoking problems in relations with Russia and then presenting these problems as the new Russian empire coming back. Crimea: Russians there. And this is the difference between for instance Ukraine and the Baltic States. The Russians in Crimea have always lived there. Not just centuries, just always. They have not come there from somewhere else, like Russia. The Ukrainian leadership right now takes tentative steps in order to limit the Russian population in Crimea and other Eastern parts of Ukraine. Only last week they have forbidden the Russian TV channels if they are not translated into Ukrainian, which is impossible. The Black Sea fleet again is another subject. We are in agreement until 2017 but suddenly they try to introduce new limitations in order to create problems and to provoke reaction from the Russian side. The debates on history, all the more the Ukrainian rebel army: if we want to have a good cooperation the European Union needs to address that type of policy in a more attentive way in order to prevent crises. We can come into a crisis situation with Ukraine as well, but not for the reason that Russia is an empire but for the reason that some countries use this image of Russia in order to solve their own problems. Then the European Union might be more consequent in its reaction on that, protecting the national minorities and protecting the human rights. It would have been a major contribution.

My last point is about the four spaces. Speaking about the export and import of democracy I believe that the easiest way to develop democracy in Russia is to promote the establishment, the existence of middle class society in our country. For that we need to have a stable economic development, together with Europe and together with the European Union. So, my recipe would be to concentrate in our relationship on the common space of economy, on the common space of humanitarian issues, to promote human contact, to promote economic and social development in Russia, to disagree where we can or may disagree – we have many matters for disagreement; fortunately or unfortunately but we have them – but not to limit our cooperation in other fields for the reason we have disagreed in the field of democracy and human rights. I believe we should resume our negotiations on a new agreement as soon as possible. Russia considers itself as a European country. Russia wants to have both economic and political cooperation with the European Union as closely as possible. We do not see any obstacles that can prevent that development but for that the European Union needs Russia as a partner to dance the tango and Russia needs the European Union as a partner to dance tango as well. Thank you very much.

Mr. **Knapen**: Thank you very much for this very helpful perspective from the Russian side, which can only contribute to a more sophisticated debate in this part of Europe on the relationships.

DEBATE

Mr. **van Baar** (Press): Thank you for your interesting presentation. I have a question concerning the position of Mr. Putin. Russia is supposed to have a presidential system but after the elections in March Mr. Putin became prime minister and Mr. Medvedev became the new president. But after the situation in Georgia this summer the European press concluded that Mr. Putin's position was confirmed as being the strong man of Russia. How do you see this as a member from the Duma? Does this not create an institutional problem? Is this good for the Russian democracy? How are we going to see this? I can imagine that from the position of the Duma it creates problems if we see Mr. Putin clearly as the strong man while at the same time Russia is supposed to be a presidential system and Mr. Medvedev looks to be a sort of puppet of Mr. Putin.

Mr. **Kosachev**: To me this is a typical style of commenting things going on in Russia. First of all you draw your own conclusion. You said that the European press concluded. Then you take that for granted and you ask somebody else to give an explanation. Frankly speaking, I do not agree with that conclusion. I definitely do not believe that Mr. Medvedev is a puppet of anybody, including Mr. Putin. As a Russian politician I think that the interaction between the president and his administration on the one hand and the prime minister and his administration on the other hand works perfectly well. There are no conflicts at all. They have divided areas of competence, all according to the constitution. Mr. Putin was to go to the conflict area, before Mr. Medvedev. That is true but the reason was exactly that his competence was to speak about the urgent humanitarian issues like advocating people, restoring communications and buildings and giving normal life back to people. This is the competence of the government and not of the president. This is why he was there. But if you have noticed – maybe – the partner of Mr. Sarkozy during all these difficult talks was called Mr. Medvedev and not Mr. Putin. Believe me, he was not leaving the room in order to get advice from Mr. Putin while making agreements with Mr. Sarkozy. He is in charge of the country. Russia is a presidential republic and I think that we have already, when I speak about us as Russian citizens, noticed some differences in style. Not in politics but in style. Mr. Medvedev as a professional lawyer is much more concentrated on issues like rule and law and the legal framework of different decisions. He is much more oriented on a dialogue, on communications with different areas and spheres of the Russian society. This Thursday, Mr. Medvedev is going – it is not yet confirmed but I hope he will – to present his first 'state of the union' speech before the Federal Assembly. I know for sure, just for the reason I am a little bit involved, that Mr. Medvedev works personally on the text of that speech. Of course, he gets assistance from many experts but believe me, this is a communication between the president of the country and experts and not anybody taking the lead instead of the president.

Mr. **Münninghof** (Press): I am a former correspondent to Moscow and nowadays I am a freelance journalist with a special interest in the Russian Federation. Mr. Kosachev, thank you very much for your analysis though I have another question as we are obsessed in this part of the world by the financial crisis at the moment. We do not talk about anything else. I know Moscow it also struck in a way because of this financial decline. Would you say that this financial crisis provides us with a big opportunity to really work together to overcome this crisis, giving Russia and the European Union even a better opportunity than we had after 9-11?

Secondly, we have been talking about the interest we have in approaching the Russians and coming to terms with the Russians because of economic advantages. Is it not time to say that there is a necessity for approach because we simply need it? Or is this too idealistic a view on the matter?

Mr. **Kosachev**: Thank you. Speaking about the financial crisis, I believe that in these difficult times Russia can really make a contribution to the solution of that crisis. I was following the discussions during the previous G8 summit, the last year with Mr. Putin as president still participating there. I know for sure that during that previous summit Russia had been the only country to mention the upcoming of a global financial crisis in speaking about the difficulties as a result of the American practice of mortgage loans etc. At that moment, eighteen months ago, nobody else was ready to support that discussion. Why? It proves that sometimes Russia has a better analysis of what is going on and maybe is better prepared for that. It is not just about the number of billions of dollars we have in our reserves, it is about professional competence. The crisis has not yet caused any huge problems in our economy though of course it had an impact. Not one single bank has gone into bankruptcy and the measures taken by the Russian government until now have been taken in advance, in order to avoid a crisis and not to overcome it. I think the coming G20 summit in New York on 15th November will be a very interesting one. I know that Russia does prepare very detailed and very concrete proposals for that, not just mentioning how good we are at preventing of predicting crises but coming to New York with a very detailed program. Yes, I believe that it will create much better conditions for our cooperation in other fields as well.

Speaking about us as neighbours, not rivals: definitely yes. The European Union countries may try to seek other partners as far as raw materials are concerned and I understand perfectly well that a united Europe needs to be more secure by diversifying its sources of energy supply, but all these diversified sources of energy supply will be much more expensive. They will be and for that they will not be as safe as you want to have them. So, for me it is better to follow an excellent example we had with the European Union when it started with France and Germany uniting their economic interests and by that avoiding any potential conflicts after the Second World War. This is how the European Union and Russia should handle very difficult issues of economic cooperation. But if we will exchange shares of the companies, if we will sign long term agreements for thirty, forty or fifty years ahead, then we will avoid any crisis. Believe me, Russia is absolutely ready for that type of cooperation.

Mr. **Kuiper** (MP): President Medvedev proposed to speak about a Euro-Atlantic security partnership with both the United States, the European Union as well as the other European countries and Russia. At the same time, Jaap de Hoop Scheffer – the Secretary General of NATO – asked his member states and the member parliaments to start a discussion about the future of NATO and the global security arrangements that should be here for the next ten to twenty years. Can you elaborate a bit more on the proposal of president Medvedev, because it was not accepted with a lot of applause although in my opinion it might suit us all, the United States, the European Union, the European countries as well as Russia. Could you elaborate a bit more on that concept?

Mr. **Kosachev**: I will give you one example: Afghanistan. Interests and goals of NATO countries on the one hand and of Russia on the other hand coincide completely. There is no contradiction whatsoever. We want to get back control over the countries, so that there is no more drug production there, no terrorist bases sponsored by Al Qaeda or anybody else. We are very much interested in having this operation of NATO as a success story. Yes, but Russia does not participate in that

operation. We give our territory for some transit of supply but nothing else. Neither do China, India and other countries that do not have the honour of being member states of NATO. And this is bad, because we have the same interest but the operation is definitely not a success story. I do not know whether our participation would bring success to that operation or not but I believe that the more countries we have with the same coinciding interests the more chances we have that this operation becomes a success story. So, the NATO format just limits the prospects of that success, which I definitely dislike.

I believe that the initiative by Mr. Medvedev is definitely not meant to take the United States out of Europe. Definitely not but on the other hand I know that the only country that will absolutely oppose this proposal of Russia will be the United States because the existing construction is very comfortable for the United States. Whether is comfortable or not for the European countries I do not know. Sometimes you feel safe. You have a functioning mechanism of the decision making process, but again it is not good for non-proliferation. It does not solve the problem. ** It is not good for combating international terrorism, human trafficking or illegal arms' trade. It may be good for some things but it is not good for conflict management. So either we will be able to make another construction with each country with the same problems, the same challenges and the same threats involved or we will again see how NATO tries to solve all global problems in the name of mankind without being successful. What Russia does wrong is that we are not speedy enough to make our proposal more concrete, more detailed. Sometimes it is part of our mentality to present a good idea and to expect somebody else to develop it instead of doing that ourselves. In this case nobody will develop this idea because again most countries which are our potential partners feel comfortable. They would accept another construction only in the case it is better than the existing one. To propose a better construction is a challenge for Russia. I believe we should be as concrete as possible in this initiative. This is what I will insist on as a Russian parliamentarian.

Journalist: I would like to come back to the speech by Mr. Brok about the EU strategy vis-à-vis Russia and the lack of it. My question to Mr. Kosachev is whether Russia has a EU strategy and, if so, what are the objectives? He said that the challenge from the Russian perspective is to develop a construction in Europe in which Russia feels comfortable. To me that is a very vague objective so maybe he could tell us more how you can make Russia feel more comfortable in the European Union.

Mr. **Kosachev**: Feeling comfortable in terms of foreign policy is a vague definition. I agree with that. I was trying to imagine a construction where Russia has the same participation in the decision making process as other European countries, simply as that. There was a NATO-Russia Council which was composed initially in an attempt to have a discussion not between 26+1 countries but as a council with 27 equal partners. It did not work. We always have been confronted with a decision already taken in advance in Brussels and for Russia it is 'take it or leave it'. Frankly speaking, this is what we do not like. So, what will this construction look like? I do not know. It would be naive to ask you to give up the NATO project. But to understand that NATO is not the end of history and that this is not the culmination of our foreign policy projects. I would like to have a discussion about that, both in Russia and in other European countries.

Unfortunately we do not have a EU strategy in Russia. If you would ask whether we have an analysis of whether Russia should join the European Union, theoretically, hypothetically or not, we do not have such an analysis. The knowledge about the European Union in Russia is rather small. People do not

understand how the European Union functions and what the membership is about, again in theoretical terms. I would just welcome such a discussion. In case we would have such a discussion in Russia and we would come to a certain conclusion it would be good for the relationship between Russia and the European Union to provoke such a discussion. This is my dream. We need some strong politicians from the European Union who would dare to invite Russia, to send Russia the signal that it is the same as any other European country and that it has the chance to join the European Union in case it wants to. But it will need to fulfil one thousand or one million criteria and of course this will be matter for the year 3000 but please, consider the option. That might start a very interesting discussion inside Russia. I do not believe it would harm the European Union anyhow, not at all. But we need to have such a signal because right now we are in a very strange situation: the European Union has two outwards strategies. One is towards potential candidates or future member states like Turkey or the Ukraine that they need to do things to become member of the club. This is accepted by these countries because yes, they want to become members of the club and this list of conditions does not humiliate them. The other strategy is towards countries like the United States, China or the South African Republic, that can never become members of the European Union. There are no conditions for cooperation. They just cooperate with each other. Strangely enough, Russia is somewhere in between. On the one hand we cannot become a member of the European Union – this is more or less accepted by everybody – but on the other hand we need to fulfil certain criteria of behaviour in order to be accepted by the European Union. We do not have the same motivation to fulfil any criteria. We just have their own development. I would prefer to have a different situation. For we, as Russians, need to make our own choice which we have not made yet.

Mr. **Knapen**: Mr. Kosachev, thank you very much for your introduction and for answering in the questions in such a vivid, open way.

Our last speaker today is Professor Hans van Koningsbrugge.

Session IV

Address by Mr. van Koningsbrugge, Director of the Netherlands-Russia Centre of the University of Groningen and extraordinary professor at the Moscow State University.

Mr. van Koningsbrugge: Thank you! Ladies and gentlemen. I was asked to briefly comment on the AIV report, which I will gladly do because in many respect it is a fine report. However, after reading the report I had some mixed feelings. On the one hand the report describes quite accurately the sphere of current problems between the European Union and the Russian Federation and tries to give some useful leads to work together in future. As it pointed out correctly in the introduction, it is unwise to use Russian's application of the rule of law as the sole criterion for the strengthening or weakening of the relationship with Russia.

This seems to open the door for a broad approach and in the report there are some hints to that. But in saying that I sometimes miss the Russian side, the Russian perspective. I will give you some examples. It is highly important that we see that Russia has a totally different historical tradition than Western Europe. There is a different political culture. I am not only talking about the period after 1998 but also before. We have to see that Russia is not only part of Europe – a European country – but also that it is a separate and unique Euro-Asiatic entity with separate historical laws and developments.

I also another analysis. Why does Russia see the European Union as a threat and/or a partner? Is it only a matter of assertiveness or are other motives relevant? What is the hierarchy in this? What exactly are the problems with Russian accession to the WTO, which the committee regards as the most important step for cooperation between Russia and the EU? Why is the Russian side so hesitant? If you want to promote Russian membership of the WTO it is highly important to know what exactly the Russian hesitations are.

Furthermore, the report puts very little emphasis on the mistakes of the Western side, the EU side, in the relationship with Russia. What did we do wrong in the context with Russia, for instance during the nineties? Was our strategy always right? Can we perhaps learn from our mistakes?

These problems are not without meaning. If you want to be in discussion with our Russian counterpart you have to know why they have certain views and what their problems exactly are in their relationship with the West. Knowing these, a real discussion can start without rhetoric.

Regarding the conclusions of the report I do not think we can really argue them but the most important thing about these conclusions is the question how to realize them. In short – and I point to Recommendation 1 – we have to speed up Russia's membership of the WTO. How do we get there? Another question there is how to get the member states of the EU to take one stand in this – in this subject in particular – and concerning Russia in general.

I would like to make some comments on the Russian economy. This morning I watched a program on CNBC, a commercial TV program. Every morning they have a broadcast about the European economy

and the decline of the stock exchanges. This morning the point was made that only two will be sustainable if you compare the upcoming markets at this moments. These two were Brazil and Russia. Although oil prices are declining the effects of this decline could be muted in the short term by oil revenues accumulated in the reserve fund. Consumers' purchasing power and expectations are, however, weakened by the fairly high rate of inflation, 15% per year at the moment. Growth in domestic output is the restraint by firming capacity constraints. Several production sectors and a strong growth centre above all and are already experiencing a shortage of skilled labour. Particularly on the longer term, growth perspectives and economic diversification are also impaired by an infrastructure which is deficient our outdated, in many respects.

If the liquidity crunch persists in international financial markets it may also exuberate the financial position of Russian companies. But this crisis – and Alexander already asked for this – is also a chance for the EU. The Russian need for diversification of the industry and the need for foreign investors offer the EU many opportunities to work with Russia and to improve relations. In the field of the current crisis it is impossible for one country to have its own way; they have to cooperate in broad international terms, including the EU and Russia.

I will conclude with some small recommendations. The EU should understand that things take time in Russia. I will make some small comparisons with the United States. It was the country of freedom in the 18th century. 18 years after the creation of the United States slavery was abolished. Sixty years later women got equal rights and again sixty years later equal rights were written down for the black community. So, we should have patience with Russia. Not everything should be considered possible in a short time.

The Russian side on the other hand should realize that assertiveness is a good thing but too much assertiveness works counterproductive. This basic thinking should be a part of the EU-Russian partnership, not only as a matter of common interest but as a common necessity, as was already pointed out, because we are neighbours. And we will remain neighbours.

I will end my contribution with a small anecdote about the Czar Peter 1st, Peter the Great. He was also in the British parliament. Some politician asked him whether he thought this system would be something for Russia. The Czar looked at him as if seeing a fly and replied this would be impossible for Russia for the coming 800 years. Fortunately, this was not the case!

Mr. **Knapen**: Thank you very much for giving this the historical perspective that always makes things easier in life. Time will solve everything.

DEBATE

Mr. **van der Linden** (MP): Could you elaborate a bit on the role of the United States in the relationship between the EU and Russia? Could this role be helpful, also after the elections? Are the United States really interested in a strong Europe and in a common approach of a strategy between Russia and the European Union? How can we deal with this? Our partnership with the United States is one of the keystones of foreign policy but it cannot be an obstacle for a relationship with Russia, which has to be and will be one of the most important issues for the next ten to twenty years.

Mr. **van Koningsbrugge**: That is a very good question. The problem there is the tone of the conversation between Russia and the United States. For some years this has been very bad. We already talked about Mr. Cheney addressing in Vilnius; he was not only speaking about Russian democracy. He also gave the rest of the world an example of the democracy in Kazakhstan that was working perfectly in his view. Of course, that is an insult!

At this moment we need a new American president. Hopefully, it will be a Democrat. If it were a Republican there will not be a lot of change and it will poison the dialogue between the West and Russia at this moment. It is fully clear that the tone in the conversation between the EU and Russia is a different one. It is more relaxed and it is more moderate than the American tone. So, we can only hope for a change in the Whitehouse.

Mr. **Kuiper** (MP): I would like to ask a question about the Georgian incident, as it was called. It was said – and it was felt – that Russia was the clear winner, especially vis-à-vis Georgia but also because the Americans had a bloody nose, etc. Do we still think that is the case after two months? I read an article in *The Economist* last week that for instance the Georgians themselves and especially president Saakashvili did not consider it that bad for their country because the Russians were confronted with reactions from the near-abroad. These reactions were very anti-Russian. There was an alarm raised about Russian imperialism, etc. How should we judge this? Was it really a good thing for Russia or were the reactions from near-abroad and from the Western world, the European countries not so positive for Russia? If so, could we say it also had a price for Russia?

Mr. **van Koningsbrugge**: Of course it has a price for Russia. Russia lost the battle in the media. There is another point. Of course it was in the Georgian interest to internationalize this conflict that really happened. Now everyone is involved in it. I do not think Russia is the clear winner nor is Georgia. There are no winners at all; both sides had losses and profits.

Mr. **Kosachev**: Please allow me to add one or two things. I would not call it an incident; it was a full scale conflict. Each part of it is a loser: the people of South Ossetia for the reason they again lost a significant number of compatriots, the people of Georgia because they have now – and I believe forever – lost the perspective of restoring the territorial integrity of the country by political means and of course it is a huge problem for Russia, because we are really confronted with almost the entire world. We are in a situation where we had no other option than to act and react, which we, in understanding that, have been trying to avoid. It was not Russia's choice to have that conflict. Until the very last day our ambassador was shuttling between Tskhinvali and Tbilisi, trying to get people together for a political dialogue. The existing version of the Georgian side, that they were reacting to

Russia moving in before they started the bombing of Tskhinvali does not hold for the simple reason that we have the Roki Tunnel and then at least four Georgian villages between the Roki Tunnel and the city of Tskhinvali. If anyone of you has been to South Ossetia you will agree with me. To put in South Ossetia any number of military equipment without being discovered for that is just not possible. It is physically not possible at all. There are no other roads. In any case, just imagine the Georgian leadership received information that the Russian tanks are moving through the Roki Tunnel and needs to act immediately. Just theoretically, imagine this were true. I am not a military expert but to act in this situation they would only have to block the Roki Tunnel, to let airplanes drop a bomb there but not to bomb a civil city like Tskhinvali. These do not coincide, so to say. So again, the Russian reaction was in response. We took the decision to respond only when we had the first confirmation of casualties, of dead people among the Russian peace keepers. The two first report on two deaths was the decisive factor. We had to act quickly because the civil city of Tskhinvali was bombed by heavy rocket systems. Finally, believe me that nobody in Russia is happy about what has happened. Definitely not. We understand that the situation has changed dramatically and we hope that finally we will be able to find a solution that is acceptable for each party in the conflict. But right now, the only thing Russia is doing there is to secure the lives of the people in South Ossetia and in Abkhazia. We all have failed to prevent the conflict and now Russia takes it part of the responsibility in acting unilaterally.

Mr. **Peters** (MP): I have a question for Mr. van Koningsbrugge. Thank you for your introduction. You were rather critical of the report of the Advisory Council. You said that the perspective of the Russian side was not presented well enough.

Mr. **van Koningsbrugge**: I was asked to be critical!

Mr. **Peters** (MP): That is great for the discussion, but could you clarify a little bit what you mean by that? Do you mean that this report perhaps is too economical in its advice? What is your perspective?

Secondly, you have heard the frustrations of Mr. Kosachev about the treatment by the European Union in the nineties. Russia was trying to cooperate but had many bad experiences with the EU. What would you advise? What would you do if you were the Advisory Council? What would you advise us now? What attitude should we take towards Russia? Perhaps Mr. Kosachev could react on that question as well.

Mr. **van Koningsbrugge**: Perhaps 'economical' is too much said but other aspects should also have been taken into account. It is a matter of priority. I can understand it but taking the WTO as the gate to everything else is an approach I would never have chosen. But that is for the committee.

Your other question is what I should advise now. I was charmed by the idea of the three wise men. You have the three wise men from the East at Christmas but perhaps now three wise men from the West and three wise men from the East, behind closed doors, trying to improve the atmosphere and trying to avoid rhetoric. No press, of course. That would be a great start in my view.

Mr. **Kosachev**: I have a simple answer on what the European Union should do in the current stage and that is to have business as usual with Russia. It is as simple as that. I believe that the recent experience from the Georgia crisis was a very unlucky one in our mutual attitudes and on your side, in some cases. The interpretation of that crisis was automatically the same. In a dispute between a big country

and a small country the big country can never be right and the small country can never be wrong. But sometimes, this is not the case. As long as our criticism in this current crisis is addressed towards Russia – and this is the case, I believe because I cannot hear any criticism from the EU towards Georgia. The opposition there cries already. The former speaker and the former minister of foreign affairs cry loudly that it is a democracy and other important things in Georgia, but the European Union keeps silence; it is all about Russia. And this is wrong. Please, try to keep business as usual with Russia and it will absolutely support the pro-European spirits in my country.

Mr. Gross (MP Switzerland): I am a Swiss parliamentarian and leader of the social democrats in the parliamentary assembly. I am very grateful to the leader of the other social democratic in this parliament that invited me to this discussion.

I have two questions, Mr. van Koningsbrugge. I think we should react to a historically extremely interesting suggestion Mr. Kosachev brought up in the debate, that we should think about the possibility that Europe and Russia will do in future what Germany and France began to do in the period 1949-1951 and after the Benelux joined the proposition of the Steel, Coal and Mine Union. I immediately thought that at time, in both main European countries, you had steel and coal production. It was not one-sided. To overcome this distinction the European Union could contribute the technology the Russians need so much. The Russians could bring in the resources. What do you think about such a suggestion? I think we should not let it pass into the history books without mentioning it or without thinking about it as Mr. Medvedev's proposition in Brussels concerning the security agreement.

Secondly, in his speech he admitted himself that Russia has an extremely negative image in the West. Some people are building on this negative image to sideline their own shortcomings and to focus the attention on other things. We know that images are an issue of mentalities and mentalities are built by realities. Realities may pass but mentalities still exist, although even mentalities are changing. What could be our contribution to make the Russians contribute to overcome this own negative imagine by developing soft power instruments where they are weak to do this? They are much used to the strong power, which produces the negative image. These are two suggestions that could contribute very much to the Russian development.

Mr. van Koningsbrugge: I think the cooperation between France and Germany after the Second World War is of course a fascinating example but the comparison is not entirely equal, as you will understand. After World War II France and Germany were equally hit and now we have Russia progressing but the EU is much more developed. In the sphere of dependency, of needing each other, it is a fascinating thought. Why not? But let me get back to what Mr. Kosachev said: the discussion about the Russian membership of the EU is useful, though it might never be realized. What should Russia do to become a member? It is good to see what we exactly want from Russia.

The negative image is of course a huge problem. An image is really important. I see it in the Dutch newspapers; seldom there is positive news on Russia. Even if you want to correct for instance an economic report it is not published. I have tried to do that on several occasions by writing to counter piece to NRC. They tell you their magazine for Saturday is already filled up. What should happen is to get a better understanding of what really happens in Russia. But also the opposite: when I talk to my Russian students in Moscow and tell them what is happening in the West they tell me this is a totally

different picture from what they got in the Russian newspapers. When I talk to my Dutch students I get the same reaction.

Mr. **Kuiper** (MP): I would like to raise two points, the first on the cooperation on coal and steel. When our former prime minister Lubbers introduced the idea of the Energy Charter it was meant to be a cooperation between the European Union and Russia. But in no time the political pressure from other parts of the world made it a charter with so many actors in it that a lot of energy was lost in trying to settle all issues. This is just an example of how a close cooperation between the European Union and Russia is apparently not only of interest to those two actors, although they could fit very well together.

Secondly, could it be that the very 'negative' image of Russia is to a large extent the proof of the issue that Russia is part of the European family? When you have a brother or a sister who is not always doing the right things you are much angrier with him than with someone who is way out of the family. Perhaps that could give some optimism about this issue.

Mr. **Knapen**: Thank you very much! We have time for two more questions.

Mr. **van Staden** (AIV): I was part of the group that prepared this report. In fact, in the report as far as the economic side is concerned we consider the WTO-accession of Russia is a very important condition to arrive at the ultimate goal, which is part of the mandate of a new partnership agreement to arrive at the free trade agreement. You cannot negotiate a free trade agreement without Russia being part of the WTO. I think it is an anomaly that a big country like Russia is not part of the WTO. WTO accession has two components, bilateral and multilateral. The bilateral component, as far as the EU is concerned, was already concluded in 2004. Afterwards the bilateral one was also concluded with the United States. I must say that I did not agree when the United States put political conditions to WTO-accession of Russia after Georgia.

The common economic space, which is part of the present partnership agreement has had no substantive progress whatsoever. We need economic cooperation, we need to go into the direction of a free trade agreement. WTO-accession is part of it. We were very close to an agreement on WTO-accession and I still believe we are close on an agreement. We are now valuing the Russian perspective because at this time it is only one party that negotiates and that is the European Commission and not 27 countries. It is a bilateral negotiation between the European Commission and the Russian Federation. I think in that bilateral relation we know the Russian anxieties pretty well.

Mr. **Knapen**: That was a valuable contribution.

Mr. **Trojan**: As far as the point of criticism is concerned, the criticism made by Mr. van Koningbrugge about the lack of the Russian perspective in the report I do not agree. There is a paragraph devoted to the Russian conceptions of the European Union.

I would to pursue the debate about the international financial crisis and the opportunities that may arise from that. Frankly speaking, there are opportunities but they are pointing more into the direction of debate about reforming the structure of the global economic governance rather than deepening the economic relations between the EU and Russia. Talking about global economic governance, what springs to mind of course is the position of the International Monetary Fund. We all know that Russia commands pretty vast monetary reserves of almost USD 600 billion. That is of course an important

consideration. My question would be to what extent Russia is interested in being part of that debate about the restructuring the system of global economic governance. Is Russia willing to become a responsible stakeholder in that system?

Mr. **Kosachev**: Definitely, Russia is very much interested to take its part or responsibility for the simple reason that we are now being affected by the negative components of that system. We may continue to concentrate reserves in some funds in order to overcome the difficulties that are produced somewhere else or we will take our part of the process. My answer is absolutely affirmative. We have tried to participate in the G8 format, also in the part that concerns the financial discussions. It is not yet possible to the full extent yet. The G7 ministers of finance usually meet in advance, which is not good. I believe that the coming meeting in New York will change that situation and again, Russia is very ready for making its own contribution to that.

Mr. **Knapen**: Thank you very much, all of you. I will not even try to wrap up the discussions of this afternoon. The objective was to learn and to understand both sides. I think we made some progress on a balanced approach of the issues. Mr. Elmer Brok said there is no Russian strategy in the European Union and Mr. Kosachev said there is no EU strategy in Russia. There is a balance. There is also a lot to do. And that is what we were here for. Mr. Kosachev made a surprising proposal to invite Russia for membership of the European Union. A couple of years ago a historian told me that Russia already wrote a letter to NATO to become a member of NATO. That was back in the fifties. From a legal point of view they had a point, so it was decided to act as if the letter was never received. I am sure there is no way for the European Union or for the European Commission to act in the same manner as NATO did in the fifties, so it would be a great experiment to apply. I hope that we prepared some ground for such a ground breaking proposal. In any case, I am sure that we all agree that it was enlightening. We learned a lot. It always helps us to get a little bit of the flavour, the sense and the thoroughness of attitudes and emotions and not only arguments and analyses that have to do with relationships.

I thank Mr. Kosachev, Mr. van Koningsbrugge en Mr. Verberg for their frank, open and constructive way they participated and contributed to the discussion. I should also include Mr. Brok. I do feel a little bit guilty about the fact that he left. He told me he had to give a speech at 7 o'clock in Bielefeld. My trust in the Dutch infrastructure apparently is a little bit lower than Mr. Brok's: I definitely advised him to leave at 3 o'clock. So, I apologize for that. He really wanted to try and leave at 5. So, I thank him for his optimism as well.

Thank you very much. You have all been the witness of a rather remarkable event and a remarkable achievement. In one way or another the Senate, which is just a *Chambre de reflexion*, manages to take the lead whenever something happens outside The Hague. Although they have full time professionals at the other side of this court it is always the Senate who opens up the debate, takes the time for reflection and makes all of us a little bit wiser. Thank you for that.

More or less this allows me to switch to the final remarks that are given by a man who makes a steady contribution to the fact that this part time Chamber always has a full time agenda on opening up the eyes of Dutchmen to the rest of the world. I give the floor to René van der Linden.

Mr. **van der Linden**: On behalf of the Committee of European Affairs and of Foreign Affairs of the Senate I would like to thank today's chairman, Mr. Ben Knapen. Indeed, we are a *Chambre de*

reflexion and it is usual that we take important issues on the agenda. It is not for the first time that you served our meeting and I thank you very much for that.

We have a bonus system for those who have contributed in an excellent way to the debate. Our bonus system consists of a very interesting present, but not the same present that is usual in some parts. Let me give you this, Ben, as an expression of appreciation!

The same counts for the contribution of the speakers and those who took part in the discussion. May I start with Jos Verberg? Thank you very much, Jos! Hans van Koningsbrugge, thank you very much? May I give special thanks to Mr. Konstantin Kosachev? I know he originally had other duties. We appreciate it very much that he gave an expressive contribution from the Russia side.

On behalf of both committees I would like to thank the AIV, the chairman of the AIV and those who have contributed to this excellent report. They have given us this report as a basic contribution for hopefully a debate in the Senate, to contribute to a cooperation between the European Union and Russia as one of the most important issues for the coming years. Thank you very much!

As already mentioned, there will be a reception by the president of the Senate. Before that we will listen to the Cossacks Choir The Netherlands, which will give a Russian flavour to this reception.

Thank you very much!

Applause.