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**"I" ITEM NOTE**

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KEY OUTSTANDING ISSUES FOR THE EU IN ITS RELATIONS WITH RUSSIA

This document gives an overview of key outstanding issues in EU-Russia relations on which the EU seeks progress from the Russian side and is produced at regular intervals as a follow-up to the assessment report on relations with Russia adopted by the GAERC in February 2004.

The document serves as an internal reference document. It does not prejudge the further evolution of these issues, the relevant EU objective or the line to take. Further, it does not exclude that other issues may be added at a later stage.

A number of additional issues have been included to reflect subjects which are of mutual interest or on which Russia seeks progress.

I. GENERAL ISSUES

Political dialogue

The issue: Large number of meetings (Summits and Foreign Ministers troika twice a year, Political Directors quarterly, monthly PSC troikas, six-monthly expert troikas in ten formats).

EU objective: Streamlining the dialogue (fewer meetings, more focused on substance with
clear objectives and follow-up). Agreement with Russia to reduce the number of summits to one per year, as discussed at the 21 May 2004 EU/Russia Summit.

Line to take: The EU wants a productive and balanced political dialogue with Russia, at political as well as expert level, covering all fields of common interest, taking into account the implementation of the road maps of the four common spaces. This includes the many opportunities for co-operation on the international scene, notably in the common neighbourhood. The EU wishes to reduce the number of summits to one per year, in agreement with Russia.
**PCA Institutions**

The issue: Russia has refused to agree to meetings of the Cooperation Committee since 2004 citing internal coordination problems. In addition, for several years now, it has not proved possible to convene most PCA sub-committees (Customs and Cross-border cooperation being the exception).

EU objective: Continue to press Russia on need for ensuring senior-official level coordination of work under the Common Spaces. Solution to be found at the latest in the context of the post-PCA agreement.

Line to take: The EU regrets that the Cooperation Committee has not met since 2004. We remain convinced of the need for ensuring overall coordination of the bilateral agenda at senior official level. Essential that this is resolved at the latest in the context of the new EU-Russia agreement.

**Socio-economic development of Kaliningrad Region**

The issue: Russia continues to insist that there are still problems to be solved concerning transit issues, even though there have been fewer complaints recently and some officials have recognised that the issue has been resolved. The EU view is that solutions were identified in the joint statements on November 2002 and April 2004, and that these have been successfully implemented: recent statistics for example show substantial increases in transit volumes.

For the EU the main objective with regard to Kaliningrad is to promote
the overall development of the Kaliningrad region as an integral part of the Russian Federation and the Baltic Sea region. Some progress has been achieved recently in shifting the focus of the dialogue towards broader issues of social and economic development of the region. The EU has already allocated considerable resources for this objective. The Commission has been open to informal meetings at political and expert level to discuss issues concerning Kaliningrad.
EU objective: Promote the socio-economic development of the Kaliningrad region by inter alia putting in place the conditions to stimulate private investment, facilitating trade, addressing environmental and health problems, promoting people-to-people contacts and cross-border cooperation, including combating organised crime and smuggling.

Line to take: The EU confirms its wish to work in a structured and comprehensive manner with the Russian federal, regional and local authorities to promote the socio-economic development of Kaliningrad region and address matters of concern to Russia. We welcome the recent steps taken. The regional development dialogue established in early 2007 will constitute an additional way in which to discuss these issues.

II. COMMON ECONOMIC SPACE

Siberian Overflights

The issue: In November 2006, Commission Vice President Barrot and Russian Transport Minister Levitin initialled an agreement on the abolition of Siberian Overflight payments. The agreement aims to solve a longstanding conflict and put an end to a practice of charging for flying over Siberia, which is not in line with basic principles of international aviation and the Chicago Convention, to which Russia is a signatory. The agreement was adopted by the EU Transport Council in May 2007. In November 2007, the EU accepted a Russian request to amend the agreement (raising the level at which payments for existing routes will be frozen during the transition period) under the condition that it would
apply from January 2008. On 29th November 2007, the EU was informed that the Russian government had approved the agreement, but that the issue has now been “transferred from the sphere of transport to track of economic and trade negotiations” and signature could not take place earlier "than the negotiations on Russia's WTO accession are completed."
EU objective: The EU is still awaiting Russian implementation and signature of the agreement. It is estimated that European aviation industry paid EUR 350m for Siberian Overflight rights in 2007. In addition, EU industry continues to face difficulties obtaining new overflight rights. Implementation and signature of the agreement is for the EU one of the outstanding issues to be solved still in 2008 and in any case prior to giving a green light to Russia's accession to WTO, and a pre-condition for further cooperation in the aviation sector.

Line to take: The agreement initialled four Summits ago has now been finalised and approved by both sides. Signing should take place as soon as possible – ideally before the next EU-Russia Summit - to put into effect the agreement and avoid any legal uncertainty and administrative complications (since it is to apply from 1/1/2008). Revisiting the condition for application from 1/1/2008 could potentially reopen the whole agreement, and is something we should avoid. While not strictly an EU-Russia bilateral WTO issue, it must be resolved before WTO accession as part of the new set of rules governing our economic relations.

** Discriminatory railway tariffs **

The issue: The Russian system of tariffs for railway freight transportation discriminates between domestic and international destinations in relation to domestic freight. This affects economic operators both in the EU and Russia. The existence of more favourable fees when freight is bound for Russian ports has favoured the use of Russian ports to the detriment of
those located in several EU Member States. In the framework of Russia’s WTO accession negotiations, the EU seeks that Russia harmonises tariffs for freight imports and exports with domestic tariffs. Russia also applies discriminatory tariffs to freight transiting through its territory, which also negatively affects EU ports. The EU also seeks that Russia puts an end to these discriminatory tariffs on transit within the ongoing WTO accession negotiations. In the ongoing WTO accession negotiations, Russia has given a commitment for import and export tariffs. Transit tariffs are still under discussion.

EU objective: Elimination of discriminatory fee system for railway cargoes.
The EU considers that the current system is not fully in line with WTO rules. A solution has to be found upon Russia’s accession to the WTO, with Russia taking a WTO commitment concerning the elimination of all discriminatory fees, which may have to be mirrored by a similar commitment by the EU.

**Export duties for wood and other raw materials**

The issue: Russia is increasingly recurring to the use of export duties as an instrument in its trade policy. Currently a range of products are affected by export duties, most notably wood, scrap metal and other raw materials. A specific problem arises from the use of export duties on wood whereby, according to Government Resolution 75 of 5 February 2007, which entered into force on 1 July 2007, Russia is gradually increasing its export duties on wood (until 2011). These increases, in particular those implemented on 1 April 2008, hurt those EU industries that are dependent on importing timber from Russia. The next scheduled increase on 1 January 2009 are likely to prevent imports completely. These measures are not in line with the bilateral agreement of May 2004 between the EU and Russia on WTO accession, in which Russia committed itself to phasing down export duties on nearly all relevant tariff lines (including on wood) upon WTO accession, with limited exceptions for specific products. In addition, there are reports that the Russian Government intends to increase export duties for steel scrap. If implemented, these measures would not only be against the bilateral 2004 WTO accession agreement, but also against the bilateral EU-Russia Steel Agreement of October 2007.
EU objective: Ensure that trade flows in wood and other raw materials are maintained. A mutually acceptable solution needs to be found to prevent any new increases. In any case, Russia has to fully respect its commitments under the 2004 agreement upon WTO accession.
Line to take: From a general perspective, the EU is against the use of export duties as a trade policy instrument. The EU is not using any export duties itself. Russia should refrain from using export duties. As far as export duties for wood are concerned, Russia should revoke the past and future increases in export tariffs for wood and must be ready to find a mutually acceptable solution, in line with the 2004 agreement. Regarding steel scrap export duties, Russia should refrain from any increases as these would violate the bilateral 2007 Steel Agreement, as well as the spirit of the 2004 bilateral agreement on Russia's WTO accession.

Sanitary and phytosanitary issues

The issue: Russia continues to use SPS measures to create problems for EU exports of animal and plant products. In some cases these measures appear to constitute disguised trade restrictions aimed at protecting Russian domestic production from foreign imports. The main problems at the moment include Russian complaints about pesticide residues and veterinary drugs in EU exports of plant and meat products. The underlying problem is that the Russian maximum levels for these substances are in many cases significantly lower than the corresponding EU levels and the levels set in the relevant international standards. Russia is also introducing new regulations that ban the use of frozen meat in the process of manufacturing food products on the basis that frozen meat allegedly is harmful for humans. This measure could effectively ban imports of frozen meat and poultry into Russia.
EU objective: Continue constructive dialogue with Russia in order to avoid trade disruptions caused by SPS measures. Full compliance of Russia with the WTO/SPS Agreement from the date of Russia’s accession to the WTO.

Line to take: Dialogue on various technical issues needs to continue in the SPS field. Russia must align its sanitary and phytosanitary measures with the WTO/SPS Agreement in the context of the WTO accession, especially as regards the alignment of SPS measures with international standards and the principles of proportionality and scientific justification. Russia must ensure that it fully complies with its SPS obligations as soon as it joins WTO.
Protection and enforcement of Intellectual Property Rights

The issue: The PCA required Russia to adopt a level of protection similar to that existing in the Community by 1 January 2003. In addition, during EU/Russia negotiations on WTO accession, Russia confirmed its intention to apply the WTO TRIPs Agreement as from the date of accession. The level of protection of intellectual property rights in the Russian Federation does not yet meet the standards required by the PCA and the TRIPs Agreement. This applies mainly to enforcement of IPR. The Russian Duma adopted new legislation in January 2007, re-codifying Russia's IPR regime (Civil Code part IV). The law entered into force on 1 January 2008. In the WTO context, Russian Federation has committed to amend some provisions to address concerns of the EU and other WTO Members.

Russia and the US agreed as part of their bilateral WTO accession negotiations on an action plan for Russia to address piracy and counterfeiting and to improve IPR protection and enforcement. This agreement sets the stage for further progress on IPR during the multilateral negotiation process. The EU is engaged in a similar process with a view to strengthening enforcement of IPRs of interest to EU exporters, in particular copyrights, trademarks and geographical indications.

EU objective: Ensure that intellectual property rights, including geographical indications, are properly respected and enforced in Russia. Ensure that Russia implements its PCA commitments and in particular that it complies with the TRIPS Agreement from its accession to WTO. Continue to raise
these issues in the context of the IPR dialogue.

Line to take: Russia should reduce the current high levels of piracy and counterfeiting, which are unacceptable. Enforcement of intellectual property rights, including of geographical indications, remains the biggest problem and Russia should, also in view of its WTO accession, intensify its efforts to improve the situation. Russia should pass the necessary legislative changes to part IV of the Civil Code.
Law on investment in strategic sectors

The issue: A new law on the rules of foreign investments in enterprises having strategic importance for the national security of the Russian Federation has come into force. The law describes a number of activities which are considered to be of strategic importance for national security and makes foreign control over companies involved in these activities subject to governmental approval, with particularly tight conditions applying to the subsoil sector.

EU objective: To continue discussion with the Russian authorities to obtain further clarifications on the text and ensure that the law will be implemented in a way compatible with Russia's current and future obligations under the PCA and WTO. The Commission is following the next steps closely and will communicate its views to Russia in particular under the framework of the investment dialogue.

Line to take: The law has the merit to bring more clarity on the way foreign control over Russian companies involved in sectors considered as of strategic interest in Russia will be regulated, even though its scope appears broad and a number of procedural uncertainties remain. Much attention needs to be given to the implementation process and the way EU investors will be treated under this legal framework, in particular given Russia's current and future obligations under the PCA and WTO.
**Restrictions on foreigners’ fishery rights**

The Issue: According to the amendments to the Federal Law on Fishing and the preservation of aquatic biological resources (no. 166-fz of December 20, 2004) that entered into force on 1 January 2008, as from 1 January 2009, it will be forbidden to carry out fishery as business activity for foreign persons from vessels owned by foreign persons. The legislation applies to the inland waters of the Russian Federation, in particular, inland sea waters of the Russian Federation and also the territorial sea of the Russian Federation, the continental shelf of the Russian Federation and the exclusive economic zone of the Russian Federation. Also as from 1 January 2009, aquatic biological resources caught while carrying out industrial fishery in the internal sea waters of the Russian Federation, in the territorial sea of the Russian Federation, on the continental shelf of the Russian Federation and in the exclusive economic zone of the Russian Federation, as well as products derived from them, are subject to delivery to the customs territory of the Russian Federation. Moreover, as regards business companies registered in RU with foreign participation the Russian Federation is considering restrictions in RU EEZ for catches. Limitations to foreign ownership of the range of 25% (may be more, may be less) for companies making catches is still under the implementation stage. There would be no limitations for companies involved in fish processing.

EU Objective: To avoid that EU operators who are fishing in the waters under Russian jurisdiction, or have financial interests in fishing companies registered in Russia, are discriminated against vis-à-vis Russian operators.
Concerning the compulsory delivery of fish products (harvested in waters under Russian jurisdiction) to the customs territory of the Russian Federation this could be construed as an export restriction. The final version of the law should make it possible for operators to export and land the aforementioned products directly in third countries.
Line to take: The law in its final form should be compatible with Russia's current and future obligations under the PCA and WTO, including the possibility of exporting fish products harvested in waters under Russian jurisdiction by means of direct landings in third countries. The law also needs to provide for fair, non-discriminatory treatment of EU companies, with the possibility for appeal. This legislation excluding third party interests in their fisheries should not have an effect on the imminent entry into force of the new bilateral fisheries agreement with Russia for the Baltic Sea.

**Climate change**

The issue: The EU needs to impress on Russia the urgency of taking more long-term action to combat greenhouse gas emissions. Negotiations under the so-called Bali Action Plan on a post-2012 agreement will intensify in 2008-2009, but Russia has so far been passive in these discussions and unwilling to discuss future emission reduction targets. Reversing this position will involve making the case to Russia in terms of its own economic and security self-interest, encouraging a comprehensive approach to climate change, offering EU support where necessary. The EU should also urge Russia’s implementation of the Kyoto Protocol and its flexible mechanisms – in particular Joint Implementation (JI); engage the Russian authorities in high level discussions on future action on climate change in order to secure Russia's support for reaching a global and comprehensive post-2012 agreement under the UN Climate Convention by 2009 as decided in Bali last year.
EU objective: Ensure the Russian government develops and implements policies and legislation which reduces Russian greenhouse gas emissions (e.g. on energy efficiency, gas flaring and forestry), and ensure key Russian business sectors (e.g. energy and industrial sectors) begin to take action to reduce their emissions. This should include but not be limited to Joint Implementation. Ensure Russia’s successful implementation of the Kyoto Protocol and its flexible mechanisms. The EU should continue to share its experiences from the EU ETS and encourage the development of a national Russian Emission Trading Scheme as a cost-effective instrument to reduce emissions in Russia; Ensure Russia's support at the Poznan International Conference on Climate Change in 2008 for concluding a global and comprehensive post-2012 agreement at the UN climate change conference in Copenhagen in 2009.

Line to take: The threat from climate change directly affects core Russian interests such as energy, trade and security. The EU and Russia should therefore strengthen their cooperation to ensure a global and comprehensive agreement to tackle climate change after 2012, including through an international platform for promoting energy efficiency. As a major developed economy and emitter of greenhouse gases Russia, like the EU, is expected to reduce its emissions in the future. What preparations and analyses on policies and potentials for long-term mitigation of climate change are being made in Russia? Tackling emissions will require measures on energy efficiency, gas flaring and forestry, and work with the private sector and industry. The EU stands ready to share its experience as necessary. Joint Implementation is one key way of
promoting energy efficiency in Russia. Important that Joint Implementation projects with EU investors can be approved and launched this year otherwise Russian companies will not only lose potential emissions reductions but also valuable investments.
**Maritime Safety**

The issue: The importance of maritime safety is underlined by recent catastrophes. The issue has been raised by the EU at all levels and in the Council of Baltic Sea States context. Russia contributed to the International Maritime Organisation agreement which came into force in April 2005 on the accelerated phasing-out of single hull tankers and increased restrictions on their operation when carrying heavy grades of oil. The new rules make it possible for flag States to grant exemptions to certain types of ships and for port States to allow or deny operation of these exempted ships within their jurisdiction. However, the environmental threats facing coastal States from the transport of oil have not been eliminated. There is a need to address the issue of ship-to-ship transfer of oil, when this is performed outside the territorial waters of a coastal State. Until the IMO agrees on mandatory requirements in this area, efforts should be made to promote the safe performance by encouraging the use of existing industry standards.

EU objective: Ensure Russia’s support for actions taken by the IMO on maritime safety, acknowledging the fundamental importance of effective Flag State Control. As a flag State, Russia should follow the EU Member States’ practice and stick to the general rule of only transporting heavy oil in double hulled tankers. Russia should not make use of the possibility foreseen under MARPOL Annex I for single hull tankers transporting heavy grades of oil. As a port State, Russia, as the EU Member States have done, should deny exempted ships carrying heavy grades of oil to enter/leave its ports. Ensure Russia’s cooperation in international fora in
order to improve ship-to-ship operations in line with industry best practice.
Line to take: It is in the interest of both parties to take urgent measures to avoid serious oil accidents in European waters, including the Baltic and Black Seas. Efficient cooperation and implementation of commitments within the IMO and more specifically under the MARPOL Convention is therefore very important. In principle, no exemptions should be granted from the general rule of only transporting heavy oil in double hulled tankers. Exempted ships should be denied entry to/exit from Russia’s European ports. In the context of the EU-Russia Transport Dialogue, the ongoing cooperation on maritime safety issues, which should also highlight through the active participation and collaboration of EU Member States and the Russian Federation within the framework of the Paris Memorandum of Understanding, should actively continue, including on the tracking of ships carrying dangerous or polluting goods and inspections of vessels in ports. To minimise harmful environmental consequences in case of marine oil spills and also to monitor illegal oil releases the EU invites Russia to increase its open sea response capacity. The EU invites Russia to support the work in the IMO to develop regulations governing ship-to-ship transfers of oil, and – pending the entry into force of such regulations – the EU invites Russia to promote the safe conduct of ship-to-ship transfers by encouraging the use of existing industry standards.

**Nuclear Safety**

The issue: The EU has requested that Russia's first generation nuclear reactors be closed as they are not upgradeable to internationally recognised safety levels at reasonable cost (a position shared with the G7). However,
despite a cooperation agreement on nuclear safety and substantial technical assistance (Tacis Nuclear Safety) Russia has prolonged the lifetime of some of its first generation nuclear reactors, some of which are of the Chernobyl type and are close to the EU’s border. The EU/Russia joint working group on nuclear safety last met in early 2002. In 2005, Russia confirmed they did not have an interest in a new meeting of the group.

EU objective: To obtain a commitment from Russia to phase out its first generation nuclear reactors. To include a dialogue on nuclear safety within the energy dialogue.
Line to take: The EU is willing to discuss options to avoid electricity supply and economic problems due to the closure of first generation nuclear reactors and proposes to continue expert discussions. Prior to any significant electricity trade between Russia and the EU, the parties need properly to address nuclear safety concerns and take into account the principles of economic and environmental reciprocity. Look forward to revitalised dialogue between EU and Russia on nuclear safety, by creating an expert group within the energy dialogue. The EU would welcome clarification from Russia on its plans for the construction of new nuclear power stations in Russia. This issue is relevant to electricity trade between UCTE (NORDEL for Nordic countries) and IPS/UPS systems as well as to trade between Russia and Member States that remain part of IPS/UPS system with the objective of obtaining a commitment from Russia regarding the early closure of these reactors.

**Spent Nuclear Fuel and Radioactive Waste in NW Russia**

The issue: The situation of nuclear waste in NW Russia and more specifically the state of the Northern Fleet is an issue of particular concern. About 110 nuclear submarines from the Northern Fleet have been taken out of service. These vessels contain more than 200 nuclear reactors and some 20,000 spent fuel elements coming from dismantled submarines and icebreakers are stored in poor conditions. The EU through Tacis and several Member States bilaterally have contributed around €150 million for nuclear waste management within the Northern Dimension Environmental Partnership Fund (NDEP). Russia is also contributing financially and project selection is conducted on the basis of a joint strategic management plan,
already prepared by a Russian contractor. Nevertheless, progress in safer storage has been slow up to now

EU objective: To obtain full co-operation from Russia in the NDEP for project implementation.

Line to take: The EU expects Russia to demonstrate a high level of political commitment to spent nuclear fuel and radioactive waste management projects currently planned within the framework of the NDEP.
The issue: The Russian Federation is the EU’s most important single supplier of energy products and is one of the most important suppliers of nuclear fuels. Over a quarter of gas and oil consumed in the EU originates in Russia. The EU will need to import an increasing share of its energy resources over the next 20 to 30 years. Russia has been a reliable supplier of energy products to the EU for decades, and the EU expects Russia to continue to be a key energy partner in the future. However, the disruptions in gas deliveries at the beginning of 2006, oil deliveries, in January 2007, disputes on terms of gas trade with Ukraine this year as well as developments in the investment climate of Russia’s energy sector are a cause of growing concern. In general, in spite of successive agreements reached by Russia and transit countries there is no certainty which would preclude similar disruptions in the future. In this respect, efforts are underway to finalise the establishment of an early warning mechanism to help prevent disruptions in energy supplies that was agreed at the Mafra Summit.

Increasing imports of energy products from Russia to the EU will require significant amounts of investment in production and transport infrastructure in that country in the coming years. However there are significant barriers to foreign participation in this investment (such as the legislation on the definition of “strategic sectors”) and the difficulty of companies to get their product to market through Russian monopoly pipelines, particularly for gas, and, in general, a difficult regulatory and legal environment. The cases of Sakhalin 2 and Kovykta provide examples of a degree of arbitrariness and lack of transparency in dealing
with foreign investors, which negatively impact on the investment climate in Russia. The supplies of Russian oil through the Druzhba pipeline to the Mazeiku refinery in Lithuania were stopped following a minor leakage in July 2006 which came shortly after the Lithuanian authorities concluded the privatisation tender for the refinery. Russia indicated in November 2006 that it would provide comprehensive information about the pipeline’s condition and prospect for repairs.
However, until now Russia has not delivered on this promise. Informally Russian representatives state that it would be economically not feasible to re-open Druzhba. Also oil supplies via the Druzhba pipeline to the port of Ventspils have been stopped since 2003 and a new pipeline is being built to divert part of Druzhba flows for export via the port of Primorsk. This will increase the transportation of oil in the environmentally fragile Gulf of Finland and the Baltic Sea in a situation where oil transportation levels are already critical.

Limited Russian investment upstream, particularly by Gazprom, is also a cause for concern, with suggestions of future supply difficulties which are only to a degree offset by the reliance on third party states (primarily Turkmenistan). The EU and Russia need to review and agree on how to address these issues cooperatively. In addition, to ensure a secure diversity of investment including EU investment to match Russian downstream investment, the EU needs to encourage transparent and open economic governance in Russia. The recent adoption of the Strategic Sectors Law may have further negative consequences on the investment climate in the energy sector. More attention should also be given to improved energy efficiency, energy savings, including minimising gas flaring.

EU objective: To build a true energy partnership based on the principles of transparency, fair competition, reciprocity and non-discrimination, offering security and stability for both sides and paving the way for the necessary long-term investments in new and existing capacity, and to promote greater attention to energy efficiency, energy savings and renewable energy. To ensure a coherent and effective EU energy policy towards Russia.
Line to take: In particular through the Energy Dialogue and meetings of the Energy Permanent Partnership Council, the EU wishes to develop dialogue and cooperation in the field of energy with Russia, based on fair and reciprocal access to markets, resources and infrastructure including in particular third party access to pipelines and addressing energy efficiency and energy saving to promote both energy and climate security. We now seek to establish a cooperative approach putting in place arrangements to increase transparency, predictability and stability of energy trade, investments and markets for the mutual benefit of the EU and Russia. The objectives and principles of an EU-Russia energy partnership should be integrated into the new, legally-binding, EU-Russia New Agreement, setting out the importance of transparency, openness and an effective legal and regulatory framework at all stages of the supply chain, including in the upstream sector. Such principles are in line with the principles of the Energy Charter Treaty and build on the Global Energy Security text agreed under Russia’s G8 Chairmanship at the St Petersburg Summit.

Finding a satisfactory solution for oil supplies to the EU, in particular through Druzhba to Lithuania and Latvia is important for enhancing the trust that is needed to develop further the EU-Russia energy partnership.

**EU-Russia customs cooperation**

The issue: Trade between the EU and Russia continues to increase. There is also vast potential for further commercial and investment activity that would bring about important benefits for both parties if tapped more extensively. Unfortunately the customs and other border crossing procedures applied
by Russia in EU-Russia trade are not in line with today's requirements and thus form an obstacle to trade and can encourage fraud. Similarly, the infrastructure on the border is not properly developed. Traffic congestion at EU Russia borders appears to have intensified, with seasonal variations, and is forecast to increase even more in the future if bilateral trade continues to grow as until now.
EU objective: To implement the coherent EU-level approach proposed by the Commission to the problems currently experienced at the EU-Russia border. Commission and Russian experts have agreed on a strategy which encompasses three main elements: 1) concrete measures to be undertaken by Russia to ease traffic congestion at the border; 2) the establishment of a pilot project on pre-arrival exchange of customs information; and 3) joint development of border infrastructure. The EU-Russia Sub-Committee on Customs and Cross-border Cooperation on 26 April 2007 endorsed this strategy and set up a working group, composed of volunteering Member States, the Commission and Russia's Federal Customs Service, in charge of following up its implementation. The Working Group held its first meeting in Brussels on 2 July 2007. Its most recent meeting was in Brussels on 3 October 2008. While there has been substantial progress on the implementation of the pilot project, developments in the first of the three priorities (Russian measures) have taken place at a slower pace than expected. Concrete improvements, particularly in terms of the full implementation of Law no. 266/06, reducing among others the number of federal agencies operating at the border, are expected to take place in the weeks to come. The commitments taken by both sides were confirmed in the subsequent meeting of the Sub-Committee on 19 June 2008.

Line to take: Recall the discussion at the EU-Russia Summits in Helsinki, Samara, Mafra and Khanty-Mansiisk and the mutual commitment to implement solutions to address traffic congestion related questions. A comprehensive approach has been agreed to this end and is being implemented in terms of the pilot project on exchanges of advance information. Similar
progress needs to be achieved in terms of Russia's own domestic reforms; in particular, the full implementation of Law no. 266/06, which appears to be near completion, would contribute to easing congestion.
Encouraging Russia to modernise its customs procedures will be essential to the fulfilment of this objective. This would lead to efficient logistics and enhance the capacity of the Customs and other law enforcement authorities to combat organised and other economic crime. A discussion is in addition currently taking place in the appropriate EU customs fora regarding the nature and modalities of our cooperation with Russia in this area in both the short and long term. Given the severe infrastructure bottlenecks on several EU border crossing points with Russia, infrastructure development actions, including the expansion of existing and the opening of new, border control points, are likewise essential in relieving traffic congestion in these areas.

Additional issues, including issues of mutual interest to both sides or particular interest to the Russian side:

– **Environmental, including environmental security issues** with particular attention to the Baltic Sea environment including cooperation on environmental impact assessment and the reduction of trans-boundary pollution. The most urgent environmental problems of the Baltic Sea were addressed with HELCOM’s Baltic Sea Action Plan which was agreed upon by Ministers of the Environment of the Baltic Sea coastal states in November 2007.

– **Work permits**: The EU should encourage the Russian authorities to implement the system of issuing work permits in a predictable and coherent fashion, without creating additional unnecessary obstacles for EU business activities in Russia. EU will need to follow-up on the initiative of the FMS (Federal Migration Service) to create a one-window-service for e.g. AEB (Association of European Business) to apply for work permits/visas.
III. COMMON SPACE OF FREEDOM, SECURITY AND JUSTICE

Readmission

The issue: The EU-Russia readmission agreement entered into force on 1 June 2007.

Three meetings of the Joint Readmission Committee have taken place.

The next meeting is foreseen for November 2008. Bilateral implementation protocols have not been signed yet.

EU objective: To seek the swift implementation of the readmission agreement in parallel with the visa facilitation agreement, and the signature of the still pending bilateral implementation protocols.

Line to take: Stress the crucial importance of proper and in good faith application of the Agreement which now will be applicable for already one year and a half. Underline the importance of handling all readmission application in timely manner according to the rules specified in the Agreement, including the applications requiring interviews confirming the nationality. Invite Russia to further cooperate with the EC in order to find commonly agreeable solutions to all technical problems including the issue of organisation of interviews. With regard to the issue of bilateral implementing protocols invite Russia to conclude the ongoing negotiations on bilateral protocols and to engage into such negotiations with those MS that formally request so. The EU still expects all respective bilateral implementing protocols of the readmission agreement to be agreed in a timely manner.
Visa facilitation

The issue: The EU-Russia visa facilitation agreement entered into force the 1 June 2007. Four meetings of the Joint Visa Facilitation Committee have taken place, next meeting is foreseen for November 2008. The implementation of the agreement is considered to be satisfactory overall. The Russian side has repeatedly raised objections against service fees being charged - additionally to the visa fee laid down in the agreement - where Member State consulates resort to outsourcing.
EU objective: To seek the full, correct and harmonised implementation of the visa facilitation agreement in parallel with the readmission agreement.

Line to take: Recall the importance EU attaches to the full, correct and harmonised implementation of the agreement in particular the elimination of any travel obstacle applied in a non-reciprocal manner, such as the exceedingly complicated registration procedures. Recall that outsourcing of parts of the visa application procedure will be given a legal framework by a legislative proposal currently under discussion. Once adopted, this change in Community legislation will require a renegotiation of the EC-Russia visa facilitation agreement.

Visa dialogue

The issue: On the basis of the procedure agreed at the April 2007 PPC, the EU-Russia visa dialogue has started to examine the conditions for visa-free travel regime as a long-term perspective. Relevant factors to be discussed are summed up in 4 broad and indicative Blocks: 1) Document security, including biometrics; 2) Illegal migration, including readmission; 3) Public order and security; 4) External relations. Technical meetings in Blocks 1 to 3 have already taken place, while Russia has expressed reservations on the EU's proposed agenda for the first Block 4 meeting. In contrast to the EU, Russia wishes to move beyond the terms of the dialogue and proceed quickly to negotiations on a visa-free regime.

EU objective: To engage in the dialogue on the basis of the procedure approved by the
PPC of April 2007.

Line to take: Propose to continue work at expert level. On Block 4 continue to underline the importance of those human rights related issues that directly have a bearing on the movement of persons. Once expert work on Block 4 has been carried out, a new round of meetings on all Blocks can take place. The progress of the visa dialogue should also take into account the swift implementation of the visa facilitation and readmission agreements. In this context EU should also seek to maintain dialogue regarding the Russian rules pertaining to long-term stay.
**Border Agreements**

The issue: The border agreement between Russia and Estonia was signed by both sides on 18 May 2005 and ratified by Estonia on 20 June 2005. Russia has declared that the preamble to the ratification law passed by the Estonian parliament contains unacceptable provisions, has indicated that it will not submit the border treaty to the Russian parliament for ratification. The border agreement between Russia and Latvia was ratified in 2007. The Russia border agreement with Lithuania has been ratified, but the border itself is not yet properly demarcated. The demarcation of all EU-Russia common borders should be completed according to international standards as set out in the common space road map on freedom, security and justice (item 1.2).

EU objective: Russian confirmation and ratification of the border agreement with Estonia; demarcation of all EU-Russia common borders according to international standards.

Line to take: The EU wants legal certainty of its external border and a stable basis for relations between its Member States and Russia. The Russian authorities should ratify the border agreement with Estonia as rapidly as possible. The EU regrets that aspects of history have led to difficulties. It is important to take a forward-looking approach to ensure that the border agreement enter into force. Effective demarcation should immediately be undertaken with Lithuania and Latvia, and at the earliest opportunity with Estonia.
Democracy and Rule of Law

The issue: Increasing concern about democracy, the rule of law and due process in Russia: questionable electoral reforms, a reduction in media pluralism and freedom, a developing climate of impunity for attacks against journalists, increasing Russian constraints on civil society notably in the light of the NGO and anti-extremism laws, increasing concerns relating to freedom of assembly, including the right to participate in public rallies, and reports of cases of limitations on political participation of candidates of certain parties.
EU objective: The upholding of standards and values to which Russia – as a member of OSCE and CoE - is committed on democracy, including democratic elections, the application of the rule of law and human rights, including media freedom. Reaffirmation of these values on which the EU/Russia strategic partnership is founded, as well as need for regular discussion.

Line to take: A vibrant democracy at all levels of the Russian Federation, the application of the rule of law, an independent judiciary and full respect for human rights, including a free and independent media and a thriving civil society, are necessary to promote stability and prosperity in Russia. These conditions underpin the EU/Russia strategic partnership.

Concerned that recent developments in Russia on the rule of law, apparent restrictions on media freedom and NGOs and concentration of power do not contribute to these goals. The EU is following closely the manner in which the NGO and anti-extremism laws are being implemented. No administrative obstacles or discriminatory practices should impede political parties and candidates from participating in the electoral process.
The issue: Increasing concern about the human rights situation in Russia, including in the North Caucasus where, despite an improvement in the security situation in Chechnya, there are disturbing signs of deterioration in other republics, and in Ingushetia in particular. Issues of concern in Russia include violence and harassment of human rights defenders and journalists, torture and ill treatment, abuse of human rights in the armed forces and in the penal system, increased racism and racist crimes, xenophobia, religious intolerance including anti-Semitism and widespread homophobia and discrimination against homosexual and bisexual persons. It is doubtful whether treatment of persons belonging to minorities in Russia is in full compliance with Russia's OSCE and Council of Europe commitments. Russian failure to comply with decisions of the European Court of Human Rights (ECHR) (e.g. Iliascu). Russia is the only CoE member state yet to ratify Protocol 6 on abolition of the death penalty and Protocol 14 on ECHR reform. For its part, Russia tends to politicise the situation of persons belonging to minorities in the enlarged EU and has refused to agree to holding EU-Russia consultations on human rights in Russia. Eight rounds of human rights consultations have so far taken place and have allowed the EU to present its view of the human rights situation in Russia and the EU.

EU objective: To promote constructive discussion allowing for an exchange of data and views in view of improving the overall human rights situation. Defuse Russia's tendency to politicise the situation of persons belonging to minorities in the EU. To enhance effectiveness of consultations by
alternating the venue of the consultations between the EU and Russia, by encouraging the holding of next round in Russia, by encouraging involvement of Russian line Ministries (e.g. Justice, Interior) and by monitoring follow-up on concerns raised by the EU.
The EU follows with concern the human rights situation in Russia, including in Chechnya and in Ingushetia. Issues include the treatment of human rights defenders and NGOs, abuse of human rights in the armed forces and in the penal system, possible re-emergence of punitive psychiatric treatment, torture, racism, xenophobia and anti-Semitism. It recalls Russia's commitments to the OSCE and Council of Europe as regards the rights of persons belonging to minorities in Russia. It urgently calls on the Russian government to redouble its efforts to persuade the Duma of the importance of the ratification of Protocol 14 (ECHR reform) and to resubmit the ratification instruments to the Duma as soon as possible. It also calls on Russia to fully comply with decisions of the ECHR in the future and to ratify Council of Europe Protocol 6 (death penalty). It calls on Russia to cooperate fully with the Council of Europe Committee for the Prevention of Torture, through agreeing to publication of its reports and through implementing its recommendations, as well as the recommendations of the UN Committee against Torture. The EU encourages Russia to accede to the Optional Protocol to the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (OPCAT). It calls on Russia to establish constructive working relationships in good faith with the UN Special Rapporteur and other international human rights monitors. It calls on Russia to take measures to allow human rights defenders to act without intimidation. It urges Russia to fight xenophobic crimes effectively.

As regards the situation of persons belonging to minorities in the EU, the EU will continue to assist Member States in their efforts to promote naturalisation and integration, in line with OSCE and Council of Europe
recommendations. All the Member States meet their international commitments on human rights and the protection of the rights of persons belonging to minorities.

Twice-yearly human rights consultations with Russian authorities to be maintained, and developed towards more results-oriented approach.
The issue: While the armed conflict in Chechnya has been reduced to sporadic clashes, there are still widespread reports of human rights abuses and reprisals against civilians, including enforced disappearances and cases of torture perpetrated notably by security forces in a climate of impunity. The public statement of 13 March 2007 of the Council of Europe’s Committee for the Prevention of Torture (CPT) makes clear the seriousness of the situation. Access of ICRC delegates to people detained in relation with the conflict has been denied since September 2004. IDPs from Ingushetia who have returned to Chechnya often face secondary displacement and live in sub-standard conditions due to the extent of destruction. While there is a very significant reconstruction process taking place, true stabilisation is prevented by a climate of fear and impunity of human rights abusers. Radicalisation, insecurity and dissatisfaction with local governments have spread to the other Republics with weekly attacks on law-enforcement officials and politicians in Ingushetia and Dagestan. Poor socio-economic conditions across the whole region are one of the key drivers of instability.

EU objective: A genuine political settlement of the conflict based on the support and confidence of the population of Chechnya and respecting Russia’s territorial integrity, underpinned by the full respect of the rule of law, democratic principles, promotion of good governance and the full respect of human rights. Prosecution of human rights abusers. Greater Russian openness to international assistance and scrutiny, notably by the OSCE, the UN and the Council of Europe. Respect for ICRC mandate with
regard to visits to prisoners. Full cooperation with the CPT and implementation of its recommendations.
Line to take: Stabilisation of the situation in Chechnya must be underpinned by the respect for the rule of law, human rights and democratic principles. The EU is concerned that this continues not to be the case. Measures to address threats to security in Ingushetia and Dagestan should be accompanied by steps to improve the political process. There should be no reprisals against human rights defenders. Human rights abuses should be thoroughly investigated in an independent manner and prosecuted and victims of such abuses who seek legal redress, notably via the European Court of Human Rights, should be protected. Russia should also cooperate fully with the Council of Europe’s Committee for the Prevention of Torture and inhuman or degrading punishment (CPT) and implement its recommendations. It should also permit visits by the UN Special Rapporteurs on torture and on summary executions in full respect for their terms of reference. The EU remains concerned about denied access of ICRC delegates to people detained in relation with the conflict, since September 2004 in contravention of the Geneva Convention. The EU also recalls that there should also be no forced return of IDPs. The EU encourages the revitalisation of the work of the Committee established to investigate disappearances. The EU welcomes recent improvements in the socio-economic sphere in Chechnya. It stresses the importance of the full implementation of the EC €20m programme for socio-economic recovery across the North Caucasus, complementing Russia’s own efforts to develop the region in order to address one of the main sources of instability.

The EU fully rejects terrorism. It wishes to intensify its work with Russia to identify ways to prevent as well as combat terrorism, in full
respect of human rights. A priority must be to tackle the underlying factors that may contribute to terrorism.
**North Caucasus/delivery of Humanitarian Aid**

The issue: The improvement of the security situation allows most NGOs and the ICRC to maintain a regular, if not permanent, expatriate presence in Chechnya. Several NGOs have transferred their offices from Ingushetia to Chechnya. However, access for UN staff has become much more difficult as federal authorities have imposed a new OMON escort system which prevents proper monitoring and potentially endangers UN staff. This took place in summer 2006 precisely at the time when the UN re-graded its security rating for Chechnya from Phase 5 to Phase 4 and asked to open offices in Grozny. This remains a serious obstruction to the monitoring of projects by UN staff as well as donors and is in contradiction with the improvement of the security situation. In August 2007 there were signs that the Chechen government was planning to crack down on NGOs. In April 2008, FSB director Nikolay Patrushev made public statements alleging international NGOs in the North Caucasus were assisting in the recruitment of terrorists.

EU objective: The delivery of humanitarian goods should not be obstructed and NGOs, ICRC and the UN should be allowed to operate without hindrance and have free access to the beneficiaries of their assistance. UN agencies should be allowed to continue to travel to Chechnya without OMON escorts and to open offices in Grozny.

Line to take: Russia should facilitate the delivery of humanitarian aid, by lifting all unnecessary restrictions on access to Chechnya, in accordance with UN security standards, and in particular continue to let UN convoys travel to
Chechnya with Chechen police escorts and not Interior Ministry forces. It should not hinder the work of NGOs with unnecessary administrative harassment, or unfounded allegations of links with terrorist organisations.
The fight against terrorism

The issue:  Co-operation with Russia, a key partner in the fight against terrorism, is important. Russia and EU first agreed to co-operate in this field in 2002 (Joint Statement on Counter-terrorism). The road maps for the Common Spaces of Freedom, Security and Justice and of External Security provide the framework for increased co-operation.

Russia has generally expressed its satisfaction with cooperation on terrorism but maintains its intention to propose an MoU on the fight against terrorism to take into account new fields of cooperation which are not currently covered by the Joint Statement of 2002 and the Common Spaces (e.g. terrorist recruitment and radicalisation). Informal information meetings concerning critical infrastructure protection have been held in 2007-8. Russia has provided the name of a CIP "overall" contact point.

EU objective:  Implement the goals of counter-terrorism related aspects of the Common Spaces; achieve closer relations between Russia, Europol and Eurojust as well as practical co-operation in the fields of money laundering, terrorist financing, document security, border management, trafficking in drugs and human beings. EU and Russia should continue informing each other about developments in the critical infrastructure protection area.

Line to take:  The EU wants efficient, concrete and fruitful co-operation with Russia in the field of counter-terrorism, in full respect of the principles of human rights and rule of law. Implementation of the provisions in the Common Spaces should remain the framework for cooperation. As to an MoU, the EU
remains to be convinced about the need for this; time and resources only
to be allocated if added value in practical terms is demonstrated.
Cooperation agreements with Europol and Eurojust

The issue: The first meeting on a Eurojust-Russia cooperation agreement took place in 2006. Europol and Russia concluded a strategic agreement in 2006, and Europol is considering the possibility of an operational agreement. In both cases, the application of adequate standards of data protection is a precondition for such agreements. In particular, Russia ought to fully ratify the 1981 Council of Europe Convention on Personal Data Protection, transpose all its elements in its national legislation and effectively implement it. Russia signed this Convention on 7/11/2001, but has not deposited the ratification instrument so far. A Europol delegation visited Russia in mid-April to consider the state of data protection. A report was presented to the Management Board in July and has been sent to the Joint Supervisory Body for advice.

EU objective: The conclusion of a cooperation agreement between Eurojust and Russia and of an operational agreement between Europol and Russia. As a prerequisite for this, the full ratification of the 1981 CoE Convention on Personal Data Protection, including the deposition of the ratification instrument by Russia.

Line to take: Support conclusion of cooperation agreements with Europol and Eurojust once adequate protection on personal data has been ensured.
**Co-operation in criminal and civil matters**

The issue: Russia has shown interest in joining multilateral agreements, such as those within the framework of the UN (the Palermo Convention and the corruption convention), the Council of Europe (for example the conventions on corruption and terrorism) and has acceded to some conventions of the Hague Conference on Private International Law (e.g. the convention on the service of documents and on the taking abroad of evidence). Russia has ratified the UN Convention against corruption as well as the Council of Europe Criminal Law Convention on corruption. However, Russia has not as yet signed or acceded to other key international conventions (such as the Council of Europe Civil Law Convention on Corruption and the 1980 Hague convention on child abduction, the 1996 Hague convention on protection of the children and the recent (2007) Hague instruments on maintenance, the Second Additional Protocol to the Council of Europe Convention on mutual legal assistance, the Council of Europe Convention on Cybercrime (2001)), and more work is needed on effective implementation of the conventions that Russia has ratified e.g. the 1965 convention on service abroad and the 1970 convention on the taking of evidence. Some member states face Russian reluctance to demonstrate genuine cooperation. Several rounds of informal Commission-Russian expert level consultations on judicial cooperation in civil matters have taken place. Commission is currently reflecting the need and scope of a possible bilateral agreement.

Russia is moreover participating in regional fora such as the Baltic Sea Task Force on Organised Crime, aimed to strengthen practical police cooperation. In April 2008, a protocol of intent was signed between the
European Police College (CEPOL) and the Russian Ministry of Interior to improve cooperation in the field of joint training initiative for law enforcement officers.

EU objective: Russian accession to, ratification of and effective implementation of all key multilateral conventions in civil and criminal justice, in order to maximize the scope of agree-upon mechanisms between the EU and its Member States on one hand, and the Russian Federation on the other. Encourage improvement in effectiveness of bilateral EU Member State-Russia cooperation.
Line to take: Stress the importance of multilateral agreements, including the conventions on child abduction and maintenance. Assist Russia in the provision of training to the relevant authorities in the implementation of agreements. Genuine cooperation with the Russian authorities within the scope of these agreements and encourage Russia to improve cooperation on bilateral EU Member State-Russia agreements.

**Litvinenko case**

The issue: Continued Russian non-cooperation with the investigation into the murder of Alexander Litvinenko.

EU objective: To remind Russia that the EU considers Russia should cooperate fully with the UK to resolve this case.

Line to take: The EU is disappointed by the Russian refusal to cooperate with the UK. The EU expects Russia to cooperate urgently and constructively with the British authorities and considers that this case raises important questions of common interest to Member States.

**Additional issues, including issues of mutual interest to both sides or of particular interest to the Russian side:**

- The Action Plan against organised crime is a priority for the EU. Need to take further efforts to intensify co-operation in the field of organised crime, through Implementation of the Action Plan and the Action-Oriented Paper, in particular by enhancing operational cooperation between Russia and the EU (particularly once
Europol Agreement is agreed), and by arranging regular meetings also at senior level between EU-Europol and Russian law enforcement officials is important, as is effective judicial co-operation by Russia, in full respect of international commitments, in particular in pending criminal investigations and cases at the courts of EU Member States.
IV. COMMON SPACE OF EXTERNAL SECURITY

**Strengthened dialogue and co-operation on the international scene**

The issue: The EU and Russia want to reinforce co-operation in foreign policy and security matters and to that end pursue an intense political dialogue. While Russia largely agrees to the analysis and objectives of the European Security Strategy, which defines Russia as a key partner for the EU in international relations, practical co-operation nevertheless remains to be developed in many areas. The Road map for the common space of External Security acknowledges the importance of effective multilateralism and promoting the role and effectiveness of international and regional organisations, in particular the OSCE and the CoE (cf. items under the common space of Freedom, Justice and Security). Despite active EU lobbying, Russia has not made any progress in the ratification of the Rome Statute of the International Criminal Court (ICC). Russia and the EU have agreed to pay particular attention to securing international stability, including in the common neighbourhood. As agreed in the Roadmap, cooperation should be enhanced on strengthened dialogue and cooperation on the international scene, the fight against terrorism, non-proliferation/export control regimes, crisis management and civil protection.

EU objective: Strengthen the strategic partnership with Russia based on mutual trust, equal rights and obligations, in view of a genuinely co-operative partnership. Improve the political dialogue within the existing framework with a view to making it more productive and more streamlined, taking into account
the Road map for the common space of External Security. Promote Russian respect for democratic principles and human rights in its foreign policy. Further engage in a constructive dialogue with Russia in the OSCE and the Council of Europe. Increase Russian understanding and knowledge of EU structures and EU foreign and security policy. Promote the fight against impunity of the most serious crime for international concern, notably through the ICC. Establish effective cooperation to address global challenges and key threats. Enhance cooperation on the resolution of frozen conflicts on the European continent without affecting EU decision-making autonomy and take into account the OSCE’s role in this regard.
Line to take: The EU and Russia share responsibility for an international order based on effective multilateralism, notably the upholding and developing of international law and the respect for democratic principles and human rights. The EU and Russia, as key actors on the international scene, also share responsibility for addressing global challenges and key threats, such as terrorism, climate change, proliferation of WMD, regional conflicts, and State failure. The EU welcomes Russian contributions to international stabilisation missions, and would welcome further practical cooperation with Russia and dialogue on areas of shared interest. The EU and Russia share responsibility for ensuring that the OSCE can operate as an effective multilateral actor and mediator for addressing security challenges in the OSCE region. The EU hopes for increased support from Russia in this “Human Dimension”, notably its democratisation and election monitoring activities. The EU counts on Moscow’s continued engagement in the Council of Europe. It regrets Russia’s refusal to fully implement the judgment on the Ilascu case and the Duma’s failure to ratify Protocol 14, essential for the functioning of the European Court of Human Rights. The EU hopes that the Russian government will provide the Duma with clear positive advice when the proposal will be tabled again. Ratification of the Rome Statute by Russia is of particular concern to the EU.
EU-Russia co-operation in the common neighbourhood

The issue: To develop EU-Russia co-operation in order to promote security, stability, conflict resolution, democracy and human rights in the common neighbourhood and in Central Asia. While Russia has become more open to discuss these countries with the EU, and welcomes the appointment of EUSRs as key EU interlocutors for the region, concrete results are still sparse and approaches still some way apart. Russia is still not ready for resuming settlement talks (“5+2”). The August 2008 conflict between Georgia and Russia and its consequences are of particular concern to the EU. The EU supports the independence, sovereignty and territorial integrity of Georgia, and strongly condemns the decision taken by Russia to recognise the independence of South Ossetia and Abkhazia, including the establishment of diplomatic relations and military links. The EU has welcomed the progress made towards implementation of the agreements concluded with Russia, with the mediation of the EU, on 12 August and 8 September 2008, notably the withdrawal of Russian forces from the zones adjacent to Abkhazia and South Ossetia by 10 October, following the deployment of more than 200 civilian observers of the EUMM. Cooperation between the EUMM and Russian forces on the ground has so far been good. In principle, the mandate of the EUMM covers South Ossetia and Abkhazia as well, but no agreement has yet been reached on their deployment to these regions. The EU plays a leading role in the international discussions (as co-chair, together with the OSCE and UN), which were launched on 15 October in Geneva, especially through the action of the EUSR for the crisis in Georgia. These discussions focus initially on stability and security in the region and on the return of
refugees and IDPs, including the question of the upper Kodori valley and
the Akhalgori region. A donors' conference, co-chaired by the
Commission and the World Bank, on 22 October in Brussels, aims
notably at assisting displaced persons and restarting the Georgian
economy. The aid provided by the EU should also cover the regions of
Abkhazia and South Ossetia.
EU objective: A genuinely co-operative partnership able to address problems of common interest and concern in the common neighbourhood, in particular the so-called “frozen conflicts”. Russia to refrain from behaviour which has a destabilising effect in the neighbourhood. Resumption of "5+2" talks. Support the independence, sovereignty and territorial integrity of Georgia, including through the full implementation by Russia of 12 August and 8 September 2008 agreements. Secure access of EUMM to South Ossetia and Abkhazia. Constructive behaviour by Russia in international discussions in Geneva.

Line to take: The EU is ready to undertake every effort to improve dialogue and co-operation with Russia to address the lingering conflicts and situations prone to instability on our borders: we can be more effective by working together and we ought to try to make existing conflict resolution structures function more effectively: clear need to find solutions to these conflicts as swiftly as possible, because no guarantee they will remain "frozen" indefinitely, as Georgia events have illustrated. We see great potential for productive co-operation. The EU is ready to consider using ESDP instruments to implement settlements to frozen conflicts in the common neighbourhood. The formal resumption of the “5+2” settlement talks is crucial to identifying a sustainable solution for the Transnistrian issue. The EU remains concerned by the situation in Georgia. It has condemned the disproportionate use of force by Russia, as well as Russia’s recognition of the independence of Abkhazia and South Ossetia. It fully supports the independence, sovereignty and territorial integrity of Georgia within its internationally recognised borders. The EUMM in Georgia will contribute to the stabilisation of the situation and
stands ready to deploy throughout Georgia. All parties should refrain from actions which fuel an atmosphere of mistrust and should contribute to deescalating tensions.
EU-Russia co-operation in crisis management

The issue: Russia and the EU agreed in Rome in November 2003 to work towards a joint approach in the field of crisis management. This was confirmed and developed in the agreed Road map for the common space of External Security. The main outstanding question has been the continued disagreement on the modalities for co-operation in crisis management operations (Russia refuses Seville conditions and wants co-operation “on equal footing”, shared decision making and institutional setting on the model of its arrangements with NATO, the NATO-Russia Council, as well as joint operations). Russia also proposes EU participation in possible Russian-led operations. Russia withdrew from the first ESDP mission, EUPM in Bosnia and Herzegovina. Russian approach may have changed, as Russia recently offered a contribution of 4 helicopters, with up to 120 personnel, to the ongoing military operation EUFOR Chad/CAR (ad hoc arrangements in this regard are being finalised). Other fields of co-operation in ESDP (exploring possibilities for joint approaches, military-technical co-operation, Russian observation/participation in exercises and training courses) now underway following positive EU reply to Russian proposals of 31 January 2006.

EU objective: To promote greater EU-Russia co-operation in ESDP. To explore further possibilities for co-operation in crisis management operations, including in resolving frozen conflicts in the common neighbourhood, while maintaining EU decision making autonomy. Encourage Russian participation in EU-led crisis management operations and missions, including the EU mission in Kosovo EULEX Kosovo. Increase Russian
understanding and knowledge of the ESDP, its structures and functioning.
Line to take: With the Seville conclusions, the EU has set out arrangements for consultation and co-operation with third countries in the field of crisis management. The EU wishes to finalise negotiations on a framework agreement covering legal and financial aspects of Russian participation in EU-led crisis management missions/operations. The EU believes that progress is best made through practical co-operation in specific situations, in particular on frozen conflicts in our common neighbourhood, such as in the Republic of Moldova and the South Caucasus. Welcome intensification of contacts (expert talks, training and exercises) and Russia's participation in the EU military operation in Chad and Central African Republic (EUFOR Tchad/RCA). The EU is willing to move forward to promote cooperation in ESDP, provided that its decision-making autonomy is in no way affected.

**EU Member States’ admission to export control regime groups (MTCR)**

The issue: The EU’s export control regime is based on the membership of all EU Member States in relevant export control regime groups (Nuclear Suppliers’ Group (NSG), Missile Technology Control Regime (MTCR), Wassenaar Arrangement (WA), and Australia Group). Russia is a member of these regimes, except the Australia Group. Russia insists that the missile capability States shall be admitted to the MTCR first (China and Kazakhstan) and makes a linkage with its own accession to the Australia Group. The US in particular is currently opposed to Russia's membership to the Australia Group, where all EU Member States are already members. This issue is continuously addressed in meetings with Russian counterparts.
EU objective: Ensure admission of all EU Member States to MTCR.
EU Member States' candidacies each have their own merits. Each of the EU Member States concerned has ratified the main international non-proliferation and disarmament instruments, including NPT, BTWC, CWC and the HCOC, and has shown its commitment to non-proliferation. They all support UNSCR 1540 extended by Res. 1673 and 1810 and have submitted national reports on implementation. As EU member states, their laws and policies need to be fully in line with EU legislation and policy in the field of non-proliferation, and they have signed up to the EU Strategy on Non-Proliferation of Weapons of Mass Destruction. The EU export control regime is unique in the sense that Regulation 1334/2000 on export controls of dual use items legally binds all 27 members of the EU. Should any EU Member State remain outside the MTCR, the coherence of EU export controls (on proliferation sensitive items) would be weakened. Given the single market within which customs controls and formalities have been abolished, each EU State is potentially a significant supplier of any item produced in the European Union. However, when taking export control decisions, EU Member States not participating in the MTCR regime are not aware of denial notifications issued by non-EU MTCR participants. This situation could create a loophole in the EU’s ability to implement MTCR controls effectively, thus increasing the risk of unintended transfers of technology or diversion of means of delivery and related materials and goods.

**Envisaged Arms Trade Treaty**

The issue: Russia has been reluctant to support the envisaged treaty; it persisted in expressing rather negative views throughout the three sessions of the
Group of Governmental Experts convened in 2008 to examine the feasibility and scope of a possible treaty. Despite the negative attitude of Russia (as well India, Pakistan, China and the US) the GGE's final report recommends that negotiation of an ATT be taken forward within the UN framework. EU Member States are staunch supporters of an ATT (two sets of Council conclusions in this vein have been issued). They have agreed at expert level to continue efforts to lobby all countries, at all levels, in order to gain support for the envisaged instrument, and in particular to encourage their own arms industries to explain the advantages of such a treaty to their partners/counterparts worldwide.
EU objective: To gain Russia's support for the envisaged Treaty.

Line to take: Explain that if properly conceived and enforced, an ATT would contribute to the fight against terrorism and help to tackle the illegal trafficking of conventional weapons. By clamping down on improper and irresponsible transfers, and by creating common high standards for defence exports, an ATT should also help to simplify legitimate defence trade.

Support to the EU proposal of the Code of Conduct on security in outer space activities

The issue: Russia perceives the EU’s initiative to adopt an international Code of Conduct on security in outer space activities as potentially a counter-proposal to Russo-Chinese proposal of the draft Treaty on the Prevention of Placement of Weapons in Outer Space (PPWT) in the CD, Geneva. Russia tries to either subsume the TCBM (transparency and confidence building measures) as part of the PPWT or to challenge the idea that the draft Code is a contribution to the non-proliferation/arms control process.

EU objective: To moderate Russian position in order to be able to proceed with the adoption of the Code of Conduct in 2009 and if possible, to gain Russian subscription to the Code.

Line to take: The EU considers that current political environment allows to achieve greater security in space activities only through pragmatic and incremental process. That is why the EU proposed a voluntary Code
which would enhance the transparency and confidence among States and contribute to greater security in space activities and of space objects. It has never been intended as a counter-proposal to Russian initiative in the CD. The EU has launched bilateral consultations with space faring nations in order to be able to put forward the draft Code which would be acceptable to a greatest number of States. We wish to maintain a dialogue with Russia on this issue. At this stage, the EU has not decided at which fora or at which format the draft Code would be submitted for endorsement and will be open for signing.
The fight against terrorism

The issue: The EU and Russia have agreed to cooperate in the fight against terrorism. A joint statement on terrorism was adopted in November 2002. So far cooperation has been limited but the road maps for the Common Space of External Security and for Freedom, Security and Justice provide a helpful framework for increased future cooperation. Contacts between Russia and the EU have been very frequent. There have been regular meetings between the Special Representative of the Russian President for CT Ambassador Anatoly Safonov and the former EU Counter-Terrorism Co-ordinator Gijs de Vries, as well as joint CFSP/JHA troika meetings on terrorism co-operation. The EU and Russia are also cooperating in some international and regional fora as well as in scientific security research. There is room for improvement of consultation and cooperation in all the mentioned fora, and on subjects such as the financing of terrorism.

EU objective: Further improve cooperation while respecting in full human rights. Promote consultation and cooperation in all relevant international and regional fora, including GICNT, and on subjects such as the fight against the financing of terrorism.

Line to take: The EU and Russia should jointly promote an international order based on effective multilateralism, notably the upholding and developing of international cooperation in the fight against terrorism in the UN and in all other relevant fora. Counter-Terrorism policy has to be conducted in full respect of international law and human rights. The EU and Russia
shall continue to work on the implementation of all the points of the road map for the Common Space of External Security.
EU-Russia cooperation in the G8 Global Partnership

The issue: In cooperation under the G8 Global Partnership, Russia continues to focus its attention on two of the four areas set when the initiative was launched, namely Chemical Weapons Destruction and Nuclear Submarines Dismantlement (the other two being disposition of fissile material and priority employment of former weapons scientists). It is also reluctant towards further geographical expansion of the Global Partnership, fearing that this will reduce the commitment of G8 Partners towards the projects in Russia and the amount of funds directed towards Russia. The EU, along with other G8 partners take a broader view and stress the importance of implementation of all goals set at Kananaskis. Including its contribution to improve the safety of nuclear installations, the EU has already spent over €635m out of its €955m of commitments in the framework of the Global Partnership. Consideration should be given to cooperation in the areas of bio-security and bio-safety.

EU objective: To recall the commitment at the G8 Summit in Heiligendamm to the full implementation of all G8 Global Partnership objectives. To discuss with Russia whether the Partnership should be extended beyond 2012 and the inclusion of other States in an expanded Global Partnership.

Line to take: To engage Russia in a constructive dialogue with the EU in the framework of the Global Partnership initiative leading towards the definition of concrete projects in the four areas of cooperation. The EU is committed to the full implementation of all Global Partnership initiatives and has made significant commitments to work with Russia. The EU is pleased
with the Global Partnership language agreed in Heiligendamm and at the Kyoto Summit and looks forward to discussions on the future of the Partnership in the process leading towards the G8 Summit in 2009.
V. COMMON SPACE OF RESEARCH AND EDUCATION, INCLUDING CULTURAL ASPECTS

Cooperation in Science and Technology

The issue: The EU has for the past 15 years had a rich scientific and technological relationship with Russia. The EC-Russia Science and Technology (S&T) Agreement defines the areas of cooperation and sets up the implementing structures. Russia has been the most successful third country non-associated partner in the activities of the EC Research Framework Programmes both in terms of the total number of participants as well as in terms of the amount of financial contribution received from the EC. The EC and Russia have organised a series of coordinated calls for co-funded research project proposals. Furthermore, the EC and Russia have started synchronizing their research programmes and activities with a view to defining a more common and ambitious research agenda.

The Permanent Partnership Council (PPC) on Research met on 26 May 2008 for the first time and discussed Russia's interest to become associated to the EC and the EURATOM Framework Programmes.

EU objective: Continue high level S&T cooperation and seek further enhancement through the renewal of the S&T cooperation agreement, which expires in February 2009. Further examine Russia’s request for association to the Seventh Research Framework Programmes (EC and EURATOM) and its successors.
Line to take: Confirm EC’s interest in EU-Russia S&T cooperation and commitment to a timely renewal of the S&T cooperation agreement to achieve this end.

Welcome Russia’s interest to become an associated country to FP7 (EC and EURATOM) and to thus put EU-Russia research cooperation on a new, higher level. Confirm EC’s commitment to take all the necessary steps to examine Russia’s request.
UNESCO Convention on the protection and promotion of the diversity of cultural expressions

The issue: Russia has yet to ratify the UNESCO Convention on the protection and promotion of the diversity of cultural expressions. Today 90 countries and the European Community have ratified the Convention (including important EU partners such as Mexico, Brazil, India, China and South Africa). On the EU side, joint ratification by the Community and 12 Member States took place on 18 December 2006 and triggered the entry into force of the Convention on 18 March 2007. A total of 24 Member States, as well as the Community, have now ratified the Convention.

EU objective: Seek ratification by Russia of the Convention before the second Conference of the Parties to the Convention (June 2009 in Paris).

Line to take: Encourage Russia to ratify the Convention so that the parties to the Convention reflect the diversity of voices in the world. The first Conference of the Parties to the Convention took place in Paris on 18-20 June 2007, the first Intergovernmental Committee (IGC) met in Ottawa, Canada, in December 2007 and a second meeting of the IGC took place in Paris in June 2008. It is essential that Russia is closely involved in this process, especially in light of the ongoing “Kajaani process” of closer cultural cooperation between the EU and Russia and the first Permanent Partnership Council on Culture, which was held in Lisbon on 25 October 2007. In the Joint Statement of the EU-Russia Permanent Partnership Council, both parties agreed to intensify cultural cooperation through a future Culture Action Plan and to hold a high level conference to promote
contacts between EU and Russian cultural operators possibly in 2009. Follow up on the third meeting of the EU-Russia joint working group which took place on 9-10 June 2008 in Moscow, including on cooperation in the audiovisual field aiming to foster convergence with European standards in the media policy area (e.g. European Convention on Transfrontier Television and the ratification of the UNESCO Convention).
Additional issues, including issues of mutual interest to both sides or of particular interest to the Russian side:

The issue: Cultural Centres Agreements ensure that Member States' cultural organisations can operate with confidence in Russia. They also offer a mechanism to develop an enhanced Russian cultural presence across the EU. Without agreements that confirm the status of cultural organisations, the activities of cultural organisations can be seriously impeded. Various Member States have been frustrated in their attempts to encourage Russia to finalise or implement agreements, sometimes for several years. This also limits Russia's ability to develop its cultural presence in the EU. The start of 2008 saw the closure of the regional offices of the British Council in St. Petersburg and Yekaterinburg following a series of administrative moves against the British Council, and the harassment of its staff by the Russian security services.

EU Objective: To encourage Russia to quickly finalise outstanding Cultural Centres Agreements without reference to wider issues, and to treat their negotiation as routine business.

Line to take: Much of the Cultural cooperation envisaged in the fourth common space will take place through the activities of EU Member State cultural institutes in Russia, (including via the EUNIC cluster in Moscow). These need to be able to operate on a firm administrative and legal footing in Russia. The EU therefore urges Russia quickly to agree outstanding Cultural Centres Agreements concerning EU Member States.