

THE BILATERAL RELATIONS OF EU MEMBER STATES WITH RUSSIA



FOREWORD

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(extracts of the report)

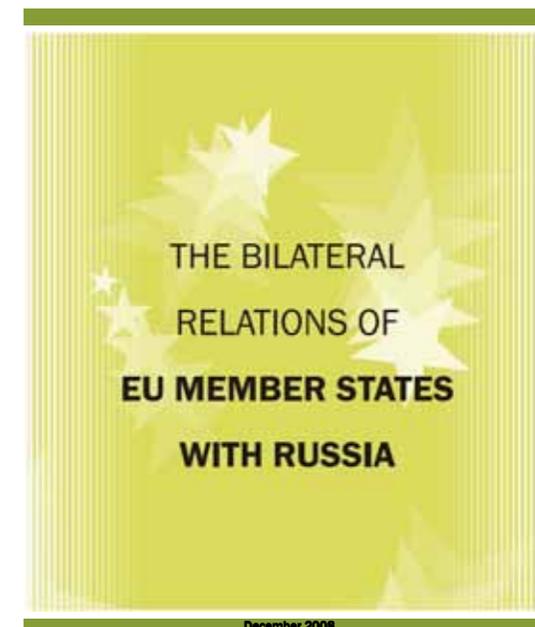
One of the main objectives of the EU Russia Centre is the promotion of the EU speaking with one voice towards Russia, a view that is broadly shared by politicians, diplomats, officials and others. The war in Georgia was an excellent opportunity to evaluate the ability of Member States to reach a united position vis-à-vis Russia under considerable time pressure and in response to a highly emotive scenario. Broadly speaking, this was achieved and a coherent position, spearheaded by the French Presidency, was reached, despite the fact that, at national level, initial reactions to the war diverged considerably.

It is ironic that it should take such extreme circumstances to bring about a coherent position which has otherwise proved so hard to attain. One of the main reasons for the EU's failure to speak and act as one towards Moscow is the very substantial number of bilateral relationships that many member states enjoy with Russia. This is most apparent in the energy sector where in recent times there has been a rush to sign a plethora of bilateral energy deals with Russia. But the bilateral relationships go far beyond the energy sector, touching recent history, political and parliamentary contacts, trade and investment, the influence of diasporas, language, media, education, science and culture.

This study by the EU Russia Centre is a unique attempt to examine the bilateral relations of all 27 member states with Russia. It is hoped that knowledge of these relationships will lead to a greater understanding of the problems in trying to reach a common EU position. Bilateral relations will continue in many areas, not least because the EU cannot claim 'competence' across the board. But there are areas where the Union could be much more effective if it were able to speak with one voice. These include inter alia energy, transport, the environment, migration, and security policy.

Each chapter addresses both political and economic relations and considers, where relevant, the impact of recent history, particularly among those member states that were either part of the former Soviet Union or under its direct control for several decades. Consideration is also given to economic and cooperation agreements and energy relations, together with analysis of the consequences of the recent crisis in Georgia. This study is a collective effort by the EU-Russia Centre team. With such a complex undertaking there can never be one hundred percent accuracy. Most chapters have been reviewed by national experts or officials, but EU-Russia Centre takes full responsibility for the content. In some areas and for some countries it was quite difficult to obtain accurate figures. There are sometimes discrepancies between EU, member state and Russian statistics. The main sources for the study were the websites of member states' foreign ministries and their embassies in Moscow, the Russian MFA, Eurostat, Rosstat, Russian Central Bank, various think tanks and foundations, the EU-Russia Speaking Alliance, commercial firms and NGOs.

It is intended to update the data at regular intervals and EU-Russia-Centre would be most pleased to receive comments about the material selected and suggestions for future reviews. December 2008 © EU-Russia Centre



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1. AUSTRIA

Relations between Austria and Russia are coloured by a shared imperial history and close trade ties, especially in the energy field. There are many areas of cooperation with Russia from political and security issues to justice and home affairs which are discussed at regular high level political and official meetings.

During the crisis in Georgia, the Austrian government participated in both the Civil Protection mechanism (together with Slovakia and France) and the OSCE mission. However, Alfred Gusenbauer, Austria's then chancellor, was very clear in stating that any kind of escalation against Russia should be avoided as Russia and the EU have "strategic reasons for reasonable co-operation"¹.

Economic and trade relations are based on a 1991 bilateral agreement and matters arising are discussed in the Joint Austrian-Russian Commission for Trade and Economic Cooperation. The Commission has different working groups: industry and research, environmental technology and energy, social issues, agriculture and forestry, tourism and regional cooperation. Exports to Russia have quadrupled since 2000: from €711 million to €2,913 million in 2007. Imports doubled in the same period: from €1,132 million in 2000 to €2,076 million in 2006. The main exports are machines and equipment (34%), chemicals (23%) and manufactured goods (32%). Crude oil and gas account for 5% of imports from Russia. Austrian investment in Russia reached €257million in 2007 €100 annually in recent years and more than 1,200 Austrian companies are involved with Russia. Austrian business interests are predominantly in the fields of IT, consultancy, and financial services.

In 2006, Austria imported 234 thousands t-j-gcv² of gas from Russia; accounting for 57% of its total gas-imports. Austria is 18th position in importing crude oil from Russia. In 2005 it imported 1219 thousand tonnes – 16% of its national needs.

2. BELGIUM

There are no particularly strong ties between Belgium and Russia. King Albert II visited Russia in 1998; Ex President Putin came to Belgium in 2002 and 2005 and Prime Minister Verhofstadt visited Moscow in 2007. There

¹ Tony Barber, *Cracks in EU unity on Russia*, Brussels Blog, the FT, 02 September 2008. <http://blogs.ft.com/brusselsblog/2008/09/cracks-in-eu-unity-on-russia/>

² Terajoules Caloric Value

are regular meetings at ministerial and senior official level to discuss security and economic issues. Russia has a large diplomatic presence in Belgium due to the EU and NATO. Belgium tends to support France and Germany in defining EU attitudes towards Russia. Since 2004, there have been annual inter-parliamentary conferences (alternately in Russia and Belgium) to discuss security issues.

During the crisis in Georgia, Belgium held the rotating presidency of the Security Council, and proposed a statement calling for an immediate cessation of hostility and for "all parties" to return to the negotiating table.

Economic relations are based on the 1971 agreement between Russia and the Benelux countries. More recently, some Belgian MPs were reported as opposing Georgian membership to NATO.

A mixed intergovernmental commission for economic cooperation between Russia and the Benelux meets regularly to discuss such issues as energy, machinery and building construction, certification of goods, cooperation in financial markets, investments and innovation. Belgian exports to Russia have risen from €944 million in 2000 to €3,232 million in 2007. Imports of Russian goods nearly quadrupled from €1,614 million in 2000 to €4,894 million in 2007. Main exports to Russia are chemical products (27%), machinery and transport (34%), and manufactured goods (21%). Imports from Russia consist mainly of fuel and oil (more than 50%) and precious and semiprecious stones (23%). According to Eurostat, Russian FDI into Belgium grew considerably from €-5 million in 2006 to €13 million in 2007. Belgian FDI in Russia grew considerably: from €69 million in 2006 to €958 million in 2007. There are numerous Belgian-Russian joint ventures in pharmaceuticals, food and construction.

Belgium covers 40% of its national needs with crude oil from Russia - in 2006 it imported 1,260,802 thousand tonnes. Belgium only imports a very small amount of gas from Russia: 28,194 t-j-gcv in 2006 (4% of the country's needs).

3. BULGARIA

There are strong cultural ties between the two Slav nations, but most Bulgarians recall more than 40 years of Soviet occupation which only ended in 1990. After Bulgaria's accession to the EU in 2007 relations with Russia have intensified. Bulgaria has tended to be more sympathetic to Russia than most other member states.

In the aftermath of the war in Georgia, Bulgarian Prime Minister Sergei Stanishev promised to assist in settling the conflict, as well as providing help for the population in South Ossetia through a logistic centre for humanitarian aid in Bourgas³. After describing Bulgaria as a Russian Trojan horse in the EU, Russian Ambassador to the EU, Vladimir Chizhov, declared that Bulgaria would veto any sanction imposed by the EU over Russia. The Bulgarian Foreign Ministry reacted to Chizhov's statement underlining that such statements were not acceptable⁴.

There are regular high level political and official contacts. The two sides have more than 80 bilateral agreements covering all spheres of activity. There have been concerns in Bulgaria at the implications of the country's high level of dependency on Russia for energy. In 1995, a Russian-Bulgarian friendship group was established in the Bulgarian parliament.

Russia is Bulgaria's third most important trade partner after Germany and Italy. Trade relations are based on the 1992 Bulgarian-Russian Intergovernmental Commission for Economic, Scientific and Technological Cooperation aiming to establish joint enterprises and to develop transport networks. There are no direct surface transport connections between Russia and Bulgaria, but a rail/ship link between Russian and Bulgarian Black Sea ports is planned. There are about 360 Bulgarian firms operating in Russia, mainly in the food industry, cigarette production, and cosmetics. There are nearly 400 joint venture companies and some 330 Russian enterprises are registered in Bulgaria. The total volume of direct Russian investment in Bulgaria is over €133 million, making Russia the 12th biggest investor in Bulgaria. An important area of cooperation is defence production.

Bulgarian exports to Russia reached €327 million in 2007. Imports were higher: €2724 million, resulting in a negative trade balance for Bulgaria of €2398 million that year. Bulgaria exports mainly machines (41%), grape wines (29%), pharmaceuticals (27%) and cosmetics (7%). According to Eurostat, FDI net flow from Russia into Bulgaria, already negative further decreased in 2007m going from €-125 million in 2006 to €-162 million in 2007. Bulgarian FDI into Russia nearly doubled in the same period from €5 million to €9 million.

Energy ties between Bulgaria and Russia are increasing with the Bourgas-Alexandroupolis oil pipeline, Russian assistance in the construction of a new nuclear power

³ Lyubomir Mihailov, *Russia: Georgia wages information war against Russia*, 14 August 2008, the Standard. <http://paper.standardnews.com/en/article.php?id=2008-08-14&article=24820>

⁴ Bulgaria, *Russia Clear out Diplomatic Scandal*, Novinite, 29 September 2008 http://www.novinite.com/view_news.php?id=97413

plant in Belene, Bulgaria and a long-term agreement with Gazprom. The biggest Russian investor in Bulgaria is Lukoil owning 93% of the Bulgarian oil-processing company Lukoil-Neftochim-Burgas. Crude oil imports from Russia in 2006 were 6,318 thousand tonnes. Bulgaria covers nearly all its gas needs from Russia, importing 12355 t-j-gcv in 2006.

4. CYPRUS

Cyprus and Russia have long-standing close ties and have concluded a large number of agreements covering political, economic, trade, cultural and legal cooperation. Cyprus appreciates Russian support in its disputes with Turkey. It is a strong defender of closer EU ties with Russia. About 40,000 Russians live in Cyprus.

During the war in Georgia these ties were clearly in evidence, as Cyprus was among those EU Member States calling for a softer approach to Moscow. However, during the informal meeting of Foreign Ministers which followed the extraordinary summit of September 1st, Minister of Foreign Affairs Mr Markos Kyprianou stated Cyprus's firm position regarding respect for the territorial integrity and the sovereignty of states and stressed the need to implement the sixpoint agreement negotiated by French President Mr Sarkozy.

Trade and economic ties between Cyprus and Russia are higher than one might expect. A great deal of Russian money has flowed to banks in Cyprus in the past two decades and a large number of Russian entrepreneurs use Cyprus as a base for their business and investment activities. According to the Russian Statistical Office, Rosstat, 39% of all Russian investments into Europe were concentrated in Cyprus in 2007. Cypriot foreign investments in Russia steadily increased from 17% of total investments in Russia in 2005, to 20% in 2007. Cypriot imports from Russia have fallen since 2000, from €160 million to €37 million in 2007, notwithstanding the fact that it imports mainly oil, as well as raw materials (iron and other metals and timber). Exports, however, grew moderately from €7 million in 2000 to €17 million in 2006. Cypriot exports to Russia include mainly agricultural products, foodstuffs and pharmaceuticals. Another field of trade cooperation is tourism and a significant number of Russian tourists visit Cyprus every year. The Bank of Cyprus was granted in June 2007 a licence to provide banking services to companies in Russia. The Moscow commercial bank, Promsvjzbank, maintains an office in Limassol.

5. CZECH REPUBLIC

The 40-year Soviet occupation of the Czechoslovakia is a main reason for the critical attitude of Czechs towards Russia. The Soviet invasion of 1968 during 'the Prague Spring' is remembered still with bitterness. The Czechs have also been one of the strongest critics of Russia's human rights record. The Czech Republic has pushed the EU to take a hard line towards Russia.

This attitude was confirmed during the war in Georgia, when the Czech Foreign Ministry openly talked about crimes against humanity. The recognition of independence of South Ossetia and Abkhazia by the Russian Federation was interpreted as a clear attack against Georgian integrity. The clarity of the Czech position was also reflected in the media coverage of the crisis, which included headlines such as: "CR sides with Georgia in crisis"⁵.

The Czech Republic took over 46 agreements from the former Czechoslovakia and has added 37 new ones since 1993. They range from general cooperation through to employment, science and technology to encouraging investment. The May 2005 agreement provided the basis for the renewal of the intergovernmental commission on economic, industrial and scientific technological cooperation. After a 13-year break, President Putin made a state visit to Prague in March 2006, following an invitation from former Prime Minister, Paroubek. In April 2007, President Klaus visited Moscow and tried to reassure Russia about the planned deployment of a US radar system on Czech territory.

Trade has developed considerably in recent years. Exports have more than quadrupled: from €420 million in 2000 to €2080 million in 2007. The same is true for Russian imports into the Czech Republic: from €2,260 million in 2000 they reached €3,930 million in 2007. Russia mainly exports energy products, while the Czech Republic supplies finished goods. According to Eurostat, Czech FDI to Russia has been up and down. From €35 million in 2004 and almost nothing in 2005, it returned to €38 million in 2006, only to fall again to €-1 million in 2007. Most Czech investments are in machinery, mining and financial services. Russian companies tend to invest in the energy sector.

The Czech Republic covers 67% of its national needs for crude oil with imports from Russia (placing it sixth among European importers). In 2006, it imported 5,225,000 tonnes. It is the fourth biggest importer of gas

⁵ CR sides with Georgia in crisis, the Prague Post, 13 August 2008 <http://www.praguepost.com/articles/2008/08/13/r-sides-with-georgia-in-crisis>

(behind Germany, Italy, and France) buying 275,720 tj-cv in 2006. It covers 74% of its national needs with imports from Russia.

6. DENMARK

Bilateral relations are based on the 1993 agreement on the Development of Economic, Industrial and Technical Cooperation which establishes an intergovernmental Council for economic cooperation. Denmark is in the EU mainstream in terms of policy towards Russia. In 2002, the Danes allowed the Chechen World Congress to be held in Copenhagen, much to Russia's irritation.

Denmark's official position was in the mainstream of the EU. The Danish media, however, focused on "Putin's well prepared and disproportionate use of power inside and against a sovereign state"⁶, underlining that it is no longer possible to ignore Russia as a powerful player in its own neighbourhood.

Exports to Russia almost tripled from €542 million in 2000 to €1,361 million in 2007, while imports from Russia doubled from €419 million in 2000 to €896 million in 2007. Denmark is one of the few EU countries to have a positive trade balance with Russia. This rose from €123 million in 2000 to €465 million in 2007. The main exports to Russia are machinery, fish and seafood, shoes and pharmaceuticals. The main imports are crude oil, wood, black metal and cereals. According to Eurostat, foreign investments from Russia to Denmark fell in 2007 to €11 million, from €105 million in 2006. Danish assistance is mainly focused on the Russian Baltic Sea regions: Kaliningrad, St. Petersburg and Pskov. Efforts primarily include advice on adapting and developing regional administrations, taxation and agricultural reform.

Denmark is a net exporter of energy resources. Russian-Danish energy relations focus on energy saving, protection of the environment, and reform of Russian energy and fuel plants with the help of Danish know-how, experience and technology.

7. ESTONIA

Relations between Estonia and Russia are coloured by very different interpretations of history. The two sides do not agree on the nature of the Soviet occupation post 1944, or the impact of the 1939 Molotov-Ribbentrop pact. The alleged mistreatment of the large ethnic Russian mi-

⁶ Toger Seidenfaden: "A Balancing Act, Not A New Cold War", Politiken website, 20 August 2008

nority (26%) is also a source of dispute between the two countries. There is a significant Russian-speaking minority in Estonia - around 300,000 strong, it represents about a quarter of the population. Relations were further soured in April 2007 by the decision of the Estonian government to relocate a Soviet war memorial from the centre of Tallinn.

Given the poor state of relations between Estonia and Russia, the EU framework is increasingly seen as a more promising channel for dealing with Russia than bilateral talks. Estonia has urged the EU to take a tough line on Russia and was strongly supportive of Georgia during the August 2008 crisis. It has also been critical of bilateral energy deals such as the Nord Stream pipeline.

In 1998, the Estonian-Russian intergovernmental commission was established to guide work on bilateral relations. The commission has held only three meetings (1998, 2000, and 2002). There are about 30 bilateral agreements and treaties with Russia, concerning customs, international road transport, aviation, double taxation, the transfer of criminal offenders and social insurance and pensions. The bilateral border treaty was finally signed in May 2005, but Russia withdrew its signature because it objected to the preamble of the Estonian parliament's ratification law which made reference to texts mentioning the Soviet occupation of Estonia. Ministerial contacts are developing slowly with eight in 2006 - double that for 2005. Since 1992, there has also been cooperation in the framework of the Council of the Baltic Sea States. There are friendship groups in both parliaments. In 2006, they visited each other once.

Russian-Estonian economic relations are mirrored by the poor bilateral political relationship. The double customs tariffs imposed on Estonia by the Russian Federation in 1995 hindered the development of bilateral economic relations until they were removed on 1 May 2004 due to Estonia entering the EU. Trade also suffered from a number of Russian inspired non-tariff barriers such as health and safety certificates and by politically motivated 'repairs' or 'limits' on railways and border bridges. Despite these problems, there is an Estonian-Russian business round table. Cross border cooperation is functioning, especially with the help of the Northern Dimension programmes. In July 1998, the Peipsi Center for Transboundary Cooperation was established as an umbrella organisation to promote projects that involve specific cross-border activities. Estonia has close contacts with the neighbouring regions of Pskov, Novgorod and St. Petersburg. Regional agencies are interested in promoting business and tourist opportunities, but the lack of a legal political base (border treaty) and the deeply rooted mutual suspicion on both sides of the border make cooperation a tedious business.

According to Eurostat, Russian FDI into Estonia was €51 million in 2006 and fell to €-1 million in 2007. Estonian FDI into Russia rose from €31 million in 2006 to €85 million in 2007. Exports to Russia grew seven fold between 2000 (€82 million) and 2007 (€710 million). During the same period, imports from Russia increased from €391 million to €1149 million. The trade balance remained negative, but rose slower than the trade volume: from €310 million in 2000 to €439 million in 2007. The main exports to Russia consisted of machinery and transport vehicles (29%) and textiles (10%). Imports from Russia were mineral products (47%), timber and wood products (21%) and metals and metal products (13%).

Estonia does not import any crude oil from Russia due to the lack of refineries. But it covers 100% of its gas needs from Russian imports. Russian oil is transported by train through Estonia although supplies were reduced in May 2007.

8. FINLAND

Finland has had a troubled historical relationship with Russia. It only became independent from Russia in 1917. It fought against the Russians in the Second World War and lost territory but retained independence. In the 1950s and 1960s Finland pursued a cautious policy towards Russia known as 'Finlandisation' - a policy of neutrality. Finnish membership of the EU in 1995 gave Finnish leaders a new context in their dealings with Russia. In 1999 they launched the Northern Dimension Programme within the EU in order to better address the challenges in the Baltic Sea region.

Since the 1992 agreement on basic relations between Russia and Finland, more than 80 agreements have been signed covering all aspects of bilateral relations. The presidents of both countries meet regularly and since 2000 the heads of government meet twice or even three times a year. There are mutual friendship groups in the Russian Duma and the Finnish parliament.

Finland has called for unity in the EU's approach to the crisis in Georgia and has stressed the importance of the EU both for Georgia and for Russia. As the holder of the OSCE Chairmanship, Finland maintained a fairly neutral position until Russia recognised South Ossetia and Abkhazia, when Finland stood clearly on Georgia's side, defending its territorial integrity.

Finland has four neighbourhood programmes, three of which focus on the Russian border. In 2004, 626 Finnish-Russian joint ventures were active in Russia. Finland is the third biggest exporter to Russia (behind Germany and

Italy), representing 8% of total EU exports to the country. Between 2000 and 2007, exports to Russia rose significantly from €2,174 million to €6,724 million. Imports also more than doubled from €3,471 million to €8,307 million. More than 80% of Russian exports to Finland consist of crude oil, gas, electricity, wood and other raw materials. Finnish exports to Russia are largely paper-pulp industry products, food, furniture, consumer goods and transport goods. According to Eurostat, FDI flows from Russia into Finland fell from €48 million in 2004 to €-12 million in 2007. Finnish FDI flows into Russia were much higher, but also slipped in 2007 compared to 2004: from €151 million to €69 million.

Finland is the seventh most dependent European country as far as Russian crude oil is concerned. It imports 61% of its needs from Russia. In 2006, this came to 7,770,000 tonnes. In 2006, it imported 26,012,579 t-j-cv of gas from Russia, covering 100% of its national needs.

9. FRANCE

The ties between France and the Russian Federation have traditionally been close. French leaders from Charles de Gaulle to Nicolas Sarkozy have sought to cultivate good relations with their Russian counterparts. There were especially close relations between Putin and Chirac. As a result of the crisis in Georgia, France – as EU president – had to play a leading role in mediating the conflict. Partly due to its Presidency of the EU and partly due to its close economic relations with Russia, France has been leading the Member States to a common position that criticises Russia while keeping dialogue open. French intellectuals have been critical of Russia's handling of the war in Chechnya and its move towards authoritarianism.

More than 70 agreements regulate bilateral cooperation in defence and security, financial and energy issues, nuclear energy, police cooperation, recognition of degrees, and educational and cultural exchanges. The Franco-Russian governmental seminar meets once a year, presided over by the French and Russian prime ministers. There are also twice yearly meetings of foreign and defence ministers, while the French-Russian Parliamentary Commission fosters dialogue between legislators. France is a popular tourist destination with over 400,000 Russians visiting the country in 2007.

Economic relations have developed rapidly. Imports from Russia in 2007 reached €10.6 billion having more than doubled since 2000. French exports to Russia also doubled in the same period, reaching €5.6 billion. Despite

this increase in trade, France's trade deficit widened in 2007 to €4.9 billion due to the high price of raw materials. Russian consumers, however, have had a huge impact on the French luxury market. According to data from Rosstat, France is the eighth greatest investor in Russia, accounting for 4.7% of total foreign investments in Russia in 2007. More than 450 French companies have a presence in Russia. The sectors prized by France are the food industry, catering, retail, oil and gas extraction and conversion, transport, machines and capital goods, and communications. An exporter of finished goods (automobiles in particular jumped 49% in 2005), France imports primarily oil and gas (representing 88% of imports in 2007), chemicals and metals (8.5%).

France imports about one quarter of its gas from Russia and is the third largest European importer behind Italy and Germany. Oil imports from Russia cover 12% of national needs, placing France in 16th place among European countries. Total Elf is active in Russia in the Timan-Petchora region and in the Sthokman gas field located in the Barents Sea.

10. GERMANY

Germany is the most important EU member state in the eyes of Russia which views it as its most powerful advocate within the EU. They share a long historical relationship including the two devastating wars of the 20th century. The impact of the Nazi attack on Russia in 1941, the horrendous casualties on the Eastern Front, the Russian victory over fascism (still celebrated on 9 May) and the Soviet occupation of East Germany for over 40 years, still have an impact on the relationship. There have been several examples of close personal relationships at the top level: Kohl/Yeltsin, Schroeder/Putin. The relationship between Merkel and Putin/Medvedev is, however, cooler. Germany enjoys strong economic ties with Russia and is a powerful advocate within the EU for closer relations with Russia. It was nevertheless critical of Russia's behaviour during the Georgian conflict.

The war in Georgia affected relations negatively between Germany and Russia. However, Germany has striven to keep cordial relations with Russia entertaining frequent bilateral talks with President Medvedev during the crisis. The recognition of Abkhazia and South Ossetia was sharply condemned by Germany.

There are numerous agreements between Germany and Russia covering political, security, cultural and other issues. Since 1998, there have been annual inter-govern-

mental consultations and frequent senior official meetings. The Foreign Ministry has established an office for intersocietal cooperation while the Petersburg Dialogue facilitates contacts between politicians and high ranking players in business, culture, education and the media. These meetings are often attended by the Russian President and the German Chancellor. Germany and Russia have set up a number of working groups to discuss the challenges of modern society eg the environment and healthcare.

Germany is Russia's largest trading partner and the volume of trade between the two countries increased considerably in 2007. German companies, including many small and medium-sized enterprises have almost doubled their business volume in Russia every two years since 1998. In 2007, Germany was by far the largest exporter to Russia with 32% of total EU exports to Russia, more than tripling from €6,660 million in 2000 to €28 billion in 2007. The same is true for imports, which grew from €14,263 million in 2000 to €27.6 billion in 2007m accounting for 19% of total EU imports from Russia. The trade balance in 2007 was positive at €437 million for the first time since 2000. Russia's principal exports are raw materials and energy, while Germany mainly exports finished products (machines, chemical products, cars and communication equipment) and capital goods.

According to Rosstat data, Germany is the fifth biggest investor in Russia (7% of all foreign investments in Russia). Germany is also the fifth biggest receiver of investments from Russia (4% of the total). The fastest growing sectors for German investment are IT, communication technologies and high-tech industries. Numerous organisations promote closer economic and trade ties such as the influential Ost-Ausschuss der Deutschen Wirtschaft. Thanks to its improved economic situation, Russia concluded two bilateral agreements with Germany in 2005 and 2006 on repayment of its Paris Club debts ahead of time. Germany was Russia's main creditor in the Paris Club holding more than 40% of Russian credits.

Germany is Russia's biggest energy-customer of Russia within the EU, taking 34% of its oil and 42% of its gas from the country. Germany imported 36,915 thousand tons of oil and 1,477,669 t-j-cv of gas from Russia in 2006. This close cooperation, and also high dependence, has a long tradition and is reflected in the creation of many joint ventures such as the controversial Nordstream pipeline.

Germany has a large diaspora of Russians and by far the most numerous contacts at civil society level. It also has the densest level communications (flight connections) with Russia.

11. GREECE

The two countries share strong ties due to their common Orthodox faith and historical contacts. Bilateral relations are marked by a spirit of close cooperation, especially in the political, economic and cultural fields. Greece appreciates Russian support on the Cyprus issue and on the Aegean dispute with Turkey. Greece also attaches considerable importance to Russia as a trading partner, including energy supplies and arms sales. It has been a strong supporter of closer ties with Russia within the EU. In the aftermath of the war in Georgia, the Greek foreign minister underlined that isolating Russia was not a solution to the crisis and that it was of fundamental importance for the EU and Russia to continue cooperating.

In recent years there have been intense high-level meetings covering foreign affairs, defence, the economy, trade and industry. There are regular action plans to boost cooperation in specific areas such as energy and tourism. Key agreements include Friendship and Cooperation (1993), military cooperation, avoidance of double taxation, shipping, air transport, and cooperation in the fuel and energy sector. Parliamentary contacts are active.

Greek-Russian trade has substantially developed since 2000. Although exports to Russia rose from €269 million in 2000 to €357 million in 2007, imports from Russia increased from €1,185 million in 2000 to €3130 million in 2007. This was mainly due to higher energy prices. The trade balance has grown considerably in Russia's favour: from €916 million in 2000 to €2773 million in 2007. Imports from Russia mainly consist of raw materials while Greek exports to Russia include furs, fruits and vegetables, olive oil, olives, aluminium, wine, bauxite, and marble. As regards investments, 41 Greek enterprises operated in Russia in 2007 with €75 million of invested capital. There are 130 registered Greek-Russian joint ventures, active mainly in trade, agriculture, industry, services, tourism, construction, energy, transport, and technology.

In the energy field, Greece imports 81% of all its gas from Russia, while it imports only 27% of all its oil from Russia. It is the tenth most dependent EU country on Russian oil. Construction started in 2007 on the Bourgas-Alexandroupolis oil pipeline with Russian participation.

12. HUNGARY

Hungary and Russia do not enjoy especially close ties. Many Hungarians still remember the Soviet suppression of the 1956 attempt to escape communism. President

Yeltsin's visit to Budapest in 1992 helped resolve most of the bilateral disputes between Hungary and Russia. Since then there have been numerous agreements on tourism, visas, travel and customs issues, environmental protection, nuclear energy and the status of war graves. Hungary is divided along political lines in its attitude towards Russia. The current government is more sympathetic to Russia than the opposition. Hungary steered a middle course during the Georgian conflict. The Hungarian government's condemnation of acts of violence in Georgia was not considered strong enough by public opinion, which would have liked a tougher position to be taken⁷. There is little public discussion about Russia except on energy matters since Hungary is extremely heavily dependent on Russian oil and gas. The question of pipelines (Nabucco v Blue Stream) remains a highly sensitive issue.

Russia is one of Hungary's leading economic and trading partners. Between 2000 and 2006, exports to Russia rose from €496 million to €2,220 million. Imports more than doubled over the same period from €2,809 million to €4,792 million. While the increase in imports was caused by rising energy prices, the surge in Hungarian exports came from machine tools, mobile phones, medical equipment, electronic tubes, light bulbs, motor cars, agricultural equipment and products and the processing industry (pharmaceuticals, packaging materials, plastic, paper, and vehicle components). There is relatively little FDI in either direction.

Hungary is second among EU countries in energy dependence on Russia which supplies almost 80% of its natural gas and 99% of its crude oil. In 2006, Russia sold 351,905 t-j-cv gas and 6,791,000 tonnes of oil to Hungary. There are concerns that Russia may seek to widen its control of Hungarian energy assets by possibly taking over Hungary's main oil company (MOL) and buying the OTR Bank. Hungary is torn between supporting the Blue Stream, a €6 billion pipeline project supported by Gazprom, and the rival EU-backed Nabucco pipeline.

13. IRELAND

Relations between Ireland and Russia are not substantial. There has been an increase in ministerial visits and parliamentary contacts in recent years. Since 1993, there have been several agreements: the Air Transport Agreement (1993), Double Taxation Agreement (1994), the Road Transport Agreement (1995), and bilateral agreements on Fighting Crime and Illegal Drugs (1999).

⁷ http://www.timesonline.co.uk/tol/comment/columnists/guest_contributors/article4582232.ece

A Russia-Irish commission on economic and technological cooperation was established in 2000 and meets on an ad hoc basis.

Irish reaction to the war in Georgia was in line with the rest of the EU, while strongly supporting the integrity of Georgian territory.

Irish exports to Russia in 2007 were valued at €311 million, increasing from €179 million in 2000. Imports from Russia increased from €11 million in 2000 to €75 million in 2006. Ireland imports fertilisers, cork and wood, petroleum and petroleum products, crude rubber and inorganic chemicals. It exports office and data processing machines, meat and meat preparations, pharmaceuticals, telecommunications and sound equipment, electrical machinery and appliances. According to Eurostat, Irish FDI into Russia grew from zero in 2004 to €6 million in 2007. Over 200 Irish companies export to Russia and 24 have a permanent presence there.

Ireland covers 100% of its national needs in gas from the UK. As for oil, it covers 76% of its national needs through imports from Norway, with a small percentage coming from Russia.

14. ITALY

Italy and Russia have enjoyed close relations for many years with Prime Minister Berlusconi one of the strongest supporters of close EU-Russia relations. Italy was one of the least critical voices of Russia in the Georgian crisis. When meeting the Italian press, Berlusconi underlined his role in the negotiation of the ceasefire, while its diplomacy was at work at European level to make sure that talks with Russia would continue and that no "anti-Russia coalition" would emerge. Russia is Italy's first energy supplier and there are strong economic ties.

The two sides have signed numerous agreements in the fields of economics, industry, defence, culture, science, customs and security. In 2002 both sides established an annual enlarged summit meeting. There are also regular parliamentary contacts.

Italy is Russia's second largest European trading partner (after Germany). Imports from Russia to Italy in 2007 amounted to €14.3 billion (10% of all EU imports from Russia) and Italian exports were worth €9.5 billion (11% of all European exports to Russia). This was a significant increase from 2000 when imports had been only €8.3 billion and exports €2.5 billion. The trade balance is negative and it has only slightly decreased: from €5.8 billion in 2000 to €4.8 billion in 2007. Italy imports energy sources (44%) and metals (12.2%). Russia buys mostly machines



and technical products (27.6%), textiles (17.9%), leather products (9.9%) and furniture (8.8%). According to Eurostat, Italian FDI into Russia reached €21 million in 2006, but fell back to €19 million in 2007. Russian investment in Italy has greatly increased from €8 million in 2006 to €86 million in 2007. The largest increase in investments in recent years has been in appliances, steel and ceramics.

Italy is the second EU member state (behind Germany) in importing gas from Russia. In 2005, this amounted to 858012 t-j-cv covering a third of national needs. Italy imported only 16% of its oil requirements from Russia. In 2006, imports totalled 13,956,000 tonnes – 1.9 % more than in 2004. Italy is seen by Russia as a partner and mediator in seeking access to the European energy market. Italy even hopes to conclude an agreement with Russia on the exchange of assets which would secure the Italian Group ENI access to the exploitation and development of new fields. Russia would in return enjoy access to the European distribution market.

15. LATVIA

Latvia's relations with Russia are strongly coloured by recent history, notably the Soviet occupation of the country from 1944 to 1991. Russia does not recognise the Soviet occupation, believing that Latvia entered the USSR voluntarily. Bilateral relations suffer from disagreement over the treatment of the large ethnic Russian minority with problems over the status of many Russians (non-citizens). Over the past few years, there has been an increase in high-level meetings and since 1990, there have been 19 bilateral agreements and four protocols. These have covered trade, shipping, tourism and transport, border controls, the removal of the Soviet Army, legal assistance, the resettlement processes and economic cooperation. Another important agreement was signed in 2006 establishing an intergovernmental commission on economic, scientific, technical, humanitarian and cultural cooperation. In March 2007, the border agreement was finally signed, nine years after it was negotiated. Latvia has been among those countries arguing for a tough EU approach towards Russia.

The conflict in Georgia increased existing mistrust towards Russia and friction within the country between the "Young Russia" faction and the rest of the population. The Latvian government has closely coordinated its action with the other Baltic States and Poland and condemned Russia's attack against Georgia, reiterating its support for Georgian territorial integrity.

After the collapse of the Soviet Union there was a dramatic reduction in trade between the two countries. In

more recent years, ties have been re-established because the EU market was unwilling to take Latvian agricultural exports. The main field of Russian-Latvian cooperation is the transit infrastructure for oil and gas. Latvia is the largest transit country among the Baltic States and has allowed several Russian energy companies to operate in this sector. There are more than 2,000 Latvian-Russian joint ventures operating in Latvia. Imports increased from €402 million in 2000 to €973 in 2007 and exports from €85 million in 2000 to €782 million over the same period. The trade balance stayed negative: €317 million in 2000 and €191 million in 2007. According to Eurostat, from Russia to Latvia rose sharply from 2007 (from €6 million in 2006 to €34 million). Similarly, investments towards Russia have grown from 2006 (€11 million in 2006 to €312 million in 2007).

Latvia is 100% dependent on Russian gas. In 2006, it imported 71,174 t-j-cv of gas and 10,614,000 tonnes of crude oil in 2005, thereby covering almost all its national needs by imports from Russia. Russian companies are heavily involved in Latvian transit infrastructure and Gazprom is the biggest investor. In 2003, Russia exercised heavy pressure on the Ventspils port, an important point of departure for Russian oil exports to Europe, even cutting off oil transport through the main pipeline. The desire to create alternatives to Latvia was one of the reasons for constructing the Primorsk transit terminals in the Finnish Gulf.

One of the biggest internal problems in Latvia is the status of the large Russian community. Most Russians have found it difficult to reconcile their changed situation after the collapse of the Soviet Union. The Russian community is well organised into several bodies of different political colours: the Association of Russians in Latvia, the Association Homeland (Rodina) and a Russian party - the Union for Human Rights in a United Latvia. They all campaign for equal rights and the use of Russian in dealings with officialdom, although disagree on aims and methods.

16. LITHUANIA

Lithuania is the only one of the three Baltic States to have secured a statement from Russia recognising the Soviet occupation (the 1991 agreement). However, a few contentious matters remain including the use of energy to put pressure on Lithuania. The Lithuanian media frequently raise the question of alleged Russian interference in internal politics. Another important issue concerns the Russian oblast of Kaliningrad, sandwiched between Poland and Lithuania. Russia is a major theme in Lithuanian foreign policy and the government pushes for a stronger common EU line towards Moscow. The President of Lithuania flew to

Georgia in a gesture of solidarity with President Saakashvili just after the start of the conflict and the Lithuanian position towards Russia remains one of the toughest in the EU, arguing in favour of diplomatic sanctions. The climate of uncertainty and preoccupation among the population was reflected by the Lithuanian media, which warned the population against possible Russian attacks to defend the Russian population in Lithuania and because of the country's open support to Georgia.

Since 1991, there have been 36 bilateral agreements and protocols concerning, inter alia, work permits, pensions, economic cooperation, travel and transit to Kaliningrad, taxation, visas, cooperation in the field of ecology, and repatriation of illegal immigrants. The President of Lithuania has made two official visits to Russia and there have been regular ministerial and parliamentary contacts.

Russia is one of Lithuania's main trading and economic partners. Lithuanian exports to Russia expanded more than six-fold from €238 million in 2000 to €2,209 million in 2007. Imports tripled in the same period from €1,544 million to €3,209 million. Lithuania imports mainly gas and oil from Russia (80%) while exports consist of cars and spare parts (22%), fridges (11%) and foodstuffs (15%). According to Eurostat, Russian FDI into Lithuania has increased from €24 million in 2004 to €224 million in 2007. Lithuanian FDI into Russia has been much less. Annual meetings of the Intergovernmental Commission (established in 1996) prepare concrete projects for economic, scientific and cultural cooperation and provide a forum to handle any problems. Seven working groups focus on trade and economy, energy; transport, social affairs, science, culture and other issues.

Lithuania is almost 100% dependent on Russian oil and gas. Russia stopped supplying a major refinery (Mazėikių Nafta) with crude oil through the Druzhba pipeline following a decision to sell a majority stake to a Polish rather than Russian firm. The Russians allege the pipeline is closed 'for repairs'.

Ethnic Russians, about 9% of the population, are well organised with two political parties: the Union of Lithuanian Russians established in 1995, and the Russians Alliance, established in 2002. At the legislative elections on 10 October 2008, none of the two parties won any seat in the Parliament.

17. LUXEMBOURG

There are no special historical ties between Russia and Luxembourg. Given its small size and population, there are also few close relations except in the financial sec-

tor. President Putin visited Luxembourg in May 2007. Bilateral relations could have suffered a serious blow after the Severstal bid for Arcelor steel was turned down by the company's shareholders, who preferred the offer of the Indian steel magnate, Lakshmi Mittal. The positive attitude of the Arcelor management and the Luxembourg government for the Severstal bid were in vain. Luxembourg's overall attitude towards Russia matches the mainstream EU position.

Since the outbreak of the war in Georgia, Luxembourg's position was in line with the EU. The government also sharply condemned Russian recognition of the independence of Abkhazia and South Ossetia.

Since 1990, there have been five bilateral agreements covering air traffic control, taxes, financial monitoring, the fight against money laundering, culture, education, science, and health care cooperation. In addition to frequent ministerial visits (Luxembourg benefits as one of the seats of the EU institutions) parliamentary contacts have increased to once a year visits to both countries. The Belgian-Luxembourg Chamber of Commerce for Russia and Belarus is an important factor in the relationship. It promotes exports and investment from Luxembourg and Belgium in Russia; furnishes business with knowledge of the country, markets and language.

Luxembourg is one of the smallest trading partners for Russia in the EU, but trade has increased in recent years. In 2000, Luxembourg exports to Russia were worth €21 million, increasing to €147 million in 2007. Imports from Russia rose over the same period from €18 million to €175 million. Exports to Russia are mainly machinery, chemical products and paper. Imports are predominantly metals, machinery and textiles. According to Rosstat data, Luxembourg is the second investment partner for Russia. Luxembourgish investments towards Russia accounted for 15.5% of all foreign investments in Russia. Luxembourg is also the second destination for Russia investments (after Cyprus) with 27% of all Russian investments towards the EU.

Luxembourg is not dependent on Russian energy. It does not import any oil (due to a lack of refineries) and its gas comes from Germany and Belgium.

18. MALTA

Fourteen agreements have been signed concerning inter alia respect of Malta's neutral status, tourism, cultural exchange and air traffic. There are occasional meetings of ministers and their deputies. Mediterranean affairs are the most discussed political issue between

the two countries. Malta adopts a low profile in EU-Russia relations.

Malta sympathised with Georgia's fate as a small country dealing with a giant. Maltese media focused on the consequences of the war in the region and in particular on relations between Turkey and Armenia.

In 1981, Malta and the Soviet Union signed an agreement on trade and economic cooperation which forms the basis for all economic relations. Exports to Russia rose from zero in 2000 to €2 million in 2007. Imports from Russia, on the other hand, have fallen, accounting for €12 million in 2000 and only €0.6 million in 2006. Malta imports from Russia barges and container ships (80%), crude oil and oil products (17%), and cereals (4%). It exports mainly consumers' goods.

Malta is not dependent on Russian energy.

19. NETHERLANDS

In recent years there has been a steady increase in trade, political and cultural relations between the Netherlands and Russia. Cooperation takes place within the framework of the Common Action Programme (CAP). Several bilateral agreements cover security, naval and fiscal matters, diplomatic representation, and economic, cultural and scientific exchanges and cooperation. The foreign ministers meet once a year. The Netherlands takes a middle position in EU-Russia relations.

During the crisis in Georgia, the Dutch government tried to maintain this stance, despite the killing of a Dutch journalist in the clashes. In the discussions that followed the crisis, the Netherlands, together with the other Benelux countries met with the Baltic states to propose a successful way of cooperation between small countries that could help overcome "the legacy of the past and promote living together as good neighbours, even with a tough partner like Russia".

Dutch exports to Russia have enjoyed considerable growth in recent years: from €1,796 million in 2000 to €6,930 million in 2007. Imports from Russia grew even faster due to the rise in prices for fuel and energy: from €3,901 million in 2000 to €18,274 million in 2007. The Netherlands has the largest Russia trade deficit of all European states. In 2007, this amounted to €11,344 million. However, Dutch imports, and therefore the trade deficit, are overestimated because of the 'Rotterdam effect', whereby goods destined for the rest of the EU arrive and are recorded in Dutch ports. In 2007, the Netherlands was the third biggest EU exporter to Russia (behind Germany, Italy and Finland) and the second biggest importer (behind

Germany). According to Rosstat data, The Netherlands is the third top foreign investor in Russia, with 19% of total foreign investments in Russia and also the third recipient of Russian investments with 5% of overall Russian foreign investments. More than three-quarters of Russian exports to the Netherlands are fuel and energy products and 16% metals. Russian imports consist of agricultural products (37%), machinery and transports (52%), and chemical products (13%).

The 1999 agreement between Gazprom and Gasunie assures gas supplies over 20 years. Gasunie is part of the Nordstream consortium. The Netherlands received 32% of its national needs of crude oil through imports from Russia: 18,290,000 tonnes in 2006. As for gas, the Netherlands imported virtually nothing from Russia in 2006.

20. POLAND

Polish attitudes towards Russia are complicated as a result of history, with many Poles harbouring deep resentment of Moscow for its role in partition (Molotov-Ribbentrop Pact), the Katyn massacre, the Warsaw uprising and over 40 years of forced communism. Since Poland joined the EU in 2004 it has called for a tougher EU approach towards Russia. Its difficulties with Russia over meat exports delayed the start of new EU partnership negotiations for more than a year. During the Georgian crisis the Polish president flew to Tbilisi to show solidarity with President Saakashvili. Poland has also agreed to install a US missile base on its territory, a move that has angered Russia. The Polish government has followed the developments of the crisis very closely and, at the request of the President of Georgia, allowed the use of the website of the President of Poland for the dissemination of information by Georgia. Many in the political class in Poland are concerned at the trends of Russian behaviour, at home and abroad. In recent years there have been few high-level contacts between the two countries, especially since the Kaczynski twins assumed office in Poland. Donald Tusk's move to the premiership in 2007 heralded a more moderate approach towards Russia.

Notwithstanding political disagreements, trade between Poland and Russia has grown substantially between 2000 and 2006. Exports to Russia grew from €943 million in 2000 to €4,727 million in 2007. Imports from Russia doubled in the same period: from €5,019 million in 2000 to €10,450 million in 2007. The trade balance, however, has remained negative: €4,077 million in 2000 and €5,7213 million in 2007. According to Eurostat, Polish FDI to Russia

increased from €55 million from 2006 to €221 million in 2007. Russian FDI has been much lower.

Polish dependence on Russian oil and gas is high. In 2006, 97% of Polish crude oil came from Russia – and 69% of its gas requirements. PGNiG is the main Polish partner with Russia's Gazprom. Poland also hosts the Yamal pipeline and would prefer a second pipeline (Amber) to be built rather than the Nordstream project.

21. PORTUGAL

In 1994, Portugal and Russia signed a treaty on friendship and understanding to serve as a basis for all bilateral contacts. Since 2000, there have been six agreements on double taxation, diplomatic representation, military cooperation, international terrorism, crime and drugs.

Portugal, unlike other EU member states, faces no strategic dilemmas arising from energy dependency towards Russia, and trade is quite modest. Portuguese views on Russia tend to be uncritical.

Economic relations are coordinated and fostered by the joint commission on economic, industrial and technical cooperation. There are 14 Russian-Portuguese joint ventures in Russia and seven in Portugal. There is no Russian FDI into Portugal and Portuguese FDI into Russia remained stable at between €1 million and 2 million in 2006 and 2007. Portuguese exports to Russia rose from €17 million in 2000 to €143 million in 2007, while imports from Russia increased from €248 million in 2000 to €558 million in 2006. Russian exports consist mainly of oil and oil products, black metal, leather, fish and sunflower seeds. Portugal exports to Russia include cosmetics and perfumes, medicaments, natural cork, fruits, wine and clothing. The trade balance is negative for Portugal: €231 million in 2000 and €416 million in 2006. Portugal covers almost none of its national needs from crude oil from Russia - its national gas needs are met by imports from Algeria.

22. ROMANIA

Although a communist country at the time, Romania was a critic of Moscow during the Cold War. While relations with Russia have not experienced a single significant crisis since then, the perception of a Russian threat, albeit diffuse and mainly related to the energy sector, is still present. Gazprom's gas pricing policy is often viewed as an indication of an alleged Russian hidden agenda. The two sides have very few bilateral problems and Romania is in the mainstream of EU views on Russia.

In the aftermath of the crisis in Georgia, the Romanian foreign minister called on regional actors to solve the crisis and other frozen conflicts in the region. He referred to Russia as "a dormant volcano" that could still become active and underlined that territorial integrity was "a must", if states wanted peace to prevail.

After the signing of the bilateral political treaty in 2003, Romanian-Russian relations have improved with an increase in ministerial contacts to discuss cooperation on bilateral, regional and international topics, such as Black Sea Economic Cooperation. Several other bilateral agreements cover, inter alia, taxation, security of investments, mutual acceptance of university diplomas, customs and consular issues. Romania would like to see the EU push for security of energy supplies in any new treaty with Russia. Romania favours a free trade agreement with Russia to help regain the markets that it lost after the collapse of the Soviet Union.

Trade relations are still minor (with the exception of energy imports by Romania), though Romanian exports have recorded a significant increase in recent years. They increased of 304% from 2000 to 2007, reaching €427 million in 2007. Romanian exports to Russia (black metal, textiles, furniture, machines and pharmaceuticals). Gas and oil represent 84% of all Romanian imports from Russia. The main Russian investments in Romania are in energy and industry (metals and industrial equipment).

Gazprom plays a significant role in the Romanian energy market. In 2006, Romania imported 209,425 t-j-cv gas from Russia, meeting 94% of its national needs. Romania imported 4,161 tonnes of oil from Russia in 2006 (56% of its imports). Romania is closely implicated in the development of the Nabucco pipeline project.

23. SLOVAKIA

Attitudes towards Russia have varied according to the political makeup of the parties in power in Slovakia. The government of Mikuláš Dzurinda was more critical of Russia than the subsequent government led by Robert Fico. The current Slovak government has been reluctant to criticise Russia, even during the Georgian crisis and did not issue any official position on the issue. Slovak newspapers have underlined the fact that the position of the government is schizophrenic with regard to Russia and that even if the Prime Minister has supported Russia in principle, he would not have stated this publicly. Slovakia and Russia have many agreements covering friendly relations, economic and scientific cooperation, medical aid, cultural exchanges, long term oil supplies and military mutual aid in exceptional circumstances. Other agreements deal with

the support and protection of mutual investments, cooperation on nuclear energy and radiation safety, technologies, oil and gas supplies, security issues, confidential data protection and tourism.

Russia is Slovakia's third biggest trading partner (after Germany and the Czech Republic). During the last five years, trade volumes have almost doubled. Slovak exports to Russia rose from €210 million in 2000 to €965 million in 2007. At the same time, imports more than doubled: from €2,346 million to €4,016 million. Due to high energy prices, the trade balance remains negative: €3,051 million in 2007 (€2,231 million in 2000). Russian exports consist of oil, natural gas and nuclear fuel. In addition, Russia supplies Slovakia with machinery, equipment, and metal products. Slovakia's exports are mainly machinery, industrial goods and food. There is little FDI in either direction.

Slovakia is entirely dependent on Russian oil, gas, and nuclear fuel. It imported 5,721,000 tonnes of oil in 2006 and 264,567 t-j-cv of gas. Russian companies play a central role in Slovakia's nuclear energy. The only counterbalance to this total energy dependency is the fact, that the Southern Druzhba oil pipeline and the Trans-gas gas pipeline that provide the Czech Republic and pass through Slovakia, giving it the status of a transit country.

24. SLOVENIA

Slovenia and Russia do not have any problems in their bilateral relations and their contacts are moderately warm. There are regular meetings at ministerial level (foreign affairs, justice, and economy) and several agreements have been signed since 1992 covering trade, taxation, security of investments, gas supplies, cooperation against organised crime, tourism, nuclear energy, and natural disaster management. Slovenia takes a moderate position in EU-Russia relations.

The Slovenian Foreign Minister has stated that the solution to the Georgian crisis should be found within the framework of the wider friendly relationship with Russia and that the EU should act as a mediator in the conflict.

Slovenian exports to Russia have tripled since 2000, rising from €115 million to €959 million in 2007. Imports from Russia also grew, but not as fast: from €251 million in 2000 to €490 million in 2006. Russian exports consist mainly of energy supplies and raw materials. Slovenia exports mainly pharmaceutical raw materials. There is little FDI in either direction.

Slovenia covers 51% of its gas requirement through imports from Russia, buying 21,337 t-j-cv in 2006. Oil derives from a variety of sources.

25. SPAIN

Relations between Russia and Spain have never been particularly warm and neither Aznar nor Zapatero have sought to cultivate close ties to Putin or Medvedev. Given that relations with Russia are not a high priority, Spain has tended to adopt a low-key and prudent approach towards Moscow. Spain is keen to reinforce cultural, social and educational ties between the EU and Russia.

In the aftermath of the war in Georgia, Spain called for constructive dialogue with Russia and declared that NATO membership could not be a possibility for Georgia as this would create divisions in Europe and further tensions with Russia.

There are numerous agreements covering military, energy, industrial, scientific and technical cooperation. Annual meetings take place between the Spanish and Russian foreign ministries and there are regular ministerial contacts on economic and industrial cooperation. Parliamentary ties are strong.

Economic relations have developed rapidly, aided by a joint business committee, established in 2003, and region-to-region contacts. Spanish exports to Russia were €2,062 million in 2007 – triple the figure for 2000 (€578 million). Imports from Russia also grew significantly: from €2,412 million in 2000 up to €7,726 million in 2007. The trade balance has remained negative, but has grown from €1,834 million in 2000 to €5,664 million in 2007. According to Eurostat, Spanish FDI in Russia decreased from €119 million in 2006 to €81 million in 2007. The main fields of interest are energy, food, tourism and transport.

Spain imports only 19% of its oil requirements from Russia and it does not import any gas from Russia.

26. SWEDEN

Sweden and Russia have a longstanding relationship as neighbours in the Baltic Sea. The current Swedish government is critical of developments in Russia and was also critical of Russia during the Georgian crisis. More than 60 bilateral agreements are in force, including exclusive economic zones and emergency cooperation in the Baltic Sea, mutual protection of investments, cooperation in the fight against organised crime and illegal migration, protection of the environment and nuclear safety. Additionally, Sweden is involved with Russia and other Baltic countries in the EU North-

ern Dimension assistance programme to Russia. Political contacts are active with regular ministerial meetings. There is a parliamentary group for relations with the Duma.

During the crisis in Georgia, Foreign Minister Carl Bildt strongly rejected the comparison made by some Russian officials between the situation in Kosovo and that in Georgia, Russia had not called for international intervention. Had this taken place, he stated that the international community would have had the duty to intervene. He openly declared that the declaration of independence of South Ossetia and Abkhazia was "a joke," but acknowledged that Abkhazia "has national rights that must be respected, and they have some justified complaints about what happened in history."

Swedish imports from Russia amounted to €3,386 million in 2007 and more than tripled since 2000 (€958 million). So too, did exports to Russia: from €601 million in 2000 to €2,451 million in 2007. This increase is mainly due to rising costs for crude oil and explains why the trade balance is negative. In 2007, it was €936 million compared to €357 million in 2000. Main exports are equipment for the telecommunications industry, automobiles and chemicals. Imports from Russia consist mainly of raw materials, in particular crude oil and gas (71%). According to Eurostat, Swedish investments in Russia are on the rise with a flow of €407 million in 2007, increasing from €323 million of 2006. FDI into Sweden decreased from €44 million in 2006 to €-130 million in 2007. The main interests of Swedish investors are furniture, telecommunications, construction and the manufacture of trucks. Approximately 300 Swedish companies are currently present in the Russian market with IKEA being the biggest investor.

Sweden imports 36% of its national crude oil needs from Russia – 7,033,000 tonnes in 2006. Swedish gas comes from Denmark and Germany. There are some concerns in Sweden about the possible environmental impact of the proposed Nord Stream pipeline.

27. UNITED KINGDOM

The UK and Russia have a long history of rivalry dating back to the 19th century. Prime Minister Thatcher and President Gorbachev, however, formed a good working relationship, as did Tony Blair and Vladimir Putin. But the assassination of former KGB agent, Alexander Litvinenko in London in November 2006 led to a sharp deterioration in relations with Russia refusing to extradite the prime suspect. The UK has also been concerned about recent pressure on BP/TNK and the British Council. Moscow has complained about the number of Russians who have been granted political asylum in the UK, the most prominent being Boris Berezovsky. There is little hope for an improvement in relations after the conflict in Georgia. Britain was one of the member states which argued for a tough approach towards Russia.

There are many agreements between the UK and Russia covering diplomatic, economic, trade, educational, scientific and cultural cooperation. There are regular parliamentary contacts and also exchanges between defence academies and the armed forces.

Over the past few years, trade between Russia and the UK has increased significantly. British exports grew from €1,066 million in 2000 to €4,078 million in 2007. Imports from Russia came to €7,572 million in 2007. The UK's trade balance with Russia showed a deficit of €3.5 billion in 2007. According to Rosstat, the UK is the fourth largest investor in Russia (17% of all foreign investments), while receiving less than 4% of all Russian foreign investments. In 2004 were registered 974 joint ventures in areas such as transport and roads, metallurgy, oil refining, tourism, investment projects, agriculture, food, sports events and the production of medical instruments.

The UK is currently a net exporter of oil and gas. Nevertheless, 16% of its crude oil is sourced from Russia. Gazprom has supplied electricity to the UK since 2005. The largest energy sector joint venture is that between TNK-BP which has seen problems in recent months.



ANNEX THE EU AND RUSSIA: trends of a close economic partnership

- The **Netherlands** is only the fourth largest exporter in Europe, but its trade flows are inflated by the fact that goods to and from Russia are shipped through Dutch ports to third countries.
- The position of Finland and Poland can be explained by their geographical proximity to Russia.

EU Member States Share of Exports	
Germany	27.5
Italy	11.6
France	11.4
United Kingdom	10.8
Netherlands	7.1
Belgium	5.9
Spain	4.3
Sweden	3.9

Table 2 EU Member States share of total EU exports in 2007. Source EUROSTAT

- The total of member states exports to Russia have been growing steadily since 2000.
- Table 3 shows that the fastest growing exporters from the year 2000 have been the new EU member states, with the exception of Portugal and Luxembourg (whose exports start too low to be relevant). This can be explained both by the steady economic growth that these countries have experienced since their accession and by the increased openness of their economies that had been a requirement for their accession.

	Exports 2000	Exports 2007	Difference %
Latvia	85	782	820.00%
Estonia	82	710	765.85%
Portugal	17	143	741.18%
Slovenia	115	959	733.91%
Lithuania	238	1875	687.82%
Luxembourg	21	148	604.76%
Poland	943	4727	401.27%
Czech Republic	420	2081	395.48%
Slovakia	210	965	359.52%
Hungary	496	2231	349.80%
Romania	97	427	340.21%

Table 3 Exports to Russia EU Member States: Fastest growing trading partners. Trends 2000 – 2007. Source: EUROSTAT

1. EU Member States' Exports to Russia in goods

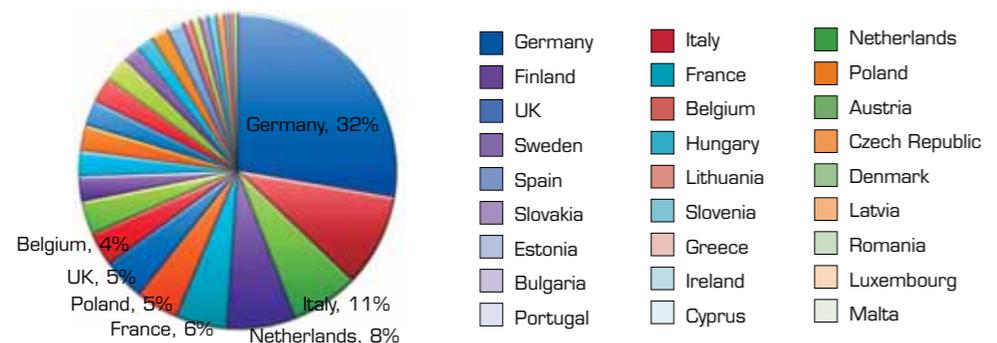


Table 1 Share of EU Member States Exports in goods to Russia in 2007. Source: EUROSTAT

Three countries account for 50% of total EU exports to Russia. Generally the respective shares correspond to EU member states total share of EU exports (table 2):

- The dominant positions of **Germany** and **Italy** reflect their share of EU total exports: respectively with 27.5% and 11.6%.
- According to WTO data⁸ Russia is only Germany's 14th largest export partner, accounting for a mere 2% of Germany's export total, while according to the Russian Statistical Office, Germany accounts for 8.2% of total Russian exports and 13.4% of total Russian imports.

2. EU Member States imports from Russia in goods

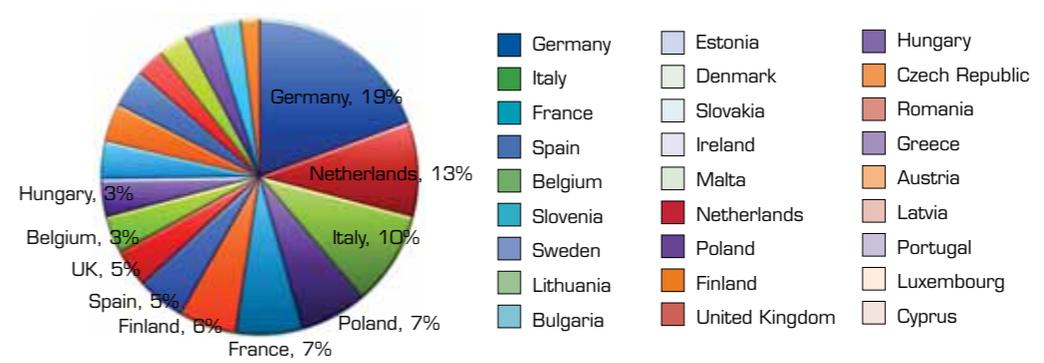


Table 4 EU Member States share of total imports from Russia in 2007. Source: EUROSTAT

⁸ From 2005 reported here

Five countries account for the majority of European imports from Russia and these are dominated by the import of energy products.

Some of the observations regarding exports listed above are relevant also for the imports:

- The German and Italian share of imports from Russia reflect their share of total imports at European level (see chart 7), accounting respectively for 18.8% and 11.1% of EU total imports.
- The position of the Netherlands is once again due to its ports and trade flows towards third countries.
- Poland and Finland owe their position to their geographical proximity
- The position of the UK, the EU's second largest importer, but only the eighth largest importer from Russia is striking. This 'anomaly' is explained by the fact that imports from Russia are dominated by gas and oil and, as Table 10 shows, the UK as only the ninth largest EU importer of these products from Russia.

EU Member States Share of Imports in 2007	
Germany	18.8
Italy	11.1
France	9.7
United Kingdom	14.5
Netherlands	12.5
Belgium	6.1
Spain	7.4

Table 5 Main EU Member States share of total EU imports. Source EUROSTAT

This should be taken into consideration also when analysing import trends over time.

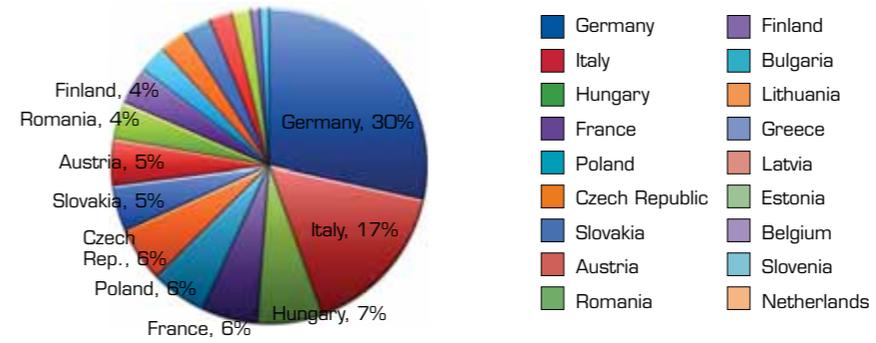
Table 5 shows that exports growth over time, while the influence of EU accession for central and eastern European countries appears obvious, the situation is different for imports, which, as table 8 shows, appear more heavily influenced by trends in energy trade than political status.

	Imports 2000	Imports 2007	Difference %
Luxembourg	18	175	872.22%
Ireland	11	74	572.73%
Netherlands	3901	17989	361.14%
Sweden	958	3386	253.44%
Spain	2412	7698	219.15%
Belgium	1614	4824	198.88%
Estonia	391	1147	193.35%
Romania	1218	3235	165.60%
Greece	1185	3130	164.14%

Table 6 Russia main EU importers growth rate. Source EUROSTAT

3. Gas & Oil imports from Russia

Gas imports from Russia



Imports of oil from Russia

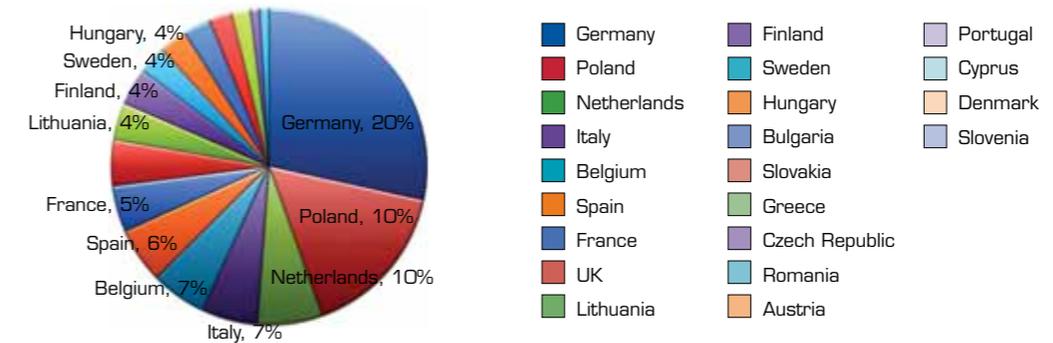


Table 7 Member States gas and oil imports from Russia. Source: EUROSTAT

The main importers of gas and oil from Russia are unsurprisingly those countries with the overall largest imports from Russia.

- The position of the Netherlands is interesting when compared to other import and export data because of its importance as a port, generally re-exporting about the 69% of its energy imports.
- While the Netherlands is one of the major importers of oil from Russia, it imports virtually no gas from Russia. In general terms, the Netherlands is a producer and a net exporter of natural gas - only 8% of its total energy imports are from gas⁹.

⁹ Data from Statistics Netherlands: <http://www.cbs.nl>