



Ukraine: towards a frozen conflict?

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The conflict in Ukraine has caused more than 3,000 deaths since it broke out in March 2014.

Pro-Russian separatists, having been on the defensive during the summer, have re-taken significant territory from government forces recently, allegedly supported by increasingly overt help from Russia.

The EU and the US have imposed wide-ranging sanctions, including 'tier three' sanctions designed to damage the Russian economy, as well as more targeted travel bans and asset freezes on individuals associated with the unrest.

However, the EU remains divided on how far to push the sanctions. The latest round, which amplified the existing sanctions rather than embarking on radically new moves such as attempting to get the Russian 2018 World Cup moved or boycotted, has been suspended after opposition from certain EU Member States. Some EU members have much more important economic ties and energy dependence than others.

The EU says that it is going to monitor the present ceasefire before deciding whether to implement the sanctions. Pro-Russians have demanded that Ukraine should be federalised as part of the ceasefire plan. Many politicians in Kiev reject this as a move towards dismembering Ukraine or at least permanently destabilising it.

NATO has increased its patrols in Eastern Europe and has resolved to set up a Very High Readiness Joint Task Force to enable it to respond more quickly to any potential threat from Russia. NATO argues that the stronger military presence on its eastern flank does not violate the NATO-Russia Founding Act of 1997.

Russian strategists may be prepared for the long haul on Ukraine, ready to suffer considerable economic hardship to protect what they see as fundamental security interests. In any case, Vladimir Putin's muscular foreign policy in pursuit of his strategy of protecting ethnic Russians outside Russian borders seems to be paying off in increased public support at home.

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1 Has the West provoked a confrontation with Russia?

1.1 Fluctuating relations

Relations between Russia and the West have fluctuated since the end of the Cold War. After 9/11, relations improved as both sides recognised a common interest in controlling terrorism and they cooperated in ousting the Taliban from Afghanistan.

Boris Yeltsin and Bill Clinton sought to forge a strategic partnership but these hopes foundered on clashes of national interests over NATO enlargement and the wars in Bosnia, Kosovo and Chechnya. The Putin-Bush years repeated the cycle: from hailing the consummation of a strategic partnership in the aftermath of the terrorist attacks of 11 September 2001, the relationship deteriorated to a position of bitterness and recrimination in 2008 following the conflict in Georgia, US plans for missile defence and unilateral US military action in Iraq. President Obama's stated desire to "reset" US-Russian relations and the agreements reached between the new US president and his Russian counterpart in their first summit meeting in London in April 2009, appeared to signal a new start in the bilateral relationship.

NATO expansion into areas Moscow considers its natural sphere of influence is a powerful and enduring irritant in the broader relationship between Russia and the West, as the conflict in Georgia and, later, Ukraine starkly demonstrate. The Alliance's eastwards expansion is seen by many in Russia as evidence of the West's continuing determination to take advantage of Russian weakness and to contain and encircle Moscow. The conflict in Georgia led to a breakdown in NATO-Russian relations.

1.2 Ukraine is important in Russian history and culture

Kievan Rus was the first eastern Slavic state, founded in the ninth century. It peaked in the 10th and 11th centuries as the most powerful state in Eastern Europe and controlled territory from the Baltic to the Black Sea. It was a loose federation and later split into warring factions, but it is seen as the foundation of the Russian nation, as well as the Ukrainian and Belarussian. Kievan Rus adopted Orthodox Christianity and maintained strong trading links with Constantinople, and the combination of Byzantine and Slavic cultures became the basis for Russian culture.

The centre of Russian culture moved subsequently to Moscow, but the central, eastern and southern parts of what is now Ukraine became part of the Russian Empire after the defeat of the Polish-Lithuanian Commonwealth in the 17th Century.

During the Empire, Ukrainian language was banned and many Russian speakers live in the eastern and southern parts of Ukraine. Ukrainian language itself is close to Russian and Belarussian with more than half of the vocabulary being common between Ukrainian and Russian.

With such shared history and culture, many Russians feel that Ukraine, or at least much of it, is really part of Russia. Indeed, President Putin said to US President George W Bush at the 2008 Bucharest NATO Summit that Ukraine is not a real country: "You have to understand, George, that Ukraine is not even a country. Part of its territory is in Eastern Europe and the greater part was given to us."¹

¹ ['Putin's Ukrainian endgame and why the West may have a hard time stopping him'](#), CNN, 4 March 2014

1.3 Has the West failed to take Russia's security concerns seriously?

Russia is difficult to defend. It has a low population density and occupies a largely flat area with few natural barriers. Attempted invasions by Napoleon and Hitler were ultimately unsuccessful because of the sheer distance and difficulty involved in conquering Moscow, and that has given Russian leaders a basic desire for strategic depth; in this case, keeping potentially hostile forces as far away as possible.

At the height of the Soviet era, that was achieved by the Warsaw Pact countries extending almost as far west as Hamburg. Since the collapse of the Soviet Union, Russia has lost most of that strategic depth, as countries such as Poland, the Baltic States and a united Germany are now firmly in the Western camp and in NATO. To Russians, this contravenes a promise made by James Baker, then US Secretary of State, to Soviet leader Mikhail Gorbachev on the re-unification of Germany in 1990. James Baker said there would be: "no extension of NATO's jurisdiction for forces of NATO one inch to the east," if Russia accepted German reunification within NATO.²

With the Central European countries and the Baltic States in NATO, only Ukraine and Belarus remained as buffer states to the west and these countries are crucial to the strategy of defensive depth, far more so than Georgia, a small country on the far side of the Caucasus mountains. Indeed, it can be argued that the 2008 Georgia war was largely about sending a warning message against perceived Western expansionism in Ukraine than Georgia itself. The Russian newspaper *Kommersant* reported that, during a closed session of the Russia-NATO Council at the Bucharest NATO Summit in 2008, President Vladimir Putin threatened that if Ukraine joined NATO, that step could mean the end of its existence as an independent state. In particular, Russia could annex Crimea and the eastern part of Ukraine. In order to prevent NATO from reaching Russia's borders, Mr. Putin "promised to apply adequate measures."³

1.4 Whose idea was it for Ukraine to move closer to NATO?

In 2005, Ukraine entered into 'Intensified Dialogue' with NATO, which was considered a step ahead from its previous status as 'Partner for Peace'.

Ukraine applied to NATO for a Membership Action Plan at the Bucharest Summit in April 2008. A Membership Action Plan (MAP) is part of the formal application for full membership. The US administration of George W Bush is reported to have been supportive of the request, but European NATO members were less enthusiastic, given the fact that Ukraine borders on Russia and is a former Soviet state. Germany and France are reported to have been particularly wary. In the end the leaders at the summit decided not to give Ukraine a MAP.

However, both Ukraine and Georgia were told by the then Secretary General, Jaap de Hoop Scheffer, that one day they would join. In the [Summit Declaration](#), leaders said that they supported Ukraine moving to the next step, a MAP:

MAP is the next step for Ukraine and Georgia on their direct way to membership. Today we make clear that we support these countries' applications for MAP. Therefore we will now begin a period of intensive engagement with both at a high political level to address the questions still outstanding pertaining to their MAP applications.

² 'NATO's Eastward Expansion: Did the West Break Its Promise to Moscow?', *Spiegel*, 26 November 2009

³ 'Ukraine and Russia: the empire strikes again', *Ukrainian Weekly*, 13 July 2008

The then UK Prime Minister, Gordon Brown, made a written statement to Parliament at the time which implied British support for Ukraine's membership:

The summit also gave a clear commitment that Ukraine and Georgia will one day become members of NATO and offered support for their request for membership action plans. The Government look forward to a period of intense co-operation between NATO and both countries until they are admitted into NATO's membership action plan.⁴

After the Bucharest Summit, hostilities broke out in August 2008 between Russia and Georgia, resulting in the effective occupation of the Georgian region of South Ossetia, a situation which persists today. This strengthened worries in Western capitals about the potential for Ukrainian NATO membership to cause destabilisation.

In December 2008, Ukraine was invited to submit Annual National Plans to NATO, with a view to supporting the reforms necessary to prepare for membership and enhance cooperation. Relations between Ukraine and NATO then moved to a stage called 'Intensified Dialogue' (still technically their state).

In 2010, the new Ukrainian President Viktor Yanukovich, who was closer to Russia than his predecessor, Viktor Yushchenko, said that membership was not supported by Ukrainians: "Entry into Nato is not realistic for our country today. NATO conditions would require us to have the support of the majority of the population."⁵

By this time, even more 'hawkish' members such as the US and Britain had backed off somewhat from support for Ukrainian membership.

NATO still states on its website that Ukraine and Georgia were promised in Bucharest that they 'will become members of NATO' but also records that Ukraine, since 2010, is not seeking membership.⁶

The fall of Viktor Yanukovich, who had scrapped Ukraine's bid to join NATO, appears to have been the key moment for Russia, which feared that the replacement government would go back to the Yushchenko policy and take Ukraine into the military alliance. Yanukovich's fate was very much bound up with the signature of Ukraine's Association Agreement with the EU, and although EU membership does not necessarily imply NATO membership (Finland, Sweden, Austria and Ireland are not members), the two organisations are associated. Vladimir Putin, however, reportedly said in November 2013 that he has no objection to the Association Agreement:

We are not against Ukraine's sovereign choice, whatever it is. We are talking about something absolutely different. If we heard that Ukraine joins NATO, then we would really be against it.⁷

2 Sanctions regime set up in March 2014

As the situation worsened in Ukraine, the West's response has been to implement a sanctions regime that imposes travel bans and asset freezes on individuals and entities that are deemed to have supported unrest in Crimea and eastern Ukraine.⁸

⁴ [HC Deb 24 April 2008, c111WS](#)

⁵ ['Ukraine drops 'unrealistic' plans for Nato membership'](#), *BBC News Online*, 27 May 2010

⁶ [Nato Enlargement](#), Nato, June 2014

⁷ ['Russia not against Ukraine's association with EU, would object to NATO membership - Putin \(Part 2\)'](#), *Interfax*, 21 November 2013

2.1 EU sanctions

Council Decision 2014/145/CFSP⁹ and Council Regulation (EU) 269/2014,¹⁰ of 17 March 2014, imposed visa bans and asset freezes on certain individuals associated with ‘actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine’.

There are two separate instruments because the action affects matters covered by both the Common Foreign and Security Policy (CFSP) and the *Treaty on the Functioning of the EU* (TFEU).

The European Scrutiny Committee considered the implementing decisions for the sanctions on 30 April 2014.¹¹ The Committee cleared the documents, decided that they were politically important and requested further information from the UK government.¹² Further information about the measures is available in the Committee’s report.

More names were added on 29 April and the list has been amended since then.

The sanctions were broadly in line with the US restrictions, and other countries such as Japan and Australia have adopted similar measures.¹³ Russia retaliated by implementing some similar sanctions. On 7 May, the EU Council expanded the criteria to make it easier to add Russian companies to the list, thereby bringing the EU sanctions list more in line with that of the US government.

On 23 June, the then British Foreign Secretary William Hague warned that the EU was prepared to impose more sanctions on Russia if necessary.¹⁴ The EU has made refraining from imposing new sanctions conditional on the Russian reaction to the new Ukrainian government’s peace plan.

A package of economic measures, which could damage both the Russian and the EU economies, has reportedly been drawn up by the EU. It is not clear how far they would go although it has been reported that they are divided into different stages of severity.

3 16 July 2014 round of sanctions

3.1 US

On 16 July, the US administration imposed restrictions on large Russian companies, including GazpromBank and Vnesheconom Bank, gas producer Novatek and the government-controlled oil company Rosneft. The restrictions prevent people in the US from providing funding for the companies, effectively restricting the companies’ access to US capital markets. Some Russian defence companies had their assets in the US frozen. The

⁸ For more on the earlier stages of the crisis, see [Ukraine, Crimea and Russia](#) - Commons Library Research Paper, 17 March 2014

⁹ [Council Decision 2014/145/CFSP of 17 March 2014](#) concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine

¹⁰ [Council Regulation \(EU\) No 269/2014 of 17 March 2014](#) concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine

¹¹ European Scrutiny Committee, [Documents considered by the Committee 20 April 2014, Ukraine and Russia: EU restrictive measures](#)

¹² European Scrutiny Committee, [Documents considered by the Committee 20 April 2014, Ukraine and Russia: EU restrictive measures](#)

¹³ [Russia Sanctions developments](#), provided by the law firm Baker and McKenzie, provides some useful information

¹⁴ ‘Hague says EU ready for more Russia sanctions if necessary’, *Reuters*, 23 June 2014

administration also added the names of four Russian officials to the existing sanctions list. More detail is provided in a US Treasury press notice:

- Treasury imposed sanctions that prohibit U.S. persons from providing new financing to two major Russian financial institutions (Gazprombank OAO and VEB) and two Russian energy firms (OAO Novatek and Rosneft), limiting their access to U.S. capital markets;
- Treasury designated eight Russian arms firms, which are responsible for the production of a range of materiel that includes small arms, mortar shells, and tanks;
- Treasury designated the “Luhansk People’s Republic” and the “Donetsk People’s Republic,” which have asserted governmental authority over parts of Ukraine without the authorization of the Government of Ukraine; and Aleksandr Borodai, the self-declared “prime minister” of the Donetsk People’s Republic, for threatening the peace, security, stability, sovereignty, and territorial integrity of Ukraine;
- Treasury designated Feodosiya Enterprises, a key shipping facility in the Crimean peninsula, because it is complicit in the misappropriation of state assets of Ukraine; and
- Treasury designated four Russian government officials, including Sergey Beseda, a senior Russian Federal Security Service official.¹⁵

The Russian deputy foreign minister said that Russia would take ‘acutely painful’ measures in response.¹⁶

3.2 EU

EU leaders at the European Council meeting of 16 July said that Russia had not sufficiently implemented the steps set out in their conclusions of 27 June, in which they had called on Russia to use its influence on the rebel groups and to stop the flow of militants and weaponry cross the border, and to achieve rapid results in de-escalating the conflict.

The EU leaders stopped the European Investment Bank and the European Bank for Reconstruction and Development from granting further loans in the Russian Federation and instructed the European Commission to prepare a list of entities supporting the unrest by the end of July. Asset freezes and travel bans had already been placed on 11 new individuals on 11 July.

They also agreed to discontinue the suspension of licences for export to Ukraine of equipment that might be used for internal repression.¹⁷

The Council also asked the Commission to review EU bilateral and regional cooperation programmes with a view to suspending most of them. This would amount to some €450 million in aid being cancelled. Civil society programmes would be maintained.¹⁸

The Russian ministry of foreign affairs responded with disappointment to the EU sanctions:

¹⁵ [Announcement of Treasury Sanctions on Entities Within the Financial Services and Energy Sectors of Russia, Against Arms or Related Materiel Entities, and those Undermining Ukraine’s Sovereignty](#), US Treasury press release, 16 July 2014

¹⁶ ‘EU targets Russian oligarchs, as US hits banks and oil firms’, *EUObserver*, 17 July 2014

¹⁷ [Special meeting of the European Council \(16 July 2014\) – Conclusions](#), European Council, 16 July 2014

¹⁸ [European Council meeting 26/27 June 2014 – Conclusions](#), European Council, 27 June 2014

We are disappointed that the European Union, contrary to its own interests, has yielded to the blackmail of the US Administration and followed the path of sanctions against Russia. Brussels is actually copying the example of Washington, basically applying “mirror logic” putting full blame on those who take real efforts to deescalate the situation in Ukraine, while glaring facts including unceasing flow of refugees from Ukraine to Russia, shelling of Russian territory and other anti-Russian provocations are being blatantly suppressed.¹⁹

4 EU agrees further action following the MH17 disaster

The EU ramped up its efforts to dissuade Russia from destabilising Ukraine partly because Germany took a stronger line. However, ‘stage three’ or ‘tier three’ sanctions, restrictions against whole sectors of the Russian economy, had still not been imposed, even though certain EU leaders, from the Baltic States and Sweden for example, thought they were necessary. Dalia Grybauskaite, Lithuanian president, said that without a tougher line, ‘Russia will go on behaving aggressively on the borders of Europe’.²⁰

After the MH17 Malaysian Airlines airliner crash on 17 July, the pressure grew for more action.

The UK Foreign Secretary, Philip Hammond, suggested that asset freezes and travel bans could be imposed on close associates of Vladimir Putin. Press reports suggested that the UK would be pressing for ‘tier three’ sanctions: targeting whole sectors of the Russian economy and imposing arms trade bans. David Cameron implicitly criticised anyone who might simply hope that the crisis would go away:

For too long there has been a reluctance on the part of too many European countries to face up to the implications of what is happening in eastern Ukraine.

Sitting around the European Council table on Wednesday evening I saw that reluctance at work again.

Some countries, with Britain at the forefront, have consistently pushed for action that reflects the magnitude of the long-term threat. They tend to be the countries with the closest physical proximity to Russia and the most direct experience of what is at stake. Their own independence and nationhood have come at a high price. They never forget it. But others seem more anxious to make this a problem to be managed and contained, not a challenge to be met and mastered.²¹

4.1 July 2014 – economic sanctions imposed

The Committee of Permanent Representatives (Coreper), Member State ambassadors to the EU, met on Friday 25 July. They adopted the measures agreed at the Foreign Affairs Council of 22 July. The legal acts passed make it possible:

- to target **15 additional persons and 18 new entities** with a travel ban and assets freeze. In total, therefore, **87 persons and 20 entities** will now be under EU sanctions over the situation in Ukraine
- to **extend the designation criteria** for imposing asset freezes and visa bans on **persons and entities that actively support or are benefiting from the Russian**

¹⁹ ‘[Comment on European Council conclusions regarding the situation in Ukraine](#)’, Russian mission to the EU press release, 17 July 2014

²⁰ ‘[Germany backs more EU sanctions on Russia](#)’, *EUObserver*, 16 July 2014

²¹ ‘[MH17 air disaster: article by David Cameron](#)’ Downing Street press release, 20 July 2014

decision-makers responsible for the annexation of Crimea or the destabilisation of Eastern Ukraine.²²

Some of the individuals added to the list were members of Russia's Security Council. Others were rebel leaders in Ukraine.

On 25 July the Council adopted the proposals from the Coreper meeting the previous day. These became law with publication in the Official Journal on 25 July.²³ The decision was adopted by written procedure, a special procedure for urgent measures.²⁴

The broader economic sanctions discussed at Coreper are widely referred to as 'tier three' sanctions and have been described as the hardest since the Cold War. The arms embargo only applies to future contracts, as do capital market restrictions and oil technology export restrictions. This will allow the French government to go ahead with its sale of helicopter carriers and will also soften the potential blow of financial market restrictions to the City of London.

President of the European Council Herman Van Rompuy said that the proposed measures would be effective but would not damage the European economy too much. He said the package:

...strikes the right balance when it comes to cost/benefit ratio and scalability/reversibility over time. It should have a strong impact on Russia's economy while keeping a moderate effect on EU economies.²⁵

In a conference call on 28 July, leaders of Britain, France, Germany, Italy and the US agreed to go ahead with EU trade sanctions. These will, like US sanctions already in place, impose restrictions on Russian banks' access to Western finance, in this case European and, particularly, UK, financial markets. The legislation imposed:

- Restrictions meaning that 'EU nationals and companies may no more buy or sell new bonds, equity or similar financial instruments with a maturity exceeding 90 days, issued by major state-owned Russian banks, development banks, their subsidiaries and those acting on their behalf. Services related to the issuing of such financial instruments, e.g. brokering, are also prohibited.'²⁶

The listed financial institutions are:

1. Sberbank
2. VTB Bank
3. Gazprombank
4. Vnesheconombank (VEB)
5. Rosselkhozbank

²² ['Further EU sanctions over situation in Eastern Ukraine'](#), Council of the European Union release, 25 July 2014

²³ [Council Implementing Regulation \(EU\) 810/2014 of 25 July 2014 implementing Regulation \(EU\) 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine](#)

²⁴ ['EU sanctions over situation in Eastern Ukraine strengthened'](#), Council of the European Union press release, 25 July 2014

²⁵ ['EU to hit Russia with economic sanctions next week'](#), *Euobserver*, 25 July 2014

²⁶ ['EU restrictive measures in view of the situation in Eastern Ukraine and the illegal annexation of Crimea'](#), European Council background note, 29 July 2014

- An embargo on the export and import of arms and related material, covering all items from the EU common military list.²⁷
- An export ban on dual-use goods and technology for military end users, as defined by the EU list of dual use goods.²⁸
- Restrictions on the export of technology connected with the deep water, Arctic or shale oil extraction, but not the gas industry.

Coreper met again on 29 July to finalise the sanctions and they came into force with publication in the Official Journal on 31 July,²⁹ using the written procedure.

The EU financial sanctions went further than the US measures in that Sberbank, Russia's biggest, is not listed by the US Treasury. On the other hand, the US Treasury designated the Bank of Moscow, while the EU did not.

4.2 Extra sanctions related to Crimea

The Coreper meeting of 28 July also agreed on specific trade and investment restrictions for Crimea and Sevastopol, as requested at the European Council of 16 July. These comprise a ban on new investment in, and the export of equipment for, the following sectors in Crimea and Sevastopol:

- infrastructure projects in the transport, telecommunications and energy infrastructure
- oil, gas and minerals exploitation infrastructure

Finance and insurance services related to such transactions were also banned.³⁰

4.3 More additions to the travel bans and asset freezes list

Coreper also added eight individuals and three entities to the list of those subject to asset freezes and visa bans, bringing the number of persons and entities under EU restrictions to 95 persons and 23 entities.³¹

4.4 More US sanctions

The EU's announcement of 29 July was coordinated with the US administration. The US Treasury imposed measures on more financial institutions, prohibiting US citizens and persons within the United States from:

...transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days maturity or new equity for Bank of Moscow, Russian Agricultural Bank [Rosselkhozbank in Russian], and VTB Bank OAO, their property, or their interests in property.³²

²⁷ [Common military list of the European Union](#) (adopted by the Council on 17 March 2014)

²⁸ [Council Regulation \(EC\) No 428/2009 of 5 May 2009](#) setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items

²⁹ [Council Regulation \(EU\) 833/2014 of 31 July 2014](#) concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine

³⁰ 'EU restrictive measures in view of the situation in Eastern Ukraine and the illegal annexation of Crimea', European Council background note, 29 July 2014

³¹ *Ibid*

³² 'Announcement of Additional Treasury Sanctions on Russian Financial Institutions and on a Defense Technology Entity', US Treasury press announcement, 29 July 2014. For the complete list, see US Treasury Office of Foreign Assets Control, [Sectoral Sanctions Identifications List](#), July 29, 2014

VEB and Gazprombank had already been listed on 16 July.

The US Treasury also designated and blocked the assets of United Shipbuilding Corporation 'for operating in the arms or related materiel sector in Russia,' pursuant to Executive Order 13661 on persons contributing to the situation in Ukraine.³³

5 Russia's retaliatory sanctions

In early August 2014, the Russian government announced that it was imposing a ban on the import of EU agricultural products. Fruit and vegetables, as well as some raw materials, were subjected to a full ban lasting for one year. Similar sanctions were applied to US, Canada, Australia and Norway, although Iceland was exempted.³⁴

Eurostat, the EU statistics body, estimates that the sanctions will cost Member States more than €12 billion in reduced exports, or about 10% of total agricultural exports outside the EU. The EU arranged compensation for farmers hit by the restrictions, possibly from a €420 Common Agricultural Policy reserve. The Commission said that it had allocated €155 million to compensating farmers.

On 21 August, it was reported that Russia had taken several difficult-to-replace items off the list of import bans and that the Russian government had set aside €1.3 billion to ensure alternative supplies of produce that would normally come from the EU.³⁵

A group of members of the Duma (Russia's lower house of parliament) has proposed banning the big Western auditing firms from Russia. Deloitte, KPMG, Ernst and Young, PriceWaterhouseCoopers, Boston Consulting Group and McKinsey are mentioned in press reports. Another bill is being drafted to provide for the confiscation of Western assets in Russia.³⁶ Neither bill is certain of being passed into law.

6 Arms and dual-use licensing

6.1 UK strategic exports

Controversy broke out with the publication on 23 July 2014 of the House of Commons Committees on Arms Exports Control report on arms exports.³⁷ The committee reported that some arms exports to Russia were still being licenced, despite David Cameron's statement in the House of Commons that the UK had already said that it would not sell any more arms to Russia.³⁸ Paragraphs 472-4 of the Committees on Arms Export Control's report summarises what the Government had already done, giving a table of suspended licences.³⁹

Responding to questions about apparent discrepancies prompted by the report and the Committees' chairman, Sir John Stanley, a government representative said:

This government has never exported missiles or missile parts to the Russian military. The UK has granted an export licence for the Brazilian navy which enables their

³³ [Announcement of Additional Treasury Sanctions on Russian Financial Institutions and on a Defense Technology Entity](#), US Treasury press announcement, 29 July 2014

³⁴ [EU prepares compensation for farmers hit by Russia sanctions](#), *EUObserver*, 11 August 2014

³⁵ [Russia relaxes EU food ban, counts costs](#), *EUObserver*, 21 August 2014

³⁶ [Duma hits back with proposal to ban Big Four auditing firms](#), *Financial Times*, 30 July 2014

³⁷ Committees on Arms Export Controls - First Report, [Scrutiny of Arms Exports and Arms Controls \(2014\)](#), HC 186 2014-15

³⁸ [HC Deb 21 July 2014, c1157](#)

³⁹ Committees on Arms Export Controls - First Report, [Scrutiny of Arms Exports and Arms Controls \(2014\)](#), HC 186 2014-15, [para 472](#)

vessels to be repaired in 23 countries around the world, including Russia. This covers a wide range of equipment, including components for navy vessel missile launchers but these are exclusively for use by the Brazilian navy and not by Russian forces.

The statement continued:

In March the former foreign secretary announced the suspension of all export licences to the Russian armed forces for any equipment that could be used against Ukraine. This report covers exports in 2013 before the suspension was in place. The majority of export licences that remain in place for Russia are for commercial use but we are keeping all licences under review. [...] We will not grant a licence where there is a clear risk the equipment might be used for internal repression.⁴⁰

The UK's arms export regime is consistent with the EU-level regime.⁴¹ Both regimes are legally binding. The operative document remains the Consolidated Criteria.⁴² These criteria operate at both the national and EU level and are the basis for all UK licensing decisions unless and until the EU agrees additional measures.

The value of UK military and dual-use sales to Russia is small. In 2012, the total value of licences issued was £48.5 million.⁴³ This compares with a total value of EU arms export licences issued in 2012 of £193 million but, unlike the UK figure, this does not include dual-use items so the two figures are not comparable.⁴⁴

6.2 Russian imports

Russia is not a large arms importer from any other country either. Its only really large order in recent years has been for the French Mistral helicopter assault ships. According to the *Financial Times*, Russia has only signed 10 significant defence import contracts since 2000:

- 4 light transport aircraft from the **Czech Republic**;
- diesel engines from **Germany**;
- 8 drones from **Israel**;
- 60 light armoured vehicles from **Italy**;
- 2 Mistral from **France**;
- light helicopters and 4 amphibious landing craft to complement the Mistral; and
- from **Ukraine**, 264 engines,
- 34 transport aircraft and
- 100 guided missiles.⁴⁵

⁴⁰ 'UK arms export licences for Russia still in place despite claims of embargo – report', *Guardian*, 23 July 2014

⁴¹ For information on how the UK's arms export control regime works, see *UK Arms Export Control Policy* - Commons Library Standard Note, 24 April 2014

⁴² The full text of the Consolidated Criteria is at the end of the Standard Note cited above, in footnote 32

⁴³ Strategic Export Controls Annual Report Data for 2012. NB: the 2013 Annual Report Data gives a figure of £122.6 million

⁴⁴ EU Arms Export Controls Report 2012

⁴⁵ 'Russia has little to lose from arms embargo', *Financial Times*, 22 July 2014

Most other orders are for small and technologically simple items, acceptable versions of which could probably be produced domestically.

6.3 Mistral French helicopter assault ships

The Mistral class is a helicopter carrier, capable of carrying 16 helicopters, up to four landing craft, 60 armoured fighting vehicles and 450 troops.⁴⁶ With a value of about \$600 million each, the Mistrals are an important part of Russia's plans to modernise its military and make it more flexible and adaptable.

French president François Hollande has said that the first of the two Mistral amphibious assault ships will be delivered in October but that the second delivery will depend on Russia's actions in relation to Ukraine. On 21 July, David Cameron criticised the proposed delivery: 'in this country it would be unthinkable to fulfil an order like the one outstanding that the French have...'⁴⁷ Hollande said on the same day: 'For the time being, a level of sanctions has not been decided on that would prevent this delivery.'⁴⁸ A spokesperson for the President said: 'For now, France wants the sanctions to be financial, targeted and quick'.⁴⁹

However, after pressure from the United States and other NATO members and Ukraine, France changed this policy on 3 September, suspending the delivery of the first ship until November. The move could cost the French government hefty penalties set out in the contract.

7 Situation in eastern and southern Ukraine

In June and July 2014 Ukrainian forces had some success in re-taking territory from the rebels around their main base in the city of Donetsk and in Luhansk, squeezing these cities' access to the Russian border.

In August and September 2014, there were increasingly strong indications from Western and Ukrainian sources that Russia was moving military forces in greater strength into eastern Ukraine. Ukraine captured 10 Russian paratroopers in late August. Russia said that they had strayed into Ukrainian territory by accident.⁵⁰

Also in August, as there were reports of increased Russian assistance to the new areas of conflict opened up along the coast of the Sea of Azov, an inlet of the Black Sea.

German and US officials supported the Ukrainian government's assertion that Russian troops had been involved in an attack on the town of Novoasovsk, on the coast of the Sea of Azov.⁵¹ Analysts worried that the aim was to open a land corridor between Russia and the newly-annexed territory of Crimea. Fighting has broken out around the town of Mariupol, also around the Sea of Azov.

The conflict has become very violent, with 2,729 dead, rising to over 3,000 if the 298 who died on the Malaysia Airlines flight are included, according to the United Nations.⁵²

⁴⁶ *The Military Balance 2014*, International Institute for Strategic Studies, p96

⁴⁷ [HC Deb 21 July 2014, c1157](#)

⁴⁸ ['Hollande: Delivery of second Mistral warship depends on Russia's 'attitude'', Euractiv, 22 July](#)

⁴⁹ *Ibid.*

⁵⁰ ['Ukraine crisis: Poroshenko vows 'roadmap' for peace', BBC News Online, 27 August 2014](#)

⁵¹ ['Germany and US voice concern on Russian troops in Ukraine', EUObserver, 28 August 2014](#)

⁵² ['Ukraine death toll of more than 3,000 'alarming': UN', UN press release, 8 September 2014](#)

Elsewhere, tensions also rose in September after the apparent abduction at gunpoint of an Estonian official at the Russian border by Russian FSB (intelligence) officers, who took him to Moscow. He has reportedly been denied consular assistance. Moscow said that the Estonian had entered Russian territory, and suggested that he would be tried for espionage.⁵³

8 Ceasefire talks

On 3 September, President Putin announced the outlines of a ceasefire deal, saying that he and President Poroshenko of Ukraine were thinking along similar lines. Poroshenko said it was clear that the killing needed to stop. Talks between Ukraine, Russia and the pro-Russian rebels took place in the Belarussian capital, Minsk, on 5 September.

The plan involved Ukrainian forces pulling back so that their artillery would be out of range of rebel strongholds. It also envisaged a team of international monitors to ensure that fighting did not resume, safe corridors so that humanitarian aid could reach those affected by the fighting, and an end to air attacks on rebel areas.

An unofficial translation of the document, which was initially only available in Russian, set the 12 points out as follows:

1. Ensure immediate bilateral ceasefire.
2. Ensure monitoring and verification by OSCE of the regimen of non-use of weapons.
3. Conduct a decentralization of authority, including through passage of a Law of Ukraine "On Provisional Procedure for Local Self-Government in Individual Districts of Donetsk and Lugansk Regions" (Law on Special Status).
4. Ensure permanently operating monitoring of the Ukrainian-Russian border and verification by OSCE with the creation of a zone of security in border regions of Ukraine and Russian Federation.
5. Immediately release all prisoners and unlawfully held persons.
6. Pass a law on the inadmissibility of prosecuting and punishing persons in connection with the events that took place in individual districts of the Donetsk and Lugansk Regions of Ukraine.
7. Continue an inclusive common national dialogue.
8. Take measures to improve the humanitarian situation in the Donbass.
9. Ensure the conducting of local elections ahead of schedule in connection with the Law on Ukraine "On the Provisional Procedure for Local Self-Government in Certain Districts of Donetsk and Lugansk Regions" (Law on Special Status).
10. Withdraw unlawful armed formations, military equipment and also fighters and mercenaries from the territory of Ukraine.
11. Adopt a program of economic renewal for the Donbass and restoration of the viability of the region.

⁵³ ['Russia's abduction of Estonian officer 'very disturbing'](#), *EUObserver*, 8 September 2014

12. Provide a guarantee for the personal security of the participants of the consultations.⁵⁴

In a sign that the negotiations were meaningful, Ukraine's President Poroshenko announced on 8 September that the rebels had released 1,200 pro-government prisoners.⁵⁵

The plan did not attract unanimous support, however, with some saying that it did not seem to involve concessions on the part of the rebels. It looked to some like a recipe for another frozen conflict, along the lines of the situation in Georgia, where breakaway regions are maintained and supported by Russia, weakening the Kiev government and giving Russia strong leverage over its actions. The existence of a territorial conflict like this would make it much more difficult for Ukraine to join NATO, for example. As a NATO member, Ukraine might argue that it was the victim of an ongoing armed attack and invoke Article Five of NATO's Washington Treaty, which states:

The Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all and consequently they agree that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defence recognised by Article 51 of the Charter of the United Nations, will assist the Party or Parties so attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area.⁵⁶

In any case, with no absolute control over fighters on both sides, any deal may quickly fall apart, as happened with a previous ceasefire in June. Then, both sides accused the other of violating the agreement. Now, any concession by the Kiev government which looked like a surrender of south eastern Ukraine would be highly unpopular with pro-Western Ukrainians and both pro-Kiev militias and rebels might continue fighting.

On 6 September there was artillery fire near the town of Mariupol, and on 8 September, it was reported that further shelling had taken place near Donetsk airport, in spite of the ceasefire.

9 EU announces new sanctions, September 2014

On 30 August there was a special meeting of the European Council in Brussels. The EU leaders called on the Russian Federation to withdraw immediately its troops and military assets from Ukraine and set out a request to the European Commission to work on a new round of sanctions, to be presented in a week's time.⁵⁷

On 5 September, the new sanctions were announced. They consisted largely of increasing the severity of the existing sanctions, targeting state-owned banks, oil, and defence and dual-use goods. The EU banned state-controlled Russian oil companies from European capital markets, meaning that they would not be able to raise funds: in the words of a draft seen by the press, 'Russian entities in the defence sector, and Russian entities whose main business is the sale or transportation of oil'.⁵⁸ This would hit Rosneft and other large Russian

⁵⁴ '12-Point Peace Plan for Donbass Issued by OSCE', *The Interpreter*, 7 September 2014

⁵⁵ 'Ukraine crisis: Rebels 'free 1,200 captives' – Poroshenko', *BBC News Online*, 8 September 2014

⁵⁶ ATO, *What is Article 5?*

⁵⁷ European Council, *Special meeting of the European Council (30 August 2014) – Conclusions*

⁵⁸ 'EU, US to tighten Russia sanctions', *EUObserver*, 5 September 2014

companies. More technology associated with oil extraction was also added to the list of export bans in an annex to the draft legislation, which, according to the press, were:

Equipment required to produce fuels that meet EURO IV requirements – hydrocracking and desulphurisation units and components thereof, as well as related services.

Technologies that reduce sulphur, particulate matter, benzene and aromatic and unsaturated hydrocarbon content in automotive fuels - such as:

Alkylation and isomerization units

Aromatic hydrocarbon production units

Atmospheric-vacuum crude distillation units (CDU)

Catalytic reforming / cracker units

Delayed cokers

Flexicoking units

Fractionation units

Heat exchanges

Hydrocracking reactors

Hydrocracking reactor vessels

Hydrogen generation technology

Hydrotreatment technology/units

Naphtha isomerisation units

Reactor vessels

Refining heaters

Sulphur production units

Sulphuric acid alkylation and sulphuric acid regeneration units

Thermal cracking units

[Toluene and heavy aromatics] Transalkylation units

Visbreakers

Vacuum gas oil hydrocracking units.⁵⁹

More names were placed on the list of targets for asset freezes and travel bans, the basis for which was expanded to include: 'natural or legal persons, entities or bodies conducting transactions with the separatist groups in the Donbass region of Ukraine.'⁶⁰ The list included

⁵⁹ 'EU, US to tighten Russia sanctions', *EUObserver*, 5 September 2014

⁶⁰ 'EU, US to tighten Russia sanctions', *EUObserver*, 5 September 2014

the new leadership in Donbass, the government of Crimea as well as Russian decision-makers and oligarchs.⁶¹

Leaders said that they might be revoked if the situation improved. Angela Merkel, German Chancellor, said that the situation is fluid: “one has to look at the ceasefire, if it holds. One has to look at the Russian troops, are they withdrawing?”⁶²

EU leaders, meeting with Barack Obama in Wales for the NATO Summit, said that they were sceptical of the ceasefire holding and wanted to see whether Russia would give up control of the territory of southern and eastern Ukraine.

9.1 Sanctions on hold

On 8 September, the European Council adopted the sanctions by written procedure but decided not to implement them for few days, during which time the ceasefire would be monitored, as set out in a statement from the Council President:

A package of further restrictive measures against Russia has been adopted by the Council today (through written procedure), deepening the targeted measures of 31 July. The sanctions aim at promoting a change of course in Russia's actions destabilising eastern Ukraine and come in the wake of the European Council of 30 August, which condemned the increasing inflows of fighters and weapons from the territory of the Russian Federation into Eastern Ukraine and the aggression by Russian armed forces on Ukrainian soil.

The entry into force through the publication in the Official Journal will take place in the next few days. This will leave time for an assessment of the implementation of the cease-fire agreement and the peace plan. Depending on the situation on the ground, the EU stands ready to review the agreed sanctions in whole or in part.⁶³

Press reports suggested that some countries had wanted to go ahead and apply the sanctions, but others, particularly Finland and Italy, had refused to go along with that. An emergency ambassadors' meeting was held and it came up with the compromise solution of adopting the sanctions but holding off their implementation for a few days.⁶⁴

10 NATO's response to Events in Ukraine

Despite nearly two decades of general rapprochement between NATO and Russia, the latter's recent actions in Crimea and Eastern Ukraine has provoked deep concern among NATO members, in particular the Baltic States and former Warsaw Pact countries.

The result has been growing calls for the Alliance to refocus on its core purpose: Article V and the collective defence of its Member States.⁶⁵ NATO Secretary General Anders Fogh Rasmussen described Russia's aggression against Ukraine as a “wake-up call” while

⁶¹ [Joint letter by the President of the European Council, Herman Van Rompuy, and the President of the European Commission, José Manuel Barroso, on restrictive measures against Russia](#), European Council, 5 September 2014

⁶² [‘EU to adopt Russia sanctions despite ceasefire’](#), *EUObserver*, 5 September 2014

⁶³ [Statement by the President of the European Council Herman Van Rompuy on further EU restrictive measures against Russia](#), European Council, 8 September 2014

⁶⁴ [‘EU sanctions on Russia in limbo’](#), *EUObserver*, 9 September 2014

⁶⁵ Article 5 of the Washington Treaty states “the parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all.” It does not commit Allies to military action but states that each member will assist the Party or Parties attacked by taking “such action as it deems necessary”.

NATO's deputy Secretary-General, Ambassador Vershbow, said there is a need to "go back to basics" to reemphasise the original purpose of the Alliance.

Indeed, in mid-April 2014 NATO announced a package of military measures to "reinforce our collective defence and demonstrate the strength of Allied solidarity."⁶⁶ This included increasing the number of aircraft involved in the Baltic Air Policing Mission (the UK contributed Typhoon aircraft) and additional fighter aircraft in Poland and Romania. NATO Foreign ministers also agreed in June 2014 to develop an Alliance Readiness Action Plan, with the aim of improving the speed at which European militaries can respond to crises and any threat against a member of the alliance through the creation of a high readiness element within the NATO Response Force. Plans for a "more enduring pattern of exercises" to be held in the Baltic States and Poland, and in the Baltic itself have also been under consideration through NATO's [Connected Forces Initiative](#). This would enable NATO to establish a permanent presence in the region but without deploying permanent forces.⁶⁷

Anders Fogh Rasmussen had previously outlined the contours of such a plan:

We are looking to strengthen the ability of our NATO Response Force and Special Forces to respond quickly to any threat against any member of the Alliance, including where we have little warning.

We are also reviewing our threat assessments, intelligence-sharing arrangements, early-warning procedures, and crisis response planning to take into account a more unpredictable security environment.

We are examining our Connected Forces Initiative to make our exercises more frequent, more demanding, and more visible.

These are some of the strands of a Readiness Action Plan that we are considering at the moment. They are all defensive measures. They are in line with our international obligations. And in line with a changed security landscape, where - more than ever - we need to be ready, prepared and flexible.⁶⁸

10.1 The NATO Summit – September 2014

One of the key themes of the NATO Summit in Wales was collective security and how the Alliance responds to Russia and the current events in Ukraine. Among anticipated outcomes was a reiteration of NATO's commitment to collective defence and agreement on the Readiness Action Plan.

Indeed Russia's actions against Ukraine were acknowledged at the outset as one of a number of challenges to euro-Atlantic security. NATO leaders condemned Russia's "escalating and illegal military intervention in Ukraine", recognising it as a "violation of Ukraine's sovereignty and territorial integrity", and not only a breach of international law but also a "major challenge to Euro-Atlantic security". They also expressed the belief that Russia had breached its commitments under the 1997 NATO-Russia Founding Act and the 2002

⁶⁶ [Doorstep statement by Anders Fogh Rasmussen](#), 16 April 2014

⁶⁷ As part of the *NATO-Russia Founding Act 1997* NATO agreed to "carry out its collective defence and other missions by ensuring the necessary interoperability, integration and capability for reinforcement rather than by additional permanent stationing of substantial combat forces" with respect to agreed regions of Europe, to include Central and Eastern Europe.

⁶⁸ ["Standing up for Freedom and Security: Keynote speech by NATO Secretary General Anders Fogh Rasmussen at GLOBSEC 2014"](#), NATO, 15 May 2014

Rome Declaration, “thus breaking the trust at the core of our cooperation”.⁶⁹ The declaration also went on to state:

23. The Alliance does not seek confrontation and poses no threat to Russia. But we cannot and will not compromise on the principles on which our Alliance and security in Europe and North America rest. NATO is both transparent and predictable, and we are resolved to display endurance and resilience, as we have done since the founding of our Alliance.⁷⁰

The message of collective security and the commitment to NATO’s Article V was evident throughout the Summit Declaration. Paragraph 2 specifically noted that “the greatest responsibility of the Alliance is to protect and defend our territories and our populations against attack, as set out in Article 5 of the Washington Treaty”. This message was reiterated later on in the Declaration which stated that “No one should doubt NATO’s resolve if the security of any of its members were to be threatened. NATO will maintain the full range of capabilities necessary to deter and defend against any threat to the safety and security of our populations, wherever it should arise”.⁷¹

NATO Readiness Action Plan

On a more practical level the Declaration confirmed the adoption of the NATO Readiness Action Plan, to respond not only to “the challenges posed by Russia and their strategic implications” but also to “the risks and threats emanating from our southern neighbourhood, the Middle East and North Africa”.⁷² The plan includes measures that address collective security and the “continuing need for assurance of Allies” while at the same time adapting the Alliance’s military strategic posture. Emphasis is placed upon the *rotation* of forces and not the permanent stationing of troops in Eastern and Central Europe, so as not to contravene the *NATO-Russia Founding Act 1997*.

Specifically:

- There will be a continuous air, land and maritime presence and meaningful military activity in Eastern Europe, on a rotational basis. That presence will be flexible and scalable in order to respond to the evolving security situation. Increased NATO air patrols over the Baltics will continue, as will naval patrols in the Black Sea.
- The responsiveness of the NATO Response Force (NRF) will be significantly enhanced by developing force packages that are able to move rapidly and respond to potential challenges and threats.
- A Very High Readiness Joint Task Force (VJTF) capable of deploying within a few days’ notice, will be established within the NRF to respond to any challenges that arise, “particularly at the periphery of NATO’s territory”. That force will consist of a 4,000-strong land component, with appropriate air, maritime and special operations forces available where necessary.
- Readiness of the VJTF will be tested through short-notice exercises.

⁶⁹ [Wales Summit Declaration](#), 5 September 2014, para. 21

⁷⁰ *Ibid*, para. 23

⁷¹ [Wales NATO Summit Declaration](#), 5 September 2014, para.48

⁷² NATO summit declaration, para. 5

- A Command and control presence, and some force enablers will be pre-deployed in Eastern Europe, with contributions from Allies on a rotational basis. If necessary those forces will reinforce allied forces located at NATO's periphery for deterrence and collective defence.
- Rapid reinforcement of allied forces will also be enhanced through the preparation of infrastructure, the prepositioning of equipment and supplies and the designation of specific bases. Adequate host nation support is recognised as crucial in this regard.
- Standing Naval Forces will also be enhanced in order to support maritime situational awareness and to conduct the full spectrum of conventional maritime operations.
- Contributing allies will raise the readiness and capabilities of the Headquarters [Multinational Corps Northeast](#), which is located in Poland, and enhance its role as a hub for regional cooperation.
- Intelligence and strategic awareness will be enhanced and renewed emphasis will be placed on advance planning.
- An enhanced exercise programme with an increased focus on collective defence will be established.⁷³

It is expected that the VJTF will be operational by the end of 2014.⁷⁴

Addressing the tactics that Russia has adopted in Ukraine, the Summit Declaration also stated:

13. We will ensure that NATO is able to effectively address the specific challenges posed by hybrid warfare threats, where a wide range of overt and covert military, paramilitary, and civilian measures are employed in a highly integrated design. It is essential that the Alliance possesses the necessary tools and procedures required to deter and respond effectively to hybrid warfare threats, and the capabilities to reinforce national forces. This will also include enhancing strategic communications, developing exercise scenarios in light of hybrid threats, and strengthening coordination between NATO and other organisations, in line with relevant decisions taken, with a view to improving information sharing, political consultations, and staff-to-staff coordination. We welcome the establishment of the NATO-accredited Strategic Communications Centre of Excellence in Latvia as a meaningful contribution to NATO's efforts in this area. We have tasked the work on hybrid warfare to be reviewed alongside the implementation of the Readiness Action Plan.

Speaking at the end of the Summit, the Prime Minister welcomed these initiatives and confirmed that the UK would contribute 3,500 personnel to exercises in Eastern Europe between now and the end of 2015, and would provide a battlegroup and a brigade headquarters to the VJTF.⁷⁵

The Secretary of State for Defence, Michael Fallon, also announced on the fringes of the NATO Summit that the UK has signed a Letter of intent with Denmark, Estonia, Latvia, Lithuania, the Netherlands and Norway to establish a high readiness Joint Expeditionary

⁷³ [Wales Summit Declaration](#), 5 September 2014, paras. 7-10

⁷⁴ "NATO Secretary General announces creation of high readiness force to counteract Russian threat", *Jane's Country Risk Daily Report*, 3 September 2014

⁷⁵ Prime Minister end of summit press conference, 5 September 2014

Force (JEF) that could respond rapidly “anywhere in the world, with like-minded allies or on behalf of international organisations such as the UN or NATO”. The intention is to integrate partner contributions to achieve a full operational capability before 2018. However, the JEF could also deploy immediately, on the basis of the UK contribution, if required.

Joint Statement of the NATO-Ukraine Commission

Ukraine is not a member of NATO but has developed a long-standing partnership through the NATO-Ukraine Commission, which was established in 1997.

Commitment to that partnership was highlighted in the Wales Summit Declaration with specific emphasis placed upon NATO’s support for reform initiatives and transformation of Ukraine’s security and defence sectors, including greater interoperability with NATO forces.⁷⁶ A new package of support measures was also announced, including non-lethal support to the Ukrainian military and assistance to modernise the armed forces, including in the areas of logistics and command and control. The Joint Summit Statement of the NATO-Ukraine Commission outlined:

In the framework of our long-standing Distinctive Partnership, NATO has consistently supported Ukraine throughout this crisis, and all 28 Allies, including through NATO, are enhancing their support so that Ukraine can better provide for its own security. Recognising Ukraine’s intent to deepen its Distinctive Partnership with NATO, we are stepping up our strategic consultations in the NATO-Ukraine Commission. NATO has already strengthened existing programmes on defence education, professional development, security sector governance, and security-related scientific cooperation with Ukraine. We will further strengthen our cooperation in the framework of the Annual National Programme in the defence and security sector through capability development and sustainable capacity building programmes for Ukraine. In this context, Allies will launch substantial new programmes with a focus on command, control and communications, logistics and standardisation, cyber defence, military career transition, and strategic communications. NATO will also provide assistance to Ukraine to rehabilitate injured military personnel. Allies are reinforcing their advisory presence at the NATO offices in Kyiv. Allies have taken note of Ukraine’s requests for military-technical assistance, and many Allies are providing additional support to Ukraine on a bilateral basis, which Ukraine welcomes.

NATO and Ukraine will continue to promote the development of greater interoperability between Ukrainian and NATO forces, including through continued regular Ukrainian participation in NATO exercises. Allies highly value Ukraine’s ongoing contributions to Allied operations, the NATO Response Force and the Connected Forces Initiative. Allies welcome Ukraine’s participation in the Partnership Interoperability Initiative, appreciate Ukraine’s interest in the Enhanced Opportunities Programme within the Initiative, and look forward to its future participation.⁷⁷

It has been reported that the new cooperation programmes aimed at cyber defence, command and control, logistics and reform will receive \$65m.⁷⁸

A ten-day military exercise, codenamed *Rapid Trident*, is also scheduled to be held in Ukraine from 16 September. This is not a new exercise, but one that is held annually at the request of the Ukrainian government in order to support interoperability among Ukraine,

⁷⁶ [Wales Summit Declaration](#), 5 September 2014, para. 29

⁷⁷ [Joint Statement of the NATO-Ukraine Commission](#), 5 September 2014

⁷⁸ “NATO leaders agree Ukraine support measures, discuss IS airstrikes”, *Jane’s Defence Weekly*, 4 September 2014

NATO and Partnership for Peace member states. Fifteen countries are expected to take part.⁷⁹

10.2 Russian reaction

The Russian government reacted angrily to comments coming out of the NATO Summit, saying that they risked undermining the ceasefire:

The essence and tone of [Nato] statements on the Ukraine situation, and the plans announced to hold joint Nato exercises with Kiev on the territory of that country before the end of 2014, will inevitably lead to heightened tension.

They risk wrecking the progress made in the peace process in Ukraine, and encourage a deepening of the split in Ukrainian society.⁸⁰

11 Economic costs for the EU

EU Member States have varying economic interests and that has made forming a united front difficult. With the weak overall economic picture in the EU, one commentator expressed concern that the crisis between Russia and the West could tip the Eurozone into deflation.⁸¹

Uncertainty

The uncertainty created by a gradually growing sanctions regime could be one of the biggest effects of the present situation. Indeed it may be that the EU is happy with a step-by-step approach, because the uncertainty this causes may itself have a more serious effect on the Russian economy than in the West.

A Commission paper seen by journalists mentions uncertainty and capital flight:

Restricting access to capital markets for Russian state-owned financial institutions would increase their cost of raising funds and constrain their ability to finance the Russian economy, unless the Russian public authorities provide them with substitute financing. It would also foster a climate of market uncertainty that is likely to affect the business environment in Russia and accelerate capital outflows.⁸²

BP

The British oil company BP has a 20% stake in Rosneft, the state-controlled oil company that has already been targeted by US financial sanctions.

On 29 July, BP released a second quarter results statement, showing that the Rosneft stake had boosted its earnings. However, it warned that further sanctions could damage the business:

Any future erosion of our relationship with Rosneft, or the impact of further economic sanctions, could adversely impact our business and strategic objectives in Russia, the level of our income, production and reserves, our investment in Rosneft and our reputation.⁸³

The City

⁷⁹ Azerbaijan, Bulgaria, Canada, Georgia, Germany, UK, Latvia, Lithuania, Moldova, Norway, Poland, Romania, Spain and the US.

⁸⁰ [‘Russia says Nato ‘risks wrecking the progress made in the peace process in Ukraine’](#), *Daily Telegraph*, 5 September 2014

⁸¹ Wolfgang Münchau, [‘Europe must impose financial sanctions on Russia’](#), *Financial Times*, 21 July 2014

⁸² [‘EU blacklists more Russians, prepares economic sanctions’](#), *Euobserver*, 24 July 2014

⁸³ [‘BP sees profits rise but warns of Russia sanctions risk’](#), *BBC News Online*, 29 July 2014

It is the City of London where much attention is focussed, at least in Britain. The US authorities' imposition of an \$8.9 billion fine on French bank BNP Paribas for breaking US sanctions has had a chilling effect on relations with Russia already, according to one City lawyer:

The big institutions are on a state of alert. The fine on BNP Paribas totally changed the game; a penalty of that type means their tolerance for risk in the area of sanctions is phenomenally low. They will not be making any brave calls on Russia or Ukraine.⁸⁴

The UK banking regulators have been in discussions with UK banks on the possible impact of further sanctions but their exposure to Russian businesses is reported to be relatively modest.⁸⁵

France

France's sale of two Mistral helicopter assault ships is the most significant arms purchase by Russia from Europe and the French government has resisted calls from some quarters to cancel the sale. Otherwise, Russia's defence imports from the EU are limited.⁸⁶

The French car manufacturer Renault said that its sales to Russia had already fallen by 8% this year. Renault and its partner Nissan control Russian Avtovaz, the makers of Lada cars.⁸⁷

Germany

German exports to Russia declined sharply in the first four months of 2014.⁸⁸

11.1 Gas

It is the possibility of restrictions on the import of Russian gas that would be the most significant for the EU. Several EU Member States are highly dependent on that energy source, as the table at Appendix 1 shows. Austria, Belgium, the Czech Republic, Finland, Greece, Hungary, Poland and Slovakia are the EU countries that import more than half of their total gas consumption from Russia.⁸⁹

Finland imports all of its gas from the Russian Federation and has no storage facilities. It would experience a shortfall of between 5% and 10% of its total requirement if supplies were cut off for one month. If the disruption lasted 3 months, supply would fall short of demand by more than 50%, according to the University of Cologne.⁹⁰ Other EU Member States that are particularly vulnerable are Estonia, Poland and Slovenia, as shown in the following maps:

⁸⁴ 'Osborne warns UK on financial impact of Russian sanctions', *Financial Times*, 21 July 2014

⁸⁵ *Ibid.*

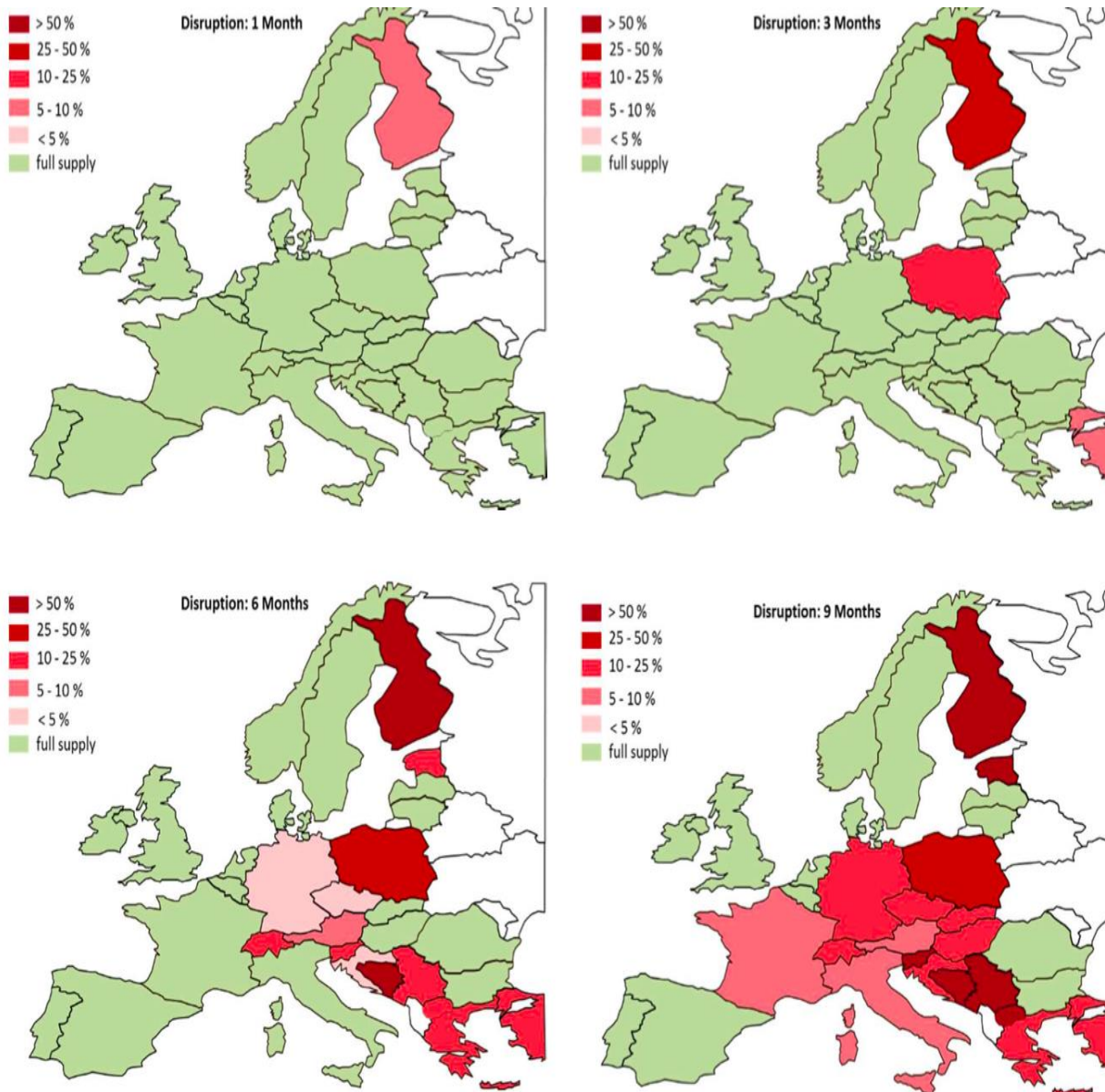
⁸⁶ 'Moscow has little to lose from defence crackdown', *Financial Times*, 23 June 2014

⁸⁷ 'Europe's companies braced for recoil', *Financial Times*, 30 July 2014

⁸⁸ *Ibid.*

⁸⁹ In the case of Finland, the amount of gas imported by pipeline from Russia amounts to more than the total consumption. This means that some of the gas is re-exported

⁹⁰ 'Finland most vulnerable to Russian gas cut-off', *EUObserver*, 3 September 2014



Source: University of Cologne

The UK imports no gas by pipeline from Russia. However, prices in the UK would probably be affected by EU restrictions; indeed this may already be happening. On Thursday 24 July, wholesale prices moved up slightly, despite warm weather and plentiful supplies at present.⁹¹

11.2 Russian money in the UK

There has been discussion of rich Russians resident in London and other investments in the UK. However, information about this tends to be anecdotal, as it concerns private individuals. Some were urging financial sanctions on figures such as Roman Abramovich, Alisher Usmanov and Mikhail Fridman, all of whom are thought to be relatively close to Vladimir Putin. John Whittingdale MP, vice-chairman of the Conservative backbench 1922 Committee, said that Vladimir Putin's allies should not be immune from sanctions just

⁹¹ 'UK GAS-Prices edge up on possible new EU sanctions against Russia', *Reuters*, 24 July 2014

because they live in London; 'Nor should we exempt people or companies who have business dealings in London'.⁹²

Financial experts say that capital could flow out of London, both from the property market and from other investments. However, one banker was quoted as saying on 24 July that there was no evidence so far of this happening.⁹³

According to a Commission document, Russian state-owned banks used EU capital markets for nearly half of their bond borrowings in 2013.⁹⁴ London would be particularly affected by any such restrictions.

TheCityUK, a representative organisation for London's financial sector, argued in evidence to the House of Commons Treasury Select Committee in May 2014 that any financial sanctions should be clear and multilateral:

- sanctions should be carefully considered and, if the Government deems them necessary, they should be given clarity by the full force of law rather than being expressed as voluntary codes of conduct or foreign policy objectives
- sanctions should be multilateral and consistent, ensuring that the UK is not disadvantaged internationally
- sanctions should be targeted, smartly designed, thought through for all their implications and reviewed regularly in seeking to ensure that sanctions orders are complied with, business is operating heightened due diligence processes, screening contracts and individuals, and deploying additional methods of assessing the impact of various sanctions regimes on their operations.⁹⁵

In its written evidence, TheCityUK highlighted the cost of compliance measures rather than the cost of lost business or investment.

One City banker has argued that financial sanctions would not be a 'huge deal', directly; it is the indirect damage of uncertainty in the eurozone that would be the problem:

Financial sanctions would not, directly, be a huge deal.

But Britain is right next door to a massive external market (the Eurozone), which is more closely tied to Ukrainian and Russian events. Sanctions would be intended to worsen Russia's economic position, which could quickly blow back to the UK. The MH17 crash could bring home just how close the conflict is to consumers across Europe.

That could spread the economic impact beyond small wobbles in Germany. Russian President Vladimir Putin has the potential to seriously disrupt the Eurozone and UK economies over the coming days, weeks and months.⁹⁶

A researcher for Open Europe countered that the possible damage to the City is being overstated:

⁹² 'Cameron under pressure to punish Russian oligarchs', *Times*, 24 July 2014

⁹³ 'Sanctions could mean capital flight from London', *Times*, 24 July 2014

⁹⁴ 'EU blacklists more Russians, prepares economic sanctions', *EUObserver*, 24 July 2014

⁹⁵ House of Commons Select Committee on the Treasury, Inquiry into the cost effectiveness of economic and financial sanctions, [Supplementary written evidence submitted by TheCityUK](#), 6 May 2014

⁹⁶ [Will financial sanctions on Russia significantly damage the City of London?](#), *City AM*, 25 July 2014

A pernicious myth has developed that the City is flooded with Russian cash, and that the UK could try to weaken EU sanctions on Russia. But while the Russian presence may be highly visible, the actual stock of Russian international investments in London is £27bn - a sizable amount, but only 0.5 per cent of total European international assets in the City. It's true that the latest EU sanctions would focus on finance, and if implemented, they would have a disproportionate impact on the UK. Of the €16.4bn (£13bn) raised in the EU by Russian state-owned companies through IPOs between 2004 and 2012, all took place on the London Stock Exchange. However, the actual damage would be small - in the region of hundreds of millions - as only 1 per cent of exported services in these areas go to Russian firms. The real question is why, despite their tough talk, France and Germany, unlike the UK, are not following through with action.⁹⁷

Questions have also been raised about donations to the Conservative Party from wealthy Russians. There was particular controversy about a donation in July 2014 of £160,000 from the wife of a former Russian government minister to the Conservative Party in exchange for a tennis match with David Cameron.⁹⁸

12 Risks to Russian cooperation with the West?

12.1 Terrorism

With the problems it has had in Chechnya and elsewhere, Russia has a strong interest in controlling jihadi-inspired violence; Moscow cooperated substantially with the West over the removal of the Taliban government in Afghanistan. The most important help was the operation of the Northern Distribution Network, which allowed NATO's International Security Assistance Force (ISAF) to be supplied from the Baltic and Caspian ports using overland routes through Russia, Central Asia and the Caucasus. Russia may not have been very happy about the US's use of the Manas airbase in Kyrgyzstan, since it provided the US with a military presence close to the Russian border. It is reported that Russian pressure was one of the factors that persuaded the Kyrgyz government to terminate the US use of the base.

Russia was never supportive of the invasion of Iraq in 2003, warning that it would end in more violence.

12.2 Iran

Crucially, Russia is cooperating with Western countries over the Iranian nuclear programme. There are fears that Russia could retaliate for sanctions imposed on it over Ukraine by undermining the Iranian sanctions regime. In June, the chairman of the US House Foreign Affairs Committee wrote to Secretary of State John Kerry:

I am deeply concerned that Iran is attempting to circumvent November's interim nuclear accord through a \$20 billion barter agreement with Russia. Reports indicate that Iranian and Russian officials have discussed an illicit oil-for-goods contract that could undermine the sanctions regime and weaken American negotiating leverage. These efforts to evade sanctions undermine Iran's agreement with the P5+1 and cast serious doubt on Iranian intentions.⁹⁹

⁹⁷ ['Will financial sanctions on Russia significantly damage the City of London?', *City AM*, 25 July 2014](#)

⁹⁸ ['David Cameron to play tennis with Russian donor', *Financial Times*, 24 July 2014](#)

⁹⁹ ['Iran and Russia Making a Deal? Chairman Royce Presses State Department for Information', House Foreign Affairs Committee press release, 3 June 2014](#)

Such a development could make a successful conclusion of the Iranian negotiations less likely at a time when the Iranian negotiations are one potential bright spot in an otherwise troubling scene for Western powers.

The cooperation of both Russia and Iran would be very useful for resolving the crises in Syria and Iraq. Whether such cooperation is likely or even possible is not clear.

12.3 Space

Russia's space cooperation with the US has been going on since 1975. The International Space Station is the most important manifestation of it. Since the end of the Space Shuttle programme, the US has been dependent on Russian rockets for some launches.

Although space cooperation is being used by both sides as a lever in the present stand-off, at least one article suggests that NASA and Roscosmos themselves are fighting with some success to keep cooperating.¹⁰⁰

13 Problems for Russia

Although many commentators in the West have despaired of the difficulties in responding to Russian policies in Ukraine and some have been impressed by its effectiveness, there are also many reasons to think that the Kremlin's policies will run into difficulties in the longer term and that Russia faces severe problems.

13.1 Losing Ukraine from the Eurasian Union

Ukraine was perhaps the most important candidate for Russia's proposed Eurasian Union. It now looks highly unlikely that Ukraine will ever join the economic group, severely undermining its future viability.

If the conflict in eastern Ukraine does end in a break-up of the country, it will make it more likely that western Ukraine will forge ahead with links to the West: the EU and possibly NATO.

However, the eastern regions of Donesk and Luhansk are the industrial heartlands of Ukraine, closely integrated with the Russian economy, and they are richer than the west, which is largely agricultural apart from the Kiev region. The east could make a significant addition to the Russian economy.¹⁰¹

13.2 Push-back in Russia's neighbourhood

Eastern Europe

The relations between the Baltic States and Russia have become more strained since the conflict in Ukraine began. The comments made by Dalia Grybauskaitė, Lithuanian President, after the European Council meeting on 30 August were particularly trenchant: "Today we are talking about the fate of Ukraine, tomorrow it could be for all Europe... Russia is practically in a state of war against Europe."

NATO increased its military presence in the Baltics and Poland and Romania in May 2014. Fighter jets from Poland, the United Kingdom, Denmark and France took over air policing

¹⁰⁰ 'Russia and U.S. Boost Space Station Cooperation, Despite Earthly Disputes', *Moscow Times*, 5 June 2014

¹⁰¹ Richard CO'Nolly, 'A divided Ukraine could see two radically different states emerge', University of Birmingham, 2014

duties in the Baltic States. The UK has supplied four Typhoon fast jets, which will operate from Siauliai airbase in Lithuania.

Canada has supplied six CF-18 fighters to be based in Romania.

NATO also started AWACS (Airborne Warning and Control System) patrols over Poland and Romania in March 2014. The patrols will be carried out by one NATO AWACS plane, one from the UK and one from France.

Groups of ships for mine-hunting and clearance have been dispatched to the Baltic and ships have also been sent to the eastern Mediterranean to conduct 'maritime assurance measures' and counter-terrorism patrols.

From 16 to 23 May, there were military exercises involving 6,000 troops from Belgium, Denmark, Estonia, France, Latvia, Lithuania, Poland, the United Kingdom and the United States. The exercise simulated repelling an attack on Estonia and also involved fast jets and a cyber security team.¹⁰²

Central Asia

Russia's increasingly muscular foreign policy in Ukraine is reported to be making Russia's Central Asian neighbours somewhat uncomfortable. Kazakhstan has recently passed a law outlawing the spread of separatist ideas, worried that the north of the country, where there is a high concentration of Russian speakers, many of whom have Russian passports, is vulnerable to a Crimea-style operation.¹⁰³ Kazakhstan declined to implement Russia's retaliatory sanctions against the EU, in spite of having signed up for the Eurasian Economic Union. Kazakh President Nazarbayev said that tit-for-tat sanctions were a 'road to nowhere.'¹⁰⁴ He had gone further in August, saying that Kazakhstan (perhaps the second most important candidate) could leave the Eurasian Union: "Kazakhstan has the right to leave the Eurasian Economic Union. Kazakhstan will not enter an organisation which threatens our independence."¹⁰⁵

13.3 Economic stagnation

The potential economic costs for Russia of a prolonged deterioration in relations with the West are enormous.

A look at Mexico's oil industry, where production has been declining since 1995 despite very substantial reserves, shows the danger of failing to inject new technology and capital into oil extraction. Lack of Western investment and know-how, as well as a ban on access by state owned oil firms to Western capital markets, could condemn the Russian oil industry to a similar decline.

Oil and gas accounted for more than 50% of Russian federal budget revenues and over 70% of total exports in 2012.¹⁰⁶ If relations do not improve and restrictions are applied to gas imports from Russia (or European countries simply turn to other suppliers), Russia's trade performance could be seriously affected.

¹⁰² NATO, [NATO reassurance measures in response to Ukraine crisis](#), 27 May 2014

¹⁰³ Georgi Kantchev, 'The Great Game on Central Asia's high plain', *Foreign Policy*, 2 June 2014

¹⁰⁴ 'Standoff with west reveals splinters in Putin's Eurasia project', *Financial Times*, 2 September 2014

¹⁰⁵ *Ibid.*

¹⁰⁶ US Energy Information Administration, [Russia overview](#), 26 November 2013

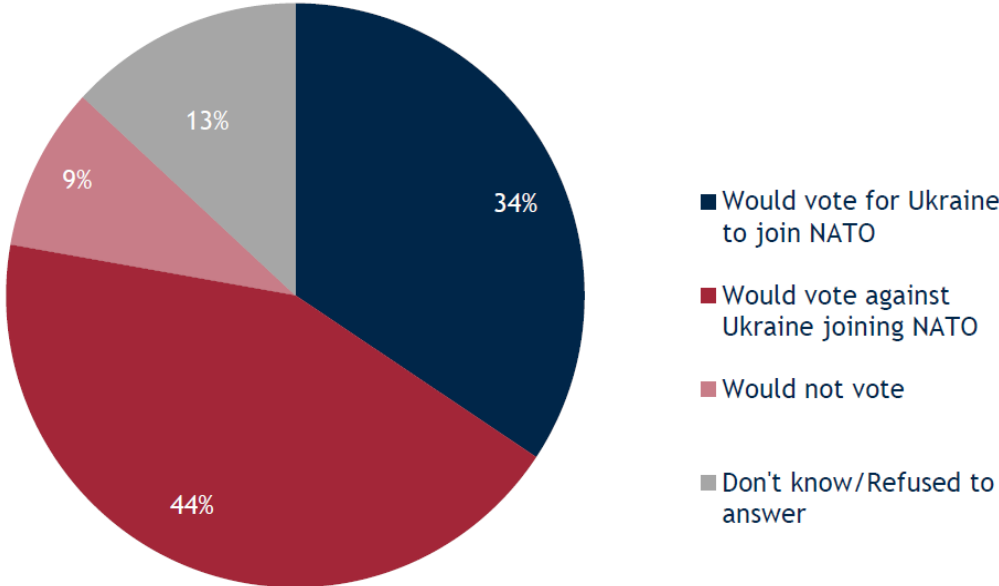
If it is deprived of European markets for gas, Russia could turn to other customers. Indeed, Russia already signed in May 2014 a long-term contract with China to supply 38 billion cubic metres of gas in a deal reportedly worth \$400 billion. However, the two countries had been negotiating this deal for ten years with the main sticking point being the price. It may have been concluded at a lower price than Russia originally aimed for because of the escalating crisis over Ukraine; Russia has refused to disclose the price, citing commercial confidentiality but analysts estimate that the price is significantly below that which Russia charges to EU customers.¹⁰⁷ Enormous investment will also be necessary to install thousands of kilometres of gas pipeline to take the gas to China’s densely-populated north eastern regions.

14 An accommodation with Russia?

NATO membership

Some sort of deal with Russia might be possible. An obvious offer might be a guarantee that Ukraine would never become a NATO member. As in Sweden and Finland, Ukrainians appear to be doubtful about joining NATO anyway.¹⁰⁸ A poll conducted in March 2014 by the Republican Institute indicated that a plurality of Ukrainians were against joining:

If a referendum were held today on Ukraine joining NATO, how would you vote?



Source: [Republican Institute](#)

Many Finns think that their relations with Russia work reasonably well and it would be foolish to rock the boat by joining NATO, although Finland does collaborate with NATO.

¹⁰⁷ 'China and Russia Sign Massive Natural Gas Deal', *The Diplomat*,
¹⁰⁸ Suvi Turtiainen, 'Despite Crimea, Finland and Sweden stay wary of NATO', European Council on Foreign Relations, 22 April 2014

Federalising Ukraine

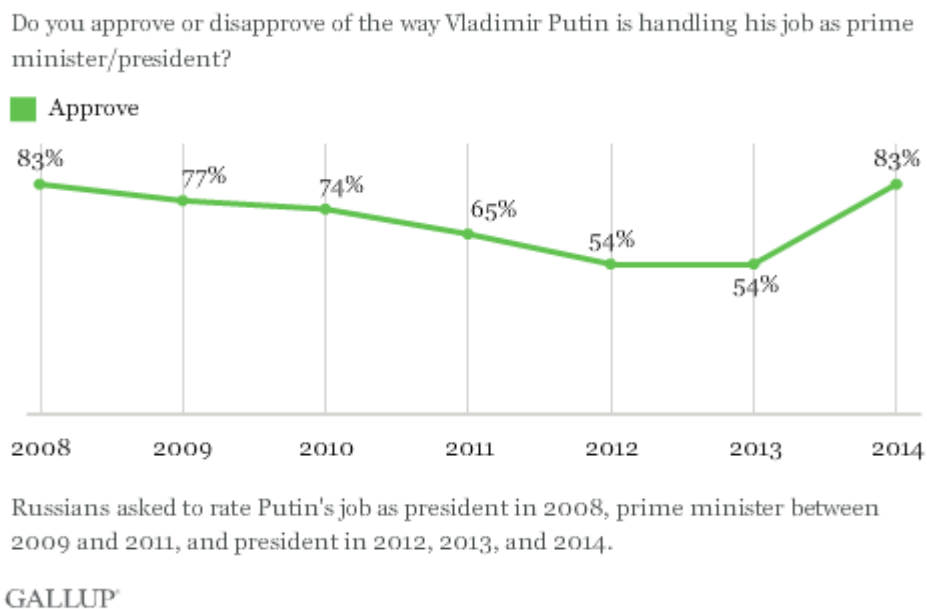
Russia has called for the federalisation of Ukraine. In March, Russian Foreign Minister Sergei Lavrov suggested this, calling for Ukrainian regions to be allowed to conduct their own foreign relations and select their own economic model.

A federal republic where these freedoms were granted would be very loose and could perhaps be called a confederation. The US states, for example, even though they have significant powers and a fierce sense of independence, do not run foreign policy and could not decide to adopt a radically different economic model.

Ukrainian politicians reacted angrily to the Lavrov suggestion. Their Foreign Minister said that Lavrov's comments were an 'outrage' and former President Yulia Tymoshenko said: "federalisation is basically a way to create a dozen more Crimeas in Ukraine, opening the way for Putin to annex southern and eastern regions, in the same way as Crimea".¹⁰⁹

Some devolution of power to southern and eastern regions would probably form part of a sensible solution. But the devil would be in the detail. Any suggestion that the Ukrainian regions should have powers over foreign relations, any autonomous armed forces or the ability to make big economic decisions would probably be fiercely resisted by the government in Kiev.

On the other hand, Vladimir Putin experienced something of a domestic political crisis in 2012, with his approval ratings falling quite low and demonstrations against his government in Moscow and St Petersburg. Since last year, his popularity seems to have recovered sharply, as shown in this Gallup poll:



Source: Gallup, 18 July 2014

This suggests that he would be in no hurry to do a deal that undermined the current narrative of assertive Russian nationalism, when that seems to be boosting support for the government.

¹⁰⁹ 'Russian push to 'federalise' Ukraine stirs resentment', *Financial Times*, 2 April 2014

A big problem for the West and for the Ukrainian government is that there are not many arguing that NATO should go to war with Russia over Ukraine.¹¹⁰ Russia is right on Ukraine's doorstep, which makes interference in Ukraine much easier. Russia also has the levers of energy dependence and a lot of political influence with many in the east and south of the country. It can be argued that the West, on the other hand, does not need Ukraine as much as Russia does. Added to that is Western publics' general fatigue with military intervention in distant places, at a time when public expenditure is constrained.

¹¹⁰ See for example, 'Britain will not start World War Three over Ukraine, David Cameron says', *Daily Telegraph*, 30 July 2014

European pipeline natural gas imports 2013

Natural Gas: Trade movements 2013 by pipeline

Billion cubic metres

To	From											Total imports	Total consumption	Russian imports as % of total consumption
	Netherlands	Norway	United Kingdom	Other Europe	Kazakhstan	Russian Federation	Turkmenistan	Other Former Soviet Union	Iran	Algeria	Libya			
Austria	-	1.2	-	0.5	-	5.1	-	-	-	-	-	6.8	8.49	60.59%
Belgium	5.4	9.4	2.5	-	-	12.3	-	-	-	-	-	29.6	16.82	72.84%
Czech Republic	-	3.8	-	-	-	7.2	-	-	-	-	-	11.0	8.42	85.43%
Finland	-	-	-	-	-	3.5	-	-	-	-	-	3.5	2.84	123.21%
France	6.5	15.5	-	0.4	-	8.1	-	-	-	-	-	30.5	42.83	18.85%
Germany	22.4	33.5	-	†	-	39.8	-	-	-	-	-	95.8	83.65	47.62%
Greece	-	-	-	0.6	-	2.4	-	-	-	-	-	3.0	3.58	66.37%
Hungary	-	-	-	-	-	5.9	-	-	-	-	-	5.9	8.56	68.91%
Ireland	-	-	4.9	-	-	-	-	-	-	-	-	4.9	4.50	0.00%
Italy	8.6	1.1	-	0.3	-	24.9	-	-	-	11.4	5.2	51.6	64.23	38.78%
Netherlands	-	4.8	1.6	13.0	-	2.1	-	-	-	-	-	21.5	37.07	5.65%
Poland	-	-	-	1.8	-	9.6	-	-	-	-	-	11.4	16.68	57.76%
Slovakia	-	-	-	-	-	5.3	-	-	-	-	-	5.3	5.39	98.82%
Spain	-	2.7	-	1.3	-	-	-	-	-	11.4	-	15.3	28.97	0.00%
Turkey	-	-	-	-	-	26.2	-	3.3	8.7	-	-	38.2	45.64	57.33%
United Kingdom	9.5	29.1	-	3.3	-	-	-	-	-	-	-	41.9	73.11	0.00%
Other Europe	0.8	1.2	0.0	6.8	-	10.0	-	-	-	2.0	-	20.7		
Europe	53.2	102.4	8.9	28.1	-	162.4	-	3.3	8.7	24.8	5.2	397.1		
Belarus	-	-	-	-	-	18.1	-	-	-	-	-	18.1		
Russian Federation	-	-	-	-	11.5	-	9.9	6.4	-	-	-	27.8		
Ukraine	-	-	-	1.8	-	25.1	-	-	-	-	-	26.9		
Other Former Soviet Union	-	-	-	-	0.2	5.6	1.1	3.8	0.7	-	-	11.4		
Former Soviet Union	-	-	-	1.8	11.7	48.9	11.0	10.1	0.7	-	-	84.2		

Source: Includes data from Cedigaz, CISStat, FGE MENAgas service, IHS CERA, PIRA Energy Group.

Data compiled in the [BP Statistical Review of World Energy June 2014](#)

Top exporters to and importers from Russia

Russia's top 10 export markets, 2012

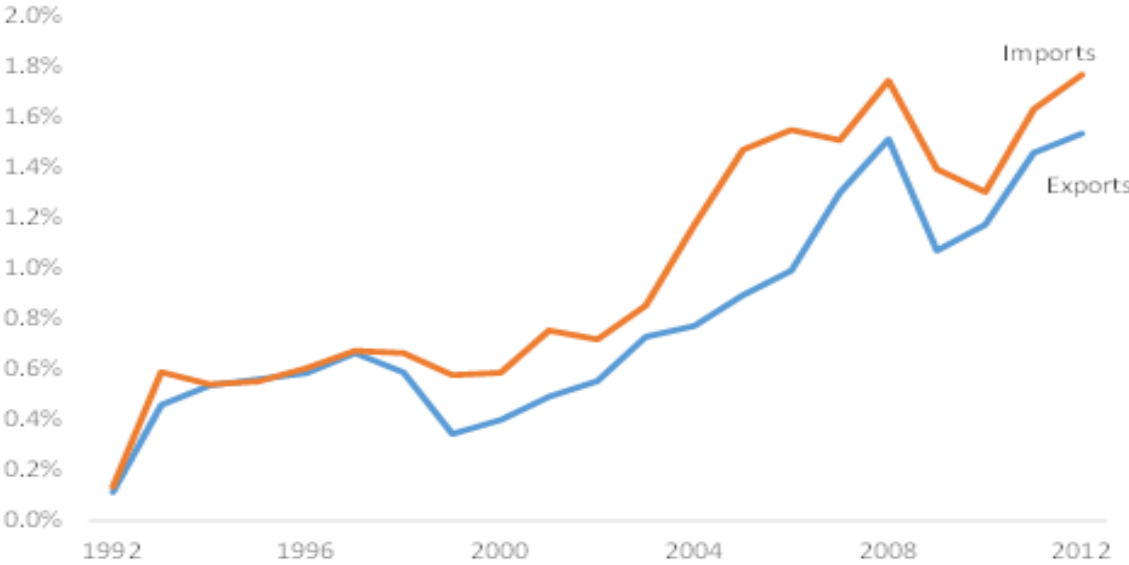
	Country	Exports from Russia, \$bn
1	Netherlands	75.8
2	China	33.6
3	Italy	27.9
4	Germany	23.4
5	Belarus	20.8
6	Poland	19.6
7	Turkey	16.0
8	Japan	15.1
9	Ukraine	13.9
10	Republic of Korea	13.8
14	UK	9.1

Source: UNCTAD trade statistics

Russia imports of goods: top 10 sources

	Country	Imports, \$ bn
1	China	49.7
2	Germany	43.8
3	Ukraine	19.0
4	Belarus	15.3
5	Italy	13.6
6	US	12.2
7	France	11.5
8	Japan	11.2
9	Republic of Korea	10.3
10	Poland	9.2
14	UK	6.9

Russia's share of UK exports and imports (Goods and services)



Source: UK Pink Book 2013, Table 9.3