

Bilateral meeting brief: Russia

Name: Maksim Oreshkin [pron. A-Resh-Kin]

Title: Minister of Economic Development

Maksim Oreshkin, 34, was appointed Russia's Minister of Economic Development in November 2016. Oreshkin was Deputy Minister of Finance 2015-16, and prior to that headed the Ministry of Finance's Strategic Planning Department. Before joining the civil service, he worked in research departments of several major Russian and international banks. Former Minister of Trade McClay met Minister Oreshkin at the meeting of APEC Ministers Responsible for Trade in May 2017.



Meeting objective

An introductory meeting with the new Russian Economic Development Minister.

s6(a)

s6(a), s6(b)(i), s6(b)(ii)

Talking points

- Welcome the opportunity to meet and note you look forward to a constructive and cooperative relationship with him.
- We value the opportunity to exchange views with Russia on international and regional developments. s6(a)
- We are keen to see a positive resolution of continuing trade access impediments affecting New Zealand dairy, beef and apple exports to Russia.
- The coalition agreement notes the government's interest in working toward FTA negotiations with the Russia/Belarus/Kazakhstan Customs Union (now the Eurasian Economic Union). s6(a), s6(e)(vi)
- s6(a), s6(b)(i), s6(b)(ii)
- You may be asked for an update on TPP.

Background

New Zealand's relationship with Russia s6(a) since Russia's annexation of Crimea in 2014 and its continuing support for the pro-Russian separatists in eastern Ukraine, who are likely to have been responsible for the shooting down of Malaysian Airlines flight MH17. In response to these violations of international norms, the US, European Union, Canada, and Australia imposed economic and financial sanctions against certain sectors of the Russian economy and on doing business with Crimea. Russia responded with its own counter-sanctions, including an embargo on agricultural imports from these countries.

2 New Zealand is unable to impose autonomous sanctions, but sharing the concern about Russian actions in Crimea and eastern Ukraine, we instigated travel bans on targeted individuals (under existing immigration legislation) and suspended FTA negotiations with the then Russia/Belarus/Kazakhstan Customs Union. The New Zealand Government also refrained from taking action to exploit Russia's agricultural embargo, and encouraged New Zealand exporters to do the same.

3 FTA negotiations with Russia and its economic partners are currently suspended. s6(a)

s6(a), s6(b)(i)

s6(a)

4 Since we suspended negotiations with the RBK Customs Union, it has been superseded by the Eurasian Economic Union, which has two additional members - Kyrgyzstan and Armenia. s6(a), s6(e)(vi)

5 Meanwhile, despite the lack of an FTA, existing trade has continued, with our dairy exports to Russia growing significantly since late 2016. Most agricultural trade, however, is constrained by sanitary and phytosanitary restrictions imposed by the Russian authorities. Restrictions dating back to 2013 continue to limit the range of products Fonterra can export, including cheese. Beef exports to Russia have been banned since February 2017, s6(a) Apple exports were blocked in July 2017 due to new phytosanitary requirements that exceed

international norms. New Zealand veterinary authorities continue to engage with their Russian counterparts on these matters, but progress is slow.

6 s6(a), s6(b)(i), s6(b)(ii)

*Europe Division
Ministry of Foreign Affairs and Trade*

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NEW ZEALAND
FOREIGN AFFAIRS & TRADE



20 November 2017

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| ▶ Minister of Foreign Affairs | For action by | 24 November 2017 |
| Minister for Trade and Export Growth | For action by | 24 November 2017 |

Russia Relationship

BRIEFING	General Purpose
PURPOSE	To provide advice about the economic and political relationship with Russia, s6(a), s6(e)(vi)

Recommended referrals

s6(a)	For information by	29 November 2017
	For information by	29 November 2017
	For information by	29 November 2017

Contact details

NAME	ROLE	DIVISION	WORK PHONE	MOBILE PHONE
Rob Taylor	Manager	Europe Division	s9(2)(a)	
Martin Harvey	Lead Negotiator	Trade Negotiations Division		

Minister's Office comments

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Russia Relationship

Key points

- The Coalition Agreement includes a commitment to “work towards a Free Trade Agreement with the Russia-Belarus-Kazakhstan Customs Union”. s6(a)

- s6(a)

- Most Western countries, including the EU, have imposed targeted financial and economic sanctions against Russia, following its annexation of Crimea and support for pro-Russian separatists. These sanctions remain in place and are tied to the full implementation of the Minsk Agreements on Ukraine. In retaliation for the sanctions, Russia imposed bans on the import of agricultural goods from those countries.
- New Zealand is unable to impose such sanctions in the absence of a UN Security Council requirement, but used other means to signal concern at Russian violation of international law. This included suspending FTA negotiations with Russia, Belarus and Kazakhstan. We also refrained from taking advantage of the Russian import bans against the EU and others.
- Our immediate FTA interests in Europe are with the EU and, when it is in a position to negotiate, the UK. s6(a), s6(b)

(In

the year to June 2017 our goods and services exports to the EU totalled NZ\$8.2 billion, while goods and services exports to Russia were NZ\$345 million.)

- At the same time, many EU member states are increasing their economic engagement with Russia, including through high level visits, while continuing to maintain sanctions against certain sectors of the Russian economy, and remaining subject to Russian import bans. s6(a), s6(b)(ii)

- s6(a) Russia has banned New Zealand beef, introduced regulations which effectively prevent apple and stonefruit exports, and maintains restrictions on certain types of dairy products.

s6(a)

Russia Relationship

s6(a)

- Russia is currently the third largest global importer of dairy products and the seventh largest importer of beef. It is implementing a policy targeting self-sufficiency in food by 2020 and is seeking to reduce imports of agricultural products.
- The Eurasian Economic Union superseded the Customs Union in 2015. Its competencies do not cover the full range of FTA interests. s6(a)

s6(a), s6(e)(vi)

s6(a)

Jeff Langley
for Secretary of Foreign Affairs and Trade

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Russia Relationship

Recommendations

It is recommended that you:

- 1 **Note** the issues that will need consideration in association with moving towards re-opening FTA negotiations with Russia and its economic partners; Yes / No
- 2 s6(a), s6(e)(vi) Yes / No
- 3 **Note** that officials continue to seek resolution of a range of trade access issues with Russia, including a ban on New Zealand beef imports, non-listing of new meat, dairy and fish establishments and restrictions on apples, stonefruit and various dairy commodities; Yes / No
- 4 s6(a), s6(e)(vi) Yes / No

Rt Hon Winston Peters
Minister of Foreign Affairs

Hon David Parker
Minister for Trade and Export
Growth

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Russia Relationship

Report

1. The Coalition Agreement notes the intention to work towards a Free Trade Agreement (FTA) with the Russia-Belarus-Kazakhstan Customs Union, which has now been subsumed into the Eurasian Economic Union. This submission provides advice on issues which will need to be addressed as part of that process.
2. Our immediate FTA focus in Europe has been the long term effort to obtain a mandate for negotiations with the European Union (EU). s6(a)
Once it is in a position to do so, we will also look to negotiate with the UK. s6(a)

s6(a)

3. s6(a)

In early 2014, Russian military forces infiltrated Crimea, a referendum was held under military occupation, and Russia subsequently declared Crimea was an integral part of Russia. Pro-Russian separatists in eastern Ukraine launched a conflict with the Ukrainian military with support, including weapons, from Russia. Sporadic conflict continues. One of the weapons systems provided by Russia is likely to have been used to shoot down Malaysian Airways Flight MH17. Some 10,000 people have died; 23,500 have been injured; and over 1.6 million people remain displaced.

4. This unilateral re-writing of part of the post-Cold War territorial settlement in Europe caused deep disquiet in Europe and among countries committed to the international rule of law. The UN Security Council was unable to consider sanctions against Russia, as Russia is a veto-holding power. The EU, US, Canada, Australia and Japan introduced economic and financial sanctions against the Russian state-owned banking, defence and oil/gas exploration sectors. They also applied visa and asset sanctions against individuals associated with destabilising Ukraine. Separate sanctions prevent business with Crimea while Russia exercises authority there.
5. All these Ukraine-related sanctions remain in place. The US has added further sanctions in respect of Russian interference in the US Presidential elections. EU sanctions are reconsidered every six months, and will next be considered later this year. The EU and US have stated that their sanctions will remain in place until Russia has met its side of the undertakings in the Minsk Agreements. These Agreements were negotiated in 2014 and 2015 and seek a political

Russia Relationship

settlement in eastern Ukraine. None of the requirements has been met to date, not even for a lasting ceasefire.

6. Russia subsequently imposed agricultural import bans on the countries which had applied sanctions against it. s6(a)

7. s6(a)

8. Trade in other goods and services outside of sanctioned areas continues and there is regular dialogue on trade (and foreign policy) matters between EU countries and Russia.

9. There has been a significant resumption of bilateral economic and trade discussions by many EU member states over the past year with Russia, s6(a), s6(b)(i)

Other EU FTA partners have either concluded agreements with Russia and its Eurasian Economic Union partners (Viet Nam) or are in negotiations (Singapore).

10. s6(a)

s6(a)

11. New Zealand cannot impose economic sanctions unless required by the UN Security Council, but we took action to signify our concern at the violation of international law and to show solidarity with like-minded partners. This included a unanimously supported motion in Parliament; support for a UN General Assembly resolution condemning Russian actions; and suspending well-advanced FTA negotiations with the then Russia-Belarus-Kazakhstan Customs Union. We also imposed travel bans, under provisions of the Immigration Act exercised by the Minister of Immigration, on certain Russian and Ukrainian individuals associated with destabilising Ukraine. The travel bans remain in place and FTA negotiations have been suspended since March 2014.

12. While New Zealand was not targeted by the Russian agricultural import bans, the Government sought to discourage New Zealand companies from

Russia Relationship

supplanting sanctioned EU and other competitors on the Russian market and refrained from proactive work to enable New Zealand companies to take advantage of this situation. s6(a)

New Zealand dairy trade was indirectly but significantly affected because of the displacement of EU product away from the Russian market to other international markets to which New Zealand exports.

13. s6(a)

14. The EU will remain a much more significant market for New Zealand. It is currently our third largest, taking around 12 percent of our total exports. Exports to Russia are around 0.6 percent of the total, s6(a)

Russia domestic setting

15. Russia's agricultural import bans have been coupled with a domestic drive for import substitution and greater self-sufficiency. Moscow's ambition is for Russia to be largely, if not fully, self-sufficient in all food products other than exotic products by 2020. The aim for dairy products is to produce 90 percent of domestic requirements. s6(a)

16. Current figures show that Russia is the third largest importer of dairy products, behind China and the US; the largest importer of butter (and New Zealand is the second biggest supplier); and the seventh largest importer of frozen beef. s6(a)

New Zealand exports to Russia: trade access problems

17. Although work on the FTA has not proceeded since early 2014, New Zealand trade has continued with Russia where circumstances have allowed. New Zealand exports to Russia experienced a marked downturn in 2014 and 2015. s6(a)

Russian restrictions on Fonterra products from 2013-2016 also had a significant impact (see below).

Russia Relationship

18. Since late 2016, dairy exports have recovered to around historically normal levels, although Russian restrictions continue to affect the dairy sector and New Zealand beef imports are currently banned.
- Total New Zealand goods exports to Russia were valued at NZ\$221 million in 2016. The main items were dairy, meat, food ingredients, fruit and fish.
 - Export of dairy products jumped from NZ\$44.9 million in 2015 to NZ\$144.9 million in 2016.

Specific trade access difficulties

19. The Russian authorities apply sanitary and phytosanitary **restrictions in excess of international norms**, and once restrictions are imposed on imports, they can prove hard to remove.
20. In 2013, the Russian veterinary authorities imposed restrictions, preventing the import of most Fonterra **dairy products** following the Whey Protein Concentrate incident (concern, proven unfounded, about botulism contamination). Russian authorities lifted some of the restrictions on Fonterra plants/products in 2016, but other restrictions remain in place and these prevent the export of Fonterra cheese to Russia. Other export products, including butter and ingredients, have seen a significant uptick over the last year. s6(a)
21. Other New Zealand meat, dairy and fish companies which were able to export to Russia have continued to do so, but some new entrants remain excluded from the market entirely. This is because the Russian veterinary authorities require a successful **Russian/EEU audit** of New Zealand's official controls of these industries. Despite repeated invitations since 2013, Russian officials have not yet scheduled a visit to New Zealand to undertake such an audit. s6(b)
22. In February 2017, **Russia banned imports of New Zealand beef and beef offal**, because of claims that banned substances had been detected in some consignments. s6(a)
23. **Restrictions also affect some exports of fish products and the export of apples and stonefruit** is affected by new phytosanitary regulations effectively preventing their export to Russia.
24. Progress is slow in resolving these issues s6(a)

Russia Relationship

s6(a)

The Eurasian Economic Union

25. The Eurasian Economic Union (EEU) superseded the Russia-Belarus-Kazakhstan Customs Union in January 2015. It has five members: in addition to the Customs Union members it also includes Armenia and Kyrgyzstan s6(a)

26. The EEU has already signed an FTA with Viet Nam, is currently negotiating with Singapore, Israel, Serbia and Iran, and is close to concluding an economic cooperation agreement with China. s6(a), s6(b)(i)

s6(a)

27. s6(a)

28. s6(a), s6(e)(vi)

29. s6(a), s6(e)(vi)

Russia Relationship

s6(a), s6(e)(vi)

- s6(a), s6(e)(vi)

- s6(a), s6(e)(vi)

- s6(a), s6(e)(vi)

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