



69th ANNUAL SESSION

6-9 OCTOBER 2023

ECONOMICS AND SECURITY COMMITTEE (ESC) MEETING SUMMARY AND ATTENDANCE LIST

SUNDAY 8 OCTOBER
CONFERENCE ROOM D5

BELLA CENTER
COPENHAGEN, DENMARK

I. Opening remarks by Philippe FOLLIOT (France), ESC Chairperson

1. The Chairperson **Philippe Folliot (FR)** thanked the Danish delegation for hosting the 2023 Annual Session in Copenhagen.
2. Mr Folliot provided a short overview of the agenda and outlined the procedures for the Committee meeting.

II. Adoption of the draft agenda [140 ESC 23 E]

3. The draft agenda [140 ESC 23 E] was adopted.

III. Adoption of the [Summary](#) of the previous Committee meeting [175 ESC 23 E]

4. The Summary [175 ESC 23 E] was adopted.

IV. Presentation on *The State of Russia's Wartime Economy and the Impact of Sanctions* by Janis KLUGE, Deputy Head of Research Division, German Institute for International and Security Affairs (SWP)

5. **Janis Kluge** spoke on the state of Russia's wartime economy and the impact of sanctions. He noted that studying the Russian economy has become increasingly challenging due to economic turbulence, restrictions on economic data and the unreliability of statistics. Simultaneous economic shocks are further muddling the picture. These include a commodities boom, economic sanctions, and Russia's rapid transition to a wartime economy. After undergoing a significant decline during the pandemic, Russia's economy is now slated to rebound 2% GDP growth in 2023, potentially offsetting sanctions driven losses last year.

6. Mr. Kluge suggested that it is important to consider an alternative scenario in which sanctions were not imposed. He called this a 3% growth scenario or a situation in which the Russian economy would have grown at a rate 5% higher than it did with sanctions. While sanctions have not been airtight, they have nonetheless inflicted significant economic damage. The speaker noted, for example, that Russian car production has taken a substantial hit and confronts a challenging path to recovery. These losses, however, have been compensated by growth in other sectors. For instance, Russian military industry is booming and has become an engine of job creation. Russian revenues are now rising as the impact of an externally imposed oil price cap is diminishing. Mr. Kluge noted, however, that rising trade deficits have stuck the rouble and stoked inflation. This is a critical metric as Russia's capacity to finance the war requires it to keep a lid on inflation. He concluded that Russia's economic fundamentals remain intact, but the risks it faces are rising. The government has committed to increase military. The Kremlin has so far managed to silence its critics, but pressures from Russian society could rise if economic conditions worsen.

7. **Philippe Folliot (FR)** asked about the impact of sanctions that were imposed before Russia launched the war. Mr. Kluge answered that these sanctions were not particularly impactful and in retrospect, provided an opportunity for Russia to build a resilient payment system that strengthened its capacity to counteract the impact of sanctions. **Mikko Savola (FI)** asked about the influence of China in Russia. The speaker responded that China has thrown an economic lifeline to Russia, providing it with the technologies and goods that it can no longer source in the West. China, however, has not made any long term commitments and is most interested in maintaining its export markets. **Alun Cairns (UK)** noted that Saudi Arabia and Russia have agreed to cuts oil production and asked about the impact. The speaker noted that Russian output cut had not been cut voluntarily but rather was a consequence of the embargo against its oil exports. OPEC production cuts have provided a lifeline to Russia as has its capacity to circumnavigate sanctions. **Rich McCormick (US)** asked

about food security and labour shortages. The speaker replied that food security is not currently a huge problem in Russia. The shortage of labour and strain of the population has had instead a big impact. Russia however receives migrant workers coming from post-soviet countries, compensating for the labour shortages in low skilled jobs. **Cristian Bordei** (RO) asked about Russian gas production and sales. Mr. Kluge noted that gas production has declined but not precipitously. Future sanctions, he added, should clarify the impact proposed measure are intended to have on the Russian economy. **Philippe Folliot** (FR) commented that the situation Mr. Kluge had is deeply worrying. **Nicole Durantou** (FR) asked which sanctions had been most impactful. The speaker answered that it is important to consider both immediate and longer term effects. Financial sanctions create disruptions and have immediate psychological effects but can be quickly overcome. Export controls have had a stronger impact in slowing production and growth. **Paolo Marcheschi** (IT) asked about measures to counter Russia's capacity to circumvent sanctions. The speaker noted that private companies have a key role to play in carrying out sanctions, and international cooperation is also essential. **Faik Oztrak** (TR) asked if there were reliable data available on the Russian economy. Mr. Kluge responded that it is essential to look for different data sources to acquire a comprehensive picture. **Jüri Ratas** (EE) enquired about the possible effects of a more robust EU sanctions. The speaker responded that a more ambitious EU agenda would have had a greater economic impact on Russia but also on Member States. **Anne Genetet** (FR) asked whether companies should stay in Russia or leave the country and enquired about the trend in this regard. Mr. Kluge answered that most Western companies had not left countries, although the most important ones generally had. **Bart Kroon** (NL) commented on the EU's dependence on Russian agricultural products. Mr. Kluge noted that for reputational and food security reason, the EU should not sanction food and agricultural products. **John Spellar** (UK) asked about Russian dependence on western technologies and energy service firms. The speaker answered that while major oil service providers are leaving, this would not mean that Russia would lose access to Western technologies. **Carlos Rojas** (ES) asked about Russian data. Mr. Kluge replied that it is important to review trade data from various sources including data from its trading partners.

V. Consideration of the Draft General Report [Russia's War on Ukraine and Transatlantic Energy Security Challenges](#) [023 ESC 23 E rev.1], presented by Harriett BALDWIN (United Kingdom), General Rapporteur

8. **Harriet Baldwin** (UK) opened her remarks by introducing a correction to paragraph 51 of the report. She then reviewed the security, economic and energy fallout from Russia's war on Ukraine. Russia's weaponisation of energy has destroyed its reputation as a dependable supplier. She noted that NATO allies have isolated Russia with unprecedented sanctions including limits on Russian energy imports. She noted that several NATO member countries continue to import Russian LNG.

9. Ms. Baldwin recognised the challenges linked to moving away from Russian energy. Europe is currently facing high gas prices and increased vulnerability to supply disruptions. Shifting demand patterns have increased volatility across energy markets. Market uncertainty and high prices struck the real economy and allied energy solidarity must be maintained, she argued.

10. **Neal Patrick Dunn** (US) enquired about energy security and the transition to renewable energy sources. Ms. Baldwin noted that energy security is ultimately a national responsibility and noted that allied governments have adopted different approaches. **Malahat Ibrahimgizi** (AZ) thanked the rapporteur for considering suggestions from the Azerbaijan delegation. **Derk Boswijk** (NL) noted that wind energy has not been sufficient to replace Russian gas and for this reason nuclear energy must be part of the energy mix. Ms. Baldwin agreed and stressed the need to increase connectivity. **Cristian Bordei** (RO) argued that the transition to renewable energy must go hand in hand with reducing dependence on China for critical minerals needed to generate renewable energy. He agreed that investment in nuclear energy must remain a priority. Ms. Baldwin noted that the critical material dilemma should not stop allied countries from pursuing the renewable energy development and noted that there are similar challenges in the nuclear sector. **Alun Cairns** (UK) asked about the gas storage challenges. The rapporteur commented that ensuring adequate gas

storage remains critical to ensuring resilience. **Carlos Rojas** (ES) enquired about the challenge of transitioning to renewable energy without relying on Russian gas, particularly if nuclear plants are shut down. The rapporteur stressed the importance of nuclear energy as a backup to renewable energy sources. **Isabelle Santiago** (FR) noted that while allies need to refrain from using Russian LNG, they must be when increasing imports from other suppliers such as Azerbaijan. Ms. Baldwin said that there are a range of potential suppliers available. **Alberto Losacco** (IT) asked about initiatives to solve trade tensions arising out of the crisis with the aim of ensuring closer transatlantic cooperation. Ms. Baldwin replied that enhanced transatlantic trade cooperation is essential to enhancing security and encouraged members to encourage governments to advance this particular agenda.

11. **The draft report [023 ESC 23 E rev.1] was adopted.**

VI. Presentation on *The Russian War Against Ukraine: A View from the Frontline* by **Maksym SUPRUN, Commander of the 66th Mechanised Brigade (2022-2023), Ukrainian Armed Forces**

12. Maksym Suprun provided a frontline perspective of Russia's war against Ukraine. The speaker noted that Russia's ambition to destroy the Ukrainian state remains unchanged. It seeks control over Donetsk, Luhansk, the land corridor to Crimea, and the Azov Sea. Mr. Suprun then shared his personal experience in the war including the defence operations his brigade conducted under enemy fire. The most complicated task, he noted, was to coordinate operations across units and to combine defensive and offensive operations.

13. Mr. Suprun then discussed several frontline challenges. These include the insufficiency of modern anti-tank weapons, the enemy's wide employment of surveillance UASs, its superiority in Electronic Warfare Capabilities, the resilience of its personnel, and ammunition shortages. Moreover, the Russian military has quickly adapted to new challenges. **Yehor Cherniev** (UA) stressed that Ukrainians have adapted very well to changing battlefield conditions and have high moral. He showed a video of a small Ukrainian unit destroying 25 Russian tanks using anti-tank missiles. **Philippe Folliot** (FR) also noted that allies must continue to supply weapons and ammunition to the Ukrainian Armed forces. The chair shared his experience visiting the Ukrainian frontline and meeting soldiers.

14. **Tom Vandenkendelaere** (EP) asked about the challenges of adapting to the equipment and systems provided by the international community. Mr. Suprun said that this has not posed a great problem. Cristian Bordei (RO) asked about the importance of the Starlink system for Ukrainian forces to continue the offensive, and whether Russia is able to equip its soldiers with effective military equipment. The speaker stressed that the Starlink system is essential. Yehor Cherniev (UA) noted ongoing challenges in equipment and artillery production said that Ukraine is asking for help from partner countries. **Anne Genetet** (FR) thanked the speaker for his testimony and asked whether the equipment and training offered can be improved to increase efficiency. Yehor Cherniev (UA) noted that the number one priority is the acquisition of artillery shells which are needed on a daily basis. **Nicole Durantou** (FR) asked what messages parliamentarians can convey to their governments to help Ukraine. The speaker answered that the crucial need is to increase equipment quantity. **Rebecca Patterson** (CA) enquired about the need for medical support. Mr. Cherniev (UA) agreed that this too is needed.

VII. Summary of Committee and Sub-Committee Activities for 2024

15. **John Spellar** (UK), Chairman of the Sub-Committee on Transatlantic Economic Relations (ESCTER), thanked the Danish delegation and Faik Oztrak for his long service to the Committee and for his report. In 2023, the ESCTER visited Washington, D.C., Virginia, and Maryland with members of the Science and Technology Committee's Sub-Committee on Technology Trends and

Security (STCTTS). This coming November the Sub-Committee will travel to Canberra and Sydney, Australia, with members of the Political Committee's Sub-Committee on NATO Partnerships (PCNP). The topic of the report for 2024 is tentatively entitled *Building a Values Based Transatlantic Economic and Strategic Partnership with Asia*. The Sub-Committee would join the Political Committee on two visits to Japan, and the United States.

16. **Alun Cairns** (UK), Chairman of the Sub-Committee on Transition and Development (ESCTD), thanked the Copenhagen hosts, Michal Szczerba for his report, and the Polish delegation for hosting the ESCTD together with the Political Committee's Sub-Committee on Transatlantic Relations (PCTR) in Poland earlier this year. He also thanked the Swedish delegation for hosting the Autumn Rose-Roth Seminar to which members of the Sub-Committee will participate at the end of October. The report for 2024 will look at Russia's wartime economy. The chairman thanked the Estonian delegation for their willingness to host the Sub-Committee in 2024. The Sub-Committee will also participate in a Rose Roth Seminar. **Jüri Ratas** (EE) welcomes the Sub-Committee in Estonia.

VIII. Consideration of the draft Report of the Sub-Committee on Transatlantic Economic Relations Rebuilding Transatlantic Economic Relations and Resilience [025 ESCTER 23 E rev.1], presented by Faik OZTRAK (Türkiye), Rapporteur

17. **Faik Oztrak** (TR) presented several developments that are key to rebuilding transatlantic economic relations and resilience. He noted that the global economy is undergoing a series of paradigm shifts that are not easy to manage. One consequence is the rise of protectionist forces in Western societies and the increasing importance given to security in the global economic order. The challenge now is to balance security against the benefits of the global economy, he argued.

18. Mr. Oztrak suggested that de-risking rather than decoupling offers the best approach to trade with China as it is more targeted and realistic. But this could become an area of transatlantic friction. China will remain a key global economic player although predictions that it stands to dominate the global economy are overblown. Nevertheless, decoupling from China would be far more costly than isolating Russia and the situation today does not require decoupling. The rapporteur stressed the importance of upholding democratic and liberal trading values and a rules-based order despite the challenges posed by China and Russia. Governments, however, must strike a new balance between security and free trade liberalism.

19. Jüri Ratas (EE) asked about the trajectory of cybersecurity and data security within transatlantic relations. Mr. Oztrak emphasised the necessity of finding a balance between free and security-oriented trade while underscoring the role of established rules and shared values in this context. Cristian Bordei (RO) commented on the possibility of relaunching the TTIP. The rapporteur stressed the importance of greater trans-Atlantic cooperation.

20. **The draft report [025 ESCTER 23 F rev.1] was adopted unanimously.**

IX. Consideration of the draft Report of the Sub-Committee on Transition and Development Towards the Reconstruction of Ukraine [024 ESCTD 23 E rev.1], presented by Michal SZCZERBA (Poland), Rapporteur

21. **Michal Szczerba** (PL) argued that allies need to launch an intensive discussion about Ukraine's reconstruction. Humanitarian and economic support is crucial to ensure that Ukraine prevails, reclaims its occupied territories and seizes the opportunity to 'build back better'. He noted that the reconstruction of Ukraine will require unprecedented funding and collective and coordinated efforts among the multiple donors to avoid bottlenecks and delays.

22. While Ukraine's government and civil society must remain the primary agents of the reconstruction, the international community will provide economic, humanitarian and military support. Mr. Szczerba stressed the importance of burdensharing to allocate tasks based on the partners' skills, experience and resources. The report asserts that Russia will have to compensate for the damage it has inflicted and will be held accountable for war crimes and the damage it has inflicted. The rapporteur suggested that the integration of Ukraine in the Euro-Atlantic institutions would both reinforce Ukraine's resilience and build greater security across Europe.

23. Alun Cairns (UK) asked about using resources seized from Russia. He argued that this should be done as soon as possible. The rapporteur concurred and shared his plan to go to Kyiv to monitor the situation. **Donna Dasko** (CA) asked about the seizure of Russian state and individual assets. Mr. Szczerba said that he did not have comprehensive updated information on countries' actions and noted that different countries have different legal structures for dealing with this challenge. Yehor Cherniev (UA) stressed the importance for Ukrainians that reconstruction begin now. The rapporteur agreed.

24. **The draft report [024 ESCTD 23 E rev.1] was adopted unanimously.**

X. Consideration of the draft resolution [Towards the Reconstruction of Ukraine](#) [158 ESC 23 E], presented by Michal SZCZERBA (Poland), Rapporteur

25. Michal Szczerba introduced the draft resolution of the Committee. 17 amendments were submitted. The Committee then considered and voted on the proposed amendments.

26. **The draft resolution [158 ESC 23 E] was adopted unanimously, as amended.**

XI. Election of Committee and Sub-Committee Officers

27. The Committee and Sub-Committee officers eligible for re-election were re-elected by acclamation. The following officers were elected:

Economics and Security Committee

Chairperson **Faik OZTRAK** (TK)
 Vice-Chairpersons **Alberto LOSACCO** (IT)
Anne GENETET (FR)

Sub-Committee on Transition and Development

Vice-Chairpersons **Cristian BORDEI** (RO)
Mikko SAVOLA (FI)
 Rapporteur **Tamas HARANGOZO** (HU)

Sub-Committee on Transatlantic Economic Relations

Rapporteur **Neal Patrick DUNN** (US)

Ukraine-NATO Interparliamentary Council

Alternate Member **Adriano PAROLI** (IT)

28. **John Spellar** (UK) Thanked the Chair for his service to the Committee and to the NATO PA.

XII. Closing remarks

29. The Chairperson thanked the Danish delegation, rapporteurs, speakers, and staff of the NATO PA and then announced the next meeting of the Committee would take place in Brussels in February

at the Joint Committee meetings. The Chairperson closed the meeting of the Economics and Security Committee.

ATTENDANCE LIST

- Committee Chairperson** **Philippe FOLLIOT (France)**
(Centrist Union Group)
- General Rapporteur** **Harriett BALDWIN (United Kingdom)**
(Conservative)
- Rapporteur of the Sub-Committee on Transatlantic Economic Relations**
Faik OZTRAK (Türkiye)
(Republican People's Party)
- Rapporteur of the Sub-Committee on Transition and Development**
Michal Roch SZCZERBA (Poland)
(Civic Coalition)
- Secretary General of the NATO PA**
Ruxandra POPA

MEMBER DELEGATIONS

- Albania **Bardhyl KOLLÇAKU**
(Socialist Party)
- Bujar LESKAJ**
(Democratic Party)
- Xhemal QEFALIA**
(Socialist Party)
- Belgium **Annick PONTHER**
(Vlaams Belang)
- Bulgaria **Atanas ZAFIROV**
(BSP for Bulgaria)
- Canada **Rachel BLANEY**
(New Democratic Party)
- Donna DASKO**
(Independent Senators Group)
- Cheryl GALLANT**
(Conservative)
- Rebecca PATTERSON**
(Canadian Senators Group)
- Croatia **Stjepan KOVAC**
(Social Democratic Party)
- Denmark **Jesper PETERSEN**
(Social Democratic Party)
- Estonia **Jüri RATAS**
(Centre Party)
- Finland **Tomi IMMONEN**
(The Finns Party)

	Mikko SAVOLA <i>(Finnish Centre Party)</i>
France	Nicole Monique DURANTON <i>(Rally of Progressive and Independent Democrats Group)</i>
	Anne GENETET <i>(Renaissance)</i>
	Isabelle SANTIAGO <i>(Socialists and affiliates (members of the NUPES inter-group))</i>
Hungary	Tamas HARANGOZO <i>(MSZP - Hungarian Socialist Party)</i>
Iceland	Andrés Ingi JÓNSSON <i>(Pirate Party)</i>
Italy	Stefano BORGHESI <i>(League-Salvini Premier)</i>
	Alberto LOSACCO <i>(Democratic Party – Democratic and Progressive Italy)</i>
	Paolo MARCHESCHI <i>(Brothers of Italy)</i>
	Adriano PAROLI <i>(Forza Italia-Berlusconi for President)</i>
Lithuania	Vytautas BAKAS <i>(Political Group of Democrats "For Lithuania")</i>
Netherlands	Derk BOSWIJK <i>(Christian Democratic Appeal)</i>
	Bart KROON <i>(Farmer Citizen Movement (BBB))</i>
	Randy Oswald MARTENS <i>(Social Democrat)</i>
North Macedonia	Antonijo MILOSHOSKI <i>(VMRO-Democratic Party for Macedonian National Unity)</i>
Norway	Per Martin SANDTROEN <i>(Centre Party)</i>
Portugal	Dora BRANDAO <i>(Socialist Party)</i>
Romania	Cristian BORDEI <i>(Save Romania Union)</i>
	Attila LASZLO <i>(Democratic Alliance of Hungarians in Romania)</i>
Slovenia	Ales REZAR <i>(Svoboda)</i>
Spain	Guillermo MARISCAL <i>(People's Party)</i>
	Carlos ROJAS <i>(People's Party)</i>
Türkiye	Mevlut KARAKAYA <i>(Nationalist Movement Party)</i>

United Kingdom	Alun CAIRNS <i>(Conservative)</i> John SPELLAR <i>(Labour Party)</i>
United States	Neal Patrick DUNN <i>(Republican)</i> Rich MCCORMICK <i>(Republican)</i>

ASSOCIATE DELEGATIONS

Armenia	Andranik KOCHARYAN <i>(Civil Contract Party)</i>
Austria	Hubert FUCHS <i>(Freedom Party)</i>
Azerbaijan	Kamran BAYRAMOV <i>(New Azerbaijan Party)</i> Malahat IBRAHIMGIZI <i>(New Azerbaijan Party)</i> Elshan MUSAYEV <i>(Independent)</i>
Serbia	Dejan RADENKOVIC <i>(Ivica Dacic - Socialist Party of Serbia)</i>
Switzerland	Thomas MINDER <i>(No Party)</i>
Ukraine	Yehor CHERNIEV <i>(Servant of the People)</i>

EUROPEAN PARLIAMENT

European Parliament	Tom VANDENKENDELAERE <i>(Group of the European People's Party (Christian Democrats))</i>
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REGIONAL PARTNERS AND MEDITERRANEAN ASSOCIATES

Algeria	Mohamed Faouzi BENDJABALLAH <i>(Front El Mostakbal)</i> Ayoub HAMMAD <i>(Independents)</i>
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SPEAKERS

Maksym SUPRUN Commander of the 66th Mechanised Brigade (2022-2023), Ukrainian Armed Forces
Janis KLUGE Deputy Head of Research Division, German Institute for International and Security Affairs (SWP)

INTERNATIONAL SECRETARIAT

Director	Paul COOK
Coordinator	Karen WALKER-LOVE
Researcher	Pilar Maria BOLOGNESE