
EU LEADERS TO CONSIDER HOW TO IMPROVE RUSSIA TIES WITHOUT DROPPING SANCTIONS

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European Union leaders will explore next month the possibility of improving strained ties with Russia in response to growing irritation among some member states over economic sanctions imposed on Moscow over its role in the Ukraine crisis.

But the sanctions appear likely to remain in place for now, especially those slapped over Crimea, the Black Sea peninsula seized by Russia in March 2014, despite the legal and political challenges of maintaining them.

A series of Reuters investigations recently showed how European companies including German retailer Metro and France's Auchan were doing business in Crimea despite the punitive sanctions regime there.

EU leaders will review the state of relations with Russia at a summit on Oct. 20-21, with the hawks' camp weakened by Britain's decision to leave the bloc and by increased strains between Brussels and Poland's nationalist-minded government.

Countries skeptical about extending sanctions include Italy, Greece, Cyprus, Slovakia and Hungary. They are keen to return to doing business with Russia, the EU's main gas supplier, not least to help offset Europe's sluggish economic growth.

"It will be increasingly difficult to go on extending the sanctions. But this could be done if the key skeptics are convinced that there are other elements in the EU's policy on Russia, not just sanctions," said a senior EU official.

"There will be those who want to lower the bar for Russia, give a signal that if only Moscow makes

a little move, the EU would want to normalize the situation a bit. Then there will be those who want to raise the bar," a second EU official said.

"Eventually we'll stay more or less where we are. The advantage of those who want easing is that you need unanimity to extend sanctions. But no one wants to be alone in blocking (an extension). It would be different if a few of them came out together."

"MUTUAL INTERESTS"

The EU first imposed sanctions after Russia seized Crimea following a Western-backed uprising against a pro-Russian leader in Kiev. It then widened the sanctions over Moscow's backing for rebels battling Kiev's forces in eastern Ukraine in a conflict that has killed more than 9,500 people since April 2014.

The sanctions include travel bans and asset freezes on people and entities; curbs on energy, financial and defense dealings with Russia and limits on doing business in Crimea.

But in a sign of how difficult it is proving to implement the measures, a recent Reuters report showed that products for sale in the Crimean stores of Metro and Auchan were being shipped there from Russia via a ferry and port that are subject to the EU sanctions. Both retailers said they were not violating the sanctions because the stores are operated by their Russian subsidiaries, which are not subject to the EU sanctions.

Reuters also revealed in August that a Russian power-plant builder bought turbines from a joint venture of German engineering group Siemens and had them earmarked for Crimea.

The company since said it would sell them elsewhere and there was no suggestion that Siemens knew of or condoned the planned transfer of its turbines to Crimea.

Italy has urged a thorough EU debate on sanctions instead of allowing a technical extension every six months. The economic sanctions are next due to be extended in late January.

States less friendly towards Russia increasingly accept that some concessions may be needed to maintain unanimous backing for sanctions.

"We do need to talk about our mutual interests with Russia but remain united on sanctions," said one such diplomat.

Germany, the EU's biggest economy, backs this approach. But with distrust between Brussels and Moscow running high, it will be tough to make progress even in areas where they have shared interests such as fighting terrorism or drug-trafficking.

Other ideas for improving ties include encouraging more international cooperation. But deep disagreements between Russia and the West over Syria highlight the difficulties here.

Further out, it seems all but impossible that the EU and Russia will be able to hammer out an accord over Crimea. Russia says it will never return the peninsula to Ukraine while the West refuses to accept its annexation.

Meanwhile, EU officials say they are aware of cases of European companies exploiting legal gray areas to continue doing business in Crimea but said this did not undermine the wider sanctions policy.

"Throughout history we see surreptitious ways of busting sanctions," said an EU official who deals with Russia. "But the key ones are the economic sanctions and the most important objective is keeping unity on that."

Kaynak/Source: