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## Issue Brief

*(Views expressed in the brief are those of the author, and do not represent those of ISSI)*

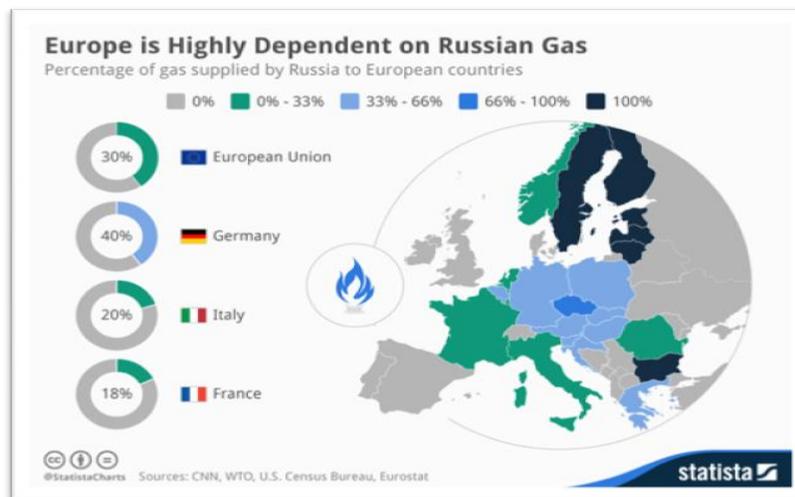
# Anti-Russian Sanctions: Emerging Rift between Europe and the US

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Russia is a key player in the Eurasian continent due to its enormous potential in petroleum industry: it is one of the largest oil exporter and natural oil producers in the world. The instrumental US partner, the European Union (EU) is highly dependent on Russian oil and gas. While trying to manage its relations with the old rivals, the EU often gets into a fix whenever it is caught between the desire to appease the US by complying to anti-Russian-sanctions, and the need to please its industrialist by capitalizing on cheap oil and gas from Moscow. At present, such a moment is upon the EU.



**Source:** Niall McCarthy, "Europe is highly dependent on Russian gas", *Statista*, July 23, 2014. <https://www.statista.com/chart/2485/europe-is-highly-dependent-on-russian-gas/>

In August 2017, the American House of Representative and Senate approved the anti-Russian sanctions bill with an overwhelming majority for imposing punitive measures on a range of Russian interests and businesses for its alleged interference in the elections and invasion of Crimea.<sup>1</sup>The bill is a continuation of the EU and US sanctions on Russia after it invaded Crimea in 2014. The new sanctions can stagnate Russian economy in the long-run since it limits foreign investment and aims at isolating the Kremlin from the international capital market. Consequently, these developments will reduce Russian gross domestic product (GDP). Russian energy export will also be crippled, especially of natural gas, as it bans all the companies involved in Russian gas pipeline project Nord Stream 2.

<sup>1</sup> KrishnadevCalamur, "Ignore, but sanctions: the Trump administration's strange Russia policy", *The Atlantic Daily*, August 2, 2017. <https://www.theatlantic.com/international/archive/2017/08/tillerson-russia/535686/>

However, this time Europe is critical of the sanction because of \$3.2 billion loss per month, according to a report by UN special rapporteur, Idriss Jazairy.<sup>2</sup> President European Commission, Jean-Claude Juncker also warned the US of the financial damage of the sanctions. He conveyed his concerns in an assertive manner, “*America First* cannot mean that Europe’s interests come last. We must defend our economic interests vis-à-vis the United States, and we will do that. European interests should be taken into account when it comes to the application of restrictive measures by Washington.”<sup>3</sup> Juncker’s calling for retaliatory measures was nothing like Europe’s usual business with the US. Anyhow, the fact remains that Europe did not rejoice. Yet, as an act of compliance, on September 14, 2017, the EU extended anti-Russian sanctions for another six months and blacklisted Russian nationals and entities which were involved in the Ukrainian Crisis.<sup>4</sup>

Unlike the previous sanctions imposed on Russia after the annexation of Crimea in 2014, the new round of sanctions bans the export of oil and gas from Moscow. So, the EU-US tussle stems from the disagreement on the implementation of the Minsk Agreements. Minsk II Agreement, the peace deal between Russia, Ukraine and the pro-Russian separatists, was signed in February 2015 for ceasing hostilities in the Eastern Ukraine. The agreement was instrumental in bringing peace to the region which remains heavily militarized. Also, the proposed political reforms, such as holding elections, have still not been introduced. The United States intends to fully implement the agreement first and only then the sanctions will be lifted. On the contrary, from EU’s perspective, now that ceasefire in Ukraine has taken place, the sanctions should be lifted. Moreover, it views its oil and gas trade with Russia as a purely economic venture which should not be curtailed by the sanctions.

Austria and Germany opposed the sanctions, and France went on to the extent of calling the international legality of the sanction-bill in question.<sup>5</sup> German Foreign Minister, Sigmar Gabriel demanded that EU should take serious initiatives for lifting Russian sanctions because a ceasefire has

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<sup>2</sup> “Anti-Russian sanctions cost Europe \$100 bn – UN special rapporteur”, *RT*, September 13, 2017. <https://www.rt.com/business/403209-sanctions-russia-eu-billon-losses/>

<sup>3</sup> “EU ready to respond to anti-Russian sanctions: Juncker”, *PressTV*, August 3, 2017. <http://www.presstv.ir/Detail/2017/08/03/530556/EU-JeanClaude-Juncker-US-antiRussia-sanctions>

<sup>4</sup> “EU extends sanctions against Russia for six more months”, *Ukrinform*, September 14, 2017. <https://www.ukrinform.net/rubric-economy/2305390-eu-extends-sanctions-against-russia-for-six-more-months.html>

<sup>5</sup> Natalie Nougredé, “As the US and EU square off over Russian sanctions, only Putin can win”, *The Guardian*, 31 July, 2017. <https://www.theguardian.com/commentisfree/2017/jul/31/europe-us-russia-sanctions-putin-washington-eu-donald-trump>

been established in Donbass, Ukraine.<sup>6</sup> He put across the option of engaging with Moscow in a constructive manner, “It’s unrealistic to think that first the Minsk Agreements must be implemented before the removal of sanctions...We need to restart the policy of detente with Russia. The Russians opened the door slightly, so we shouldn’t slam it shut immediately.”<sup>7</sup>

This time, the US sanctions on Russia exposed the divide within Europe, which was hard to gloss over. Central and Eastern Europe, especially Poland, support the sanctions, but the energy firms of Western Europe hard press their governments to pursue business with Russian oil and gas industry. Here, the Nord Stream 2 gas pipeline project becomes the bone of contention, which Russia is building, in parallel with Nord Stream 1 gas pipelines, across the Baltic Sea into Germany with the financial support of German, French, Russian and other European companies.

**Map: Nord Stream 2**



**Source:** Jeremy Maxie, “Mounting political risks threaten Russia’s new European gas pipeline”, *Forbes*, March 27, 2016. <https://www.forbes.com/sites/jeremymaxie/2016/03/27/mounting-political-risks-threaten-russias-new-european-gas-pipeline/#2a52b168535d>

Eastern and Central Europe oppose Nord Stream 2 because it undermines Ukraine which pipes a major chunk of Europe’s gas. The US bill restricts the progress of the project which hurts Germany’s economic interests. Brussels wants the US to take the gas pipeline project as a purely commercial endeavor. After Trump’s presidency and Brexit, Europe is thinking of standing up for itself, and this rift was apparent recently on many issues such as trade and climate change. However, the rift grew wider on the issue of

<sup>6</sup> “Donbass truce first step towards lifting anti-Russian sanctions – German top diplomat”, *Tass*, September 19, 2017. <http://tass.com/world/966345>

<sup>7</sup> Ibid.

anti-Russian sanctions and would continue for some time as it emerges from a clash of ideological interests.

Shared ideologies – liberalism, democracy, human rights and globalization – are the foundation of the relations. With Trump’s presidency, this very foundation has been eroding. His first trip to Europe is remembered for his sketchy understanding of the EU-US equation and for his body-language when meeting with the European leaders. His dealings with the bloc on the critical issues such as free trade, climate change and humanitarian values worsened the relations. The French President stood up for the Paris Climate Agreement and harshly criticized Trump’s policies.<sup>8</sup> The British Prime Minister, Theresa May vehemently objected the way Trump dealt with the violence in Charlottesville. These developments left Europe shaken and the leaders started looking for alternatives. Post-G20 Summit, the situation deteriorated and the German Chancellor, Angela Merkel suggested that Europe cannot fully rely on its overseas allies, so, Europeans must take their fate into their hands.<sup>9</sup> She went even further and said, “Germany and China are better placed to solve world’s problems.”<sup>10</sup> Now, with the disagreement on the sanctions, the rift is only growing wider.

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<sup>8</sup> Tome Batchelor, “ Paris agreement: Macron says climate deal will not be renegotiated despite Trump’s demand”, *Independent*, September 19,2017. <http://www.independent.co.uk/news/world/politics/paris-agreement-trump-macron-climate-deal-renegotiated-france-says-no-a7956036.html>

<sup>9</sup> Greg Topo, “Post-summit, Merkel Europe says must take our fate into our own hands’, *USA Today*, May 28,2017. <https://www.usatoday.com/story/news/2017/05/28/merkel-europe-fate-self-reliant/102273210/>

<sup>10</sup> Geir Moulson, “G-20 summit: Europe can no longer rely on US under Donald Trump’s leadership, says Angela Merkel”, *Independent*, July 6, 2017. <http://www.independent.co.uk/news/world/europe/g20-summit-latest-angela-merkel-donald-trump-europe-us-relations-germany-china-a7826421.html>