

Severity of New EU Sanctions Will Depend on Netherlands

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(L-R) Britain's Prime Minister David Cameron, Portugal's Prime Minister Pedro Passos Coelho, Germany's Chancellor Angela Merkel and Finland's Prime Minister Alexander Stubb attend an European Union leaders summit in Brussels July 16, 2014.

For all the tough talk, Europe is not likely to punish Russia over last week's downing of an airliner over Ukraine beyond speeding up the imposition of already agreed individual sanctions when the bloc's foreign ministers meet on Tuesday.

The severity of future EU sanctions could depend on the Netherlands, which suffered the greatest loss of life when the Malaysia Airlines flight was brought down.

U.S. President Barack Obama has piled pressure on Europe for a more forceful response and the three leading EU powers — Britain, France and Germany — said they should be ready to ratchet up sanctions.

Britain, in particular, said it was willing to suffer the economic consequences.

But diplomats said Tuesday's meeting was not expected to go further than agreeing on companies and people to be hit with asset freezes under a more aggressive framework agreed last week. Previously, they had only said they would decide on the list by the end of July.

Several diplomats said moving towards more sweeping economic sanctions could only be decided by heads of government. The attitude of the Netherlands, which lost 193 people in the incident, would be critical, diplomats said.

The next scheduled summit of EU leaders is on Aug. 30, although EU members could call for another emergency meeting.

"The impulse must come from The Hague because they have the moral mandate to demand a resolute, firm reaction. Everything depends on that," one EU diplomat said on condition of anonymity.

"I think the events will serve to speed up sanctions, but as long as no new European council (of leaders) is called, ministers cannot go further even if they want to," another EU diplomat said.

Proof?

A summit of EU leaders on July 16, the day before the airliner was shot down, agreed the EU would sanction Russian companies that help to destabilize Ukraine and block new loans to Russia.

The wording was deliberately vague as the meeting agreed to target "entities, including from the Russian Federation, that are materially or financially supporting actions undermining or threatening Ukraine's sovereignty."

The U.S. and its allies have blamed pro-Russian rebels and Moscow itself over the downing of the plane. Russia has denied involvement.

Speaking in parliament on Monday, Dutch Prime Minister Mark Rutte said the EU would impose further sanctions on Russia if it were proved that Russia was directly or indirectly responsible for bringing the plane down.

His words cast doubt over whether the disaster would prove to be a turning point for international pressure to resolve the crisis in Ukraine, which has killed hundreds since pro-Western protests toppled the Moscow-backed president in Kiev in February and Russia annexed the Crimea peninsula a month later.

On Monday, EU diplomats made clear sectoral sanctions would still be extremely difficult for some of Europe's poorer nations. They are especially nervous about the energy sector, central to the Russian economy, but also to the EU.

EU nations rely on Russia for about 30 percent of their gas demand and have intertwined interests based on decades of energy reliance. According to UN data, excluding Russian gas exports — around \$60 billion a year — the Netherlands was Russia's biggest export destination last year, mostly oil and metals.

"Energy sanctions would most likely derail the fragile European recovery in general and could even lead to a complete economic collapse in certain member states," one diplomat said. "I don't see how collective economic suicide serves us or the Ukrainians."

While some member states, such as Britain, do not rely on Russian gas, others are 100 percent dependent on Russia, having no other suppliers. In volume terms, Germany and Italy have the biggest exposure.

Diplomats said that if energy had to be part of any sanctions regime, the EU would have to agree ways to share the financial burden.

Britain has said it too would suffer from any economic sanctions but it is willing to pay the price.

"I would say ... any sanctions will have an economic impact, and we are prepared to undertake further sanctions," British Finance Minister George Osborne told BBC radio's Today program on Monday. "But think of the economic hit ... of allowing international borders to be ignored, of allowing airlines to be shot down — that's a much greater economic hit for Britain and we're not prepared to allow that to happen."

London is a prime destination for Russian businesses and Russian oligarchs are major property owners in Britain.

Energy major BP already faces the prospect of fallout following the U.S. decision to sanction Russia's largest oil firm Rosneft, of which BP owns a fifth.

Another sensitive area is defense. France has said so far it is going ahead with a 1.2 billion euro (\$1.6 billion) contract to supply Mistral helicopter carriers to Russia because canceling the deal would do more damage to Paris than to Moscow.

On Monday, a French defense ministry official said any decision on whether to suspend the delivery of the first warship would only take place in October.

See also:

[George Osborne: Britain Willing to Pay Price for Russia Sanctions](https://www.themoscowtimes.com/2014/07/21/severity-of-new-eu-sanctions-will-depend-on-netherlands-a37515)

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