

Europe and US continue anti-Russian sanctions

Andrea Peters
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On Friday, the European Union (EU) extended its sanctions against Russia by another six months. The measures, which target both individuals and companies, will remain in effect until the end of January 2017. They were first implemented in 2014 in the aftermath of Russia's annexation of the Crimean peninsula, whose population overwhelmingly opposed the US-backed, far-right coup in Kiev in February of that year and voted to unite with Russia.

In addition to blocking investment and trade with 15 enterprises in the oil, financial, and defense sectors, the EU has banned travel and frozen the assets of numerous people with ties to the Russian government and the pro-Russian breakaway republics in eastern Ukraine. It has also cut off all trade with Crimea and refuses to issue visas to any Crimean resident holding a Russian passport.

Justified as the result of Russia's failure to fulfill its obligations under the Minsk accords—the peace agreement between the Ukrainian government and pro-Russian, separatist rebels in Ukraine's Donbass region—the sanctions are a continuation of the anti-Russian policies pursued by the United States, Germany, and other major western powers. Their aim is to destabilize the Putin government, preparing the way for regime change.

The foreign ministry in Moscow declared the extension to be “illegitimate from the standpoint of international law” and “short-sighted.” It attributed the breakdown of the Minsk agreement to Kiev, which has continued to use violence in eastern Ukraine in an effort to suppress opposition to its rule and failed to grant self-governance to the breakaway Luhansk and Donetsk People's Republics.

The Russian government, which denies any direct involvement in the Ukraine conflict, stated, “We

believe it is absurd to link these discriminatory measures against Russia, which is not a party to the intra-Ukrainian conflict, with its compliance with the Minsk Accords, particularly so, in the current situation, where we see Kiev is unprepared to comply with its own commitments. As a matter of fact, the European Union has made Russia-EU relations a hostage of irresponsible gambling by the Ukrainian authorities.”

In retaliation, the Kremlin announced the extension of its own anti-Western sanctions, which block the import of fruit, vegetables, meat, seafood and dairy products from the EU, as well as Australia, Canada, Norway, and the US.

As a consequence of the EU and Russian sanctions regimes, trade between the two fell by over \$180 billion between 2013 and 2015. European farmers have been particularly hard hit by the loss of access to the Russian market. In Italy, demonstrations against the EU sanctions drew thousands of participants last week. Italy's Food and Forestry Policies Minister, Maurizio Martina, attended the event, along with a number of local politicians.

The sanctions, in combination with the collapse in world oil prices and the halving of the value of the ruble, have had a debilitating impact on the Russian economy. The country, whose economy the World Bank expects to contract by a further 1.2 percent this year, is not predicted to return to growth until 2017.

Since the start of this year alone, Russia has accumulated a 1.5 trillion ruble (US \$23.47 billion) budget deficit. While the inflation rate has fallen significantly, this is largely the result of a drop in consumer demand due to declining incomes and growing wage arrears. The latter have increased by 12.1 percent since January, with employers simply refusing to pay workers. And while the overall inflation rate is

down, prices for many basic foodstuffs—fruit, vegetables, cereals, legumes, fish, seafood, and sunflower oil—continue to grow.

Despite the hardships facing the population, Prime Minister Dmitri Medvedev insisted recently that the Kremlin would not back away from its commitment to fiscal discipline, which he referred to as a “reserve of stability.”

Notwithstanding the latest actions by the EU, there is evidence of differences emerging among the European states over Russia. Most recently, German Foreign Minister Frank Walter Steinmeier sharply criticized the sanctions regime and NATO’s provocative war game exercises on Russia’s borders. Italian Prime Minister Matteo Renzi has also expressed disagreement with the sanctions, along with representatives of Greece, Hungary and Slovakia, the latter of which will soon assume the presidency of the EU Council.

The same day the EU sanctions were prolonged, Washington announced it was targeting five Russian defense companies that it accuses of violating nuclear nonproliferation laws in place for North Korea, Iran, and Syria. Aviation, machine building, and instrumentation manufacturers in Kaliningrad, Tula, Kolomna, and Moscow are being hit with sanctions.

Russian Deputy Minister of Foreign Affairs Sergei Ryabokov stated that the moves by the US constitute “indirect support of terrorism on the part of Washington.”

Speaking rhetorically, Ryabokov asked, “How else can one assess the attempt of the White House ‘to punish’ Russian enterprises that are helping the Syrian people fight against ISIS and other terrorist groups?” He went on to condemn the “dirty methods used by the US for the achievement of its dubious foreign policy goals,” denouncing the US for having “essentially cultivated Al-Qaeda in Afghanistan.”



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