

Retaliation against Moscow for Downing MH17: EU Announces “Forceful” Economic Sanctions against Russia

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Global Research, July 23, 2014
[World Socialist Web Site](#)

Region: [Europe](#), [Russia and FSU](#)
Theme: [Global Economy](#), [US NATO War Agenda](#)

The European Union’s foreign ministers’ meeting yesterday announced it would draw up a list of potentially “forceful” measures against Russia, in the wake of the crash of Malaysia flight MH17 in eastern Ukraine last week.

It is unclear, however, whether the list, which is to be presented at a meeting of EU ambassadors tomorrow, will satisfy demands from Washington for more punitive sanctions against Moscow.

The meeting took place amidst a propaganda war blaming pro-Russian separatists in eastern Ukraine for the crash that killed 298 people. Without a shred of evidence and before an investigation has even begun, the US, backed by Britain, Poland and Ukraine charged Russian President Vladimir Putin’s government with culpability.

Last Wednesday, the EU had agreed to suspend new investments by the European Investment Bank in Russia and to draw up an unspecified list of business people for sanctions.

The largely symbolic decision had infuriated Washington, which had demand the EU move to “tier three” sanctions, targeting key sectors of the Russian economy. The day before, the US had imposed a freeze on 17 companies associated with Putin’s “inner circle” and the assets of Russian defence companies. US firms were also banned from providing anything more than short-term financing to some Russian banks and energy suppliers.

The crash of MH17 on Thursday was immediately seized on by President Barack Obama, who described it as a “wake up call” for Europe. With claims that Europe faces its own “9/11 moment”, the tragedy is being cynically exploited as a casus belli to force the EU into confrontation with Russia. Speaking before the meeting, UK Foreign Secretary Philip Hammond said, “What we need to do now is use the sense of shock, the sense of outrage, to galvanise opinion behind a more robust stance.”

The summit agreed to immediately add a number of Putin’s close associates to the EU’s travel ban and asset freeze blacklist and to draw up “tier three” sanctions, regarding “access to capital markets, defence, dual use goods and sensitive technologies.”

Carl Bildt, Sweden’s foreign minister, said “I think Europe has woken up. None of these things—capital markets, defence, dual use items, has ever been mentioned in EU documents.”

Frans Timmermans, the foreign minister for the Netherlands, which lost 193 nationals in the crash, described the threat as “a logical consequence... of the lack of progress that we have seen on the Russian side.”

The final communiqué spoke only of “possible” targeted measures and “proposals” for further action, however. The lack of a firm consensus on more wide-ranging sanctions was underscored by President François Hollande’s announcement that France intends to proceed with its €1.2 billion contract to supply Russia with two Mistral-class helicopter assault ships. Russian sailors have already arrived in the port of Saint-Nazaire for training on the new warships.

His statement led to bitter recriminations between Paris and London earlier in the day. Comparing Russia to Nazi Germany, UK Prime Minister David Cameron said it should be “unthinkable” for the sale to go ahead.

In response, Jean-Christophe Cambadélis, the leader of France’s ruling Socialist Party, denounced Cameron as “hypocrite ... When you see how many [Russian] oligarchs have sought refuge in London, David Cameron should start by cleaning up his own backyard.”

Cameron’s Nazi analogy is especially spurious given that the UK, alongside the US and the EU, worked with fascists to instigate February’s coup in Kiev. Their support for far right brigands, who are murdering anti-government oppositionists with impunity, is directly responsible for the civil war in Ukraine that has cost hundreds of lives, including those on board flight MH17.

His provocative statement was occasioned by the efforts of Britain’s ruling elite, on Washington’s behalf, to lead a new European “coalition of the willing” against Moscow. Currently comprising Britain, Poland and the Baltic States, its immediate objective is to employ against Russia elements of the strategy used in Ukraine, where sanctions against various oligarchs played a critical role in deposing President Viktor Yanukovich.

Dmitri Trenin for the Carnegie Moscow Center wrote, “The goal is to hurt Russia so much that it backs down on Ukraine, ideally creating enough pain within Russia to effect a regime change—that is, Putin’s ouster, either as a result of a palace coup or through a popular revolt.”

The Russian stock exchange plunged by €28 billion last week after Washington’s latest measures. The economy has suffered a massive capital flight, with Foreign Direct Investment down by 50 percent in the first six months of this year. Russia’s currency has also fallen by 6.4 percent against the dollar in the same time frame.

The extraordinary recklessness with which the major powers are proceeding points to the deep crisis of Western imperialism. Not content with destabilising Ukraine and ratcheting up tensions with a major nuclear power, they are intent on implementing measures they know will have a devastating impact on European and world economy.

Writing in the *Financial Times*, Wolfgang Münchau summed up the attitude prevailing in ruling circles. Calling for all-out financial sanctions and even a ban on energy imports, he wrote blithely that, “The eurozone can expect to be directly affected.” Even though, “Commentators note that the eurozone is only one shock away from deflation,” he continued, the EU should act immediately with measures that amount to economic war with

Russia.

Notwithstanding Cameron's myopic conception that London's low level of trade with Russia will somehow insulate the UK from the fall-out, the implications are catastrophic for the entire continent and beyond.

The European and Russian economies are deeply linked, with annual EU-Russian turnover in goods trade reaching 336.5 billion euros in 2012. Germany, considered the economic engine of the EU, is especially dependent. It accounts for one-third of EU exports to Russia, and has 6,000 companies operating there. With analysts estimating 25,000 jobs could be at risk as a result of further action, the German economy has already begun to weaken, heightening deflationary concerns across the eurozone.

Nonetheless, Germany's Social Democratic Party Foreign Minister Frank-Walter Steinmeier said that "sharper" measures were needed against Russia. "I say we remain open to defusing the situation with all political and diplomatic means, but it will be necessary to accompany this willingness with higher pressure, which also means sharper measures," he said.

Just as significantly, EU nations rely on Russia for about 30 percent of their gas demand—with Germany and Italy particularly exposed.

One unnamed EU diplomat was cited before the summit stating that 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. I don't see how collective economic suicide serves us or the Ukrainians," he said.

Collective suicide is exactly what has been placed on the table. This is not changed one iota by the Foreign Minister's communiqué stating that further sanctions are conditional on Russian cooperation with the inquiry into the MH17 crash, and ending the "increasing flow of weapons, equipment and militants across the [Ukrainian/Russian] border."

Putin had already agreed to this, while warning that "Ultimately, there is a need to call on the authorities in Kiev to respect basic norms of decency, and at least for a short time implement a ceasefire."

Kiev has a vested interest in wrecking any co-operation with Moscow, given its strategic objective of drawing NATO into military action against Russia. Even as Putin spoke, Kiev was shelling towns and cities in eastern Ukraine and announced the call-up of more military reservists.

For their part, the foreign minister's solidarised with what they farcically described as Ukrainian President Petro Poroshenko's "peace plan", and committed themselves to "restoring Ukraine's territorial integrity"—a reference to Russia's annexation of Crimea.

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