West Sanctions Moscow, With Caveats

BY JAMILA TRINDLE, KEITH JOHNSON

The United States and the European Union unveiled new sets of economic sanctions against Russia and threatened to ratchet them up even further if Russian strongman Vladimir Putin continues to support separatists in Ukraine. Behind the tough talk, however, is a careful set of measures with so many loopholes that they are unlikely to hobble the Russian economy.

The coordinated moves by Washington and Brussels began Tuesday, when European leaders took their broadest swipe yet at key sectors of the Russian economy and announced measures designed to block Russian banks from using the continent's capital markets, curtail the export of oil industry equipment, and ban member countries from signing new defense contracts with Russia. But the EU left some loopholes large enough to send a couple of giant warships through, as the French government still plans to do. Also left largely untouched was Russia's all-powerful gas industry.

Hours later, President Barack Obama announced new sanctions designed to match the EU move, keeping Russian oil companies from buying Western firms' technology to extract its hard-to-reach deep-sea and shale oil reserves. It's unclear whether that prohibition will hit existing energy contracts.

The new European sanctions go further than ever before but still fall short of the type of "sectoral sanctions" that would block business with entire Russian industries. That reflects EU leaders' concerns that hitting Russia too hard would also hurt their own companies and industries. The arms embargo, for instance, doesn't apply to...
existing agreements. That means the $1.6 billion French deal to sell Mistral warships to Russia, which had come under fire from British officials last week, will be allowed to go forward, though France has said it will only deliver the first one while re-evaluating whether to also deliver the second.

That's not the only sacred cow left untouched. While the new coordinated measures target future oil production, they don't touch the natural gas business, a pillar of Russia's export economy and a lifeline for Europeans. Both the United States and Europe took steps to restrict trade in key oil industry equipment needed for extracting oil from deep waters, in the Arctic, and from shale -- all areas where Russia hopes to boost its oil output in years to come. The U.S. Commerce Department said it will limit the export of crucial oil technology to Russia, but it is not yet clear exactly what goods and services will be banned, how that will affect Russia's current oil production, or even how much U.S. and European firms will be hit by export bans on certain oil projects.

But in theory, the measures could put the pinch on Russian energy production in years to come: Russia needs to increase output by about 1.5 million barrels per day by the end of the decade to compensate for declining production at old fields. Tapping tight oil could be the key -- but that requires lots of oil-field services, such as drilling rigs, which the country does not have, despite efforts by state-owned Rosneft and others to bolster Russia's domestic oil-field services sector. Russia could also turn to other countries, such as China, for energy technology. Putin has already proven adept at finding other customers in the midst of the battle with Europe, such as a mammoth $400 billion natural gas deal with China that will diversify Russia's energy exports.
EU nations may also be able to buy certain military equipment from Russia to help maintain existing tanks and weapons bought from Moscow, according to a report by the *Wall Street Journal*. That could keep the measures from taking too much of a bite out of the Russian defense industry.

The Obama administration, for its part, moved to shut three more Russian financial institutions -- VTB Bank, Bank of Moscow, and Russian Agricultural Bank -- out of U.S. capital markets. The move doesn't block Americans from dealing with the banks entirely, but expands an earlier list of banks that are prohibited from seeking medium- and long-term financing from U.S. investors. The targeted Russian banks now make up 30 percent of the Russian banking sector, by assets, according to an Obama administration official. The United States also added a navy shipbuilder, the government-owned United Shipbuilding Corporation, to its list of blacklisted defense companies, barring American companies and individuals from dealing with them.

Obama said the new U.S. measures would further weaken an already wobbly Russian economy. Russian economic growth was already down heading into 2014, but the combination of Moscow's foray into Ukraine and the threat of sanctions has driven economic forecasts down further. Economists say Russia could see $100-$150 billion in capital outflow this year, with growth close to zero.

The EU's turn toward targeting industries comes amid growing evidence that Putin is escalating his support for pro-Russian separatists inside Ukraine. U.S. officials believe that the rebels used a Russian-provided anti-aircraft missile to down a civilian airplane, killing all of the nearly 300 passengers on board. American officials say that Putin has moved 15,000 troops to its border with Ukraine in recent weeks and fired into the country from positions inside Russia.
"The package of new restrictive measures agreed today by the European Union constitutes a powerful signal to the leaders of the Russian Federation: destabilizing Ukraine, or any other eastern European neighboring state, will bring heavy costs to its economy," Herman Van Rompuy, the president of the European Council, said in a statement. The details of the EU measures are expected to be published Thursday, which is when they will go into effect.

Still, the big unknown in the West's sanctions equation is how far the United States and its allies would need to go to force Putin, whose popularity has soared since the Ukrainian crisis began, to change course. The White House recognized in a briefing Monday that Putin had been "doubling down" and providing more weaponry and support to the pro-Russian separatists, a point Obama emphasized when he announced the new sanctions.

"Today, Russia is once again isolating itself from the international community, setting back decades of genuine progress," President Obama said in a press conference Tuesday afternoon.

Russian lawmakers were already considering countermeasures, including legislation that could bar firms from certain countries from operating in Russia, according to reports by state-owned media. The ban would target big transnational firms like Deloitte, PricewaterhouseCoopers, and KPMG, according to a report by the Financial Times.

Despite the tough talk from Washington and Brussels, Obama took pains to avoid saying anything that could ratchet up tensions with Putin even further.
"No, it's not a new cold war," the president said in response to a shouted question. "What it is, is a very specific issue related to Russia's unwillingness to recognize that Ukraine can chart its own path."

MIKHAIL KLIMENTYEV/ AFP/ GETTY

Syrian Defector Will Show Grisly Photos to Congress

BY JOHN HUDSON

The Syrian defector known as "Caesar," who smuggled out thousands of graphic photographs documenting President Bashar al-Assad's brutal crackdown on his own people, will appear before the House Foreign Affairs Committee on Thursday, Foreign Policy has learned. The briefing will be televised and open to the press, but due to security concerns related to Caesar's safety, the Syrian defector's face will be covered.

"Caesar will be disguised in the hearing room to protect his identity," said a congressional aide familiar with the planned briefing.

The Syrian military photographer fled his country last year and handed thousands of photos to the United Nations and to FBI investigators that shocked human rights organizations around the world. His photographs, which U.S. officials say are authentic, show some 11,000 mutilated and mangled bodies, which suggest widespread torture and mass killings by the Assad regime. The Syrian government says the photos are fakes.
On Thursday, Caesar is expected to exhibit some of the images alongside David Crane, a Syria specialist at Syracuse University. The title of the briefing is "Assad's Killing Machine Exposed: Implications for U.S. Policy."

According to the congressional aide, administration officials had pressured the committee not to publicize the event, due to security precautions related to Caesar's well-being. However, the aide charged that the administration was actually concerned about Congress bringing too much public attention to Assad's atrocities. "They're worried the press will turn around and start raising questions about the administration's Syria policy," said the aide.

State Department spokeswoman Marie Harf did not respond to a request for comment.

Caesar began his visit to Washington this week by showing some of the brutal photos to a small group at the U.S. Holocaust Memorial Museum on Monday. He spoke through a translator and wore sunglasses and a baseball cap pulled down low, according to the Washington Post.

Caesar said that as a military photographer, he was instructed to take the photos to demonstrate that military units were carrying out the orders of top brass. His images showed "dozens of badly mutilated and emaciated corpses, many of them disfigured by beatings, missing chunks of skin from lashings, or bearing rashes that experts said may reflect exposure to toxic substances," according to the Post.
This won't be the first time these images come under the microscope. Back in April, the U.N. Security Council reviewed the photographs in an unsuccessful attempt by France to refer Assad to the International Criminal Court. The death toll in the conflict, now in its fourth year, has surpassed 170,000, according to the opposition-run Syrian Observatory for Human Rights.

The other Syria experts scheduled to testify on Thursday are Cherif Bassiouni of DePaul University and Fred Hof of the Atlantic Council.

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