

German reactions to the US Senate's decisions to pass new sanctions on Russia

Anna Kwiatkowska, Wojciech Konończuk

On 14 June, the US Senate voted to impose new sanctions on Russia and to significantly impede the potential of the Donald Trump Administration to lift the already existing sanctions. The document was adopted as a result of an agreement between the Democrats and the Republicans (97 votes for and 2 against). The decision still needs approval by the House of Representatives and later to be signed by President Donald Trump.

The Senate's decisions cover:

a) **Restricting President Trump's ability to lift the US sanctions on Russia already in place.** To do this, he would have to submit a report to Congress justifying the need to lift the sanctions and explaining what the administration intends to receive in return. Congress would then approve or reject the president's decision within thirty days.

b) **Increasing the sanctions previously imposed on the Russian energy sector** (a ban on the sale of technologies for oil and gas extraction from difficult to access fields, including the Arctic, shale and deep-water fields) by expanding them to all projects in which Russian firms are engaged (including those outside Russia). Furthermore, the sanctions will be imposed on any foreign firms which make major investments in technologically advanced oil projects in Russia. However, the document gives the president the option to not impose sanctions, "in case the president concludes that these are not in the national interest of the United States."

c) **The imposition of sanctions on persons who "will make investment that directly and significantly contributes to the enhancement of the ability of the Russian Federation to construct Energy export pipelines" or who "sell, lease or provide to the Russian Federation for the construction of Russian energy export pipelines, goods, services, technology, information, or support"** (including such that may facilitate the construction, modernisation or repairs of export pipelines). The Senate has left it up to the Presidential Administration to decide whether to impose sanctions on each firm (US or foreign) that invests in Russian oil or gas pipeline projects (for example, Nord Stream 2). At the same time, it is stated in the document that the US policy envisages "to continue to oppose the Nord Stream 2 pipeline given its detrimental impacts on the European Union's energy security, gas market development in Central and Eastern Europe, and energy reforms in Ukraine".

d) **The imposition of sanctions on individuals and corporate bodies engaged in transactions with the Russian secret services or Russia's defence sector.** This is a very generally formulated provision but, given its broad interpretation, it may mean the threat of imposing sanctions on foreign firms buying Russian arms.

e) **Increasing the currently existing financial sanctions.** The maximum period for which US financial institutions may grant loans to six Russian banks has been shortened from 30 to 14 days. Furthermore, an obligation would be imposed on the Department of State to send Congress a report outlining in detail **the potential consequences of a further broadening of the sanctions in the form of banning the purchase of Russian treasury bonds** within 180 days of the enactment of the new sanctions. If these regulations come into force, this would mean a significant reduction in treasury bonds issued by Russia, a major part of which is bought by Western entities.

The German reaction

In response to the announcement of the draft sanctions, the Austrian chancellor (SPO) and the German vice chancellor and minister of foreign affairs Sigmar Gabriel (SPD) issued a joint statement on 15 June, criticising the US Senate's decision. The Senate's proposal has been branded as posing a threat to the EU's energy policy and targeting European firms which supply Europe with energy. It has been suggested that the Senate's primary intention is to promote the sale of US liquefied natural gas to the European Union and to guarantee outlets for US oil and gas producers. The Austrian chancellor and the German minister of foreign affairs also said that Europe had the right to decide on its energy policy by itself, without interference from the United States.

On 16 June, the German government's spokesman announced that Chancellor Angela Merkel principally agreed with the content of the statement announced by Minister Gabriel, and branded the US Senate's actions as an 'arbitrary act'.

Brigitte Zypries, the minister for the economy and energy, (SPD) said that if President Trump signs the new sanctions "we should consider what to do to counteract them." She also added that the US moves had undermined the previous joint actions covering sanctions against Russia.

The statement of the German minister of foreign affairs has been criticised by the chairman of the Bundestag's Commission for Foreign Affairs, Norbert Röttgen (CDU), pointing out that the minister represented the stance of Gazprom, which was disadvantageous to Germany. Marieluise Beck (The Green Party) also accused Gabriel of using argumentation that supported Gazprom's demands.

Commentary

- The statement from representatives of Austria and Germany **is unprecedented and has a very harsh and emotional tone.** The way it is constructed is intended to suggest that the two politicians represent the interests of all EU member states and includes the suggestion that it is the USA and not Russia which is using the energy sector as a political and economic tool. Meanwhile, the US Senate's decision – even if it is more

expressive – fits in with the stance adopted by the US administration on the Nord Stream 2 (NS2) project to date. However, the Trump administration seems to emphasise more strongly not so much the energy security of Central and Eastern Europe but rather the US economic interest (LNG exports), which makes it easier to present America's stance as dictated by the particular interests of US exporters.

- It is also likely that the tough stance adopted by Germany and Austria is intended at causing the House of Representatives or the White House to soften the new regulations. This option has been suggested by the influential senator Bob Corker, the chairman of the US Senate Committee on Foreign Relations.
- The statement is **the first expression of political support for NS2 from Germany and Austria to be so strong and clear**, going beyond the previous rhetoric claiming that this project is of a purely business nature.
- **This harsh reaction is a result of the intensifying pressure on Germany in both relations with the USA and within the EU** (Germany opposes the European Commission's proposal to take over the mandate to negotiate the legal regime within which NS2 will operate) and is linked with the **direct engagement of Austrian and German firms in the construction of the NS2 gas pipeline**. The interests of these two countries would be hardest hit of any in the EU by a delay or discontinuation of the investment. Investments in the Nord Stream 2 gas pipeline are vital for the implementation of their economic policy – it will have a major impact on maintaining the competitiveness of the German chemical and pharmaceutical industries, which are among the world's largest. Furthermore, the gas pipeline would ensure a competitive position to German gas suppliers on the European gas market (pipeline gas has so far been cheaper than LNG), and Germany would become a Russian gas hub in the European Union. In turn, Austria's participation in the Nord Stream 2 project will have a major impact on this country's position on the European gas market and the financial results of the country's largest corporation, OMV, which is co-owned by the state.
- The internal political aspect also has to be taken into account. **Election campaigns are underway in Germany and Austria ahead of the parliamentary elections scheduled for autumn this year**. Both authors of the statement are Social Democrats and they are hoping for a boost in support for their parties, playing on traditional – especially among the left-wing electorate – anti-US sentiments recently intensified by the perception of the new US president's policy in Austria and Germany.
- **The statement may result in intensifying tension between the USA and Germany**. It will also lead to growing divides inside the EU both over the Nord Stream 2 project and further co-operation with the USA on the EU level and the level of individual member states. This is the case because the French minister of foreign affairs backed up the stance presented by Austria and Germany in a slightly milder form. The content of the statement is contrary to the interests of a number of Central and Eastern European countries concerning the Nord Stream 2 project and co-operation with the USA, for example, on issues linked with energy security in Europe. Restricting the European Commission's role in the process of determining the legal regime governing the Nord

Stream 2 project would also be contrary to the interests of Scandinavian countries (Denmark and Sweden).

Anna Kwiatkowska-Drożdż and Wojciech Konończuk

additional research by: Agata Łoskot-Strachota, Rafał Bajczuk and Justyna Gotkowska