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Europe Set to Add Names to Russia Sanctions List

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European leaders will agree to expand a list of those subject to travel bans and asset freezes on Thursday but stop short of harder-hitting measures against Russia over Crimea, biding their time to retain European Union unity and gauge Moscow's reaction.

With Russian officials so far mocking the EU's response to the seizure of Crimea, leaders are expected add about a dozen names to the 21 Russians and Crimeans placed under EU travel bans and asset freezes last week.

While agreeing to expand the list to include figures closer to Putin would be a step forward, it is a long way short of the powerful financial and trade sanctions diplomats and analysts say are needed to make Moscow pay attention.

German Chancellor Angela Merkel said a discussion of financial sanctions — what the EU refers to as phase three of its response — would take place at the summit, but no agreement on imposing the measures is expected.

"The [summit] will make clear that we are ready at any time to introduce phase-three measures if there is a worsening of the situation," Merkel said in a speech to parliament.

French President Francois Hollande echoed that line, setting out an objective of containing Russia's actions. And as already proposed, he said the next EU-Russia summit would be cancelled, a move to suspend political relations with Moscow.

"If Russia agrees to open discussions, if a de-escalation can be confirmed, we will not move to other sanctions," he said.

"But if on the other hand there is an increase of illegitimate claims, if there are troop operations, if there are threats, then there will be other sanctions. So we move to a new phase, individual sanctions, and we prepare others in case."

Britain's David Cameron confirmed names would be added to the asset-freeze and travel-ban list, but did not say how many. Any decision would not become law until it is published in coming days.

Russian forces took control of the Black Sea peninsula in late February, after the toppling of former Ukrainian President Viktor Yanukovych. Moscow-backed Yanukovych fled following months of protests spurred by his decision to reject closer trade and political ties with the EU and pivot to Moscow.

When the EU's 28 leaders last met on March 6, they issued a statement saying they would consider financial sanctions — such as freezing trade financing and targeting specific companies — if there were "any further steps by the Russian Federation to destabilize the situation in Ukraine."

At the time, it was not clear whether the forces in Crimea were sent by Putin and if he planned to seize the peninsula.

Since then, Russia has not only occupied the region, but a referendum has been held in which Crimeans voted 97 percent in favor of seceding from Ukraine, and Putin has incorporated Crimea and its 2 million people into Russia.

Rather than seeing those events as justification to move to the next stage of sanctions, most EU member states are inclined to hold off, keeping phase three for any further move by Russian forces into eastern parts of Ukraine.

"There is no appetite, no consensus to move to stage three at this point," said one European official preparing the summit.

While Russia or the U.S. can largely act on the directions of one person, the EU can only move with the unanimous agreement of 28 prime ministers and presidents.

Germany, Britain, France, Poland and one or two other countries largely agree about the need to respond vigorously to Russia, potentially including some measure of financial sanctions, but most of the rest have severe reservations.

What they are likely to be able to agree on — beyond the adding of some names to the asset-

freeze and travel-ban list — is financial support to the rest of Ukraine to help prop up the economy and bring it closer into the heart of Europe.

Leaders will sign the political elements of an "association agreement" with Ukraine's interim prime minister on Friday, opening the way for about 11 billion euros ($15 billion) of financial assistance to flow to Kiev as soon as it strikes a deal with the International Monetary Fund.

The EU has also agreed to bring forward trade benefits for Ukraine, cutting customs duties on nearly all Ukrainian imports, delivering savings of 500 million euros a year for exporters.

The signing of the Association Agreement will be a symbolically significant step for Ukraine's interim leadership since it was Yanukovych's rejection of the agreement in November that provoked the protests that led to his overthrow.

From Europe's perspective, if steps can be taken to bolster Ukraine's economy and integrate it more closely with the EU, growth will pick up and per capita incomes will rise, making Ukraine more attractive in comparison to Russia.

At the same time, the EU faces a geopolitical challenge in trying to move away from its dependence on Russian energy.

While Moscow considers itself a reliable supplier of gas and oil to Europe, which takes about 30 percent of its energy from Russia, the relationship could easily come under strain if the Ukraine dispute worsens.

Leaders will discuss ways to diversify their supplies, potentially including more wind and solar power, shale-gas exploration and imports of liquefied natural gas from the U.S. and Middle East.

Britain circulated a paper to EU member states ahead of the summit suggesting that one solution in the long term could be taking more oil and gas from Iraq.

But while many ideas and proposals are circulating, the EU will struggle to reduce its reliance on Moscow in the short term and most alternatives will be more costly than the oil and gas that is currently pumped directly to the West from Russia.

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