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INDEPENDENT NEWS FROM RUSSIA

EU Could Curb Capital Markets as Part of New Russia Sanctions

By The Moscow Times

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The most powerful tool at the EU's disposal is tightening of economic sanctions which, together with plunging oil prices, are already seen to be undermining the Russian economy.

New European Union sanctions against Russia could include further capital markets restrictions, making it harder for Russian companies to refinance themselves and possibly affecting Russian sovereign bonds, officials said Wednesday.

The EU could also move to further restrict Russia's access to advanced technology for its oil and gas industries.

EU foreign ministers are expected to ask the executive European Commission on Thursday to prepare a new round of sanctions to punish Moscow for its role in eastern Ukraine, however officials said the measures may not be adopted by EU leaders until March.

The EU called an extraordinary foreign ministers' meeting after Kiev said 30 civilians were killed in shelling of the government-held port of Mariupol by pro-Russian rebels on Saturday, shattering a five-month cease-fire.

The ministers are expected to extend until the end of 2015 asset freezes and travel bans imposed on dozens of Ukrainian and Russian people and organizations following Moscow's annexation of Crimea last March, according to a draft statement. More names will be added to the list within a week.

Moscow denies direct involvement in the conflict despite NATO's assertions its troops are supporting the rebels.

The EU has found it hard to keep a united front on sanctions on Russia, and Greece emerged on Wednesday as a new potential obstacle to tougher measures following the election of left-wing Prime Minister Alexis Tsipras.

Greece withheld its agreement to the draft statement prepared for Thursday's meeting, one diplomat said, leaving a decision on whether to endorse it to new Foreign Minister Nikos Kotzias.

Greece's Energy Minister Panagiotis Lafazanis was quoted on Wednesday as saying Greece had no interest in imposing sanctions on Russia. Germany's deputy chancellor Sigmar Gabriel also said the EU should not rush to impose new sanctions.

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The United States and EU have both already adopted sanctions on the energy, financial and defense sectors.

"Measures for financial markets would be the easiest to introduce. Sovereign bonds have been mentioned in the past among the options. They would also be quite effective because they would undermine the economic growth potential of Russia," one official close to the discussions said.

Maximum Maturity

A second official said the new measures against Moscow could involve a shortening in the maximum maturity at which Western institutions and investors could lend to Russian companies.

That would make it harder for vital corporations in the energy sector to refinance themselves.

The officials said one measure under consideration could make it harder or perhaps impossible for Western institutions and investors to buy Russian sovereign debt on issue in the primary market.

Both officials mentioned the possibility of imposing further restrictions on Russian access to advanced technologies in the oil and gas sector, which would make Russia's ambitions for Arctic exploration more difficult.

Disconnecting Russia from SWIFT, an international bank transaction system, was not considered because it could lead to the creation of an alternative system by Russia and other countries that could harm the Belgian-based global clearing house.

EU leaders are expected to ask the Commission at a Feb. 12 summit to prepare possible new measures on Russia, with a final decision on whether to impose them likely in March, one official said.

Any new Western sanctions against Russia would be senseless, Russian Deputy Prime Minister Arkady Dvorkovich was quoted as saying on Wednesday.

"We have heard signals that sanctions could be extended and expanded. We consider them senseless and harmful for everyone," Interfax news agency quoted him as saying.