

New U.S. Sanctions on Russia Jeopardize Trump - Putin Dialogue (Op-ed)

Under the Trump Administration, Russia faces heavier sanctions than under President Obama

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Andrew Harnik / AP

The U.S. Senate went all in against Russia yesterday by advancing a robust package of Russia sanctions, attached to another Iran sanctions bill.

The Senate vote was 97-2, a veto-proof majority. The final vote may come as early as today. The House may pass its own version of the bill before President Trump meets Russia's President Vladimir Putin, their first, at the G20 summit in Hamburg, Germany.

President Trump will be presented with a wrenching decision. Does he veto a bipartisan sanctions bill and see his veto overridden? This would be a humiliating defeat for someone who prides himself on winning.

Or, does Trump sign a bill which will infuriate Vladimir Putin and probably end a rare opportunity to mend the U.S. relationship with Russia?

Secretary of State Rex Tillerson told the Senate Committee on Foreign Relations yesterday that he would prefer to avoid new measures against Russia that would compromise the few channels still open between the countries.

President Putin has a decision of his own to make. Should he retaliate in kind and forfeit any hopes for a change in tone with Washington? Or risk being exposed as weak in defense of Russia's interests at the time he is about to launch his re-election campaign.

The bill may be a little over the top. It codifies and institutionalizes the existing sanctions regime by restricting the president's ability to lift or alleviate sanctions.

Any change in sanctions would be subject to congressional review. This risks setting up new political fights and complicating the administration's legislative agenda.

Lifting Russia sanctions may prove to be too politically costly, giving them a life of their own. The bill lumps Ukraine-related sanctions with hacking sanctions, Syria sanctions and human rights sanctions into one single package — all with different relief procedures.

It closes the door on Moscow's hopes for decoupling the Donbass sanctions from the full implementation of the Minsk agreements, that Russia claims are purposefully stalled by Kiev.

It imposes a reduction on holding short-term debt by sanctioned Russian financial institutions from 30 to just 14 days. For other sanctioned sectors, oil and defense, that term is reduced from 90 to 30 days.

It specifically targets Russian energy pipelines by prohibiting sales and investments in excess of 5 million dollars a year. It raises the specter of restrictions on the sale of Russian sovereign debt and its derivatives by calling on the U.S. Department of Treasury to issue a report studying the matter. It severely limits U.S. investments into Russian privatization deals if they benefit sanctioned entities or individuals, including Russian government officials and their relatives.

It calls for U.S. government reports on Russian oligarchs and Russian illicit financing in the United States and Europe. More ominously, it allows the U.S. Treasury to implement "Anti-Terror" measures against Russia, which may lead to the U.S. to designate Russia as a "terror-supporting" country.

It is hard to say now how disruptive the sanctions may prove to be on the Russian economy. There are estimates that the financial sector may already be largely immune to new limits on short-term debt.

It also isn't clear whether new sanctions would cause a shift in Moscow's posture. The Kremlin would almost certainly not suffer the offense lightly were the bill to become law, and avenues of dialogue closed — particularly on Syria where the U.S. and Russia have been engaged in a delicate dance to establish a de-escalation zone.

Secretary Tillerson refused to endorse the Senate bill, calling for “flexibility to adjust sanctions to meet the needs of what is always an evolving diplomatic situation.” But for key senators, Tillerson's progress in establishing a constructive relationship with Russia was too little too late. Secretary of Defense James Mattis waded into the debate yesterday saying he sees little prospect of a positive relationship with Russia, so long as Moscow acts as a strategic competitor.

The Trump administration is now trying to derail the bill, or at least postpone its consideration by the House. They may win some time before the G20 meeting with Putin, but beyond that, it looks like a losing battle.

With the special counsel investigation into the Russian interference, the Trump administration is hamstrung in its ability to oppose new anti-Russia sanctions.

But it would be unsubtle and ironic were Russia to find itself under heavier sanctions under the Trump administration than under President Obama, who Moscow blames for driving the relationship into the ground.

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