

# U.S.-EU Cooperation on Ukraine and Russia

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August 7, 2014 (IN10129)

## U.S. and EU Reactions to the Crisis in Ukraine:

The United States and the European Union (EU) have pursued similar policies in response to the crisis in Ukraine. Both have provided additional financial aid to bolster Ukraine's political transition, condemned Russia's annexation of Crimea, and called for Russia to end its support of separatists in eastern and southern Ukraine. The United States and the EU have taken steps to isolate Russia diplomatically and imposed several rounds of sanctions in an effort to change Moscow's behavior and bring an end to the conflict in eastern Ukraine. (For background, see CRS Report RL33460, *Ukraine: Current Issues and U.S. Policy*, by Steven Woehrel.)

At the same time, some U.S.-EU tensions have been evident as the two sides have grappled with how best to respond to Russia's actions in Ukraine. Frictions have been perhaps most pronounced on the issue of sanctions. Between March and early July 2014, the EU and the United States announced visa bans and asset freezes on several dozen Russians and Ukrainians. In contrast to the United States, however, the EU did not sanction members of Russian President Vladimir Putin's "inner circle" or key firms or banks associated with them due to concerns about antagonizing Russia.

U.S. officials insisted publicly that they would prefer to escalate sanctions on Russia in cooperation with the EU given the EU's substantial trade and investment ties with Russia (see CRS Insight IN10119, *U.S.-Russia Economic Relations*, and CRS Report RL33407, *Russian Political, Economic, and Security Issues and U.S. Interests*, for a comparison). At the same time, many U.S. policymakers, including some [Members of Congress](#), were frustrated with the EU's reluctance. While some of the EU's 28 members (including Poland and the Baltic states) were strong advocates for wider-ranging sanctions, others were hesitant, thus impeding the EU from reaching the required consensus. Germany, France, Italy, Finland, and Cyprus, among others, worried that tougher sanctions could: harm economic relations with Russia; jeopardize the Eurozone's recovery; endanger the delivery of [European energy supplies](#) from Russia; and hinder a peaceful solution to the conflict in Ukraine. Despite a lack of EU action, on July 16, President Obama announced new unilateral [U.S. sanctions](#) on select Russian financial, energy, and defense companies (see CRS Insight IN10048, *U.S. Sanctions on Russia in Response to Events in Ukraine*).

## The MH17 Crash and New EU Sanctions on Russia

The July 17 crash of Malaysian Airlines Flight MH17 over eastern Ukraine that killed 298 people (mostly EU citizens) changed the political calculus in Europe toward sanctions on Russia. [U.S. intelligence](#) asserted that MH17 was shot down by separatists with a missile supplied by Russia. U.S. and EU leaders alike called on President Putin to use his influence to permit a full, independent investigation and reiterated that Russia must stop the flow of weapons and other assistance to the separatists.

By late July, continued Russian intransigence and indications that Moscow was perhaps accelerating its involvement in the Ukraine conflict prompted the EU to impose two rounds of more extensive sanctions. On [July 22](#), the EU took steps to add more individuals and companies to the list of those subject to EU travel bans and asset-freezing measures, including for the first time some of President Putin's closest associates. On [July 29](#), the EU reached political agreement on sanctions targeting Russia's financial, defense, and energy sectors; experts note that they have been [carefully crafted](#), both to protect specific EU interests, and to share the economic burden throughout all 28 EU member states. Entering into force on August 1, the sanctions:

- **Restrict Russia's access to EU capital markets.** Buying or selling debt, equity, or other financial instruments issued by Russian state-owned banks with a maturity of over 90 days is prohibited, as are related services, such as brokering. This measure was perhaps most controversial for the United Kingdom, whose financial industry has attracted considerable Russian investment, as well as for Cyprus and some central European countries with considerable exposure to Russian banks. Short-term access is still permitted and some European subsidiaries have been exempted.
- **Ban future EU exports and imports of arms and related materiel.** France, which has attempted to increase arms exports in recent years to bolster its defense industries, sought to ensure that this measure would apply only to future deals, as did some central European countries that rely on Russian companies to service their Soviet-era weapon systems.
- **Prohibit sales of dual-use goods and technology for Russian military end-users.** The EU also considered prohibiting the sale of dual-use items to civilian end-users, but some member states were reportedly opposed; including civilian end-users would have hit Germany's specialized engineering and manufacturing firms particularly hard.
- **Ban sales of certain oil exploration equipment and technology.** EU companies are prohibited from exporting products to Russia destined for arctic, deep water, or shale oil exploration. Similar restrictions were not applied to Russia's gas sector, however, amid fears of retaliation in Germany and other EU countries highly dependent on Russian gas exports.

## U.S.-EU Coordination and Implications

The EU's new, wider-ranging sanctions against Russia were introduced [in close coordination](#) with the Obama Administration, which also announced on July 29 another round of U.S. sanctions aimed at closing most gaps with the EU regime. For example, the United States prohibited three more Russian banks from accessing medium- and long-term U.S. capital markets. President Obama asserted that the combined U.S.-EU measures would ["have an even bigger bite."](#)

Many observers contend that such U.S.-EU cooperation demonstrates renewed transatlantic solidarity on Ukraine while frustrating Russian efforts to drive a wedge between the United States and its European allies. At the same time, analysts point out that the U.S.-EU sanctions are not completely

harmonized (the EU sanctioned Sberbank, Russia's largest lender, but the United States did not), and their effectiveness remains to be seen. And despite U.S. pressure, France's previously-contracted sale of two Mistral-class helicopter carriers to Russia will be allowed to proceed. Some suggest that U.S.-EU tensions could resurface in the longer term if the situation in Ukraine deteriorates or if [Russia sends troops into eastern Ukraine](#) under the guise of a peacekeeping mission. Whether the EU would be able to agree on additional future sanctions or other measures against Russia is uncertain.