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Russia denounces new U.S. sanctions as illegal, mulls retaliation

World News

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USPA NEWS - Russia condemned a new round of U.S. sanctions as illegal on Thursday and said it had begun working on retaliatory measures after news of the curbs pushed the rouble to two-year lows over fears Moscow was locked in a spiral of never-ending sanctions.

Moscow has been trying with mixed success to improve battered U.S.-Russia ties since Donald Trump won the White House in 2016, and Russia's political elite was quick to chalk up a summit last month between Trump and Vladimir Putin as a victory.

But initial triumphalism swiftly turned sour as anger over what some U.S. lawmakers saw as an over deferential performance by Trump and his failure to confront Putin over Moscow's alleged meddling in U.S. politics galvanized a new sanctions push.

Having bet heavily on improving ties with Washington via Trump, Moscow now finds that Trump is under mounting pressure from U.S. lawmakers to show he is tough on Russia ahead of mid-term elections.

In the latest broadside, the U.S. State Department said on Wednesday it would impose fresh sanctions by the month's end after determining that Moscow had used a nerve agent against a former Russian double agent, Sergei Skripal, and his daughter, Yulia, in Britain, something Moscow denies.

The Kremlin said the sanctions were illegal and unfriendly and that the U.S. move was at odds with the "constructive atmosphere" of Trump and Putin's encounter in Helsinki.

Moscow would start to work on retaliatory measures "in the same spirit" as any U.S. restrictions, the Foreign Ministry said.

The new sanctions come in two tranches. The first, which targets U.S. exports of sensitive national-security related goods, comes with deep exemptions and many of the items it covers have already been banned by previous restrictions.

The second tranche, which can be selectively activated after 90 days if Moscow fails to provide "reliable assurances" it will no longer use chemical weapons and blocks on-site inspections, is potentially more serious.

According to the law, it could include downgrading diplomatic relations, suspending national flag carrier Aeroflot's ability to fly to the United States and cutting off nearly all exports and imports.

Foreign Ministry spokeswoman Maria Zakharova said Moscow had not yet received any official U.S. request to open up sites once linked to chemical weapons for inspection.

The State Department's announcement fuelled already worsening investor sentiment about the possible impact of more sanctions on Russian assets and the rouble at one point slid by over 1 percent against the dollar, hitting a two-year low, before recouping some of its losses.

The U.S. move also triggered a sell-off in Russian government bonds and the dollar-denominated RTS index fell to its lowest since April 11.

"There is local panic on the currency market," BCS Brokerage said in a note. "At times, the number of those who want to ditch the rouble is becoming so high so there is not enough liquidity."

Despite the steep drop in the rouble, the central bank was not expected to intervene. It let the rouble float freely in 2014 after unsuccessfully burning through substantial foreign currency reserves in a doomed effort to defend it.

The Finance Ministry said on Thursday there was no threat to financial stability, a statement markets interpreted as a signal Moscow had no immediate plans to channel any of its \$458 billion (£355.5 billion) worth of reserves into propping up the rouble.

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The Kremlin said the new sanctions were “illegal and do not correspond to international law.”

“...Such decisions taken by the American side are absolutely unfriendly and can hardly be somehow associated with the constructive - not simple but constructive - atmosphere that there was at the last meeting of the two presidents,” Kremlin spokesman Dmitry Peskov said.

Washington had become an unpredictable player on the international stage, Peskov added, saying “anything could be expected” from it and that it was important that Russia’s financial system, which he described as stable, was prepared.

Peskov criticised the U.S. decision to link the sanctions to the British nerve agent case, an incident the Kremlin has long cast as a Western plot to damage its reputation and provide a pretext for more sanctions.

Skripal, a former colonel in Russia’s GRU military intelligence service, and his 33-year-old daughter were found slumped unconscious on a bench in the southern English city of Salisbury in March after a liquid form of the Novichok type of nerve agent was applied to his home’s front door.

European countries and the United States expelled 100 Russian diplomats after the attack, in the strongest action by Trump against Russia since he came to office.

Dmitri Trenin, director of the Carnegie Moscow Center and a former colonel in the Russian army, said the State Department’s move looked like the latest salvo in what he called a hybrid war.

“Sanctions are the U.S. weapon of choice,” Trenin wrote on Twitter.

“They are not an instrument, but the policy itself. Russia will have to brace for more to come over the next several years, prepare for the worst and push back where it can.”

At variance with Moscow over Ukraine and Syria, Western sanctions have already drastically reduced Western involvement in Russian energy and commodities projects, including large scale financing and exploration of hard-to-recover and deep water resources.

Legislation introduced last week in draft form by Republican and Democratic senators, dubbed “the sanctions bill from hell” by one of its sponsors, calls for sanctions to be widened to include virtually all Russian energy projects and to effectively bar Western companies from any involvement in the country.

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Editorial program service of General News Agency:

United Press Association, Inc.

3651 Lindell Road, Suite D168

Las Vegas, NV 89103, USA

(702) 943.0321 Local

(702) 943.0233 Facsimile

info@unitedpressassociation.org

info@gna24.com

www.gna24.com