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EU delays new Russia action

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The EU's second package of economic penalties against Russia was delayed late on Monday in Brussels by the bloc's 28 governments, which approved the measures in principle while stopping short of giving the green light for their publication in the Official Journal and entry into force.

The planned provisions — originally due to be published on Tuesday — include barring some Russian state-owned defence and energy firms from raising capital in the EU, according to a European official who spoke on the usual condition of anonymity.

A September 5 ceasefire between the Ukrainian government and pro-Russian separatists has raised the prospect of a lasting truce that would be the biggest breakthrough yet to end a conflict that has killed at least 3,000 people and soured Russia's relations with its former Cold War foes.

"The entry into force through the publication in the Official Journal will take place in the next few days," EU President Herman Van Rompuy said in a statement late on Monday. "This will leave time for an assessment of the implementation of the ceasefire agreement and the peace plan.

"Depending on the situation on the ground, the EU stands ready to review the agreed sanctions in whole or in part."

The agreement to halt fighting came in the midst of an EU push to ratchet up penalties against

Russia in co-ordination with the US in a bid to force Russian President Vladimir Putin to end support for the rebels in eastern Ukraine. Mr Putin's backing of Ukrainian separatists and his annexation of Crimea have jolted the security order in Europe.

Finnish Prime Minister Alexander Stubb said he was "very worried" about the possibility of Russian counter-sanctions should the EU enact the new package. At the same time, "we are strongly of the opinion that the ceasefire has so far not been permanent," Me Stubb told reporters on Tuesday in Helsinki.

In a sign the ceasefire accord has been shaky, Ukrainian Defence Ministry spokesman Oleksiy Dmytrashkovskyi said on Tuesday in a YouTube video that pro-Russian rebels overnight shelled government positions near the airport of the eastern city of Donetsk, as well as four more positions of Ukrainian troops in other areas, without causing troop casualties.

On Monday, Ukraine said the rebels targeted Mariupol, a frontline city in the east of the country, after Ukrainian President Petro Poroshenko announced a visit there. Road blocks near the port city on the Sea of Azov came under fire from militants on Monday, presidential spokesman Svyatoslav Tsegolko said on Twitter. "I am not optimistic at all — I have not been optimistic from the beginning," Didier Burkhalter, chairman of the Organisation for Security and Co-operation in Europe, which helped mediate and is monitoring the ceasefire, said in Geneva. Even so, "we want to give it a chance".

Russian Foreign Minister Sergei Lavrov said in Moscow on Tuesday that it appeared the ceasefire was being observed on the whole. Russia hoped the truce "will be consolidated" soon.

In an initial set of economic sanctions imposed in late July, the EU barred five state-owned Russian banks from selling shares or bonds in Europe and restricted the export of equipment to modernise the oil industry. In addition, it prohibited new contracts to sell arms to Russia, and banned the export of machinery, electronics and other civilian products with military uses — so-called dual-use goods — to military users.

Those punitive measures prompted Russia to ban imports of some EU farm goods, a step that has cut off about €5bn of annual trade and left the bloc scrambling to aid its producers.

In a statement on September 6, the day after EU member states' diplomats drew up the latest sanctions plan, the Russian government signalled it would take further retaliatory action should the extra penalties be enacted. "In the case that they are introduced, a reaction from our side will undoubtedly follow," the foreign ministry said.

EU sanctions decisions require the support of all member states, giving anyone leverage to seek concessions. Several leaders have expressed concerns about the impact of penalties against Russia on the EU economy. — *Bloomberg*

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