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**WESTERN SANCTIONS AGAINST RUSSIA FOR CRIMEA'S  
ANNEXATION: ARE THEY EFFECTIVE?**

Bachelor's Thesis

Programme International Relations

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Tallinn 2020

I hereby declare that I have compiled the paper independently and all works, important standpoints and data by other authors has been properly referenced and the same paper has not been previously presented for grading.

The document length is 9144 words from the introduction to the end of conclusion.

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## **ABSTRACT**

It has been six years since the Russian military intervention in Ukraine and illegal annexation of Crimea during the Ukrainian political crisis in 2014. Many rounds of international sanctions were imposed on Russia by EU, US and other countries during this period as well as Russia imposing countersanctions on countries involved. There has been a great deal of research done to evaluate effects of the sanctions on Russia's economy. Using a separated thematical method of analysis, this paper focuses on analyzing the change in Russian economy before and after sanctions, Russia's change in behavior, and the impact of sanctions on countries imposing sanctions. Research shows that the market prices on oil and the Russian currency exchange rate affects Russian economy more than sanctions; though, Russian people blame sanctions for their domestic challenges. Sanctions show to coerce Russia to slow down its covert military offence in Eastern Ukraine, but they also have a negative impact economically on sanctions' sender countries. Political and diplomatic measures need to be intensified.

Keywords: Ukraine, Russia, Crimea, Sanctions, Effectiveness

## **LIST OF ABBREVIATIONS**

CFSP – The Common Foreign and Security Policy

CPSU – Communist Party of the Soviet Union

CRS – Congressional Research Service

EPRS – European Parliament Research Service

EU – European Union

IMF – International Monetary Fund

NATO – North Atlantic Treaty Organization

PACE – Packet-sized Automatic Crypto Equipment

RF – Russian Federation

RSFSR – Russian Soviet Federative Socialist Republic

SSR – Soviet Socialist Republic

UkSSR – Ukraine Soviet Socialist Republic

UN – United Nations

US – United States

USDA – United States Department of Agriculture

USSR – Union of Soviet Socialist Republics

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## INTRODUCTION

Russians has always considered much of Ukraine to be a historical province of Russia and Ukrainians to be close ethnic brethren (US CRS R45008 2020). Out of all the post-Soviet states, Ukraine's independence has been the most difficult for Russian people to accept. In July 2019, Russian President Vladimir Putin said that "Russians and Ukrainians are one people ... one nation" (USNews 2019).

Crimea was transferred from the RSFSR to UkSSR on 13 February 1954, only eight days after the RSFSR Council of Ministers Decree proposal for the transfer (Decree UkSSR 1954; Decree RSFSR 1954). The government of the RSFSR held no public referendum regarding the transfer of Crimea. According to the Bulletin of the Institute of the Study of the History and Culture of the USSR, "this decree was passed amid solemn circumstances" (International Committee for Crimea 2005).

Decree of the RSFSR Council of Ministers N156 "Concerning the Transfer of the Crimean Oblast from the RSFSR to the UkSSR" stated:

*"Considering the territorial inclination of the Crimean Oblast toward the Ukrainian SSR, the commonality of the economy, and close economic and cultural ties between the Crimean Oblast and the Ukrainian SSR, the RSFSR Council of Ministers decrees: consider it advisable to transfer the Crimean Oblast from the RSFSR to the UkSSR".*

Decree of the Presidium of the UkSSR Supreme Soviet "Concerning the Submission of the RSFSR Supreme Soviet Presidium Concerning the Issue of the Transfer of the Crimea Oblast to the UkSSR" stated:

*"With sincere gratitude and approval, the Ukrainian people welcome the decision concerning the transfer of Crimea to the Ukrainian SSR as a new manifestation of the concern of the CPSU and Soviet Government concerning the further strengthening of the unbreakable friendship and fraternal ties between the Russian and Ukrainian peoples. The government of Ukraine will devote proper attention to the further development of the welfare of the workers of the Crimean Oblast".*

Throughout history, Ukraine was of a significant importance to Russia because of its strategic position between Russia and the West. The transfer of Crimea in 1954 didn't affect Russia's national interests, for Ukraine was still a part of the Soviet Union, but after the Soviet Union's collapse, Russia began

to work on returning Crimea's territory. On 21 May 1992, the Supreme Council of the Russian Federation declared the 1954 transfer of Crimea as having "no legal force", because it was adopted in violation of the Constitution of the RSFSR and legislative process (Russian Federation Resolution N2809-1 1992).

After Ukraine became independent, it became a point of conflicts between Russia and the West. To maintain a strategy of the geopolitical pressure on Russia, the US and the EU needed Ukraine into their bloc, while Russia needed Ukraine to counterbalance the NATO's frontier (Monaghan 2014). Ukraine population has been internally divided into western pro-European and eastern pro-Russian before and even more after separation from the Soviet Union (Mylogorodska 2017).

The Ukrainian crisis broke out in November 2013 after former President Viktor Yanukovich announced his decision to abandon a European Union Partnership Agreement (BBC News). On 22 February 2014, members of parliament voted on to remove the president and set an election for 25 May with a long-term politician Petro Poroshenko running for president on a pro-European Union platform (Kyiv Post 2014). In areas with predominantly Russian population, especially in the Autonomous Republic of Crimea, protests against the new regime broke out (BBC 2014). These events triggered Russia's decision to invade Ukraine and to annex Crimea through a controversial referendum held in Crimea and Sevastopol on 16 March 2014 (Aljazeera News 2014).

On 27 March, in response to Russia's military invasion of Ukraine and the annexation of Crimea, The United Nations General Assembly adopted a resolution 68/262 "Territorial Integrity of Ukraine" stating that "this referendum can have no validity, and cannot form the basis for any alteration of the status of Crimea; and calls upon all States, international organizations and specialized agencies not to recognize any alteration of the status of Crimea on the basis of this referendum and to refrain from any action or dealing that might be interpreted as recognizing any such altered status" (UN Resolution 68/262 2014).

In response to Russia's annexation of Crimea, governments and international organizations of many countries, imposed sanctions on Russian individuals and businesses. EU suspended partnership talks with Russia. NATO suspended Russia's voting rights in PACE (EPRS 2016). G8 Summit in Russia was cancelled and the G7 Summit was held in Brussels instead (BBC News 2014).



Assets freezes and travel bans against Russia were issued on 6 March 2014 by US and on 17 March by EU. Russia barred some western officials and politicians from Russia in response. Sectoral sanctions against Russia were imposed by US on 16 July 2014, and by EU on 29-31 July 2014. Import ban on Crimea was issued on 23 June 2014 followed by a partial export/investment ban on 29 July. Russia issued a food embargo on 7 August 2014. EU and US strengthened their sectoral sanctions on 12 September 2014. Full import ban was imposed on Crimea in December 2014. On 20 March 2015, EU tied lifting of sanctions to the Minsk agreement's full implementation (Russel 2016).

US and EU sanctions were also complimented by Australia, Canada, Japan, Iceland, Norway, Albania, Switzerland and Montenegro (US CRS R 45415, 2020, p.40). Over the years until now, all sanctions were expanded, extended and tightened.

Sanctions is an important tool of a foreign policy. Economic sanctions help avoid military interventions to achieve desirable policy goals. (Baldwin 1985). Evaluating effectiveness of sanctions is essential to understand if current measures are working or need to be modified. This paper focuses on analyzing effectiveness of the US-EU sanctions against Russia imposed for Crimea's annexation in 2014. So, the main research question of this paper is: Are the sanctions effective?

To answer a research question, the author utilizes a separated thematic analysis of a qualitative type of research. It is a method rather than a methodology, which means it is not tied to a particular theoretical perspective and makes it very flexible (Braun & Clarke 2006). To maximize reliability of the analysis, the author examines themes and data that have a meaningful connection representing opposite viewpoints from different primary (official government reports) and secondary (books, research papers, opinion polls, Wikipedia) sources.

The paper is divided into following parts: theoretical framework, results, and a discussion. It is further divided into analysis of a situation in Ukraine before and after Crimea's annexation, types of sanctions and restrictions, and the economic impact of sanctions on Russia and countries imposing sanctions. The final part of a paper is a conclusion answering a research question.

# **1. RESEARCH BACKGROUND**

## **1.1. Literature review**

The impact of the western sanctions on Russia has been discussed in numerous government reports, articles and research papers. Analyses mainly focus on the economic impact of sanctions on Russia and if this impact was caused by sanctions or by Russia's domestic economic challenges. Stepien, et al (2016) concluded in their research that "measuring the success of economic outcomes as to answer a question - are sanctions effective? – is very challenging". Not much research has been done to assess the sanctions' effectiveness in terms of the change in Russia's behavior; though, the initial aim of the sanctions was to put pressure on the Russian economy to coerce Russia to return Crimea. Literature review also showed the scarcity of research on the economic impact of the sanctions on sender countries.

## **1.2. Theoretical framework**

This paper focuses on analysis of effectiveness of both sanctions' goals: economic impact on the Russian economy and Russia's change in behavior. The main research question of this paper is: Are sanctions imposed on Russia for Crimea's annexation effective?

To answer the research question, a separated thematic analysis of a qualitative type of research is employed as an appropriate method to analyze data extracted from various sources. It is a method rather than a methodology, which means it is not tied to a particular theoretical perspective and makes it very flexible (Braun & Clarke 2006). To maximize reliability of the analysis, only themes and data that have a meaningful connection representing opposite viewpoints are examined. The sources surveyed for the analysis include primary (official data) and secondary (research papers, books, articles, opinion polls, wikipedia).

The themes and data for analysis in the results section of the paper include overview of

- a situation in Ukraine before and after Crimea's annexation;
- types of restrictions and sanctions against Russia;

- Russia's countermeasures;
- the economic impact of sanctions on Russia and countries imposing sanctions.

The results are analyzed in the discussion section of the paper following a conclusion answering a research question.

## **2. RESULTS**

### **2.1. Ukrainian crisis**

The Ukrainian crisis broke out in November 2013 after former President Viktor Yanukovich announced his decision to abandon a European Union Partnership Agreement (BBC News). Pro-European Ukrainians, who supported closer ties with Europe, demanded president's resignation, while predominantly Russian speaking population from the east, who supported ties with Russia, were against president's resignation.

On 15 December 2013, the US Senator John McCain addressed Ukrainian anti-government protesters on the Central Square of the Ukrainian Capital Kiev promising protesters the US support (The Guardian 2013). On 16 January 2014, when government issued new Anti-Protest-Laws, protests escalated into riots taking over federal buildings in Kiev, which left dozens of dead on 18-20 February (The Guardian 2014).

On 21 February 2014, under the mediation of representatives from the EU and Russia, President Yanukovich signed a compromise deal with opposition leaders "The Ukraine Crisis Mediation Agreement", which included constitutional changes to give more power to Parliament and the early day of reelections to be held by December (Archive Today 2014). The Wall Street Journal wrote "President Viktor Yanukovich agreed to a European-brokered compromise with his opponents in a deal that pulled the country back from spiraling violence and requires the Russian-backed leader to share power with rivals who support closer ties to Europe" (WSJ 2014).

However, the next day on 22 February, members of parliament voted to remove the president and set an election for 25 May, with a long-term politician Petro Poroshenko running for president on a pro-European Union platform (Kiev Post 2014). The speaker of the parliament Turchinov was appointed as the acting president. Yanukovich fled. In the eastern part of Ukraine and the Autonomous Republic of Crimea with predominantly Russian speaking population, protests against the new regime broke out (BBC 2014).

## **2.2. Russian military invasion and annexation of Crimea**

On 22 February 2014, the situation for Russia has changed. The next day after removing president Yanukovich, Putin began preparations to annex Crimea to save an access to its long-standing fleet base in Sevastopol, Crimea, which were leased from Ukraine. On 2 March 2014, using the Russian naval base in Sevastopol as cover, Putin directed Russian troops and intelligence agents to disarm Ukrainian forces and take control of Crimea. There was no resistance from Crimea's government officials (The Guardian 2014). On 16 March, Republic of Crimea held a controversial referendum, which contained two choices: "Do you support the reunification of Crimea with Russia with all the rights of a federal subject of the Russian Federation?" and "Do you support the restoration of the Constitution of the Republic of Crimea in 1992 and the status of the Crimea as part of Ukraine?" Almost 97% of Crimeans voted for joining Russia (Aljazeera News 2014).

This referendum was illegitimate because Article 73 of the Ukrainian Constitution requires all Ukrainians to vote for a secession of Crimea, not only those who live in Crimea (Constitution of Ukraine). On 18 March, the Russian President Putin and the leaders of Crimea and Sevastopol signed the "Treaty on the Accession of the Republic of Crimea to Russia" (BBC News 2014). On 21 March, the reunification was approved by the Russian State Duma (Washington Post 2014).

## **2.3. Western sanctions against Russia**

"This unprecedented violation of an international law could not be left without response, and so the European Union, together with its partners US, Canada, Australia, Japan, Norway, Switzerland, forced the adoption of a series of restrictive measures which were aimed at Russia to stop interfering into the internal politics of a sovereign state" (Dreyer & Popescu 2014).

European Union issued restrictive measures and sanctions against Russia on 17 March, 23 June, and 29-31 July 2014, mainly consisted of three measures:

- ban on provision of technology for oil and gas exploration;
- ban on provision of credits to Russian oil companies and state banks;
- travel restrictions on the influential Russian citizens close to President Putin who was involved in the annexation of Crimea (US CRS R 45415, 2020, p.39).

The EU Council Decision 145 from 17 March 2014 related to restrictive measures on individuals and entities in Russia and Ukraine. It included:

- arms embargo – export and import ban on trade in arms and other military materials including export ban for dual-use goods for military use or military end users in Russia;
- ban on technical aid;
- asset freeze and travel restrictions to EU territory on 152 individuals and 37 entities over their responsibility for actions which undermined or threatened the territorial integrity, sovereignty and independence of Ukraine (Council of the European Union, 2014), (EU Council Decision 2014/145/CFSP).

The EU Council Decision 386 from 23 June 2014 related to restrictions on economic relations with Ukraine's occupied Crimea. It included:

- a ban on EU individuals and EU based companies from importing goods, exporting certain goods and technologies;
- providing tourism services to Crimea;
- restriction of trade and investment in some economic sectors and infrastructure projects (EU Council Decision 2014/386/CFSP).

The EU Council Decision 512 from 29-31 July 2014 related to economic sanctions targeting specific sectors of Russian economy: finance, defense, and energy. They mirrored the United States' sectoral sanctions from 16 July 2014. To maximize the effectiveness of the sanctions and to send a unified message to Russia, US and EU coordinated their sanctions. The EU Council Decision 512 included:

- lending and investment restrictions by EU nationals and companies on five major state-owned Russian banks, three Russian energy companies and three defense firms as well as their subsidiaries outside the EU;
- ban on import and export of arms;
- ban on sale of dual-end goods and technology to Russian military end users and mixed companies;
- ban on sales of equipment, technology, and services for oil-development projects related to deep water, Arctic offshore, and shale exploration (EU Council Decision 2014/512/CFSP).

The United States restrictions and sanctions against Russia related to the Russia's invasion of Ukraine and the annexation of Crimea were based on three Executive Orders EO13660, EO13661, and EO13662 with the same title "Blocking Property of Certain Persons Contributing to the Situation in Ukraine", which President Obama signed on 6, 16 and 20 March 2014 (US Department of State 2014).

They included the following restrictive measures:

- asset freezes for specific individuals;
- restrictions on financial transactions with Russian firms in finance, energy and defense;
- restrictions on exports of oil-related and dual-use technologies.

(US CRS R 45415 2020)

These four executive orders were expanded and extended over the following months and years to further strengthen the sanctions to increase their results. On 12 September 2014, EU and US strengthened their sectoral sanctions (Russel 2016). In August 2017, the US added the requirements that the sanctions could not be lifted without congressional authorization, and their scope was significantly increased (US CRS R45415 2020). In March 2015, the EU tied its sanctions to the full implementation of the Minsk peace agreement.

Rebecca Nelson, a specialist in international trade and finance, said in the CRS report that "The aims of the US sanctions are to increase Russia's political isolation as well as the economic costs to Russia" (US CRS R43895 2015). Sanctions are a central element of US policy to counter and deter malign Russian behavior (US CRS R45415 2020).

#### **2.4. Other countries' sanctions against Russia for Crimea's annexation**

US and EU sanctions against Russia for the Ukraine's invasion and the Crimea's annexation were also complimented by Australia, Canada, Japan, Iceland, Norway, Albania, Switzerland and Montenegro:

- Japan suspended talks regarding military matters, space, investment, and visa requirements;
- Austria restricted financial activities and imposed a travel ban on those who undermined Ukraine's sovereignty;

- Albania, Iceland and Montenegro imposed the same restrictions and travel bans as those of the EU;
- Canada targeted Russian arms, energy and financial entities;
- Japan restricted imports from Crimea, froze funds for new projects in Russia, and froze assets of those who supported Crimea's annexation;
- Norway adopted the tougher sanctions against Russia that were imposed by the EU and the United States;
- Switzerland included sanctions imposed by the EU in July of 2014 (US CRS R 45415 2020, 40).

## **2.5. Russia's countermeasures**

In response to sanctions imposed by the West, Russia retaliated with diplomatic measures against US, Canadian and EU officials (O'Kane 2014) and with a food embargo in the form of an import ban from countries imposing economic sanctions against Russia (Resolution N 830 of the Government of the Russian Federation 2014). According to the US Department of Agriculture, in 2013, Russia's major trading partners were Estonia, Lithuania, Finland, and Poland. From 7 August 2014 until now the import ban on beef, pork and poultry meat and meat products, fish, crustaceans, molasses, milk and milk products, fruits and vegetables, malt extract and food products is still in effect (USDA Report 2014).

Prior to the embargo, food exports from the EU to Russia were around 11.8 billion euros, or 10% of the total EU exports to Russia. Food exports from the United States to Russia were around 972 million euros, from Canada 385 million euros, and from Australia 170 million euros per year. Figure 1 illustrates the extend of the agri-food products banned from entering Russia in millions of euros (Russel 2016).



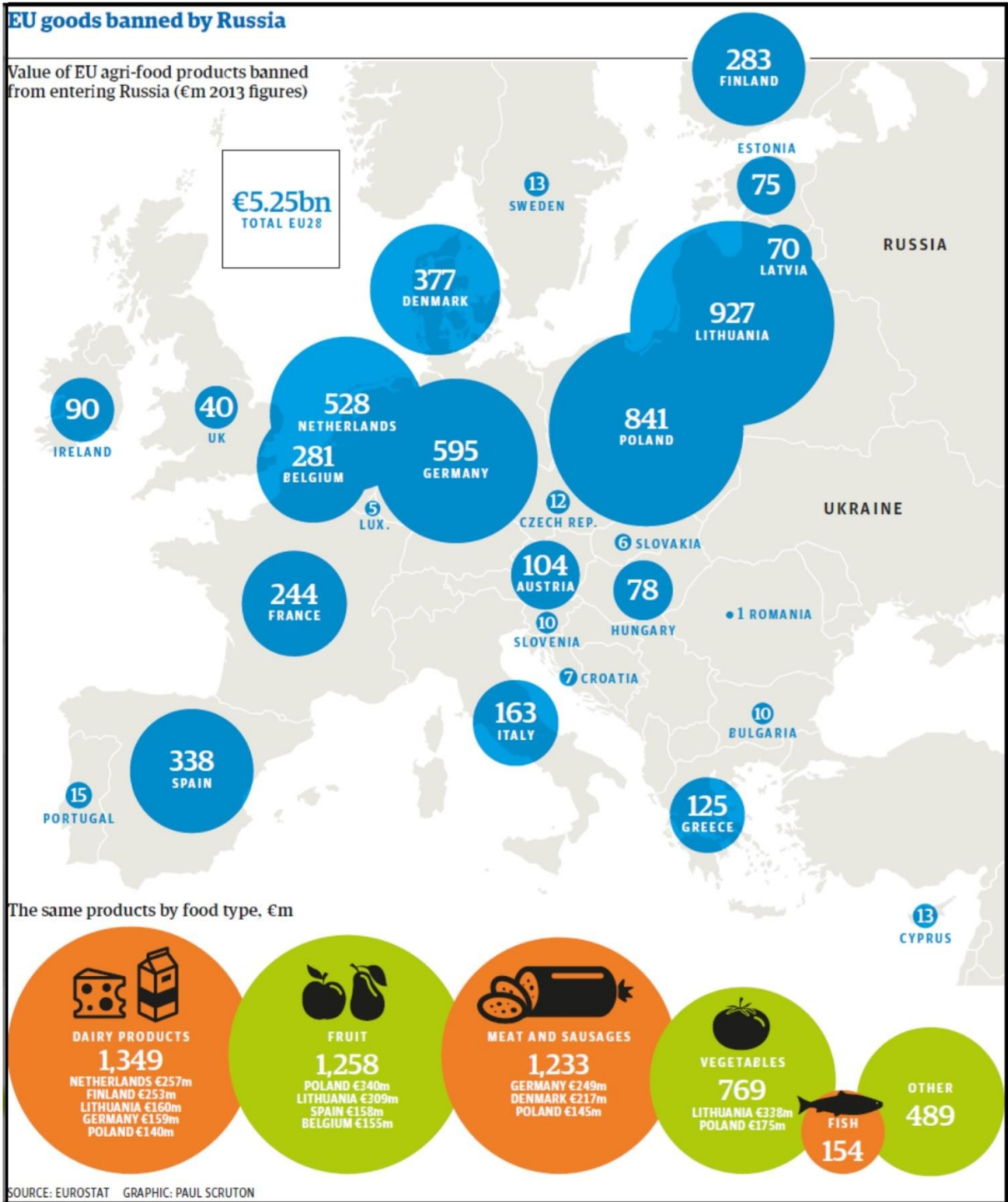


Figure 1. EU Goods Banned by Russia

Source: The Guardian, 15.08.2014

Even though before western sanctions, since 2010, Russia’s policies were already focusing on reducing its dependence on foreign agricultural and food imports and strengthening domestic producers, the factors such as increase in price on imported products due to the ruble devaluation, the poor quality of imported products, and the fall in household income by 2014, also influenced the food embargo.

**2.6. Russian economy before and after sanctions**

A major impact on Russian economy after the imposition of sanctions in 2014 had declining oil prices (Fig. 2). Since mining and quarrying represent one of the most important sectors of the Russian economy, the development of world oil prices has a significant impact on it. Revenues from oil exports represent more than two thirds of all Russia’s exports and about 50% of Russia’s federal revenues (Bolotov 2013).

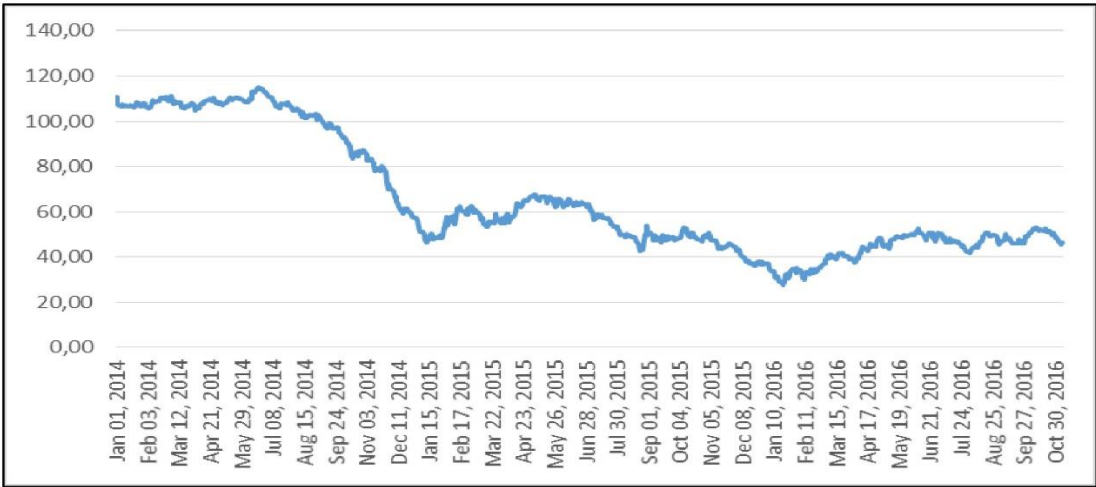


Figure 2. Evolution of the Brent Oil Price (USD/bbl)  
 Source: Tyll et all (2018)

Because of Russia’s dependence on food imports, the food embargo caused a temporary shortage of food, which increased prices on food. This situation in connection with the fall of oil prices and the ruble rate, contributed to a higher levels of inflation (Mirzayev 2015). (Fig. 3)

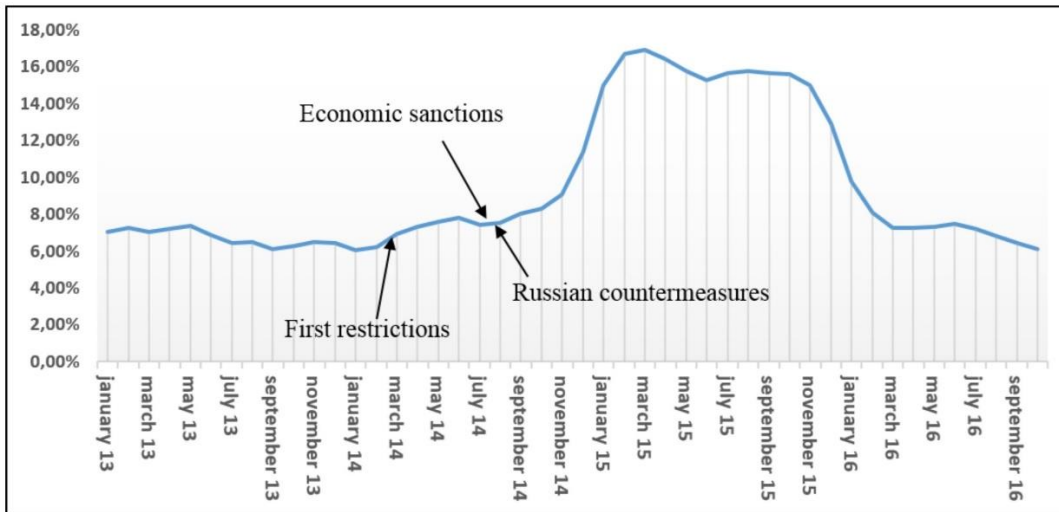


Figure 3. The Year-to-Year Inflation Rate in Russian Federation  
Source: Tyll et al (2018)

According to Tyll et al (2018), when oil prices fell almost 50% from June 2014 to January 2015, Russia faced a large deficit in government revenues but was able to compensate it from the reserve fund, which was filled by revenues from oil exports when prices were high. During the two-year period in 2015-2016, Russia used up almost 30% of the reserve fund to cover the budget deficit. See Figure 4.

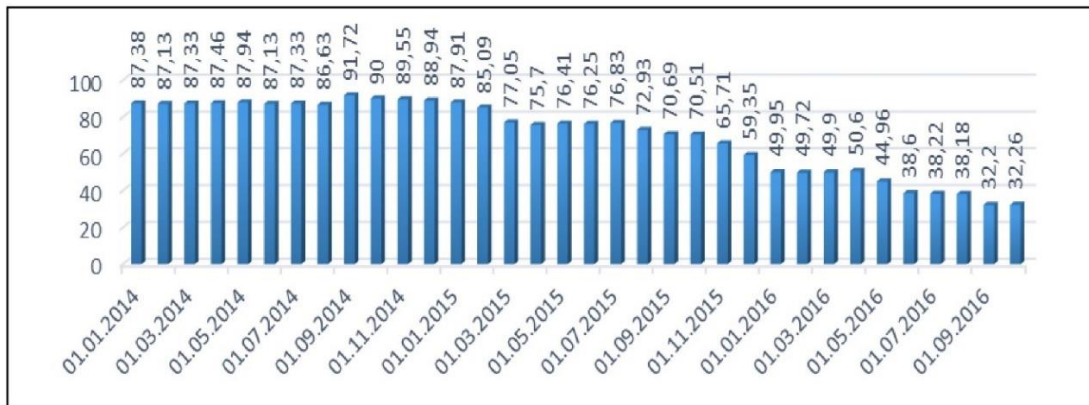


Figure 4. Dynamics of the State Reserve Fund (billion USD)  
Source: Ministry of Finance of the Russian Federation (2016)

When comparing side-by-side the ruble currency exchange rate and the oil prices, a strong correlation between them is obvious even though it looks like the ruble currency devaluates immediately after the imposition and tightening of sanctions (Fig. 5).

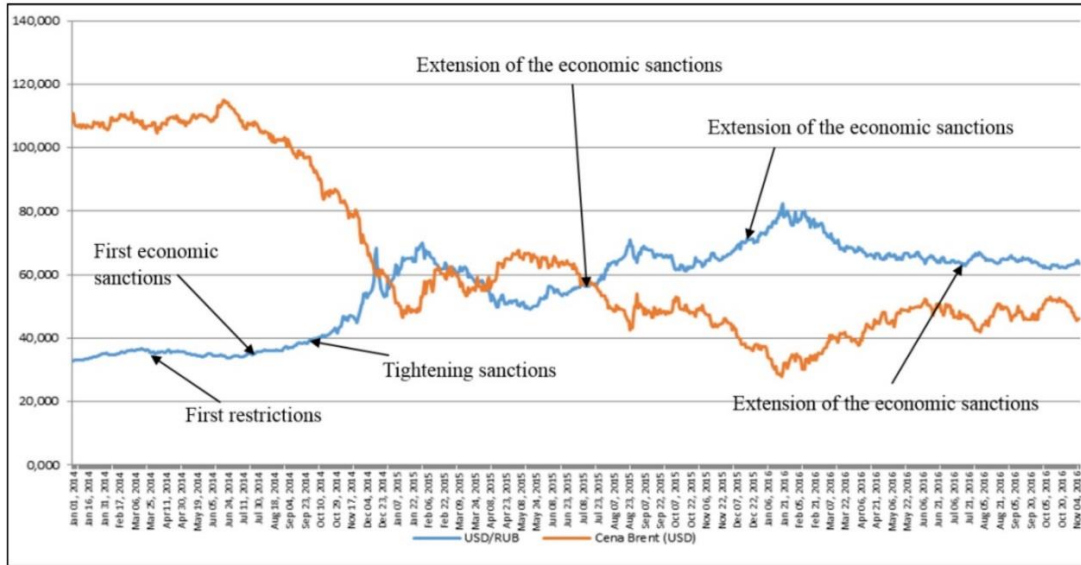


Figure 5. Oil Price vs. Ruble Exchange Rate

Source: investing.com (2016)

“It is difficult to disentangle the impact of sanctions imposed on Russia, particularly those related to its invasion of Ukraine, from fluctuations in the global price of oil, which is a major export and source of revenue for the Russian government” (US CRS R45415 2020).

In 2014-2015, Russia faced serious economic challenges and entered a two-year recession, its longest in almost 20 years (Hille 2016). The low investor confidence contributed to a capital outflow (Fig. 7), ruble devaluation and inflation (Fig. 6). The Russian government and many Russian firms were broadly shut out of capital markets (Seddon et al 2016). Due to a budget deficit and exhausted reserves, the government was unable to help banks affected by sanctions.

Only when oil prices went up in 2016, Russian economy stabilized. The rate of economic contraction and inflation slowed and the value of the ruble stabilized (Fig. 6). The Russian government and non-sanctioned Russian entities resumed partial access to international capital markets, which increased foreign investment into Russia and slowed down capital outflows (Fig. 7). But 2016 was still a difficult year, and in order to raise funds, the Russian government had to partially privatize Rosneft, the state-owned oil company (Tyll et al 2018).

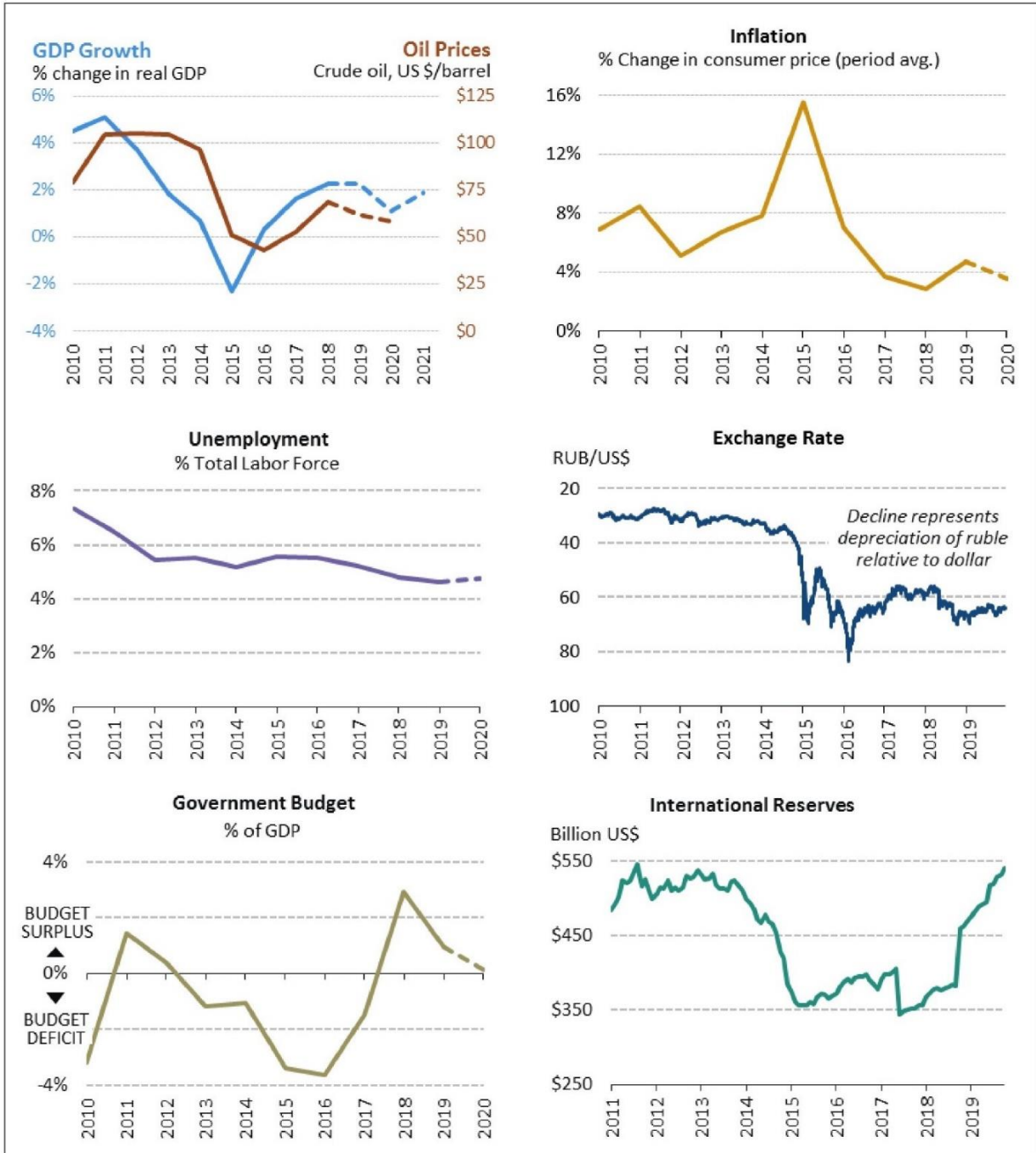


Figure 6. Russia: Key Macroeconomic Indicators

Source: International Monetary Fund (IMF), *World Economic Outlook*, October 2019; IMF Exchange Rate Database; Central Bank of Russia, *International Reserves of the Russian Federation (End of Period)*

In 2016-2017, the Russian economy mostly recovered. International reserve fund reached the pre-recession levels. In 2017, the International Monetary Fund praised Russia's authorities for their

effective policy measures, which helped Russian economy exit a two-year recession. “The fear of economic destabilization that has permeated the country since its 2014 invasion of Crimea – which was met with crippling sanctions from the West – has all but evaporated” (Aslund 2017).

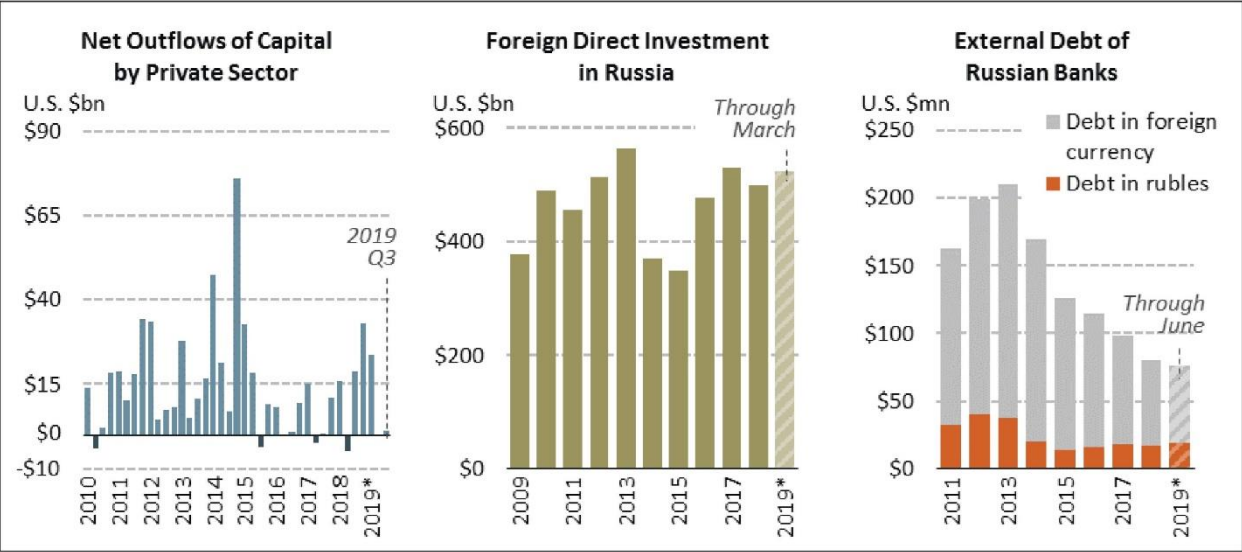


Figure 7. Russia and International Capital Markets

Source: Central Bank of Russia, “Financial Transactions of Private Sector,” “Direct Investment in the Russian Federation: Positions by Instrument and Partner Country (Asset/Liability Principle),” and “External Debt of the Russian Federation in National and Foreign Currency: Detailed Analytical Position”

After the imposition of sanctions, Russia began to develop trade relations with Macedonia, Serbia, Turkey, Azerbaijan, Armenia, and Bosnia Herzegovina, which had not joined the sanctions coalition against Russia as well as with Brazil, India, China and South Africa, which were against western sanctions. (Wikipedia).

Nevertheless, limited progress on structural reforms in Russia, continue to contribute to long-term economic problems. The IMF projected that without deeper structural reforms, long-run growth in Russia will settle around 1.8% per year (US CRS R45415 2020). Russia’s economy is characterized as surviving, not thriving (Ziemba 2018).

### **3. DISCUSSION**

#### **3.1. Sanctions' impact on Russian economy**

Literature on the topic of effects of EU and US sanctions on Russian economy with the purpose to quantify the damage caused by sanctions showed that there is no general agreement on the estimated harm suffered by Russian economy. Many researchers conclude that it is very difficult to make this assessment. Nelson (2017), a specialist in international trade and finance, working for US parliament, admitted that “it is difficult to assess whether, and to what extent, the targeted US and EU sanctions in response to the conflict in Ukraine, and Russia’s retaliatory measures, have impacted the Russian economy broadly over the past two to three years”.

According to the US Congressional Service Report “US Sanctions on Russia”, “in terms of economic impact, studies suggest that sanctions have had a negative but relatively modest impact on Russia’s growth. Changes in world oil prices have had a much greater impact on the Russian economy. After oil prices rose in 2016, Russia’s economy began to strengthen even as sanctions remained in place and, in some instances, were tightened. Debates about the effectiveness of sanctions against Russia continue in Congress, in the Administration, and among other stakeholders” (US CRS R45415 2020).

Tyll et al (2018) concludes that the present Russian economic condition depends on its dependence on oil exports and the current market prices on oil; that ordinary population is more affected by Russian government countermeasures and especially by the development of the exchange rate of national currency than by western sanctions.

Russia’s dependence on imported electronics and space equipment components impacted the defense and space industries (Faltsman 2015). Western ban on exports of dual-use goods and oil exploration equipment negatively affected Russia’s technological process as well.

On the other hand, in 2016, agriculture has surpassed the arms industry as Russia's second largest export sector after oil and gas (Financial Times 2017). “The longer sanctions are in force, the less effective they will become because the economic actors in the sanctioned state adjust and find new ways of doing business” (Oxenstierna 2018).

The impact of the sanctions has prompted Russia to shift its diplomatic strategy toward the East, China, India, Vietnam, and North Korea to mitigate the negative impacts of the sanctions and to avoid the diplomatic isolation brought by sanctions.

“Through the annexation of Crimea, Putin has alienated Russia from all post-Soviet countries, from Europe and from the United States – and therefore, now he has to try to shop around the Middle East and China and India” Anders Åslund, a senior fellow at the Atlantic Council, told Kyiv Post (Pelechaty 2019).

It is important to mention that there have been many more other sanctions imposed on Russia for various malign activities. In 2012, the United States introduced a new sanctions regime on Russia in response to human rights abuses. In 2016, the United States imposed sanctions on Russian individuals and entities for election interference and other malicious cyber-enabled activities. In 2017, legislation was enacted to strengthen existing sanctions authorities and establish new sanctions in response to Russia’s invasion of Ukraine, malicious cyber-enabled activities, human rights abuses, and corruption. The United States also has imposed sanctions on Russian individuals and entities in response to the use of a chemical weapon, weapons proliferation, trade with North Korea in violation of UN Security Council requirements, support for the Syrian and Venezuelan governments, transnational crime, and international terrorism (US CRS R45415 2020). The scope of the sanctions makes it harder to assess the effectiveness of the sanctions imposed on Russia for annexation of Crimea.

### **3.2. Sanctions’ effect on changing Russia’s behavior**

The imposition of sanctions is one of the strategies that states use to coerce target countries into altering their behavior by means of economic or political pain (Cranmer et al 2014). According to Kluge (2019), “Some intermediate goals of the Ukraine-related sanctions have been achieved. The sanctioning countries have signaled that they are willing to bear economic costs to stop Russia from breaching international rules”.

Sanctions’ effectiveness depends on a rational action of a leader to comply with senders’ demand rather than to face challenges. Seems that Russian government doesn’t fit with a rational choice theory, but rather with the balance of power theory when states are fundamentally concerned with their survival within the anarchic international system (Waltz 1979).



Numerous studies regarding the effectiveness of economic sanctions show that political scientists seem to have lack of consensus regarding the usefulness of sanctions as a foreign policy tool. Stepien, et al (2016) hypothesizes that this could be because of how success of sanctions is defined and how this concept is measured.

This paper analyzes effectiveness of the sanctions. Therefore, it is worth to point out the difference between efficiency and effectiveness. “The important difference between effectiveness and efficiency lies in a meaning of ‘value’; the term that changes the costs of the actions leading to the outcome which are evaluated - the ability to produce the desired outcomes, regardless the costs involved” (Stepien et al 2016). This means that when evaluating the economic sanctions effectiveness imposed on Russia, the costs of the sanctioning countries do not count.

Many observers have debated the degree to which sanctions promote change in Russia’s behavior in respect to Ukraine. The main goal of the sanctions was for Russia to de-annex Crimea and to stop destabilizing eastern Ukraine. Sanctions did stop Russia’s interference in eastern Ukraine and contributed to bringing Putin to a negotiation table to sign two Minsk agreements in 2014 and 2015 that formally recognize Ukraine’s sovereignty, but Russia have not de-annexed Crimea and continues to interfere with ships going to and from eastern Ukraine (Bentzen & Anosovs 2015).

“Critics of sanctions say that sanctions are never effective because they harm the civilian population more than the targeted regimes (Cortright 2001). Targeted, restrictive and “smart sanctions” which would exert pressure directly on the elites and avoid negative impacts on the population are difficult to design. “Instead of creating dissatisfaction with the leadership, economic sanctions may make citizens in the target country blame sender countries for their economic difficulties” (Galtung 1967). This seems to be exactly the case with Russia.

People care about economy more than about politics. Before the imposition of sanctions, protests in Russia were mostly pro-democratic and anti-Putin, while after sanctions protests are against pension reforms and economic conditions not against war in Ukraine or Putin. In 2018, Putin was even reelected for another six years. As unintended consequences, sanctions have inspired strong patriotism and nationalism in Russian people, and “instead of shaking public support for the government, the sanctions have helped the government to mobilize its citizens” (Yurgens 2014).

Jeff Sahadeo, director of the Institute of European, Russian, and Eurasian Studies, thinks that individual sanctions pose an inconvenience to oligarchs they are opposed upon, but they don't have the power or a desire to challenge Putin.

Yuval Weber, an associate professor of Russian and Eurasian Studies, said: "The sum effect of the sanctions regime is that it has robbed Russia's ability to export capital and use positive financial inducements to buy friends across the region and the world, and that's the big take-away: sanctions are devastating to Russia's great power aspirations, but they're not fatal to Russia or to Putin's hold on power" (Pelechaty 2019).

"The point about geopolitical constants is that Russia and the West will continue to see their role differently in Eastern Europe, sanctions or no sanctions", says Gunitsky, an associate professor of political science at the University of Toronto. "That doesn't mean sanctions have no effect — they do change the cost-benefit analysis" (Pelechaty 2019).

Research by the Peterson Institute International Economics found that since 1970, unilateral US sanctions have achieved foreign policy goals in only 13 percent of the cases. In addition, sanctions research shows that "incentives to bargain are needed for success since diplomacy requires both sticks and carrots". That means that sanctions should be increased or decreased under realistic conditions (Oxenstierna 2018).

### **3.3. Sanctions' impact on European countries and the United States**

Sanctions (both western and Russian countermeasures) affected the trade between Russia and the EU countries. They caused economic damage to a number of EU countries, with total losses estimated at 100 billion euros as of 2015 (Sharkov 2015). In February 2015, Exxon Mobil reported losing about \$1 billion dollars due to Russian sanctions (Aleksashenko 2016).

In 2017, the UN Special Rapporteur Idriss Jazairy published a report on the impact of sanctions, stating that the EU countries were losing about 3.2 billion dollars a month due to them (Jazairi 2017).

The sanctions affected numerous European market sectors, including energy, agriculture, and aviation among others (Lewczenko 2019). In March 2016, the Finnish farmers' union MTK stated that the Russian countersanctions and falling prices have put farmers under tremendous pressure. Finland's

Natural Resources Institute LUKE has estimated that last year farmers saw their incomes shrink by at least 40 percent compared to the previous year (Yle Uutiset 2016). On 11 March 2016, Finnish farmers demonstrated in front of the Helsinki Cathedral (RT 2016).

Kraatz (2016, p.5) in her European Parliament Briefing Report, wrote “Nordic and Baltic states are particularly exposed to both the potential backlash of EU-imposed sanctions on their economies and the direct consequences of Russian retaliatory measures. They are heavily if not entirely dependent on Russian gas and have more developed trade relations with Russia”.

In 2014, Bulgarian Prime Minister Boiko Borisov stated, "I don't know how Russia is affected by the sanctions, but Bulgaria is affected severely" (Reuters 2014). The German business sector, with around 30,000 workplaces depending on trade with the Russian Federation, also reported being affected significantly by the sanctions (Financial Times 2016).

In August 2015, the British think tank Bow Group released a report on sanctions, calling for the removal of them. According to the report, the sanctions have had “adverse consequences for European and American businesses, and if they are prolonged...they can have even more deleterious effects in the future” (The Bow Group Report 2015). The potential cost of sanctions for the Western countries has been estimated over \$700 billion dollars.

In January 2017, Swiss Economics Minister and former President of Switzerland Johann Schneider-Ammann stated his concern about the sanctions' harm to the Swiss economy, and expressed hope that they will soon come to an end (Schneider-Ammann 2017).

In October 2017, the Hungarian Minister of Foreign Affairs and Trade added that the sanctions "were totally unsuccessful because Russia is not on its knees economically, but also because there have been many harms to our own economies and, politically speaking, we have had no real forward progress regarding the Minsk agreement" (CNBC 2017).

In February 2019, advisor to Municipal Councilor of Municipality of Verona, member of House of Representatives Vito Comencini said that the anti-Russian sanctions have caused significant damage to the Italian economy, with the result that the country suffers losses every day in the amount of millions of euros (Politico 2017).

In 2017, the UN Special Rapporteur Idriss Jazairy published a report on the impact of sanctions, noting that the sanctions were "intended to serve as a deterrent to Russia but run the risk of being only a

deterrent to the international business community, while adversely affecting only those vulnerable groups which have nothing to do with the crisis (especially people in Crimea, who should not be made to pay collectively for what is a complex political crisis over which they have no control)". These sanctions show to affect many vulnerable groups in many countries.

In March 2019, the Italian Prime Minister Giuseppe Conte stated that Italy is working on lifting the sanctions, which "the ruling parties in Rome say are ineffective and hurt the Italian economy" (Vito 2019).

### **3.4. Opposition to sanctions against Russia**

While many countries supported the sanctions against Russia for annexation of Crimea, some countries also opposed them. A resolution 68/262 "Territorial Integrity of Ukraine" in the United Nations General Assembly was supported by 100 out of 193 votes of the United Nations member states. "Whilst Russia's annexation of Crimea is the primary justification for sanctions, this is at odds with the strong local support for the transfer of territory by the public of Crimea themselves." (O'Loughlin & Toal 2019).

Italy, Hungary, Greece, France, Cyprus and Slovakia are among the EU states most skeptical about the sanctions and have called for review of sanctions (Ptasnyk 2018). The Hungarian Prime Minister Viktor Orbán stated that Europe "shot itself in the foot" by introducing economic sanctions (Szakacs 2014). Czech President Miloš Zeman and Slovakian Prime Minister Robert Fico also said that the sanctions should be lifted (Reuters 2014). In December 2014, Paolo Gentiloni, Italian Minister of Foreign Affairs, said that the sanctions "are not the solution to this conflict" (Bruggmann et al 2016).

In 2015, the Greek Prime Minister Alexis Tsipras repeatedly said that Greece would seek to mend ties between Russia and EU through European institutions. Tsipras also said that Greece was not in favour of Western sanctions imposed on Russia, adding that it risked the start of another Cold War (The Guardian 2015).

In January 2016, France announced that it wanted to lift the sanctions in 2016. In June 2016, the French Senate voted to urge its government to “gradually and partially” lift the EU sanctions on Russia, although the vote was non-binding (BBC 2015).

The German Economy Minister Sigmar Gabriel said that the Ukrainian crisis should be resolved by dialogue rather than economic confrontation, later adding that the reinforcement of anti-Russian sanctions will "provoke an even more dangerous situation... in Europe" (Kirschbaum 2016).

In May 2018, the vice chairman of Free Democratic Party of Germany and the Vice President of the Bundestag Wolfgang Kubicki said that Germany should "take a first step towards Russia with the easing of the economic sanctions because "this can be decided by Germany alone and does not need the consent of others" (Gens 2019).

The efforts of Congress and the Trump administration to expand sanctions on Russia, have prompted a concern in the EU. “Many in the EU oppose the United States’ use of secondary sanctions at curbing Russian energy export pipelines to Europe, such as Nord Stream 2” (US CRS 45415 2020).

In June 2017, Germany and Austria criticized the US Senate over new sanctions against Russia that target the planned Nord Stream 2 gas pipeline from Russia to Germany (Deutsche Welle 2017), stating that the United States was threatening Europe's energy supplies (Bershidsky 2017). In a joint statement Austria's Chancellor Christian Kern and Germany's Foreign Minister Sigmar Gabriel said that "Europe's energy supply is a matter for Europe, and not for the United States of America". They also said: "To threaten companies from Germany, Austria and other European states with penalties on the US market if they participate in natural gas projects such as Nord Stream 2 with Russia or finance them introduces a completely new and very negative quality into European-American relations" (Post-gazette 2017).

## CONCLUSION

It has been six years since Russia's invasion in Ukraine, annexation of Crimea and sanctions imposed against Russia. A great deal of research all over the world has been done analyzing the sanctions' effectiveness even though the measures of their success and effectiveness are not clearly defined.

Most studies agree that even though Russia had been in its longest recession in 2014-2015, it was mostly caused by the falling market prices on oil and the ruble devaluation rather than by western sanctions. Russian economy depends heavily on the oil export. After oil prices rose in 2016, Russian economy began to strengthen even as sanctions remained in place, and even tightened.

Another reason which helped Russia to adjust to restrictions and sanctions was because it had countries to turn to economically and diplomatically to avoid isolation. It didn't take long for Russia to reorient its trade and diplomatic relations with countries that opposed western sanctions.

Sanctions, both western and Russian countermeasures, interfered with the trade between Russia and EU, causing economic damage to Russia and the EU countries. They affected numerous European market sectors including energy, agriculture and aviation. Many in the EU oppose the United States' use of secondary sanctions aiming at curbing Russian energy export pipelines to Europe.

Russian countermeasures were aimed to reduce Russia's dependence on foreign agricultural and food imports and strengthening domestic products, and in 2016, agriculture has surpassed the arms industry as Russia's second largest export sector after oil and gas. On the other hand, the defense and space industries, which are dependent on imported electronics and space equipment, are significantly impacted by the sanctions.

Western sanctions were designed not to harm the vulnerable population which has nothing to do with the crisis, but they are the once who are hurt the most and not only in Russia. Even though Russian economic domestic challenges are not caused by western sanctions, Russian people blame the West for their suffering due to a successful government propaganda machine. Instead of creating dissatisfaction with the leadership, sanctions have inspired strong patriotism and nationalism in Russians. Before sanctions, protests were anti-Putin and pro-democratic, while after sanctions, they were about economic reforms. This helped Putin consolidate and maintain his power and being elected in 2018 for another six years. Even though poverty persists, Putin's approval is stable.

The main goal of the sanctions was for Russia to de-annex Crimea and to stop destabilizing a situation in eastern Ukraine. Sanctions did stop Russia's interference in Ukraine and contributed to bringing Putin to a negotiation table to sign both Minsk agreements, but there is no progress in implementing them. This means sanctions will not end any time soon. Considering the fact that Russia insists that the transfer of Crimea to Ukraine back in 1954 was illegal, it would be unrealistic to expect that Russia will ever de-annex Crimea.

Western sanctions against Russia were imposed, expanded, extended and tightened many times over the last six years. The longer they are in force, the less effective they become. In addition, many of the sender countries no longer wish to bear financial losses because of the sanctions. There must be a compromise and diplomatic solutions to resolve a problem. Russia's view of the NATO's expansion at the Russia's borders will never be the same as the NATO's view. Economic sanctions do not work well in this respect.

The author concludes that for sanctions to be effective, a strong consensus of the international community against a country target is a very important factor. Only half of the United Nations member states voted for a resolution against Russia. If opinions divide so significantly, maybe other policy tools be taken into a consideration. The goals of sanctions must be realistic, the measures of success are clearly defined, and the duration of sanctions is time limited.

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