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At the Dawn of a New Era of Sanctions: Russian-Ukrainian Crisis and Sanctions

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Abstract: This article outlines the objectives of the EU-sanctions against Russia, comparing the expectations of the politicians, media and the public with the views expressed in theoretical debates, as well as experiences gained from historical lessons. The essay seeks to answer the question: what could be realistically achieved as a result of the sanctions and what remains beyond their reach?

The political tensions that emerged when Russia violated Ukraine's territorial integrity continue to the present. In 2014, the EU and its partners determined to use sector-specific, targeted sanctions to put economic pressure on Russia.

The scope of the sanctions has been widened several times and extended in June 2015. However, the sanctions never reached the heart of Russian economy— primarily the export of energy carriers and raw materials. And they never were targeted against top rank politicians, like President Vladimir Putin or Prime Minister Dmitry Medvedev. Moscow, in retaliation for the sanctions, has imposed import restrictions on a wide range of products originating from the countries involved in imposing the sanctions.

The international community's expectations—that the sanctions imposed against Russia would restore Ukraine's territorial integrity or initiate political regime change in Russia—have not been met. Therefore, the question arises of whether the sanctions against Russia were unrealistic from the start. Considering the objectives of the EU-imposed sanctions on Russia is important because it lays the groundwork for assessing their outcome. As Francesco Giumelli stated, “the analysis why sanctions are imposed, together with the understanding of their purpose, is crucial to discuss how sanctions work and how we can create a new narrative for success.”¹ Identifying the aims of the conflicting parties during the Russian-Ukrainian conflict helps in assessing the outcome of sanctions. Nevertheless, it may not be sufficient to determine only the extent to which sanctions meet their political objectives, but also the unintended consequences. Also, what would have happened if sanctions had not been imposed?

¹ Francesco Giumelli, “How EU sanctions work: A new narrative,” EU Institute for Security Studies, *Chaillot Paper*, May 2013, p. 24.

Sanctions in Theoretical Perspective

In theory, sanctions primarily are aimed to change the behavior of the target (as a tool for coercion), to limit its behavior (the constraining effect), or to send the target a message (the signaling effect).¹ However, for each individual case, the sanctions' aims are case-specific and reflect different motives—both official and hidden. Theoretically, sanctions have been considered as an alternative to military force, material gains, and diplomacy in a situation where “doing nothing” is not an option. As Milica Delevic notes, sanctions are “less glamorous than diplomacy and less decisive than war.”²

Sanctions as a tool for coercion are designed to change the behavior of a target country and end unacceptable activities. The change in a target country's behavior is expected to occur as a result of direct material costs to them. These costs, in turn, could be avoided by changing the behavior. Thus, target countries know what to do to satisfy the sanctioning party's requests. They are motivated to implement policies demanded by the sanctioning parties to avoid additional costs.³ Still, the change in a target country's behavior is accompanied with the weakening of the leader's political support.⁴ At the same time, the sanctions' imposer may need to make reasonable demands, which could be satisfied without the target state losing face.

Furthermore, the aims of coercive sanctions should be defined clearly, be realistic and measurable, as well as openly communicated to the target country to avoid false expectations. As Alan Groves writes, sanctions must have a “reasonable prospect of success.”⁵ This approach closely follows the traditional “more pain, more gain” logic of economic sanctions, which suggests that enough pressure should be put on targets to force them to change their behavior with the aim to strengthen international security, uphold respect for human rights and democracy, among other motives. The most natural reaction of the target state being sanctioned is to comply.⁶

Regarding sanctions, the change in the cost-benefit calculation of decisionmakers in a target country is expected, which forces the latter to change its behavior. However, the bases and logic for cost-benefit calculation of the target state can differ significantly from the expectations of imposers. The current case of Crimea is a relevant example.

¹ Francesco Giunelli and Paul Ivan, “The effectiveness of EU sanctions,” *EPC Issue Paper*, No. 76 (2013), p. 9.

² Milica Delevic, “Economic sanctions as a foreign policy tool: The case of Yugoslavia,” *The International Journal of Peace Studies*, Nov. 1, 1998.

³ Giunelli and Ivan, “The effectiveness of EU sanctions,” p. 18.

⁴ Michael Brzoska, “Putting More Teeth in UN Arms Embargoes,” in D. Cortright and G.A. Lopez, eds., *Smart Sanctions: Targeting Economic Statecraft* (Lanham, MD: Rowman and Littlefield Publishers, 2002), pp. 125–144.

⁵ Alan Groves, *Are Sanctions an Appropriate Tool for Coercion in International Politics? Why?* 2007, <http://www.e-ir.info/2007/12/03/are-sanctions-an-appropriate-tool-for-coercion-in-international-politics-why/>.

⁶ Brzoska, “Putting More Teeth in UN Arms Embargoes.”

If the restrictive measures are aimed at making it impossible for the target country to carry out its intentions, sanctions can be claimed to contain *the constraining element* by materially limiting the target's capability to act.⁷ In contrast to coercive sanctions, constraining sanctions require the targets *not* to do something.⁸

Sanctions could be aimed at sending a signal that the target's behavior will not be tolerated.¹⁰ In this case, the change in target country's behavior is expected because of the risk to reputation, the future gains, or multilateral diplomacy.¹¹ A favorable outcome of signaling sanctions would include projecting a positive image of the sanctioning party to the rest of the world, and the strengthening of a global norm.

Using sanctions as a signal to the international community could be seen as a tool in a "communication war." In this light, sanctions could be aimed at "shaming" and stigmatizing the target state.⁹ In this regard, these sanctions alert the international community, markets, investors, and other subjects that the target's behavior will not be tolerated. However, as a side effect, the "rally-around-the-flag" phenomenon in the target country could bring increased nationalism.¹⁰

Sanctions also can be defined with institutional and neo-institutional theories of governance. In an institutional environment, decision-making is dominated by compromises that prefer rational and regulated choices. Rules and norms tend to be dominant over idealistic goals.¹⁴ The neo-institutional model approaches political processes, and whether they represent a rational choice among the morally acceptable options. Both multilateral and bilateral sanctions have been used increasingly in the international arena since the 1990s. In fact, sanctions have become "a standard reaction to crisis,"¹¹ and could be interpreted as a "safe" solution, for violating universally accepted norms.

The Efficiency of Sanctions

Based on these theories, some generalizations can be made about the efficiency of sanctions. These will help us better understand the role of sanctions in the Russian-Ukrainian conflict.

First, autocracies are more likely to concede to sanctions than democracies.¹² Among the former, personalist regimes and monarchies are more vulnerable to the loss of external sources of revenue and are, therefore, more likely to be destabilized by

⁷ Giumelli and Ivan, "The effectiveness of EU sanctions," p. 19.

⁸ Francesco Giumelli, *Coercing, Constraining and Signalling: Explaining and Understanding International Sanctions after the End of the Cold War* (Colchester: ECPR Press, 2011), p. 34

¹⁰ Brzoska, "Putting More Teeth in UN Arms Embargoes." ¹¹ Giumelli, "How EU sanctions work," p. 19.

⁹ Rebecca Adler-Nissen, "Stigma Management in International Relations: Transgressive Identities, Norms and Order in International Society," *International Organization*, No. 68 (2014), pp. 143-176.

¹⁰ Johan Galtung, "On the Effects of International Economic Sanctions: With Examples from the Case of Rhodesia," *World Politics*, Vol. 19, No. 3 (1967), pp. 378-416. ¹⁴ Peter A. Hall and Rosemary Taylor, "Political Science and the Three New Institutionalisms," *Political Studies*, Vol. 44, No. 5 (1996), p. 938.

¹¹ Groves, *Are Sanctions an Appropriate Tool for Coercion in International Politics? Why?* 2007.

¹² David Lektzian and Mark Souva, "The economic peace between democracies: economic sanctions and domestic institutions," *Journal of Peace Research*, No. 40 (2003), pp. 641-660.

sanctions. Single-party and military regimes will be less sensitive to the loss of external resources, as they will be able to increase their tax revenues and reallocate their expenditures.¹³

Second, sanctions often cause behavioral change *after* being imposed. This is the case, if the target country has underestimated the impact of sanctions, miscalculated the sanctioning country's determination to impose them, or believed incorrectly that sanctions will be imposed and maintained whether they yield or not.¹⁴

Third, different types of sanctions have different effects.¹⁵ In principle, trade sanctions have proved to be inefficient. For in a globalized world, other supply sources can be found in most cases. Smart sanctions are more effective in targeting the political elites who are committing actions that are condemned by the international community, as well as protecting vulnerable social groups. Particularly, in the totalitarian and authoritarian regimes, the decision makers can insulate themselves which makes "smart" sanctions very difficult to impose.¹⁶

Fourth, economic sanctions succeed most often in the early phase of imposing them, such as within the first two years after the triggering event. In the long run, sanctions tend to be unsuccessful.¹⁷ After about seven years, the positive effect even turns negative, because economic and political variables adjust to the shock. Thus, time is working against the sanctions.

Imposed Sanctions and Expected Results

In the Russian-Ukrainian conflict, economic and political sanctions represent an important component. Both sides expect an efficient tool to put pressure on another conflicting party, as well as to send a strong signal to the international community. However, it is in Moscow's interest to continue destabilizing the Eastern Ukraine because lasting longer economically and fiscally than Ukraine would give Russia tactical advantage in the international arena. The EU, the United States and their allies want to regain the territorial integrity of Ukraine and prevent future Russian violations in neighboring states. Since Ukraine is currently on the brink of

economic collapse, it would be in the EU and its allies' interest if Russia were unable to adapt to the international pressure in the short-term, but not to fall into chaos. The latter would destabilize the overall security situation in Europe. A long-term scenario, with sanctions implemented longer than years, might cause economic stagnation in Russia. However, the sanctions may not succeed in forcing Russia to return Crimea and liberate East-Ukrainian territories.

¹³ Abel Escribà Folch and Joseph Wright, "Dealing with Tyranny: International Sanctions and the Survival of Authoritarian Rulers," *International Studies Quarterly*, Vol. 54, No. 2 (2010), pp. 335-359.

¹⁴ Jon Hovi, Robert Huseby and Sprinz Detlef, "When Do (Imposed) Sanctions Work?" *World Politics*, Vol. 57, No. 4 (2005).

¹⁵ Giumelli, How EU Sanctions work," pp. 5-41.

¹⁶ Arne Tostensen and Bull Beate Bull, "Are smart sanctions feasible?" *World Politics*, Vol. 54, No. 3 (2002).

¹⁷ Sajjad F. Dizaji and Peter van Bergeijk, *Could Iranian sanctions work? "yes" and "no," but not "perhaps,"* 2013, pp. 721-723, <http://www.voxeu.org/article/could-iranian-sanctions-workyes-and-no-not-perhaps>.

In 2014 and 2015, both the European Union and Russia took many sanctions-related actions to fulfill their strategic aims. In March 2014, the EU introduced sanctions imposing travel restrictions and asset freezes¹⁸ on Russian and Ukrainian officials, as well as on individuals involved in human rights violations and corruption in Ukraine. This was as a result of the annexation of Crimea and Sevastopol to the Russian Federation.¹⁹ A G7 meeting was held in Brussels on June 4-5, 2014 where the EU states also supported the suspension of negotiations over Russia's membership in the Office of Economic Co-operation and Development. Bilateral negotiations with Russia on visa matters, as well as on the New Agreement between the EU and Russia, were suspended. In addition, a re-assessment of EURussian cooperation programs is currently ongoing with a view to suspending the implementation of EU-bilateral and regional cooperation programs.²⁰

The scope of the individuals, as well as entities, subject to sanctions was widened in mid-2014. Russia responded by introducing similar retaliatory sanctions against high-ranked officials of the EU, United States, and Canada. To strengthen the sanctions, on July 30, 2014 the EU announced sector-specific economic sanctions against the Russian military industry, financial and energy sectors.²¹ Russia's access to the EU capital markets was restricted, an embargo on the trade of arms and related material with Russia was agreed upon, and the importing of goods originating from Crimea was prohibited.²² As a countermeasure, on August 6, 2014, Vladimir Putin signed a decree "on the use of specific economic measures," which mandated an effective embargo for a one-year period on imports of most of the agricultural products "whose country of origin had either adopted the decision on introduction of economic sanctions in respect of Russian legal and (or) physical entities, or joined same."

The Russian government ordinance was adopted and published with immediate effect, including a ban on fruit, vegetables, meat, fish, milk and dairy im-

ports.²⁷

In September 2014, the leaders of the EU and the United States agreed on additional sanctions, forbidding state-controlled Russian oil and defense companies from raising money in European capital markets, as well as cutting off foreign investment.²³ In November 2015, additions were made to the sanctioned lists of

¹⁸ Council of the European Union, March 17, 2014, [Council Implementing Decision 2014/145/CFSP](#).

¹⁹ Council of the European Union, March 21, 2014, [Council Implementing Decision 2014/151/CFSP](#).

²⁰ Council of the European Union, EU sanctions against Russia over Ukraine crisis, July 19, 2015, http://europa.eu/newsroom/highlights/special-coverage/eu_sanctions/index_en.htm#5.

²¹ Council of the European Union, July 30, 2014, [Council Decision 2014/508/CFSP](#).

²² Council of the European Union, Dec. 19, 2014, [Council Decision 2014/386/CFSP](#).

²³ Council of the European Union, Sept. 12, 2014, [Council Decision 2014/658/CFSP](#).

persons, organizations and companies.²⁴ As a response, Russia continued to curb cooperation with Western partners.²⁵

On June 22, 2015, the Council extended EU economic sanctions until January 31, 2016. These economic sanctions were introduced in response to Russia's destabilizing role in Eastern Ukraine. Previously, there was an agreement at the European Council in March 2015, when EU leaders linked the duration of these sanctions to the complete implementation of the Minsk agreements, foreseen by December 31, 2015.²⁶ The Council of European Union also stressed that the EU remains ready to reverse its decisions and reengage with Russia when it starts contributing actively to finding a solution to the Ukrainian crisis.²⁷ Russia responded with more sanctions in June 24, 2015 and with additional legal and economic measures to integrate Crimea in July 15, 2015.²⁸ The same month, the EU leaders, as well as Washington agreed on additional sector-specific sanctions against Russia.²⁹ These included:

- 1) EU nationals and companies may no longer buy or sell new bonds, equity or similar financial instruments issued by five major state-owned Russian banks, three major Russian energy companies and three major Russian defense companies.³⁰

²⁷ Government of Russia, Aug. 2014, <http://government.ru/docs/14195/>, and Government of Russia, Aug. 21, 2014, <http://government.ru/docs/all/92613/>.

- 2) Services related to the issuing of such financial instruments, e.g., brokering, are also prohibited. EU nationals and companies may not provide loans to five major Russian state-owned banks.³¹

²⁴ Council of the European Union, [Council Decision 2014/801/CFSP \(OJ L 331, 18 November 2014\)](#), Council of the European Union, [Council Decision 2014/855/CFSP \(OJ L 344, 29 November 2014\)](#).

²⁵ Government of Russia, Feb. 21, 2015, <http://government.ru/docs/all/94975/>.

²⁶ Council of the European Union, Russia: EU extends economic sanctions by six months, June 22, 2015, <http://www.consilium.europa.eu/en/press/press-releases/2015/06/22-russiasanctions/>.

²⁷ Council of the European Union, EU sanctions against Russia over Ukraine crisis, July 19, 2015, http://europa.eu/newsroom/highlights/special-coverage/eu_sanctions/index_en.htm#5.

²⁸ President of Russia, July 15, 2015, <http://www.kremlin.ru/acts/bank/39955>.

²⁹ Council of the European Union, July 19, 2015, http://europa.eu/newsroom/highlights/special-coverage/eu_sanctions/index_en.htm#5.

³⁰ Council of the European Union, [Council Regulation \(EU\) No 1290/2014 \(OJ L 349, 5 December 2014\)](#).

³¹ Council of the European Union, [Council Regulation \(EU\) No 960/2014](#), Sept. 12, 2014.

³⁷ [Council Regulation \(EU\) No 833/2014](#), July 31, 2014 and [Council Regulation \(EU\) 1290/2014](#), Dec. 5, 2014), respectively.

- 3) Embargo on the import and export of arms and related material from/to Russia. Prohibition on exports of dual use goods and technology for military use in Russia or to Russian military end-users. Export of dual use goods to nine mixed defense companies is banned.³⁷
- 4) Exports of certain energy-related equipment and technology to Russia are subject to prior authorization by competent authorities of member states. Export licenses will be denied if products are destined for deep water oil exploration and production, arctic oil exploration or production and shale oil projects in Russia.³²

In terms of demands, the European Council agreed that the duration of the restrictive measures against the Russian Federation, clearly should be linked to the complete implementation of the Minsk agreements.³³

The EU has avoided directly confronting with Russia in political rhetoric. Regarding the Russian-Ukrainian crisis, politicians have stipulated that the purpose of the EU sanctions “is not to punish Russia but to make clear that it must cease its support for the separatists and stop destabilizing Ukraine.”³⁴ Additionally, the council said that “acceptance of the status quo does not belong among the topics for discussion.”³⁵ Thus, the EU stated that sanctions should not be imposed with the aim to cause economic harm, but to send a signal to the target country—and most likely also to the potential investors—that actions targeted to harm Ukraine’s territorial integrity will not be tolerated. One might then assume that it is only indirectly relevant how much Russia will be punished because of the sanctions. Thus, the EU’s sanctions against Russia are primarily about the “signaling effect,” while the Russian sanctions against the EU countries and its partners primarily were designed to punish them.³⁶

Finally, the traditional “more pain, more gain” calculation does not seem to be at stake in this case. Particularly, after the first round of sanctions in March 2014, the international community strongly expressed the potential negative impact of sanctions on the Russian economy. This is, undoubtedly, because the economic harm is often the only visible short-term indicator of success or failure of sanctions imposed. Thus, it is possible to speculate that the international community expected major political changes in Russia during a relatively short period after imposing sanctions. In the absence of political success, the economic recession in Russia has been interpreted as the only tangible outcome of international sanctions. Sanctions against Russia partially succeeded in signaling to potential investors that Russia’s behavior is not acceptable to the European countries. They also demonstrated that risks exist in

³² [Council Regulation \(EU\) 1290/2014](#), OJ L 349, Dec. 5, 2014.

³³ Council of the European Union, EU sanctions against Russia over Ukraine crisis, July 19, 2015, http://europa.eu/newsroom/highlights/special-coverage/eu_sanctions/index_en.htm#5.

³⁴ Tony Blinken, Ukraine in the White House Press Briefing, July 28, 2014, <http://ukraine.usembassy.gov/statements/wh-ukraine-07282014.html>.

³⁵ “U.S. and Europe Set to Toughen Russia Sanctions,” *New York Times*, July 28, 2015, http://www.nytimes.com/2014/07/29/world/europe/us-and-europe-agree-to-escalatesanctions-on-russia.html?_r=0.

³⁶ Government of Russia, Aug. 2014, <http://government.ru/docs/14195/>.

investing in the Russian market. Yet, the sanctions have failed in signaling to Russia that actions targeted to harm the territorial integrity of Ukraine are not tolerated.

Can Current Sanctions Meet Public and Political Expectations?

As stated earlier, sanctions rarely are successful if their aims are too broad. The EU's experience over the past 20 years shows that sanctions have been used in 30 cases. None of them could be considered a success. In the Russian-Ukrainian crisis, the EU and the United States are expecting a political solution after implementing relatively weak economic measures. Additionally, a clear and quantifiable package of requirements is still lacking. From the EU side, the cherrypicking technique is used when individuals and entities under sanctions are selected individually, and sensitive sectors are intentionally left aside. The EU sanctions have also been influenced by the political and economic interests of the EU-member states. In sum, the world has entered into a new era of sanctions where the traditional logic "more pain/more gain" should be revised.

To understand the sanctions' impact during the Ukrainian conflict, we should use Ukraine's economic and social development for comparison.

Furthermore, it is significant because in Putin's regime the measure for success in confronting Ukraine, as well as in sanctions, seems to be the ability to hold out longer than Ukraine—no matter what the expense. Also, Putin hopes that the possible rising anarchy in Kiev will provide an opportunity to occupy the planned territories and reorganize the Ukrainian statehood. In this light, the international financial pressure that has been endured so far—appropriated funds and reserves—may be considered an investment that can still turn profitable. Abandoning combat, on the other hand, would mean writing off all stakes on the table. Therefore, for Putin to stop fuelling the crisis in Ukraine, we need to fulfil at least one of the two criteria: either strip him of the hope that Ukraine will break first, or raise the costs so high that the takings do not seem lucrative any longer.

A critical issue here is that the economic outcome, which, in many cases, is in the short-term perspective the only "visible" indicator of sanctions imposed. Yet, this outcome should not prevail over evaluating the efficiency of sanctions in achieving their actual aims. Sanctions carried three parallel effects: first to signalize to Russian political elite that actions related to Ukraine are not acceptable; second to

put immediate economic pressure on some sectors of Russian economy; and third, to reduce the long-term attractiveness of the Russian economy. However, the actual aim of sanctions—making it clear to Russia that it must stop destabilizing Ukraine—was left aside.

In this case, it is hard to imagine what benefit the collapse of the Russian economy could bring to the EU, as the latter's economic degradation would threaten Europe's stability in many ways. The risks primarily come from Russia's close economic relations with many Central and Eastern Europe (CEE) countries preceding the conflict, which could backfire on the respective EU member states.

Since the targeted sanctions against Russia have limited the country's ability to carry out actions, the sanctions have, to some extent, provided *the constraining element*. However, targeted sanctions have not represented the most stringent measures available. For example, only a few people and entities directly linked to the Russian decision makers, have been included in the "black list." Curiously, the real "architects"

of the violent events in the Eastern Ukraine, such as Vladimir Putin, Dmitry Medvedev and other high-level members of the Russian administration, have not been included.³⁷

We may also question whether *the coercive element* of the EU-sanctions occurred. The target's voluntary cooperation is an essential pre-condition for the coercive element for sanctions to work. However, in this case, two issues speak against Russia's voluntary cooperation. First, the target country should be able to satisfy the demands of the sender without losing face. The EU has stressed, particularly from the beginning of 2015, that the sanctions against Russia are directly related to implementing fully the Minsk agreement.³⁸ Yet, Russia's power elite has stressed that Russia is only a guarantor of the Minsk agreement and not a party to it. So, first, without admitting that its military forces are destabilizing Ukraine, it would have been difficult for Russia to satisfy the European Union's requests to withdraw its troops and equipment without losing face on both the international and national stage. Therefore, although justified in theory, in real terms, the EU's request that Russia should cease its support for the separatists in Eastern Ukraine had no reasonable prospect of success. Secondly, another precondition for the coercive element of sanctions is that they cause direct material costs to targets, something that could be avoided, when behavior is changed. However, as discussed earlier, the economic harm has not been declared as the main aim of the EU-sanctions; quite the contrary, rarely has it been mentioned when implementing sanctions.

In addition, there were strong expectations for the *signaling element* in the EU-sanctions. The international community has been vocal about making clear to Russia that the persistent breach of the principle of territorial integrity of sovereign states cannot be accepted. It also says that Russia must stop destabilizing Ukraine and

cease its support for the separatists in Eastern Ukraine. The EU-sanctions imposed on Russia in 2014 were presented by the political leaders of the EU-member states, including Angela Merkel, Francois Hollande, David Cameron, Matteo Renzi, and others, as "a strong warning to Russia, that the EU would not tolerate Russia's behavior in Ukraine and it will not remain without enormous consequences." Yet, the desired political outcome—restoring the territorial integrity of Ukraine and fully implementing the Minsk agreement—has not been achieved.

The EU-member states' fragmentation of interests and positions regarding the sanctions against Russia is predictable. It arises from the particular fears and the interests of the member states. For example, Austrian banks have extensive business relations with Russia, the Czech Republic fears for its engineering exports, Poland is concerned about the food export, Finland and the Baltic countries are dependent on Russian gas supplies, and this is merely from the start of a long list.³⁹ Although the

³⁷ Viljar Veebel, "Will Economic Sanctions fulfil Baltic Expectations in terms of Ukraine and Russia," *Baltic Rim Economics*, No. 6 (2014), p. 42.

³⁸ "West sends mixed signals over Russia sanctions, G7, Ukraine crisis," RT, 2015, <http://www.rt.com/news/223303-eu-russia-sanctions-opinions/>.

³⁹ Deutsche Welle, *Resistance grows in the EU to new Russian sanctions*, 2014, <http://www.dw.com/en/resistance-grows-in-eu-to-new-russia-sanctions/a-17903208>.⁴⁶

Kaspar Oja, "No milk for the Bear, the impact to the Baltic states of Russia's counter sanctions," *Baltic Journal of Economics*, Vol. 15, No.1 (2015), pp. 46-47.

impact of the Russian sanctions on the EU and the euro zone's growth has been limited, several EU countries have nevertheless announced that they face serious difficulties due to the sanctions. They have asked for measures to compensate them.⁴⁶ However, the damage for the EU would have been significantly higher, if Russia had used its main economic tool to put pressure on its opponents and had blocked the transit of gas through Ukraine to Europe.

It is doubtful that pressure on Russia actually could occur as a result of stigmatization. For example, among other measures, the EU has requested that the European Investment Bank suspend its new financing operations of public sector projects in Russia. Also, during the second round of the EU-sanctions, a proposal was made to disconnect Russia from the global SWIFT banking transaction system, to which Russia responded fiercely. The proposal also said that Russia's "response to any SWIFT restrictions would be 'without any limits' in economic and other ways."⁴⁰ It also threatened war.⁴¹ Paradoxically, in March 2015, Russia gained a seat on the SWIFT board as a result of its increased banking traffic.

The international stigmatizing of Russia's actions has not worked. On the contrary, Russia has sent a signal to the international community that Moscow does not recognize the obvious violation of the fundamental principles of international law. Furthermore, the country is ready to combat the "unfair" measures against it, whatever it costs. However, knowing that its federal budget is highly dependent on oil revenues, avoiding the use of the "transit card" could be interpreted as a sign that Russia is still not determined to win the current "sanctions game" at any cost.

While we see some negative effects to the Russian economy, they have resulted from the international financial and capital markets, the domestic inflationary pressure and overall macroeconomic imbalances—primarily the overall fall in oil prices. From October to December 2014, the Russian rouble weakened remarkably, the direct investments to Russia decreased and capital continued to flee Russia. At the same time, the weaker rouble has provided protection for the federal budget (i.e., export earnings and taxes paid on exports will be translated into a larger rouble sum, thereby boosting the country's budget revenues) and created indirect stimulus to domestic producers. Imported products are relatively more expensive while domestic goods become more price-competitive. To avoid economic collapse or hyperinflation, the Russian Central Bank has spent significant national reserves, but so far has not succeeded in stabilizing the exchange rate.

Assuming that a regime change could occur from unsatisfied Russian citizens, and despite the economic difficulties, regime change in Russia is still unlikely. This is because there is no strong opposition or political alternative. Indeed, some existing alternatives are as problematic for the EU as current President Putin (i.e., Russian Prime Minister Medvedev) or, even worse, Ramzan Kadōrov or Sergey Shoigu.

⁴⁰ "Russian Cut off From Banking Backbone Said to be Ruled Out," *Bloomberg Business*, 2015, <http://www.bloomberg.com/news/articles/2015-03-19/russian-cutoff-from-bank-backbonesaid-to-be-ruled-out-as-option>.

⁴¹ "Cutting Russia out of SWIFT banking system would mean 'war,'" RT, Dec. 5, 2014, <http://www.rt.com/business/211291-swift-banking-russia-vtb/>.

Drawing on the *institutionalism* and *neo-institutionalism* schools, one could assert that the EU-sanctions were used to avoid the opponent losing face. This statement is supported, to some extent, by Leander Leenders. He argues that “as the EU is increasingly confronted with situations requiring a firm response, sanctions—arguably the EU’s “hardest” tool—have become a standard reaction.⁴² Regarding the Russian-Ukrainian conflict, sanctions have been described as a measure demonstrating that the EU has some “teeth,” rather than focusing on specific economic or political aims or objectives.

The Sanctions Lack Punch

The core reasons for the Russian sanctions against the EU should be discussed in a wider context. Russian President Vladimir Putin has considered the collapse of the Soviet Union as “the greatest geopolitical catastrophe of the 20th century,” and has stressed that Russia must return to its roots. These statements clearly refer to his ambitions to restore the former Soviet Union. In recent years, Russia has made significant efforts to integrate Russia, Belarus, and Kazakhstan in the Eurasian Economic Union. At the same time, some of the former Soviet Union republics, such as Georgia and Ukraine, have been gravitating away from Russia’s sphere of influence. Thus, it could be argued that the conflict in Ukraine has been driven by Russia’s ambitions to restore the country’s power in the region. In this context, Russian sanctions against the EU basically constituted another tool for

jeopardizing the EU’s position in the world arena, in these countries’ view. However, contrary to Russia’s expectations, violent conflicts in Georgia in 2008 and in Ukraine in 2014-2015 involving Russian military forces have increased these countries’ support for the European values.

In imposing the sanctions against Russia, the international community has defined the aims of the sanctions against Russia ambiguously, leaving considerable room for interpretation on the sanctions’ merit. The EU-sanctions imposed during the Russian-Ukrainian crisis have been focused primarily on a symbolic level. Therefore, they function to persuade the EU-member states and EU allies that they stand united in the international arena and support democratic values in Europe. However, the crucial elements for successful sanctions—sufficient economic and political pain—are missing. Russian oil and gas are still flowing to markets, and Putin is still in power, more popular than before, and experiences no travel restrictions. This outcome could not be considered a sufficient element in motivating Russia to change its behavior. There is also little reason to believe that the short-term pressure on Russia will amount to any serious constraining aspect of sanctions. Meanwhile, the Russian administration tries to distract Western attention away from Ukraine, with heavy interference in the Syrian conflict causing both a high military impact and a growing influx of refugees to the EU.

⁴² Leander Leenders, “EU Sanctions: A Relevant Foreign Policy Tool?” *EU Diplomacy Paper*, No 3 (2014), p. 3.

The question remains: Can sanctions against Russia help resolve the military conflicts in Ukraine within the timeframe to save Ukrainian economic and political stability? Drawing on historical parallels, sanctions imposed to alter military activities and to force the target country to withdraw its troops from border skirmishes rarely succeed. Both measures used after World War II or in 1970-1980s (particularly regarding the Turkish invasion to Cyprus in 1974 and the Soviet occupation of Afghanistan in 1980s), and recent sanctions against Syria serve as good examples.

In the Russian-Ukrainian crisis, it is unlikely that the sanctions against Russia could force it to change its behavior by returning Crimea. The most that can be expected is to discourage Russia from further aggressive actions against other former Soviet republics. This is the reality because the sanctions' aims were unclear from the beginning and the EU's tool-box of sanctions was weak. Likewise, as outlined, sanctions alone are seldom successful if their aims remain too broad, not all possible methods are exploited by the imposer and if results are expected in a short timeframe. This is the story in the Russian-Ukrainian conflict: the international community expected major changes during a relatively short period and imposed an unconvincing package of sanctions.

