

# West's Sanctions against Russia: Grand Strategy in the Making?

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Coercive, constraining or simply signalling? The role and effectiveness of EU and US sanctions against Russia in response to the Ukrainian crisis has been the subject of much debate. For some, sanctions are simply symbolic. Other commentators take the view that they represent a solid response. Both views hold some truth. However, to fully understand the role played by sanctions, one needs to turn to the military tradition from where this instrument originates, a perspective much overlooked in this debate.

## **Mounting pressure**

The US, the EU and a number of other global actors have imposed travel bans and financial sanctions on Russian officials over the Ukraine crisis. During the spring the sanctions shifted from only relating to the misappropriation of Ukrainian State funds and persons responsible for human rights violations in Ukraine to also cover those undermining or threatening the territorial integrity of Ukraine.

In March, US President Obama signed Executive Order 13660 Blocking Property of Certain Persons Contributing to the Situation in Ukraine. This authorised financial sanctions against those who have violated, or assisted in the violation of, Ukraine's sovereignty. Obama complemented this policy by also expanding the scope of US sanctions to include the freezing of certain Russian government officials' assets in the US and blocking their entry into the US (Executive Order 13661), and later by adding more individuals and companies active in various Russian economic sectors. Significantly, a ban was introduced on the issue of new licences to export or re-export 'high technology' items to Russia or Crimea that could enhance Russia's military capabilities.

Following the US push for sanctions, EU leaders decided to impose progressively harsher restrictive measures – another name for sanctions – against Russia. These were imposed because Russian leaders and pro-separatists in Ukraine were held accountable for breaching the Helsinki process on the stability in Europe in general

and for "actions undermining or threatening the territorial integrity, sovereignty and independence" of Ukraine in particular. The first round of EU restrictive measures came into force in March 2014, just after the US decision on specifying its sanctions. It designated 21 individuals on a sanctions list, targeting these with an assets freeze and travel ban. During spring 2014, the EU further amended the list of individuals. Moreover, the EU has since resorted to a 'staircase' strategy, which is considering escalating sanctions against entire Russian economic sectors.

Comparing these two sanctions-imposing actors, the EU initially mainly concentrated on individuals, while the US has increasingly also included other entities such as businesses. The difference may reflect the fact that Europe is more vulnerable and dependent on certain economic actors than the US. Another difference may be that EU policy is based on compromise by 28 states and business communities, while the US imposes its policy unilaterally. The first rounds of sanctions over the Ukrainian crisis were perhaps more psychological than tangible. The impact of the further rounds may be considered different depending on their scale and focus (for a summary of EU's and US's sanctions measures, see table next page).

## **The inevitable debate on effectiveness**

So far different commentators have reached different conclusions on the effectiveness of the sanctions. On the one hand, senior US administration officials have stated that sanctions are unlikely to create 'an immediate change in Russian policy', but are designed as a threat to 'steadily show the Russians that there is going to be much more severe economic pain and political isolation'. Meanwhile, other commentators have pointed to the fall in the value of the Russian rouble and the Moscow stock market as 'evidence' of the effectiveness of sanctions and claim that the West's exercise of economic statecraft has lowered confidence in Russia's economy. As explained by the US Treasury Department: 'One of the purposes of sanctions is to create uncertainty and to create the expectation in the

Summary of designated entities subject to EU and US Asset freezes and Travel bans (as of 2014-05-15)

<b>EU Sanctions</b>				
Sanctions for the misappropriation of Ukrainian State funds and persons responsible for human rights violations in Ukraine.				
6 March	EU	Asset freeze and recovery	18 individuals	For the misappropriation of Ukrainian State funds and persons responsible for human rights violations in Ukraine
6 March	EU	Diplomatic sanctions	RU	Suspension of bilateral talks with RU on visa matters and talks with the RU on a new comprehensive agreement to replace the existing Partnership and Cooperation Agreement.
14 April	EU	Asset freeze and recovery	4 individuals (in total 22 individuals listed)	4 individuals added
Sanctions against those persons responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine				
17 March	EU	Travel restrictions, asset freeze and recovery	21 individuals	Prevent the entry into, or transit through, their territories of persons responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine.
21 March	EU	Travel restrictions asset freeze and recovery	12 individuals	12 individuals added
28 April	EU	Travel restrictions asset freeze and recovery	15 individuals	15 individuals added
12 May	EU	Travel restrictions asset freeze and recovery	13 individuals and 2 companies (in total 61 individuals listed)	Amended sanctions criteria: 1) "Persons responsible for actively supporting or implementing actions or policies which undermine the territorial, integrity, sovereignty and independence of Ukraine" and their associates; and 2) "Legal, entities or bodies in Crimea or Sevastopol whose ownership has been transferred contrary to Ukrainian law" or beneficiaries of such a transfer.
<b>US Sanctions</b>				
6 March	US	Asset freeze, travel ban, donation ban	4 individuals	Blocking property of certain persons contributing to the situation in Ukraine. 2 Crimea-based separatist leaders 2 Ukrainians including Viktor Yanukovich
16 March	US	Asset freeze, travel ban, donation ban	7 individuals	Blocking property of additional persons contributing to the situation in Ukraine. 7 Russian government officials
20 March	US	Asset freeze, travel ban, donation ban		Blocking property of additional persons contributing to the situation in Ukraine.
20 March	US	Asset freeze, travel ban, donation ban	16+4 individuals and 1 bank	Sanctions target Russian government officials (16), the inner circle that supports them (4), and Bank Rossiya, the personal bank for officials of the Russian Federation, pursuant to Executive Order 13661.
11 April	US		7 individuals, 1 entity	Sanctions target Crimean separatists, a former Ukrainian official and a Crimea-based gas company, Chernomorneftegaz
28 April	US	Asset freeze, travel ban, import/export restrictions	7 individuals and 17 entities (including 3 banks)	Sanctions on 7 Russian government officials, including two members of President Putin's inner circle, who will be subject to an asset freeze and a U.S. visa ban, and 17 companies linked to Putin's inner circle, subject to an asset freeze. The Department of Commerce also imposed additional restrictions on 13 of those companies by imposing a licence requirement with a presumption of denial for the export, re-export or other foreign transfer of U.S.-origin items to the companies. The Departments of Commerce and State furthermore announced a tightened policy to deny export licence applications for any high-technology items that could contribute to Russia's military capabilities and would revoke any existing export licences that met these conditions.



marketplace that worse could be coming’.

Yet, there are also counter-claims suggesting that negative economic impacts of sanctions cannot be corroborated, as negative economic trends started before the sanctions. Moreover, conflicting with the claims that sanctions have had an impact, there is also evidence that large Western companies with operations in Russia have done little or nothing to curb their operations.

### **The sanctions genealogy overlooked**

Regardless of the economic evidence of a sanctions bite, there is a more important story to be told about the role played by the use of sanctions. Sanctions have a particular history which suggests that they are a far more important tool than simply a signalling exercise by the West.

Most notably, there is a strong record in the Anglo-Saxon law tradition of using sanctions as part of economic warfare. For instance, according to Anglo-Saxon laws on sea warfare, private property connected to the enemy state could be subjected to financial blockades. This in turn has laid the current legal ground for banning trading with the enemy, as well as the imposition of targeted financial measures on the enemy. For example, both the US and the UK made considerable use of economic warfare against their enemies during the Second World War, including sea blockades and targeted sanctions against individuals (e.g. freezing of assets). This historical use is further translated into the contemporary activities of the US Department of Treasury’s Office of Foreign Assets Control (OFAC) enshrined in the Trading with the Enemy Act. This reasoning has been applied in the so-called war on terror, whereby an assets freeze on terrorist groups formed an important part of financial intelligence capacity established after September 11, 2000. Arguably, much of the EU reasoning on the use of sanctions takes place on the same grounds. In the end, West’s sanctions against Russia are meant to cause economic suffering as part of a wider strategy. How far one is prepared to go with sanctions will ultimately depend on the price Western leaders are prepared to pay for upholding and maintaining their geopolitical interests and their democratic and liberal values.

### **Final reflections**

The tradition of using economic sanctions in the context of warfare testifies to the fact that it is well-embedded in historical military thinking and practice. Hence, the turn to the use of economic sanctions against Russia suggests that the West is prepared to go far in seeking to change Russia’s behaviour. This in turn is a reminder that even if the imposition of sanctions is a non-violent tool, it is nevertheless a vital part of a grand strategy, and in the end not simply a form of signalling. A question that remains is whether this notion of a “grand strategy in the making” is one that is understood and shared by all of EU’s member states.

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