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Alexej W. Latimer  
*Pomona College*

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### Cover Page Footnote

This is a paper dedicated to my family and those numerous other residents who remain in the Donbass region of Ukraine despite the ongoing war that Russia has wrought on the people of Ukraine.

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# Efficacy of the European Union and the United States' Sanctioning of Russia in Response to Breaches of Ukrainian Sovereignty

**Alexej Latimer**

*Pomona College*

## **ABSTRACT**

This research inquiry breaks down some of the intricacies of US and EU sanctions imposed on Russia following the breaches of Ukrainian sovereignty by the Kremlin in 2014. These sanctions are examined for their direct fiscal impacts and implicit efficacies as the result of specific policies. This paper seeks to identify nuanced characteristics of various sanctions and determine how sanction efficacy is tied to the classification under which the controlled product/good category is considered. This is just an initial record of observed patterns in sanctioning within a specific geopolitical realm. The paper was written in December 2021, and therefore prior to the Russian full-scale invasion of Ukraine that started on February 24, 2022.

## **KEYWORDS**

sanctions, economic interdependence, oil, natural resources, sovereignty

## **ACKNOWLEDGEMENTS**

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## 1. INTRODUCTION

Over the three decades following the collapse of the Soviet Union, Russia has re-emerged as a major player on the international stage. For the past 20 years, this reemergence has been engineered primarily by Vladimir Putin, who has developed governing structures through which he has maintained near unilateral power. Putin has sought to continue developing Russia's global image in sustained opposition to the Western Democracy, in particular the United States—a familiar Cold War adversary which continues to be viewed by Russia as a fundamental threat. This approach has been especially effective in uniting a population of Russians disenchanted with the unexpected collapse of the USSR and, in their eyes, legitimizing Putin's new kleptocratic government.

Following Putin's annexation of Crimea and invasion of the Eastern Donbas region of Ukraine in 2014, the only significant western measures to counter this aggression have been targeted economic sanctions on influential wealthy Russian business owners. These measures have arguably not deterred the Kremlin, as satellite imagery from November of 2021 indicates a renewed Russian military presence of an estimated 175,000 troops and artillery has amassed directly across from the Eastern border of Ukraine (New York Times, 2021). These recent events raise the question of the geopolitical efficacy of the European Union and the United States' sanctions against Russia over the last eight years. Specifically, they show that these sanctions have been an ultimately ineffective and inconsistent countermeasure to Putin's westward aggression and his attempts at rebuilding Russia's sphere of influence throughout Eastern Europe. This paper argues that the key factors that caused these inefficacies were the limitation in US sanction diversity and the European reluctance to expand sanction packages due to the EU's reliance on inexpensive Russian natural gas. Efficacy, within the scope of this paper, will be taken to correspond to the effectiveness of withholding access to goods and services with respect to the goal of withholding capacity for further breaches of Ukrainian sovereignty.

## 2. EASTERN EUROPEAN REGIONAL CONTEXT

The collapse of USSR in 1991 freed up Eastern European states to assert their independence from Moscow and to pursue political and economic reforms. The United States, as the sole remaining global super power, was also now free to encourage democratic transitions throughout the former Eastern Bloc. In 2004, the former Soviet republics of Lithuania, Latvia, and Estonia joined Poland and several other former Eastern Bloc countries in joining the European Union. This regional political shift was further accompanied by the gradual eastward expansion of North Atlantic Treaty Organization (NATO) at the request of Eastern European countries. This expansion included a 2008 offer and a subsequent pathway to membership in NATO for Ukraine and Georgia (Erlanger, 2021). This offer came with no timeline and has yet to be acted on; nevertheless, NATO, having been created to directly counter Soviet power, remains Putin's most cited concern for his political and military interference in neighboring countries. In the case of Ukraine, that interference included Russia's involvement in the 2010 presidential election, which ultimately led to the 2014 revolution and ousting of the Russian-backed Ukrainian President Viktor Yanukovich. This meddling created an enhanced climate of corruption within Ukraine and stagnated the nation's democratic development. Following the unrest and rebellion of 2014, Yanukovich fled to Russia paving the way for a new election in Kyiv. This turning point in Ukrainian politics provided Putin with a window of opportunity during which he annexed the Crimean Pen-

insula while simultaneously arming and funding the invasion and occupation of the Donbas region of Eastern Ukraine.

The Russian invasion of Ukraine in 2014 came as a shock to the world, following close interdependence between Western countries and the Russian Federation for 23 years. With a fledgling military amidst a major transition of power, Ukraine was unable to defend itself against this land grab. It resulted in over 10,000 civilian casualties along with over 1.5 million internally displaced Ukrainian citizens (Sestanovich & Blackwill, n.d.). Partially due to the lack of full NATO membership (Ukraine remains on a NATO Individual Partnership Action Plan) along with the slow and limited military assistance from the United States, Putin's objectives on Ukrainian soil have remained militarily unopposed. Also, through weakening Ukrainian sovereignty, the Kremlin has further reduced the chances of Kyiv gaining NATO membership, as NATO members remain hesitant to accept members with contested borders. It is important to note, however, that Putin's objectives are not limited to preventing the expansion of NATO. Before a 50% collapse in global oil prices in late 2014 to early 2015, Putin touted a Novorossiia (New Russia) project that implied a capture of all coastal Ukrainian regions stretching from the Eastern Azov Sea port of Mariupol adjacent to the Donbas, to the Black Sea port of Odessa (Hirst, 2015). However, with oil making up the lion's share of Russian exports, the plummeting values of both oil and the Russian ruble limited Putin's capacity to follow through with his Novorossiia project — until now (USGI, 2021). It is expected that in 2021, Putin will try to take advantage of the post-pandemic global stagnation and potentially attempt his second land grab of Ukrainian soil.

### 3. UNITED STATES SANCTIONS

The efficacy of Western sanction packages remains a highly disputed topic in international relations and foreign policy analysis. Politically, sanctions have often served more purposes than they were originally designed for, while the collective understanding of their use as an effective alternative to conflict or complex diplomacy has only bolstered their popularity. This has resulted in the disproportionate use of sanctions as countermeasures to global conflict. Norms around the use of sanctions must be contextualized in each specific instance of their use, which in the case of retaliating against aggressive Russian foreign policy has been the fundamental diplomatic and political obstacle, often leaving analysts seeking clarity on what a particular countermeasure's capacity is supposed to be without any clear answers. Ultimately, however, the US and EU sanctions that began after the first displays of Russian aggression must be contextualized within the domain of global trade and with a particular focus on global commodity interdependence.

Bélin and Hanousek (2021) write in the *Journal of Comparative Politics* that sanctions at times can be seen as solely a persuasive tactic used by a target nation on its citizens (pg. 245). Ultimately, when it is in the public interest to show support for a secondary ally, such as Ukraine, the government can seek to implement sanctions to indicate a no tolerance policy for foreign aggression. Sanctions accomplish the goal of signaling support and they are often publicly touted by elected officials regardless of their actual efficacy or specificity. The lack of concern over the disconnect between sanction efficacy and how they're advertised from the pulpit can be explained by Western politicians' thinking primarily in terms of elections cycles.

Taking the case of US sanctions on the Russian Federation, they have ultimately been on a smaller number of goods than would have been strategically anticipated for a foreign policy campaign extending over seven years. Oil deposit extraction and discovery technolo-

gy, something purchased on an irregular seasonal basis, has been one of the specific industries targeted by the US Office of Foreign Assets Control (OFAC, part of the Treasury Department) as early as August 6th, 2014 (Grojec & Gutterman, 2018). This example of aiming at Russia's most abundant and profitable natural resource in such a manner indicates the OFAC's desire for calculated and incremental sanctioning of Russia as the largest economy (by a factor of three) to be sanctioned since the end of the Second World War (Åslund & Snegovaya, 2021). The particular extraction technologies affected by these sanctions are an example of a good through which immediate economic pressure cannot be generated due to the irregular demand; additionally, a large order of these technologies made before the imposition of these August 6th sanctions will remain unaffected (Bêlín & Hanousek, 2020). This had the effect of alienating these sanctions from the foreign policy objectives that the United States had with respect to Russia at the time. It is startling that these were half of the allotted US sanctions that came in response to the escalation of the general conflict in the Donbas region when a civilian Malaysia Airlines flight 17 was shot down by Russian militants over the Ukrainian conflict zone on July 17th, killing all 298 people on board (Grojec & Gutterman, 2018). Further, these sanction measures appear even more insufficient now than when they were first proposed, and a thorough critical analysis of each portion of OFAC's course of action is necessary to bolster the nation's capacity to effectively exercise economic sanctions in the future.

#### 4. EUROPEAN CONSEQUENCES AND SANCTIONS

Following the events of 2014, the European Union joined the US in its attempts to counter the destabilizing Russian foreign policy in Eurasia and enacted its own economic sanctions on Russia. In the case of the EU, however, the key factor that influenced the scope of against was the cost of the EU's energy needs. With the EU sourcing 73% of its crude oil and 15% of its natural gas from Russia, there is a complex interdependence that plays into the sanction packages presented by Brussels as compared to those in Washington (Eurostats, 2021). Further complicating the picture was the ongoing construction of the second North Sea natural gas pipeline called Nordstream 2, which started in 2014 and was co-financed by Russia and several European energy companies (Pifer, 2020). The construction of the second North Sea pipeline in addition to the energy trade relationship between the EU and Russia came as a result of the economic conditions of global oil and gas price volatility in the preceding decade. It is crucial to note that oil and gas prices collapsed by more than half during the third and fourth quarters of 2014, which debilitated Russia's economic growth. This is reflected in the European confidence in sanctioning Russia that dwarfed US sanctions during the period following the destruction of Malaysia Airlines flight 17 by a factor of five to two (Grojec & Gutterman, 2018). More recently, however, there has been an enormous boom in energy prices for both oil and gas, which has influenced Brussels to remain far more cautious on the front of sanctioning Russia if it were to invade Eastern Ukraine again.

It is crucial to note that Western sanctions alone did not play a big role in the geopolitical dynamic surrounding Ukrainian sovereignty over the past eight years. This is recognizable immediately following the onslaught of both US and EU sanctions in July and August of 2014. Russia itself imposed an interesting measure of counter sanctions on the import of foodstuffs from any country that had initially imposed export sanctions to Russia (Grojec & Gutterman, 2018). Interestingly, these sanctions ultimately economically backfired on the Russian people in the form of inflation of nearly all edible goods and services in the nation (Åslund & Snegovaya, 2021). The social conditions this policy brought on the

Russian people manifested in a noticeable decrease in the disposable income available to the average citizen and is an example of how Putin, as a kleptocratic leader, is willing to have the Russian population bear the brunt of the economic cost his anti-Western policies may entail. Lastly, due to Russia's economy being defined by the oil and gas trade, the price of those commodities in 2014 was arguably more of a factor in Russia's economic stagnation than any of the external sanctions that were imposed that year.

## 5. SANCTION IMPACT & EFFICACY

While a definite assessment of the efficacy of various export sanctions from Western countries remains difficult due to the confounding factors mentioned above, it is nevertheless important to consider the issue of impact. As noted earlier, Russian counter sanctions covered foodstuffs whereas Western sanctions targeted individuals and industries. This in turn relates to the issue of technical discretion regarding the global Harmonised System for universal classification of goods. Under this system, the higher the value of the number digit level (2-digit, 4-digit, etc.) that a sanction classification follows, the more narrowly and specifically the sanction will be applied. The discrepancy in sanction classification is clear when sanction legislation is looked at on each side of the diplomatic conflict at hand. The US and EU maintained an 8-digit level of the Harmonised System for industry-specific commodities, in contrast to Russian counter sanctions employing at a 4-digit level within Agriculture (Bélin & Hanousek, 2020). From this standpoint alone, due to the hyperspecific sanction categories of the West, their sanctions are inherently that much less economically effective as compared to massive industry-wide counter sanctions imposed by Russia. Bélin and Hanousek (2020) write in their detailed empirical breakdown of sanction efficacy for the *Journal of Comparative Politics* that their findings pointed to an eight times greater loss of trade from the Russian sanctions than that from the Western ones, with a total loss of trade amounting to 12.6 billion USD between 2014 and 2017 (p. 251). Statistically, this speaks volumes to the risks and rewards of the use of sanctions in geopolitical negotiation and persuasion, both domestically and abroad.

## 6. CONCLUSION

After a close examination of the debates and data on sanction efficacy, it appears it may be difficult to determine the exact efficacy of the European Union and the United States' sanctions against Russia pertaining to Russian violations of Ukrainian sovereignty. What is more clear is that sanctions are just one of many tools with which influential nations can communicate their sentiments and exert pressure on others. Sanctions remain a fundamentally simple tool that when wielded with calculated precision can make a real difference in diplomatic relations between given nations. At the same time, they can remain beyond the scope of the demands that a country may have, which in turn makes it difficult to measure their efficacy. Also, true and perceived efficacy of sanction depends on social and psychological factors as well, including the perspective of government officials, legislators as well as the affected country's populace, which further complicates an objective assessment.

Setting aside the confounding factors, it appears that sanction efficacy was in part undermined by the limited nature of U.S. sanctions and the European reluctance to expand sanction packages due to the EU's reliance on inexpensive Russian energy commodities. If sanctions are to be employed as the main tool through which US and EU interests are advanced in Ukraine, the standard to which Brussels and Washington must be held has to be higher. In all forms of diplomatic relations, quantity of policy may not always serve an

appropriate purpose; however, in the case of effectively sanctioning a major global economy, having a diverse set of economic measures is the only way in which a wrongdoer's actions can be somewhat countered. Further, the EU and US must maintain congruence in their sanctioning of Russia and demonstrate a united front. That being said, sanctions must be imposed in a realistic manner and while at times the scale of their impact can be disheartening, one has to recognize the complexity of challenges facing the interests of the sanctioning nation. Furthermore, the legal technicalities of scope in sanctioning practices directly inform the scale of their economic effects and inherent efficacy. And lastly, the conditions to which the desired congruence of sanctions is beholden may remain volatile and may require the EU in particular to carefully calculate what fiscal cost they are willing to bear as they advocate for democracy within, and protect the sovereignty of, Ukraine.

Within geopolitics there must remain the capacity for improvement and growth and the continued pursuit of non-militaristic means of dealing with international conflicts. The EU and the U.S. both agree that non-militaristic means are preferable and the U.S. in particular has made it clear at every opportunity that the bulk of US countermeasures to any new Russian aggression in Eastern Ukraine would be an increase in already substantial, yet insufficient sanctioning of the Eurasian behemoth. Thus, the desired takeaway from this research project is a thirst for deeper understanding of how these measures can be made more effective in the context of the Russian aggression in Eastern Europe.

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