



Royal Higher Institute for Defence



DEFENCE

FOCUS PAPER 36  
January 2017

# Russia-EU Relations: An Era of Sanction Policy and International (Dis)order

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## About the Author



Maarten Toelen holds a bachelor in Law (with specific focus on European law) from the University of Hasselt.

Despite his legal background, he amassed a profound knowledge of International Relations through extracurricular studies (King's college, Clingendael & College of Europe) and professional experience (Embassies of Belgium in Germany & The Netherlands, the Ministry of Foreign affairs, etc.). Against this backdrop, he was offered an internship position at the Centre for Security and Defence Studies of the Royal Higher Institute of Defence, during which he wrote the present research paper. The internship occurred under the supervision of Mr Nicolas Gosset, researcher in Eurasian Affairs at the institute.

# Abstract

The crisis in Ukraine marked a strained phase within the relatively constant East-West equilibrium of the last decade. As the subsequent EU response is often misperceived in the public discourse, the following study aims to provide a comprehensive academic overview touching upon the contemporary relation with the Russian Federation. The essence of this can be broadly characterized by Russia's struggle to reassert its great-power status within an emerging multipolar world as well as the statecraft of restrictive measures employed by the West in response to Russia's aggression in Ukraine.

Throughout the paper, it will be argued that the events set in motion by Russia exemplify a lingering clash with the West – regarding subjects such as normative power, economic and political integration and security interests – rather than Russian imperialist ambitions. The first chapter of this study will provide a general overview into the EU's role as a regional sanctioner, with specific focus on the Russian sanction regime(s) as well as the premises that brought about the imposition of these restrictive measures.

Driven by two conflicting notions of international relations, the second chapter aims to provide a broader context in which the contemporary East-West partnership has to be understood. Although the recent shift in Russian policy has been viewed either through a prism of EU or NATO enlargement, this study argues that they should be regarded as *de omnibus* contradictory to Russia's political ambitions within a multipolar world, where its relative (regional) power would outweigh other (European) countries.

Finally this study aims to provide an analytical framework in which the success of the EU response *in casu* has to be understood and which could be used to reach informed conclusions regarding the future use of restrictive measures. Building upon the framework of F. Guimelli, it argues that the effectiveness of sanction regimes should be interpreted as the degree to which their coercing, constraining and/or signalling effects force a target to comply progressively. Nonetheless, the aim of this study is not to provide an in-depth economic analysis of restrictive measures or a conclusive answer regarding their (economic) effectiveness.

Keywords: Russia, Ukraine, European Union, NATO, international law, sanctions.

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## List of Acronyms

AA	Association Agreement
CFSP	Common Foreign and Security Policy
DCFTA	Deep and Comprehensive Free Trade Area
DPR	Donetsk People's Republic (self-proclaimed)
EEU	Eurasian Economic Union
EP	European Parliament
EU	European Union
FDI	Foreign Direct Investment
LPR	Lugansk People's Republic (self-proclaimed)
NATO	North Atlantic Treaty Organisation
OSCE	Organization for Security and Co-operation in Europe
R2P	Responsibility to Protect
SAP	State Armament programme 2020
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
UNSC	United Nations Security Council
US	United States of America





# Introduction

In light of Russia's annexation of Crimea and its involvement in Eastern Ukraine, both EU and NATO Member States have been obliged to fundamentally reassess the East-West partnership. Since the EU response is often misperceived in the public discourse, this introductory chapter tries to provide a brief understanding of the measures adopted in reaction to the incursions mentioned above. Any well-informed statement regarding the role of the EU as a regional sanctioner or the effectiveness of its policies is rooted in a proper preface concerning the instruments and actors in question.

Considering the lack of any significant military capabilities at the EU's disposal, it is nonetheless required to assert its interests and values in response to developments in the international political sphere. Hence, the EU resorts to the instrumentalization of its economic strength and normative power. Restrictive measures – also synonymously referred to as sanctions – against third countries, individuals or commercial entities are therefore an essential EU foreign policy tool, which the Union uses to further its objectives in accordance with the principles of the Common Foreign and Security Policy (CFSP).<sup>1</sup> The scope of this study extends only to the measures adopted autonomously by the EU, outside and beyond any UN Security Council mandates.

Contrary to popular rhetoric, EU restrictive measures do not constitute forms of economic punishment, but rather (soft power) instruments of foreign policy. Since the entry into force of the Maastricht Treaty the EU has imposed unilateral sanctions more frequently to bring about change in policy or activity by the target country, government, entities or individuals in line with the objectives set out in the Council decision.<sup>2</sup> By way of coercing change in a proscribed behaviour, constraining capacity for action or signalling disapproval of transgressions, they uphold multidimensional objectives.<sup>3</sup> In addition, restrictive measures can be divided in three broad categories by nature. The first of which are (sectoral) economic sanctions – concerning import and export – that prevent the target from accessing specific technologies, goods and services. The second are financial sanctions, which include asset freezes and prohibitions on financial transactions. The third are restrictions on admission and transit, which include travel bans. In light of the non-exhaustive character of this index, diplomatic *sanctions* are often identified as an additional category.<sup>4</sup> Although this phrasing is referenced later in this study, 'hostile' diplomatic *measures* lean towards a classification as mere complementary actions in the EU's overall foreign policy strategy, instead of qualifying as restrictive measures *sensu stricto*.

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<sup>1</sup> I. DREYER and J. LUENGO-CABRERA (eds.), "On target? EU sanctions as security policy tools", *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91.

<sup>2</sup> F. GIUMELLI, *Coercing, Constraining and Signalling: Explaining UN and EU Sanctions after the Cold War*, ECPR, 2011, 226.; F. GIUMELLI, "How EU sanctions work: A new narrative", *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>3</sup> F. GIUMELLI, "How EU sanctions work: A new narrative", *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.; For a more profound interpretation of the multidimensional nature of restrictive measures, reference can be made to Chapter III of this study.

<sup>4</sup> C. PORTELA, "The EU's Use of 'Targeted' Sanctions: Evaluating effectiveness", CEPS Working Document, No. 391, *Centre for European Policy Studies*, 2014, 45.

Restrictive measures evolved from their classical blunt and comprehensive form<sup>5</sup> to a more targeted or smart version, which are specifically aimed at non-state actors (entities and individuals) and/or cover only specific economic sectors and/or products, rather than target the economy *en masse*.<sup>6</sup> Since restrictive measures must respect human rights and fundamental freedoms – in particular due process and the right to an effective remedy<sup>7</sup> – the objective is thus to design sanctions in order to mitigate adverse consequences for the innocent populace and those carrying out legitimate activities in or with the country, while maximizing their impact on those responsible for the wrongdoings.<sup>8</sup>

As sanctions can be imposed in very diverse crises – ranging from support of counter-terrorism, the proliferation of weapons of mass destruction and to uphold respect for human rights, democracy, the rule of law and good governance – they offer a favourable alternative to traditional hard power measures which can only be used under limited circumstances with due regard to their political acceptance, military capabilities and uncertainty regarding their success and consequences.<sup>9</sup> Furthermore, sanctions are merely one aspect of an integrated and comprehensive policy approach, in the framework of the European Union's overall foreign policy strategies, involving political dialogue, diplomatic action and other instruments.<sup>10</sup> Although standardization of the adoption process has evolved gradually<sup>11</sup>, the imposition of sanction is governed by a complex legal procedure, which this study only briefly touches upon.

Since restrictive measures fall under the Common Foreign and Security Policy (CFSP) a Council decision – in accordance with the procedure listed in articles 30 & 31 TEU and consistent with the objectives of article 21 TEU – is required. Although derogations are envisaged, unanimity between the Member States is generally the norm, making sanctions a highly politicised issue as national positions may vary significantly.<sup>12</sup> With due regard to the categories mentioned above, two predominant methods of implementation can be identified.

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<sup>5</sup> Targeted sanctions therefore exclude comprehensive trade embargoes as they harm entire societies without discriminating among their components; C. PORTELA, *European Union Sanctions and Foreign Policy*, Routledge, 2010, 208.

<sup>6</sup> F. GIUMELLI, “How EU sanctions work: A new narrative”, *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>7</sup> A. MAROSSÌ and M. BASSETT, *Economic Sanctions under International Law: Unilateralism, Multilateralism, Legitimacy and Consequences*, Asser Press & Springer, 2015, 249.; European External Action Service, Sanctions policy, available at: [http://eeas.europa.eu/cfsp/sanctions/index\\_en.htm](http://eeas.europa.eu/cfsp/sanctions/index_en.htm).

<sup>8</sup> F. GIUMELLI, *The Success of Sanctions: Lessons Learned from the EU Experience*, Ashgate, 2013, 266.

<sup>9</sup> F. GIUMELLI, “How EU sanctions work: A new narrative”, *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>10</sup> F. GIUMELLI, *The Success of Sanctions: Lessons Learned from the EU Experience*, Ashgate, 2013, 266.

<sup>11</sup> Basic Principles on the Use of Restrictive Measures’, *Council document*, 10198/1/04, 2004; Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy, *Council document* 1205/12, 2012; EU Best Practices for the Effective Implementation of Restrictive Measures, *Council document* 8666/1/08, 2008.

<sup>12</sup> I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No. 25*, EU Institute for Security Studies, 2015, 1-91.

In a first hypothesis, some measures are implemented directly by the Member States and do not require any further legislation from the EU beyond the initial Council decision.<sup>13</sup> This is the case for measures restricting admission and transit as well as arms embargoes, with the latter being governed by article 346 of the TFEU.

In a second hypothesis, the imposition of sanctions – foreseen in the initial Council decision – requires further legislative action by the European Union in order to implement them. The legislative instrument of choice is generally a regulation, as these are directly and in their entirety applicable without needing to be transposed into national law. After the entry into force of the Lisbon Treaty, the legal basis for the interruption or reduction – in part or completely – of the Union’s economic and financial relations with one or more third countries, is stipulated in article 215 TFEU. Under this procedure the European Parliament has a very marginal role and does not actively take part in the adoption procedure. However, when the EU acts to prevent and combat terrorism (including related activities) the Council and the Parliament should adopt a regulation via the ordinary legislative procedure.<sup>14</sup> A more detailed account of the complex adoption procedure is provided by K. Raik (*et alia*)<sup>15</sup> and illustrated in the following table.

**Table 1. Three policy tracks of EU sanctions**

	I) EU-only sanctions	II) CFSP-only sanctions	III) Interruption of economic and financial relations
<b>Scope</b>	Suspending EU’s financial and technical assistance as well as international agreements	Visa bans, arms embargoes	Interruption or reduction, in part or completely, of economic and financial relations
<b>Legal basis</b>	Depending on instrument (e.g. Art. 218 TFEU, Art. 215 TFEU)	Council decision (Art. 29, 30, 31 TEU)	Council regulation (Art. 215 TFEU)
<b>Preparatory working groups</b>	Respective geographical working group, Political and Security Committee		Relex group (following CFSP decision)
<b>Decision-making</b>	Depending on instrument	Unanimity (with exceptions)	Qualified majority (following CFSP decision)
<b>Implementation</b>	Commission and EEAS	Sanctions enter into force immediately after adoption by Council and publication; national authorities control their implementation	
<b>Restrictive measures against Russia</b>	Suspension of talks on visa matters and on new EU-Russia agreement; suspension of some cooperation programmes	Visa ban against 119 individuals; arms embargo	Asset freeze against 142 individuals and entities; economic sanctions targeting capital markets, defence, dual use of goods and sensitive technologies

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<sup>13</sup> F. GIUMELLI, “How EU sanctions work: A new narrative”, *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>14</sup> Article 75 Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union, *Official Journal*, C 326, 26/10/2012; F. GIUMELLI, “How EU sanctions work: A new narrative”, *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>15</sup> K. RAIK, N. HELWIG and J. JOKELA, “EU sanctions against Russia: Europe brings a hard edge to its economic power”, Briefing paper 162, *The Finnish Institute of International Affairs*, 2015.

# EU restrictive measures against the Russian Federation

Recognizing the complexity of the contemporary international reality and the subsequent need for a cooperative relationship with Russia, the EU follows a two-pronged approach of sanctions and pressure combined with dialogue and engagement in other policy fields.<sup>16</sup> With military coercive options constrained and mere public condemnations considered inadequate in light of the severity of the situation,<sup>17</sup> economic coercion – in the form of sanctions – offered the proportionate and strategic alternative to reconcile supporters of (harsh) deterrence on the one hand and those of peaceful coexistence on the other hand. While the former deems meeting strength with strength imperative to prevent Moscow from pursuing its (aggressive) policies, the latter entails a *business-as-usual* approach, with the *de facto* acknowledgment of one others sphere of influence.<sup>18</sup> Neither deterrence, nor appeasement however offered a realistic policy option to hold Russia accountable and deter it from escalating the conflict further.<sup>19</sup>

Although the Western justifications of the restrictive measures and the interpretation of the events which transpired in Ukraine are vehemently disputed in Russian official correspondence, media and academia – stressing Russia's peaceful intentions in reaction to a EU-US supported *coup d'état*<sup>20</sup> – this chapters aims to provide both an overview of the restrictive measures adopted against the Russian Federation as well as a brief and chronological outline of the transgressions, which brought about their imposition.

## 1. The rationale behind the sanction regime(s)

The unresolved political crisis in Ukraine began on 21 November 2013, when the former president Viktor Yanukovich suspended the implementation of the Association Agreement (AA) with the European Union, perusing a comprehensive framework to conduct bilateral relations. The agreement included provisions for a Deep and Comprehensive Free Trade Area (DCFTA), which offered Ukraine a framework for the modernization of its trade relations as well as economic development by the opening of markets via the progressive removal of customs tariffs and quotas, and by an extensive (EU) harmonisation of laws, norms and regulations in various trade-related sectors.<sup>21</sup>

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<sup>16</sup> J. ROOD, *et alia*, “A world without order”, *Clingendael Monitor*, 2015, 1-21; P. HAM, “The EU, Russia and the Quest for a New European Security Bargain”, *Clingendael*, 2015, 1-28.

<sup>17</sup> DE GALBERT, S., “A year of Sanctions against Russia – Now What?”, *CSIS Europe*, CSIS, 2015, 1-42.

<sup>18</sup> S. FISCHER, ‘EU Sanctions Against Russia, Objectives, Impacts and Next Steps’, *SWP*, 2015, 1-7.

<sup>19</sup> A severe deterrence strategy would risk the spread and escalation of the conflict, while an appeasement strategy would force both EU and NATO member states to abandon their fundamental principles and except both the Russian dominance in (as well as the limited sovereignty of) post-soviet countries.

<sup>20</sup> Russian National Security Strategy, 31/12/2015, available at: <http://www.ieee.es/31Dec2015.pdf>

<sup>21</sup> European External Action Service, A look at the EU-Ukraine Association Agreement, available at: [http://eeas.europa.eu/top\\_stories/2012/140912\\_ukraine\\_en.htm](http://eeas.europa.eu/top_stories/2012/140912_ukraine_en.htm)

Under pressure of Russian coercive (economic) diplomacy,<sup>22</sup> Yanukovich was forced to alter his political calculations as he opted for a 15 billion loan from the Russian Federation – in conjunction with the prospect of future allegiance towards the Eurasian Union – instead. Witnessing any prospects of a “European” future – symbolizing the rule of law, good governance and economic wellbeing – disappear from the national political agenda, Yanukovich’s decision provoked mass demonstrations, which became known as the (euro)Maidan. Although the Kremlin actively promoted the narrative of the Maidan as a coup formed in Kyiv, led by far-right nationalists and supported by the EU & US in a deliberate plot against Russia, ordinary Ukrainian citizens were simply seeking to align their future with Europe’s and spoke out against the corruption that the Yanukovich’s government symbolized.

After several months of protest, demonstrations grew more violent and disparate political factions joined hands. After losing a vote of no-confidence in the Ukrainian Parliament,<sup>23</sup> Yanukovich fled to Russia on 22 February 2014 and a coalition government formed out of the Ukrainian opposition, agreeing to hold new elections on May 25th.<sup>24</sup> Following his ousting, unrest grew within the Russo-ophone regions of Ukraine – specifically the southern and eastern *oblasts* – where Yanukovich had drawn most of his support. During the final days of protest, Vladimir Putin ordered military exercises on the border with Ukraine and at Russia’s Black Sea base on the Crimean peninsula. Almost simultaneous with these SNAP exercises, armed men in unmarked uniforms seized regional government buildings around Crimea.<sup>25</sup> Initially, Russia claimed that these armed men were autonomous self-defence forces that were operating independently from the Russian Military. However, this deception was soon debunked as Putin later confirmed that Crimean self-defence forces were indeed backed by regular Russian (Special) Forces.<sup>26</sup>

On 16 March the self-declared (pro-Russian) Crimean government organized a referendum concerning their independence from Ukraine. Although denounced as illegal by a majority of the international community, a 96.8% vote in favour of joining Russia was reported.<sup>27</sup> Only a few days later, the peninsula was annexed by the Russian Federation.<sup>28</sup> In the weeks following the referendum, the unrest in Donetsk and Luhansk progressed into armed conflict between separatist movements – who declared independence on 11 May – and government forces.

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<sup>22</sup> X, “The EU and Russia: before and beyond the crisis in Ukraine”, *6<sup>th</sup> Report of Session 2014-15*, European Union Committee, House of Lords, 2015, 1-123.

<sup>23</sup> X, “The EU and Russia: before and beyond the crisis in Ukraine”, *6<sup>th</sup> Report of Session 2014-15*, European Union Committee, House of Lords, 2015, 1-123.

<sup>24</sup> For a more detailed chronological account, reference can be made to; K. GILES, *et alia*, “The Russian Challenge”, *Chatham House Report*, 2015, 1-58.

<sup>25</sup> NATO-Russia relations: the facts, available at [http://www.nato.int/cps/en/natohq/topics\\_111767.htm-cl204](http://www.nato.int/cps/en/natohq/topics_111767.htm-cl204)

<sup>26</sup> Putin acknowledges Russian military servicemen were in Crimea, 17 April 2014, available at: <https://www.rt.com/news/crimea-defense-russian-soldiers-108/>

<sup>27</sup> For a more profound interpretation regarding the illegality of the referendum, see Chapter II of this study.

<sup>28</sup> Address by the President of the Russian Federation to the State Duma deputies, Federation Council members, heads of Russian regions and civil society representatives, 18 March 2014, *Transcript*, available at: <http://en.kremlin.ru/events/president/news/20603>

What followed the turmoil of early 2014 was the emergence of a pro-Western, pro-reform government anxious to lessen Moscow's influence over Ukraine. Elections on May 25th brought pro-European businessman Petro Poroshenko into power who tried in vain to reassert central government control over the separatist eastern regions. By contrast to the situation in Crimea, the extent of Russia's (military) involvement in Eastern Ukraine remains factually and legally underexplored.<sup>29</sup> Despite Russian objection, there were through to late 2015 continued reports of Russian servicemen, artillery and air defence units as well as Russian command and control elements operating in Ukraine's east.<sup>30</sup>

These claims were however obscured by Moscow's fierce contention that its regular military forces had not been and were not engaged in aggressive action against another sovereign state.<sup>31</sup> The strategy of denial discharged Moscow from the need to adhere to the very strict criteria for the use of force enshrined in the UN Charter.<sup>32</sup> Such strategies continue to this day in Eastern Ukraine as illustrated by the narrative of depicting photographic, satellite and personal evidence as Western propaganda and composing absurd<sup>33</sup> and inconsistent<sup>34</sup> justificatory statements for the presence of Russian troops within Ukrainian territory. In consequence, this strategy managed to depict Russian (military) actions in a less decisively illegal manner and still helps to cover up Russian state involvement in Eastern Ukraine.

On the 5<sup>th</sup> of September 2014, after months of fierce fighting and extensive negotiations under the auspices of the Organization for Security and Co-operation in Europe (OSCE) a cease-fire agreement was signed by representatives of Ukraine, the Russian Federation, the Donetsk People's Republic (DPR), and the Lugansk People's Republic (LPR) in Minsk, Belarus. However – following immediate violations – the Minsk Protocol had collapsed altogether by January 2015.<sup>35</sup>

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<sup>29</sup> C. MARXSEN, "International Law in Crisis – Russia's Struggle for Recognition", *German Yearbook of International Law*, Vol. 58, 2015, 1-35.

<sup>30</sup> It falls outside the scope of this study to provide a comprehensive analysis of Russia's exact (military) involvement in Eastern Ukraine, reference can however be made to numerous studies, statements and documentaries. C. ADAM and J. JANDA, "Caught in the Act: Proof of Russian Military Intervention in Ukraine", *Wilfried Martens Centre for European Studies*, 2015; X., "The Military Balance", *The International Institute for Strategic Studies*, 2016; Opening remarks by NATO Secretary General Jens Stoltenberg at the joint press point with the Latvian President, available at: [http://www.nato.int/cps/en/natohq/opinions\\_117517.htm](http://www.nato.int/cps/en/natohq/opinions_117517.htm).

<sup>31</sup> R. ALLISON, "Russian 'deniable' intervention in Ukraine: how and why Russia broke the rules", *International Affairs*, Vol. 90, Nr. 6, 2014, 1255-1297.

<sup>32</sup> R. ALLISON, "Russian 'deniable' intervention in Ukraine: how and why Russia broke the rules", *International Affairs*, Vol. 90, Nr. 6, 2014, 1255-1297.

<sup>33</sup> C. MARXSEN, "International Law in Crisis – Russia's Struggle for Recognition", *German Yearbook of International Law*, Vol 58, 2015, 1-35; "Russian soldiers participating in the hostilities are declared to be on vacation, engaging in the fight in their spare time; members of Russian special forces that were caught by Ukrainian troops were said to have wrongfully navigated onto Ukrainian territory; Russia has not provided a sound explanation for how Malaysia airlines flight MH17 could have been shot by the BUK missile system without Russian involvement, etc."

<sup>34</sup> V. PUTIN, "We never said there were not people there who carried out certain tasks including in the military sphere", available at: <https://www.rt.com/news/crimea-defense-russian-soldiers-108/>

<sup>35</sup> X., "Ukraine: Follow-up of Minsk II A fragile ceasefire", *European Parliament*, 16 July 2015.



Subsequently, leaders from France, Germany, Ukraine and Russia agreed to a new range of measures – the 'Minsk II' agreement – that entered into force on 15 February 2015.<sup>36</sup> The political agreement encompassed among other an immediate and full bilateral ceasefire, the withdrawal of all heavy weapons, the restoration of full social & economic links with the affected areas, full Ukrainian control over its border with Russia (yet not including Crimea), the withdrawal of all foreign armed groups, weapons and mercenaries from Ukrainian territory and constitutional reform in Ukraine (with decentralisation as a key element). Most of the provisions of the Minsk II agreement have yet to be fully implemented and to this day the prospect of a stable political settlement remain remote. Be that as it may, when considering the unprecedented scale of reforms and the simple truth that *reluctant* progress does not by analogy mean *zero* progress, only long-term expectations should be deemed realistic and a sustained effort to encourage both the internal and external forces driving change – while restraining those impeding it – should be upheld.<sup>37</sup>

Summarizing the crisis in Ukraine any further, would neglect to complexity and uniqueness of the events that transpired. Nonetheless, in addressing the question why the situation in Ukraine should actually matter to the ordinary European citizens, the author of this study was moved by the following statement of H.E. Olexander Horin, Ukrainian Ambassador to the Netherlands. Although the sentiments he expressed might seem unimaginable in many European countries *anno* 2016, there was a time in a not so remote past when merely all could relate and agree openheartedly.

*“Ukrainian citizens have chosen the idea of Europe [and the values it represents], they protested for it, they voted for it and have died for it.”*<sup>38</sup>

## 2. Overview of the sanction regime(s)

For analytical purposes, an unambiguous differentiation between the successive phases of the crisis should be made. Adhering to the chronological framework provided above, two cardinal sins of the Russian Federation become apparent; the illegal annexation of Crimea and the (in)direct support for separatist movements in Eastern Ukraine.<sup>39</sup> Although these actions remain entangled with on other – in practice as well as in the public discourse – they are accounted for in semi-distinct sanction regimes. Aimed at providing Moscow with consecutive opportunities to deescalate the conflict in Ukraine, European policymakers gradually ratchet up sanctions as the situation deteriorated. The intensified gravity of the sanctions is often elucidated using the “Tier-framework”. Tier I consisting out of the (symbolic) diplomatic “sanctions”, Tier II encompassing (personal) sanctions against individuals & entities and Tier III comprising the (sectoral) economic sanctions.<sup>40</sup> Nonetheless, the distinction henceforth used is linked to the factual events that brought about the imposition of these measures rather than their severity.

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<sup>36</sup> X., “Ukraine: Follow-up of Minsk II A fragile ceasefire”, *European Parliamentary Research Service*, 2015.

<sup>37</sup> J. LOUGH and I. SOLONENKO, “Can Ukraine achieve a reform breakthrough?”, *Chatham House*, 2016.

<sup>38</sup> Author’s personal notes, Conference, *The Hague Institute of Global Justice*, The Hague, December 2015.

<sup>39</sup> P. HAM, “The EU, Russia and the Quest for a New European Security Bargain”, *Clingendael*, 2015, 1-28.

<sup>40</sup> M. RUSSEL, “Sanctions over Ukraine: Impact on Russia”, *European Parliamentary Research Service*, 2016.



Despite the anterior qualification of ‘hostile’ diplomatic *measures* as being (Tier I) *sanctions*, their absence in the distinction set out hereafter, is justified as they do not embody a separate category of EU restrictive measures, nor by nature, nor by design. The interruption of diplomatic relations with the target country or the coordinated recall of diplomatic representatives of the EU and its Member States does however send a very firm – yet mere symbolic – message. *In casu*, diplomatic *measures* encompassed a halt of regular (high-level) bilateral meetings,<sup>41</sup> the suspension of negotiations on general<sup>42</sup> or content-specific agreements<sup>43</sup> as well as the enforcement of limited Russian participation in regional inter-governmental organisations<sup>44</sup> or (informal) global fora.<sup>45</sup>

By reason of soundness, EU restrictive measures concerning the misappropriation of Ukrainian state funds<sup>46</sup> as well as the sanctions imposed by the rest of the international community<sup>47</sup> along with the *tit-for-tat* Russian countersanctions<sup>48</sup> have to be referenced. These categories of restrictive measures will however not be further examined here as the prime focus of this chapter is orientated towards the EU’s response in reaction to Russian transgressions.

a) *Measures relating to Ukraine territorial integrity, sovereignty and independence*

Following the Russian annexation of Crimea, the EU imposed an initial sanction regime comprising of (personal) restrictive measures targeting individuals and legal entities, who could be deemed responsible for actions that undermined or threatened the territorial integrity, sovereignty and independence of Ukraine.<sup>49</sup> In view of the escalation of the situation in Eastern Ukraine, their initial limited scope (*supra*) was subsequently expanded through a set of enhanced criteria (*infra*).

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<sup>41</sup> In April 2014 NATO suspended all practical cooperation with Russia (including in the NRC). However, the Alliance agreed to keep political channels of communication open. The bi-annual EU-Russia Summit was cancelled on 21 March 2014.

<sup>42</sup> EU Member States supported the suspension of negotiations over Russia’s accession to the Organization for Economic Co-operation and Development (OECD) and the International Energy Agency.

<sup>43</sup> Negotiations for both the “New Agreement” – to replace the current Partnership and Cooperation Agreement (PCA) – as well as the (EU-Russia) visa-free regime were suspended on 6 March 2014.

<sup>44</sup> The voting rights, the right to be represented in the Assembly’s leading bodies (the Bureau of the Assembly, the Presidential Committee, and the Standing Committee), and the right to participate in election observation missions of the Russian delegation to the Council of Europe (CoE) Parliamentary Assembly (PACE) were suspended.

<sup>45</sup> Instead of the G8 summit in Sochi, a G7 meeting was held in Brussels on 4-5 June 2014. Since then, meetings have continued within the G7 process as Russian participation is suspended.

<sup>46</sup> Council Decision 2014/119/CFSP, *Official Journal*, L66, 06/03/2014 implemented by Council regulation (EU) No 208/2014, *Official Journal*, L66, 06/03/2014 subsequently amended and in effect until march 2016.

<sup>47</sup> Apart from the US and EU, Albania, Australia, Canada, Iceland, Japan, Liechtenstein, Moldova, Montenegro, Norway, Switzerland and Ukraine have adopted similar measures; M. RUSSEL, “Sanctions over Ukraine: Impact on Russia”, *European Parliamentary Research Service*, 2016.

<sup>48</sup> These include restrictions on entry and transit for blacklisted individuals as well as a ban on western (EU, US, Australia, Canada, Norway, Albania, Iceland, Liechtenstein and Montenegro) agrifood products such as fruit, vegetables, meat, fish, seafood and dairy products. The embargo expires in August 2016.

<sup>49</sup> Council Decision 2014/145/CFSP, *Official Journal*, L 78, 17/03/2014 implemented by Council Regulation No 269/2014, *Official Journal*, L 78, 17/03/2014 and subsequently amended.

Sanctioned behaviour encompassed forthwith; restrictions on entry into and transit through the territories of the Member States targeting (i) natural persons responsible for actively supporting or implementing, actions or policies which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine, or stability or security in Ukraine, or which obstruct the work of international organizations in Ukraine as well as natural persons associated with them; (ii) who actively provide material of financial support to, or benefit from, Russian decision-makers responsible for the annexation of Crimea or the destabilisation of Eastern Ukraine (iii) or who conduct transactions with separatist groups in the Donbass region of Ukraine.<sup>50</sup>

The freezing of all funds and economic resources has been expended likewise to encompass: (i) all natural persons responsible for actively supporting or implementing, actions or policies which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine or stability or security in Ukraine, or which obstruct the work of international organizations in Ukraine as well as all natural or legal persons, entities or bodies associated with them; (ii) all legal persons, entities or bodies, supporting, materially of financially, actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine; (iii) all legal persons, entities or bodies in Crimea or Sevastopol whose ownership has been transferred contrary to Ukrainian law, or which have benefitted from such a transfer; (iv) all natural or legal persons, entities or bodies who actively provide material of financial support to, or benefit from, Russian decision-makers responsible for the annexation of Crimea or the destabilisation of Eastern Ukraine (v) or who conduct transactions with the separatist groups in the Donbass region of Ukraine.<sup>51</sup>

At the moment of writing, the Council extended the above-mentioned asset freeze and travel bans – *au courant* encompassing 146 people and 37 companies including six persons with close ties to the Russian President – until 15 September 2016.<sup>52</sup> As this regime is not specifically linked to the full implementation of the Minks II agreement or the return of Crimea respectively, they are henceforth qualified as general overarching measures linked to the territorial integrity, sovereignty and independence of Ukraine.

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<sup>50</sup> A. MAROSSÌ and M. BASSETT, *Economic Sanctions under International Law: Unilateralism, Multilateralism, Legitimacy and Consequences*, Asser Press & Springer, 2015, 249.: Council Decision 2014/658/CFSP amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty or independence of Ukraine, *Official Journal*, L 271, 12/09/2014.

<sup>51</sup> A. MAROSSÌ and M. BASSETT, *Economic Sanctions under International Law: Unilateralism, Multilateralism, Legitimacy and Consequences*, Asser Press & Springer, 2015, 249.: Council Decision 2014/658/CFSP amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty or independence of Ukraine, *Official Journal*, L 271, 12/09/2014.

<sup>52</sup> European External Action Service, Ukraine territorial integrity: EU extends sanctions by 6 months, 10 March 2016, available at: <http://www.consilium.europa.eu/en/press-releases/2016/ukraine-territorial-integrity/>

*b) Restrictive measures relating to the illegal annexation of Crimea*

In support of the EU's "non-recognition" strategy of the illegal annexation of Crimea and Sevastopol by Russia, the Council imposed substantial restrictions on the economic relations with both actors in June 2014.<sup>53</sup> These measures include an overall import ban of goods originating in Crimea or Sevastopol as well as the prohibition to provide financing, financial assistance or insurance, related to the import of such goods. These prohibitions do however not apply to goods that have been made available for examination, have been controlled and subsequently granted a certificate of origin by the Government of Ukraine.

In December 2014, the above-mentioned regime was gradually reinforced by way of a full investment ban,<sup>54</sup> a prohibition to provide tourism services in Crimea<sup>55</sup> and a prohibition to sell, supply, transfer or export goods and technology to the transport, telecommunications and energy sectors. Furthermore, technical assistance, brokering, construction or engineering services relating to the same sectors must not be provided.<sup>56</sup> Taken into account the complex nature of this decision and the limited scope of this chapter, a comprehensive account of all conditions and exceptions is impractical.<sup>57</sup> Although the regime at hand is not formally aligned with the return of the Crimean peninsula to the Ukrainian legal order, a recommendation adopted by the European Parliament may offer the basis for an eventual bond.<sup>58</sup> On 19 June 2015, the Council extended this sanction regime until 23 June 2016.

*c) Restrictive measures relating to the situation in Eastern Ukraine*

In June 2014 – following the escalation of military incursions in eastern Ukraine – the EU introduced a sanction regime targeting sectorial economic cooperation with Russia. As these restrictive measures proved to be the most costly, they are thus the most controversial.<sup>59</sup>

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<sup>53</sup> Council Decision 2014/386/CFSP, *Official Journal*, L 183, 24/06/2014 as implemented by Council Regulation No. 692/2014, *Official Journal*, L 183, 24/06/2014 and subsequently amended.

<sup>54</sup> "Investment in Crimea or Sevastopol is outlawed: EU nationals and legal entities may not purchase real estate/ entities there, finance Crimean companies or supply related services." X., "Economic impact on the EU of Sanctions over Ukraine conflict", *European Parliament Research Service*, Briefing Series, 2015, 9.

<sup>55</sup> EU operators are no longer allowed to offer tourism services in Crimea or Sevastopol. Cruise ships (owned by, controlled by or flying the flag of, Member States) may only call at ports in the Crimean peninsula in case of emergency. X., "Economic impact on the EU of Sanctions over Ukraine conflict", *European Parliament Research Service*, Briefing Series, 2015, 9.

<sup>56</sup> Council Decision 2014/933/CFSP, *Official Journal*, L 365, 19/12/2014 implemented by Council Regulation (EU) No 1351/2014, *Official Journal*, L 365, 19/12/2014.

<sup>57</sup> For a more detailed account, reference can be made to Council Decision 2014/386/CFSP, available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014D0933>

<sup>58</sup> European Parliament resolution of 4 February 2016 on the human rights situation in Crimea, in particular of the Crimean Tartars, 2016/2556 (RSP), available at: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2016-0043+0+DOC+XML+V0//EN>

<sup>59</sup> Council Decision 2014/512/CFSP, *Official Journal*, L 229, 31/07/2014 implemented by Council Regulation (EU) No 833/2014, *Official Journal*, L 229, 31/07/2014 and subsequently amended.

One of the main objectives of the regime at hand, is the limitation of access to EU primary and secondary capital markets, targeting Russian majority state-owned financial institutions<sup>60</sup> – including their majority-owned subsidiaries outside of the EU – as well as major Russian petroleum companies<sup>61</sup> and arms manufacturers<sup>62</sup> respectively. In effect this encompasses a general prohibition for EU nationals or legal entities to purchase or sell new bonds, equity or similar financial instruments with a maturity exceeding 30 days, issued by the blacklisted entities. Services relating to the issuing of such instruments are banned as well. In principle no new loans can be rewarded, to any of the legal persons, entities of bodies blacklisted, with a duration exceeding 30 days.<sup>63</sup>

Additionally, the EU imposed an embargo on the export and import of arms and related materiel including weapons and ammunition, military vehicles and equipment, paramilitary equipment and spare parts therefor. The embargo encompasses an equivalent prohibition relating to technical assistance, brokering services, financing or financial assistance in the military sphere. It was later strengthened by the addendum of an export ban for dual-use goods intended for military purposes or military end users in Russia.<sup>64</sup> Furthermore, cooperation with the Russian energy sector was restricted by means of an export ban targeting access to certain sensitive technologies and services required for deep-water oil exploration and production, arctic oil exploration and production or shale oil projects in Russia. All remaining energy-related exports shall be subject to prior authorization by the competent authority of the exporting Member State.

In March 2015, EU leaders decided to align the economic sanction regime with the full implementation of the Minsk agreements foreseen by the end of the year. With no prospect of implementation by December 2015, the sanction regime was extended until 31 July 2016. Although the regime in question is *de facto* bound to the full implementation of the Minsk agreements, further extension will *de jure* still be a prerequisite. With increasing negative reports concerning the political will of certain Member States toward the automatic renewal of the regime, deliberations in July will prove to be intense, as unanimity will have to be achieved. Nonetheless, the Foreign Affairs Council unanimously agreed on five guiding principles of the EU's policy towards Russia, one of which defined the full implementation of the Minsk agreements as the key element for any substantial change in bilateral (EU) relations with Russia.<sup>65</sup>

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<sup>60</sup> Sberbank, VTB Bank, Gazprombank, Vnesheconombank (VEB) and Rosselkhozbank as listed in annex II of the Council Decision 2014/512/CFSP, *Official Journal*, L 229, 31/07/2014.

<sup>61</sup> Rosneft, Transneft and Gazprom Neft as listed in annex III of the Council Decision 2014/512/CFSP, *Official Journal*, L 229, 31/07/2014.

<sup>62</sup> OPK Oboronprom, United Aircraft Corporation and Uralvagonzavod as listed in annex II of the Council Decision 2014/659/CFSP, *Official Journal*, L 271/54, 08/09/2014.

<sup>63</sup> The sanction regime is more complex than illustrated here, but for a comprehensive account of conditions, exceptions and nuances, reference can be made to the listed legal documents.

<sup>64</sup> These products are listed in Annex I of the Council Regulation (EC) No 428/2009, *Official Journal*, L 134/1, 29/05/2009 and can not be sold, supplied, transferred or exported to JSC Sirius, OJSC Stankoinstrument, OAO JSC Chemcomposite, JSC Kalashnikov, JSC Tula Arms Plant, NPK Technologii Maschinostrojenija, OAO Wysokototschnye Kompleksi, OAO Almaz Antey, OAO NPO Bazalt (Annex IV).

<sup>65</sup> EEAS, Remarks by High Representative/Vice-President Federica Mogherini at the press conference following the Foreign Affairs Council, available at: [http://eeas.europa.eu/statements-eeas/2016/160314\\_02\\_en.htm](http://eeas.europa.eu/statements-eeas/2016/160314_02_en.htm)

# The political context – a quest for great-power revival in a multipolar world

Whereas the previous chapters analysed the events in Ukraine as they unfolded in conjunction with the corresponding EU response, the following chapter considers the political causes of the conflict and its implications that go beyond the immediate political sphere.<sup>66</sup> Arguably, the decline in collective analytical capacity after the Cold War often results in a rather simplified and partial assessment of the Russia that exists in the twenty-first century.<sup>67</sup> However, as no single master key can unlock a reality as complex as Russia,<sup>68</sup> analysing the actions in Ukraine *solely* through an economic, political or military prism, neglects the complexity of Russia's political ambition – as well as strategic culture – in consequence. Considering the hypothesis<sup>69</sup> that sanctions are more likely to be effective as they are not 'life-threatening' towards the political ambitions of the target, a comprehensive analysis might prove to be imperative in evaluating the feasibility of the sanctioner's (EU) demands. Ergo, the subsequent paragraphs will provide a brief outline of the dominant (Russian) concepts of international relations.

*“The national interests [...] in the long term consist of [...] consolidating the Russian Federation's status as one of the leading world powers [...] within the context of a new polycentric world order, [...]. The utilization of military force to protect [these] interests is possible only if all adopted measures of a nonviolent nature have proved ineffective.”<sup>70</sup>*

Although the attainment of political ambitions through the use of force was considered to be a thing of the past by the liberal West, it keeps in line with the realist Russian view of international relations. Whereas Liberalism entertains the possibility of an inherently peaceful world by means of growing (economic) interdependence and international (political) cooperation, realism upholds a more pessimist view of the international order.<sup>71</sup> The latter stresses the anarchistic nature of the international system wherein the relative power of formally equal and sovereign States coincides with their ability to defend or accomplish goals in conflict with the interests of others. Both international cooperation and the rules it might bring forth, thus favour the interest of the most powerful states that can coerce others into agreeing and following them. The system is characterized by a rough balance of power among the rivalling great powers in order to abstain from war and international disorder.

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<sup>66</sup> X, “The EU and Russia: before and beyond the crisis in Ukraine”, *6<sup>th</sup> Report of Session 2014-15*, European Union Committee, House of Lords, 2015, 1-123.

<sup>67</sup> J. SHERR, “The New East-West Discord: Russian Objectives, Western Interests”, *Clingendael*, 2015, 1-76.

<sup>68</sup> P. HAM, “The EU, Russia and the Quest for a New European Security Bargain”, *Clingendael*, 2015, 1-28

<sup>69</sup> C. PORTELA, *European Union Sanctions and Foreign Policy*, Routledge, 2010, 208.

<sup>70</sup> Text of 31 December Russian Federation, Presidential Edict, No 683, Approving appended text of "The Russian Federation's National Security Strategy", available at: <http://www.ieee.es/31Dec2015.pdf>, original available at: <http://static.kremlin.ru/media/events/files/ru.pdf>

<sup>71</sup> D. EASTER, “Theory and causes of War”, Video transcript, *King's College lectures*, 2015.

Additionally, the above-mentioned extract from the Russian National Security Strategy<sup>72</sup> is in keeping with the common academic belief that the global shift of power will result in the establishment of a multipolar international order.<sup>73</sup> In effect, neither the growth in power of (re)emerging countries,<sup>74</sup> nor the decline thereof in the West, is adequately represented within the current international system.<sup>75</sup> As some revisionist States are anxious to nullify the *status quo* and seek to reinforce their own international positions at the expense of others, it is irrational to consider that the international order will continue unaltered along its present liberal, Western-dominated lines.<sup>76</sup>

Although both the European Union and Russia recognize multipolarity as a source of opportunity as well as confrontation, the prospect of a system of rival independent poles, has been received in distinct manners reflecting both actors' contradicting views of international relations. Notwithstanding the EU's considerable soft powers of attraction<sup>77</sup> – notably in the (eastern) neighbourhood<sup>78</sup> – its policies are generally in support of maintaining the multilateral (liberal- system as it stands today. Per contra, Russia has become increasingly frustrated to reaffirm its geopolitical position on its own terms and by any means it deems necessary. The belief that Russia is somehow by nature entitled to a prominent position within the international system – which the West is wrongfully opposing in order to preserve their own global leadership – has become an *idée fixe* within Russian policy.

Consequently, the attractiveness and open-ended nature of political and economic as well as military enlargement by the liberal West (pole) is therefore *de ombinus* in odds with Russia's own political ambitions. Given the international and regional influence at stake, Western enlargement can hardly be perceived, as anything but a continuing assault on Russia's quest to reassert its great-power status, regional power and a sphere of influence as one of the self-declared principle actors within a new polycentric world. As it was not possible to consider, let alone do full justice to, the full extend of issues affecting the EU-Russia relations, the following section offer a brief account on the predominant matters.

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<sup>72</sup> Text of 31 December Russian Federation, Presidential Edict, No 683, Approving appended text of "The Russian Federation's National Security Strategy", available at: <http://www.ieee.es/31Dec2015.pdf>, original available at: <http://static.kremlin.ru/media/events/files/ru.pdf>

<sup>73</sup> M-R. FREIRE, "Russia and the EU in a multipolar world: discourses, identities, norms", *Global Affairs series*, Vol. 1, No. 2, 228-230; M. BADER, "Bindt Rusland in?", *The International Spectator*, 2016, Clingendael.

<sup>74</sup> Qualifying Russia as an emerging country *sensu stricto* does not honour this conception, since the Country faces mounting internal difficulties, including a weakening economy and a political culture that stifles enterprise and society.

<sup>75</sup> J. ROOD, *et alia*, "A world without order", *Clingendael Monitor*, 2015, 1-21.

<sup>76</sup> J. ROOD, *et alia*, "A world without order", *Clingendael Monitor*, 2015, 1-21.

<sup>77</sup> These include the Union's overall economic strength, the democratic and open nature of its policy, the attractiveness of its culture, overall high educated human capital, vibrant civil societies, the political will to share sovereignty with strong, rule of law based, common institution and a consensus approach combined with solidarity and tolerance.

<sup>78</sup> A. VASCONCELOS (*eds.*), "Global trends 2030 – Citizens in an Interconnected and Polycentric World", European Strategy and Policy Analysis System, *European Union Institute for Security Studies*, 2011, 1-174.

### 3. An emerging clash of Europe's – ideological prism

The initial post-Cold War period was marked by significant political, economic and social change within Russia. As the country strived towards a democratic, law-based society, privatised & liberalised its economy and began to recover from Soviet-era stagnation,<sup>79</sup> it was only rational to consider that Russia might be accommodated into the international (political) system.<sup>80</sup> However, as Russia endured difficult internal change, so did the geopolitical context in its vicinity, with numerous regional actors developing profound bilateral relations within the post-soviet space.

Favourable (oil-driven) economic prospects – supported by market reforms & deeper engagement with the global economy – as well as growing self-confidence, crystalized in the desire for a strong centralised state asserting a self-evident and prominent position in the international order. Whereas these distinct political and economic impulses were once compatible, a growing tension emerged and policy focus promptly shifted towards the former at expense of the latter.<sup>81</sup> Notwithstanding the initial focus on domestic power consolidation,<sup>82</sup> the perpetual longing to restore Russia's external status as a great power was omnipresent. One of the key elements of this external vector was maintaining influence over the post-soviet space, which is presumed to be inalienably bound to Russia by means of historical, cultural and economic ties as well as security interests.

Although the EU's policy towards Russia was first and foremost based upon the premise that the country had been on the trajectory towards becoming a genuine democratic "European" country, Russia increasingly defined itself as separate from, and rival to, the EU.<sup>83</sup> The doctrine of '*Eurasianism*', stressing ethno-nationalism and values based upon culture-relativism, gradually materialized and strengthened the ideological gap between the West's policy course for the post-soviet space and a more realist-conservative Russian course.<sup>84</sup>

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<sup>79</sup> X, "The EU and Russia: before and beyond the crisis in Ukraine", *6<sup>th</sup> Report of Session 2014-15*, European Union Committee, House of Lords, 2015, 1-123.

<sup>80</sup> K. GILES, *et alia*, "The Russian Challenge", *Chatham House Report*, 2015, 1-72. By way of illustrating this sentiment, reference can be made to some of Putin's initial speeches. "We must learn to use the advantages of the new state of the world economy. It is clear that for Russia the problem of choosing whether or not to integrate into the world economy no longer exists", V. PUTIN, *Annual address to the Federal Assembly*, 2002; "Our efforts to build up a partnership with the European Union will become even more important.", V. PUTIN, *Annual address to the Federal Assembly*, 2001; "The expansion of the European Union should not just bring us closer geographically, but also economically and spiritually. ... This means new markets and new investment. It encompasses new possibilities for the future of Greater Europe.", V. PUTIN, *Annual address to the Federal Assembly*, 2004.

<sup>81</sup> N. DAVIES, "Russia's Sovereign Globalization Rise, Fall and Future", *Chatham House*, 2016, 1-26.

<sup>82</sup> Hyper-centralization and personalization of the political system, the dictatorship of law, managed democracy and cronyistic capitalism influenced by the State

<sup>83</sup> K. GILES, *et alia*, "The Russian Challenge", *Chatham House Report*, 2015, 1-58.

<sup>84</sup> "The Euro-Atlantic countries are actually rejecting their roots, including the Christian values that constitute the basis of Western civilization. They are denying moral principles and all traditional identities: national, cultural, religious and even sexual. And people are aggressively trying to export this model all over the world." President Putin, *Valday International Discussion Club*, 2013.

With both actors exercising structural and normative power to shape their neighbouring environment, *strategic competition* seemed almost inevitable. Whereas the Eastern Partnership (EaP) sought to promote regional stability through deepened cooperation and integration on the basis of EU values, norms and standards, Russia strategically invested in economic interdependence and political connected networks (CIS), which could be pragmatically used to (coercively) steer States away from alluring Western policies and towards (forced) allegiance with competing integration projects. Considering Moscow's anxiety that by entering the European framework, Ukraine would halt the 'civilisational' Eurasian project in its entirety,<sup>85</sup> *strategic competition* turned into *threat assessment* as soon as Ukraine opted to formally align its future with Europe's as result of a successful popular revolt.

Although not incompatible with – and often seen as the foundation for – EU membership, the Association Agreement did not entail any immediate membership prospects for Ukraine.<sup>86</sup> Nonetheless, the neutralization of Ukraine's EU orientation was the principle denominator for Russia's involvement in the crisis.<sup>87</sup> Decision-making was based on the premises that Ukraine could not (and would not) become the embodiment of European values, good governance and a rule-of-law state. These alluring foreign ideas – achieved in consequence of a colour revolution – could after all result into potential spillover effects, contaminating or even destabilizing Russia's political *vertikal* and/or its ruling elites.<sup>88</sup> Consequently, Moscow's emphasis on the extensive federalization of Ukraine would restrict the scope of Kiev's political authority over the rest of the country. It would thus diminish any European prospects *de jure*, since the separatist eastern regions would possess a constitutionalized – yet Russian proxy – veto over Ukraine's external political, economic and cultural ties with neighbouring countries or regions.

*“The dogmas of the [...] past are inadequate to the stormy present.”*<sup>89</sup>

Notwithstanding the growing value gap, there are neither existential conflicts of interest nor ones of ideology dividing the West and Russia to the same extent as during the second half of the 20th century. Hence, the popular “new Cold War” narrative only gives strength to out-dated, stereotypical and abstract concepts of the Russia that exists in the twenty-first century.<sup>90</sup> This narrative – tempting as it might be – should thus be avoided as it fails to grab the full scope of Russia's political ambitions.

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<sup>85</sup> J. SHERR, “Containment 2.0: Living with the new East-West Discord”, *Clingendael Policy Brief*, 2015, 1-11.

<sup>86</sup> EU-Ukraine Association Agreement including a DCFTA, available at: [http://eeas.europa.eu/top\\_stories/pdf/](http://eeas.europa.eu/top_stories/pdf/)

<sup>87</sup> H. LINDBO LARSEN, “Great Power Politics and the Ukrainian Crisis: NATO, EU and Russia after 2014”, *DIIS report*, Danish Institute for International Studies, 2014, 1-47.

<sup>88</sup> K. GILES, *et alia*, “The Russian Challenge”, *Chatham House Report*, 2015, 1-58.; R. ALLISON, “Russian ‘deniable’ intervention in Ukraine: how and why Russia broke the rules”, *International Affairs*, Vol. 90, Nr. 6, 2014, 1255–1297.

<sup>89</sup> A. LINCOLN, “Annual Message to Congress - Concluding Remarks”, Washington D.C., December 1, 1862.

<sup>90</sup> A. MONAGHAN, “A New Cold War? Abusing History, Misunderstanding Russia”, *Research Paper series*, Chatham House, 2015, 1-14.



#### 4. Zero-Sum (economic) integration – geo-economics prism

As the Kremlin had long feared the emergence of an exploitable economic dependence<sup>91</sup> – which would severely restrict its political ambitions – revitalization and ‘sovereign globalization’ of the economy were the primal vectors in Russia’s quest to re-establish its great-power status,<sup>92</sup> despite this being eclipsed by domestic power consolidation in a later phase. In line with this rhetoric, Moscow pursued the creation of a Russian-dominated (economic) community that would allow first and foremost for an enhanced bargaining position with regard to the country’s continental (economic) rivals. Furthermore, economic logic – in conjunction with the civilizational ideology mentioned above – was employed to achieve regional dominance throughout the post-soviet space, which would in turn ensure Russia’s international (economic) position within a multipolar world. The conviction began to take hold that Russia should not only adjust to, but rather dictate the rules on which international (economic) relations should be concluded.<sup>93</sup>

*“The Eurasian Union is a project to preserve the identity of the peoples of the historical Eurasian space in the new century and the new [multipolar] world. Eurasian integration is an opportunity for the entire post-Soviet space to become an independent centre of global [economic] development, and not just the periphery to Europe or Asia.”<sup>94</sup>*

Since frail attempts of backroom diplomacy and hollow political associations had failed to integrate the post-soviet space (economically), Russia took on a more legitimate institutionalized approach, which would give proper weight to its interests within a legal framework and thus make its partners respect concluded agreements. This pattern of (faltered) economic integration first encompassed the establishment of a Customs Union (2010) and a Common Economic Space (2012) and subsequently transformed into the Eurasian Economic Union (2015), which is supposed to become one of the poles in the modern multipolar world.

Shrouded under the mantle of ‘integration’ these initiatives were – and to a lesser noticeable extent remain – characterized by Russian *diktat* and geopolitical competition with the West. For Moscow, the idea of Eurasian *economic* integration is first and foremost a *geopolitical* project.<sup>95</sup> Consequently, when the European Commission started negotiations on Deep and Comprehensive Free Trade Agreements (DCFTA) with EaP countries, Russia considered its political ambitions – as well as economic security in subsidiary order – to be challenged.<sup>96</sup>

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<sup>91</sup> N. DAVIES, “Russia’s Sovereign Globalization Rise, Fall and Future”, *Chatham House*, 2016, 1-26.

<sup>92</sup> K. GILES, *et alia*, “The Russian Challenge”, *Chatham House Report*, 2015, 1-58.

<sup>93</sup> N. DAVIES, “Russia’s Sovereign Globalization Rise, Fall and Future”, *Chatham House*, 2016, 1-26.

<sup>94</sup> V. Putin, *Speech at the Valdai Group plenary meeting*, 2013, available at <http://russialist.org/transcript-putin-at-meeting-of-the-valdai-international-discussion-club-partial-transcript/>

<sup>95</sup> T. VAN DER TOGT *et alia*, “From Competition to compatibility: striking a Eurasian balance in EU-Russia relations”, *Clingendael Report*, 2015, 1-77.

<sup>96</sup> N. BABAYAN, “The return of the Empire? Russia’s counteraction to transatlantic democracy promotion in its near abroad”, *Democratization*, Vol. 22, No. 3, 2015, 438-458.

The allegiance of Ukraine towards these Eurasian (economic) integration initiatives was not merely desirable but rather fundamental for their long-term endurance. In light of Ukraine's immense consumer market, its agriculture and resource richness as well as its gateway function between the EU and Russia, its membership would have given more multilateral credibility to the projects and (to a certain extent) strengthened their rather weak economic foundations.<sup>97</sup> Unsurprisingly, when the final text of the Association Agreement was published in March 2013, Russia hastily realized that its implementation would diminish the political momentum of its own (economic) ambitions. Henceforth, a zero-sum integration dilemma characterized Russian policy. Despite encompassing some substantiated *economic* concerns,<sup>98</sup> the ulterior motive behind Russian objection was Ukraine's future *geopolitical* allegiance.<sup>99</sup>

Yanukovych's (coerced) decision not to sign the Association Agreement was thus widely regarded as a Russian triumph, which proved however to be short-lived and premature. As public opinion turned decisively in favour of alignment with the EU, Russia's triumphant rhetoric of 'a sovereign Ukrainian choice not to sign'<sup>100</sup> was hastily succeeded by accusations of an "unlawful *coup d'état*" as the new Kyiv Government expressed their intentions to sign the AA nonetheless. Numerous studies have tried to define the 'right choice' based upon economic logic, yet the author of this study upholds a more political long-term approach.<sup>101</sup>

Although the Eurasian Economic Union is the most advanced form of Eurasian cooperation – based upon the principle of equality – multilateral action within the Union remains entangled with strategic (economic) bilateral ties, coercing members to act according to Moscow's wishes. Furthermore, membership does not require the improvement of norms and standards of governance, the reform of systems of justice or the application of criteria of 'best practice' in the relationship between business, the consumer and the state.<sup>102</sup> It therefore offers no prospects for a 'better future', yearned by many ordinary Ukrainian citizens. Whereas Russian dominance was initially not clearly noticeable, it were precisely their aggressive actions towards Ukraine and the imposition of (counter)sanctions, which have made it abundantly clear that Russia feels entitled to make (economic) decisions without regard for its EEU partners.<sup>103</sup> Considering the unlikelihood of future Ukrainian allegiance, Russian recession and the disclosure of the geopolitical nature of the project, any political momentum the Eurasian Economic Union may have had, has almost fully vanished in the aftermath.

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<sup>97</sup> T. VAN DER TOGT *et alia*, "From Competition to compatibility: striking a Eurasian balance in EU-Russia relations", *Clingendael Report*, 2015, 1-77.

<sup>98</sup> Ranging from the fear of falling export to Ukraine as well as the risk of the dumping of Ukrainian goods (pushed out by higher-quality European products) into the Russian market

<sup>99</sup> This sentiment is illustrated by the fact that no inherent legal or economic obstacles exclude the signing of multiple free trade treaties. Moreover, Ukraine is still part of the CIS-FA and the DCFTA at this moment. The real issue at stake was that the DCFTA would prohibit Kiev from joining the flagship Eurasian Union initiative.

<sup>100</sup> S. LAVROV, Ministerial meeting of the OSCE, Kiev, available at: <http://sputniknews.com/voiceofrussia/>

<sup>101</sup> Stressing that the initial (and difficult) costs of the obligatory reforms required by the DCFTA would be offset by Ukraine's enhanced access to the EU agricultural and industrial market.

<sup>102</sup> K. GILES, *et alia*, "The Russian Challenge", *Chatham House Report*, 2015, 1-58.

<sup>103</sup> A. KOLESNIKOV & GABUEV, "Prospects for the Eurasian Economic Union", *Carnegie Moscow Centre*, 2015.

## 5. Power politics & spheres of influence – military prism

Rooted in irrational fear and exaggerated threat perceptions, Ukraine's pivot towards the EU – regardless of it being the core of the crisis – was virtually eclipsed by the shadow of NATO enlargement and all which it seemed to represent within the Russian political culture. Despite the fundamental differences between both actors, the perception of them being a double-edged sword – with membership of one equalling inevitable membership of the other – has plagued Russian policy for years.<sup>104</sup> Entrenched in a latent conflict of interest regarding the degree of sovereignty entitled to the post-soviet States, this perception manifested itself rather aggressively in Ukraine.

In Western understanding, the sovereignty of the post-soviet States entitles them to determine their own affiliations – including treaties of alliance – without any threat or coercion. Although Russia pledged to respect the independence, sovereignty and territorial integrity of the post-soviet States,<sup>105</sup> it still considers them to be an inherent part of 'Greater Russia' by means of historical, cultural and economic ties as well as security interests. In keeping with Russian realist rhetoric, they must thus be recognized as within a certain 'sphere of influence' and can neither be permitted to act, nor form affiliations that are deemed to be contrary to Russia's national interests.<sup>106</sup>

*"[W]e have already heard declarations from Kiev about Ukraine soon joining NATO. [This] would have meant that NATO's navy would be right there in this city of Russia's military glory [Sevastopol], and this would create not an illusory but a perfectly real threat to the whole of southern Russia."*<sup>107</sup>

Although any Ukrainian prospect for NATO membership had been officially shelved in 2010 – when Yanukovich adopted the non-bloc status – the mere threat of future alignment with NATO and the possible annulment of the *Kharkiv Accords*<sup>108</sup> in wake of the (euro)Maiden, contributed greatly to the 'pre-emptive intervention' in Crimea. Considering the geopolitical importance of the Crimean peninsula as a platform for Russian power projection into the Black Sea and beyond,<sup>109</sup> its (rather unlikely) loss would have amounted in a tremendous blow to Russia's relative power within a multipolar international order.

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<sup>104</sup> X, "The EU and Russia: before and beyond the crisis in Ukraine", *6<sup>th</sup> Report of Session 2014-15*, European Union Committee, House of Lords, 2015, 1-123.

<sup>105</sup> According to Article I of the Helsinki Final Act – which established OSCE in 1975 – every country has the right "to belong or not to belong to international organizations, to be or not to be a party to bilateral or multilateral treaties including the right to be or not to be a party to treaties of alliance." Moreover, when Russia signed the NATO-Russia Founding Act, it pledged to uphold "respect for sovereignty, independence and territorial integrity of all states and their inherent right to choose the means to ensure their own security".

<sup>106</sup> K. GILES, *et alia*, "The Russian Challenge", *Chatham House Report*, 2015, 1-58.

<sup>107</sup> V. PUTIN, Address to State Duma deputies, Federation Council members, heads of Russian regions and civil society representatives, 2014, available at: <http://en.kremlin.ru/events/president/news/20603>

<sup>108</sup> This Accord codified the Russian lease on naval facilities in Crimea until 2042, with an additional five-year renewal option in exchange for a multiyear discounted contract to provide Ukraine with Russian natural gas.

<sup>109</sup> R. ALLISON, "Russian 'deniable' intervention in Ukraine: how and why Russia broke the rules", *International Affairs*, Vol. 90, Nr. 6, 2014, 1255–1297.

In keeping with the argumentation provided earlier, Moscow's emphasis on a federal settlement in Ukraine would hinder any attempt of future alignment with NATO – or the EU respectively – without the political willingness to give up *de jure* their now *de facto* separatist entities.<sup>110</sup> Nonetheless, Russia's actions hinge on fundamental misperceptions of NATO and the post-soviet States, which do not correspond with the international reality *anno* 2016. The following paragraphs offer a brief account of the predominant issues influencing Russia's position towards NATO.

Feelings of discontent regarding Russian representation in the European security structure along with perceived humiliation by a 'triumphant' West in the aftermath of the Cold War significantly hamper the alignment of security interests in continental Europe.<sup>111</sup> Whereas NATO sought early on to establish preferential relations with the Russian Federation<sup>112</sup> and reconcile the enlargement process with its security interests, the realignment of NATO from a traditional *military* towards a rather *political* alliance has by contrast been completely neglected by Russia. The resolute threat perception of NATO thus remains an inherent aspect of Russian politics.<sup>113</sup>

*“The persisting bloc approach to solving international problems is not helping to counter the entire range of present-day challenges or threats [thus] demonstrat[ing] the non-viability of the regional security system in the Euro-Atlantic Region based on NATO and the European Union.”<sup>114</sup>*

The traditional Russian method to right the (alleged) wrongs of the post-Cold War order could be characterized as attempting to ‘break-into’ the Euro-Atlantic security architecture to influence and overrule by means of diplomatic action.<sup>115</sup> In contrast, the contemporary approach resembles a ‘break-out’ strategy aimed at dividing the US-European Alliance and forcefully establishing new (security) rules. Whereas the *status quo* offers a perceived unjust security system – wherein Russia's national strength is offset by collective policies – the latter approach might offer a future with Russia at the centre and would allow for the expansion of its influence – without any strategic challenge or competition – in order to contend with other power poles outside Europe.<sup>116</sup>

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<sup>110</sup> H. LINDBO LARSEN, “Great Power Politics and the Ukrainian Crisis: NATO, EU and Russia after 2014”, DIIS report, *Danish Institute for International Studies*, 2014, 1-47.

<sup>111</sup> K. GILES, *et alia*, “The Russian Challenge”, *Chatham House Report*, 2015, 1-58; A. MONAGHAN, “A New Cold War? Abusing History, Misunderstanding Russia”, Research Paper series, *Chatham House*, 2015, 1-14.

<sup>112</sup> NATO has strived to build a genuine partnership with Russia, developing dialogue and practical cooperation in areas of common interest. Although a cooperative and constructive relationship was aspired, the lack of a stable foundation of common interests made the relation rather superficially instead of a ‘showcase-project’.

<sup>113</sup> M. RÜHLE, “NATO enlargement and Russia: myths and realities”, *NATO review*, 2014;

<sup>114</sup> Text of 31 December Russian Federation, Presidential Edict, No 683, Approving appended text of “The Russian Federation's National Security Strategy”, available at: <http://www.ieee.es/31Dec2015.pdf>, original available at: <http://static.kremlin.ru/media/events/files/ru.pdf>

<sup>115</sup> Reference can be made to Medvedev “new European security treaty” on the basis of a common set of rules and equality. His terms, vague as they were, appeared to offer Russia an equal say, power of veto over all the continents key areas of security policy as well as the acceptance of Russia's exclusive sphere of influence.

<sup>116</sup> S. COVINGTON, “Putin's Choice for Russia”, *Harvard Kennedy School*, 2015, 1-27.

Arguably, the unfolding power politics in Eastern Europe have indeed given back NATO some of its original *raison d'être*, which had shifted from traditional *territorial security* towards a *pacifying* role focused on providing an area of security after the dissolution of the Soviet Union and Warsaw Pact respectively.<sup>117</sup> Nonetheless, major adjustments in strategic thinking<sup>118</sup> and military capabilities of both actors *anno* 2016 nuance the extent of such 'revival'.<sup>119</sup>

*“The build-up of the military potential of the North Atlantic Treaty Organization (NATO) and the endowment of it with global functions pursued in violation of the norms of international law, the galvanization of the bloc countries' military activity, the further expansion of the alliance, and the location of its military infrastructure closer to Russian borders are creating a threat to national security.”*<sup>120</sup>

Contrary to Russian threat perceptions (*supra*), NATO's official policy was most recently articulated at the Wales Summit in September 2014, where it was made abundantly clear that the Alliance does not seek confrontation and poses no threat to Russia, but will however not compromise on the principles on which the Alliance and security in Europe rest.<sup>121</sup> The subsequent strengthening of NATO capacities in the eastern parts of the Alliance<sup>122</sup> – in response to Russia's aggression in Ukraine – was *per contra* perceived as a provocative hostile act and would thus require a Russian military-technical answer.<sup>123</sup> This spiral of provocation is in keeping with (realist) Russian military doctrine, arguing that the role of force as a factor in international relations is not declining.<sup>124</sup> Moreover, the willingness of Russia to use force against (European) states when their policies – either internal or external – threaten key regime interests, is gradually growing.<sup>125</sup>

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<sup>117</sup> M. KLEIN and C. MAJOR, “Perspectives for NATO-Russia Relations: Forms of Confrontation Dominate – But Dialogue not Excluded”, *German Institute for International and Security Affairs*, 2015, 1-4.

<sup>118</sup> Rivers of ink have already flowed regarding Russia's Hybrid warfare. Unfortunately, a comprehensive analysis thereof fall beyond the scope of this chapter, reference can however be made to: K. GILES, “Russia's ‘New’ Tools for Confronting the West Continuity and Innovation in Moscow's Exercise of Power”, Research Paper, *Chatham House*, 2016, 1-71.

<sup>119</sup> X., “The Military Balance”, *The International Institute for Strategic Studies*, 2016, 1-300.

<sup>120</sup> Text of 31 December Russian Federation, Presidential Edict, No 683, Approving appended text of "The Russian Federation's National Security Strategy", available at: <http://www.ieee.es/31Dec2015.pdf>, original available at: <http://static.kremlin.ru/media/events/files/ru.pdf>

<sup>121</sup> Paragraph twenty-three, Wales Summit Declaration issued by the Heads of State and Government participating in the meeting of the North Atlantic Council, Wales, 2014, available at: <http://www.nato.int/cpc/>

<sup>122</sup> At the 2014 Wales Summit, NATO agreed to a Readiness Action Plan (RAP) which included the establishment of a Very High Readiness Joint Task Force (VJTF) as well as the prepositioning of facilities, equipment, supplies and logistics specialists on the territories of the Eastern member states in order to enable rapid reinforcement and deployment of allied forces in this area should the need arise.

<sup>123</sup> H.E. A. GRUSHKO, Permanent Representative of the Russian Federation to NATO, *The Independent*, 2016, available at: <http://www.independent.co.uk/news/uk/home-news/>

<sup>124</sup> Text of 31 December Russian Federation, Presidential Edict, No 683, Approving appended text of "The Russian Federation's National Security Strategy", available at: <http://www.ieee.es/31Dec2015.pdf>, original available at: <http://static.kremlin.ru/media/events/files/ru.pdf>

<sup>125</sup> J. SHERR, “Containment 2.0: Living with the new East-West Discord”, *Clingendael Policy Brief*, 2015, 1-11.

Although one can easily deduce that ‘popular’ accusation of broken Western promises and provocative military exercises are a mere offshoot of the deep-rooted asymmetries mentioned earlier, they require further analysis by reason of their recurrent and simplified use within both the official as well as public discourse. President Vladimir Putin reiterated these issues in his March 18<sup>th</sup> speech justifying the illegal annexation of Crimea.

*“[Western leaders] have lied to us many times, made decisions behind our backs, placed before us an accomplished fact. This happened with NATO’s expansion to the east, as well as the deployment of military infrastructure at our borders.”*<sup>126</sup>

The narrative of broken promises of enlargement has arisen in many occasions over the past years, despite it being flawed to say the least. Arguably some oral statements made by Western politicians – in the wake of German reunification<sup>127</sup> – could indeed be interpreted as a general refusal of any NATO enlargement, yet they possess no duly substantiated grounds to bind the *newly* formed sovereign States in the aftermath of the dissolution of the Warsaw Pact.<sup>128</sup> Furthermore no legally binding commitments were ever codified and the topic of enlargement did simply not arise in any explicit manner according to M. Gorbachev, one of the negotiation’s protagonists.<sup>129</sup> Considering that the dissolution of the Warsaw Pact created a whole new political environment in which the former soviet countries were finally able to assert their sovereignty and define their own foreign and security policy, any categorical refusal of NATO membership – which was their own free choice through national democratic processes – would have been the *de facto* continuation of Europe’s division along the former Cold War lines.<sup>130</sup>

In conclusion of this section, reference can be made to the altered military posture of both actors, which now include more frequent and intensive exercises as well as military fortification.<sup>131</sup> Despite lingering distrust and the threat of escalation, the rationale behind such actions is fundamentally at odds. Whereas one is characterized by intimidation, strategic denial of Western policy options or even systematic preparation for aggressive action,<sup>132</sup> the other focuses on mere deterrence against future Russian incursions. Considering Russia’s own (provocative) military posture, it is blunt bigotry to consider NATO’s actions (or exercises respectively) as provocations, which demand an asymmetrical Russian reaction or intensified precautions.<sup>133</sup>

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<sup>126</sup> V. PUTIN, Address to State Duma deputies, Federation Council members, heads of Russian regions and civil society representatives, 2014, available at: <http://en.kremlin.ru/events/president/news/20603>

<sup>127</sup> V. PUTIN, “the fact that we are ready not to place a NATO army outside of German territory gives the Soviet Union a firm security guarantee as said by NATO Sec. Gen. Woerner”, *Munich Security Conference*, 2007.

<sup>128</sup> X., “The EU and Russia: before and beyond the crisis in Ukraine”, *6<sup>th</sup> Report of Session 2014-15*, European Union Committee, House of Lords, 2015, 1-123.

<sup>129</sup> M. GORBACHEV, “I am against all walls”, 2014, available at: <http://rbth.com/international/2014/10/16/>

<sup>130</sup> M. RÜHLE, “NATO enlargement and Russia: myths and realities”, *NATO review*, 2014.

<sup>131</sup> Referenced as a new arms race in: A. NIKITIN, “New Helsinki needed? A view from Russia”, *DGAP*, 2016.

<sup>132</sup> A. MACIEREWICZ, Defence Minister of Poland, *Rzeczpospolita*, as reported by Reuters, 2016.

<sup>133</sup> H.E. A. GRUSHKO, Permanent Representative of the Russian Federation to NATO, NRC of 20 April 2016, *Russia Today*, 2016. Reference can be made to the recent incident involving the USS Cook and Russian *Sukhoi* SU-24 attack planes, which was unjustly described by Russia as a provocative action from NATO.

## 6. A struggle for international recognition – normative prism

Whereas the prior sections of this chapter focused specifically on the political motives behind Russia's actions in Ukraine, an analysis of the legal justifications in support of those actions clearly emphasize a struggle to (re-)join the tradition of great-power interaction with international law.<sup>134</sup> In line with realist rhetoric, Russia considers the ability to reinterpret and redefine international rules – in the pursuit of (geo)political ambitions – to be inherent to a great-power and entitled to Russia among other by its veto position as enshrined in the UN charter.<sup>135</sup> As the on-going redistribution of power within the international *order* has brought an end to the transatlantic dominance over international *law*, Russia now assertively tries to define (the interpretation of) international norms, the exceptions to those norms as well as the way in which they should be enforced.

*“They [the West] say we are violating norms of international law. Firstly, it’s a good thing that they at least remember that there exists such a thing as international law – better late than never.”*<sup>136</sup>

The official Russian narrative consequently portrays the country as the sole defender of international law and opposes the (implied) Western instrumental use thereof.<sup>137</sup> Arguably, international law has indeed been weakened by the practice of liberal interventionism, yet Russia's actions in Ukraine are very much a case of ‘do as I say, not do as I do’, since they portray little or no respect for the law in its established understanding. Notwithstanding the question whether Russian allegations are indeed substantiated,<sup>138</sup> their actions – and subsequent justifications – severely undermine the post-1945 international legal order and pave the way for an alternative legal framework concerning the use of force in the post-soviet space (*supra*). As the Russian conviction grows that assertive military interventions are an effective means of achieving foreign policy results in a swift manner, an impugned international legal framework might encourage further military adventurism.<sup>139</sup>

Although one can identify numerous facets of international law in which Russia has *de facto* proposed new rules or interpretations, the underexplored situation in Eastern Ukraine – both factual as well as legal – limits the scope of the posterior analysis first and foremost to the illegal annexation of Crimea.

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<sup>134</sup> X. KUROWSKA, “Multipolarity as resistance to liberal norms: Russia's position on responsibility to protect”, *Conflict, Security & Development*, Vol. 14, Issue 4, 2014, 489-508.

<sup>135</sup> D. EASTER, “Theory and causes of War”, Video transcript, *King’s College lectures*, 2015.

<sup>136</sup> V. PUTIN, Address to State Duma, 2014, available at: <http://en.kremlin.ru/events/president/news/20603>

<sup>137</sup> C. MARXSEN, “International Law in Crisis – Russia's Struggle for Recognition”, *German Yearbook of International Law*, Vol. 58, 2015, 1-35.

<sup>138</sup> Western states have tried to *de facto* amend the processes of international decision making by depriving Russia of its veto position as envisioned by the UN charter, not by changing these rules but rather by circumventing them or suggesting new interpretations.

<sup>139</sup> K. GILES, “Russia’s ‘New’ Tools for Confronting the West Continuity and Innovation in Moscow’s Exercise of Power”, Research Paper, *Chatham House*, 2016, 1-71.

As previously outlined, Russia has shrouded its actions – specifically those in Crimea – under the mantle of international law and has formulated an impressive number of normative arguments ranging from responsibility to protect (R2P), intervention upon request and military support for self-determination. After more than a decade of fiercely promoting non-intervention in the internal affairs of other sovereign countries, humanitarian rhetoric was *per contra* omnipresent in Russian justificatory statements.

*“The State carries the primary responsibility for protecting populations from genocide, war crimes, crimes against humanity and ethnic cleansing, and their incitement. The international community has a responsibility to use appropriate diplomatic, humanitarian and other means to protect populations from these crimes. If a State is manifestly failing to protect its populations, the international community must be prepared to take collective action to protect populations, in accordance with the Charter of the United Nations.”*<sup>140</sup>

Even though the credibility of Western states with regard to the legitimacy of *humanitarian interventions* is frail to say the least, Russia makes a complete mockery of the pseudo-legal concept of Responsibility to Protect (R2P), stated above. Moscow failed to provide any concrete evidence of its nationals or the wider group of Russian-speakers being endangered in Crimea, and no substantiated evidence of such threats will ever emerge.<sup>141</sup> Although humanitarian rhetoric remains entangled with the subsequent legal arguments below, the specific concept of R2P will not be further referenced.

Perhaps the most substantial argument in favour of Russia’s military actions in Crimea is brought up by the concept of *intervention upon invitation*.<sup>142</sup> *In casu*, the concept refers to the invitation by ousted president Viktor Yanukovich on 1 march 2014 where he appealed to the President of Russia to use the armed forces of the Russian Federation to restore law and order, peace and stability and to protect the people of Ukraine. Although the Russian interpretation of the concept at hand significantly departs from the Western understanding, the argument remains fragile irrespective of whether one upholds to the traditional (Western) theory of effective control or the (Russian) theory of popular sovereignty.<sup>143</sup> Moreover the annexation of Crimea clearly violates the scope of Yanukovich’s invitation, supposing its questionable legality would be accepted.

A comprehensive analysis of the arguments mentioned above – although legally intriguing – is impractical, as the long-term political implications tied to their invoking, remain rather limited. Nonetheless, the inherent tension between the fundamental principles of *self-determination and territorial integrity* demands further analysis in light of the possible repercussions – as well as abuse – within the post-soviet space.

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<sup>140</sup> Outcome Document of the 2005 United Nations World Summit ([A/RES/60/1, para. 138-140](#)) and formulated in the [Secretary-General’s 2009 Report \(A/63/677\) on Implementing the Responsibility to Protect](#)

<sup>141</sup> R. ALLISON, “Russian ‘deniable’ intervention in Ukraine: how and why Russia broke the rules”, *International Affairs*, Vol. 90, Nr. 6, 2014, 1255–1297.

<sup>142</sup> C. MARXSEN, “International Law in Crisis – Russia’s Struggle for Recognition”, *German Yearbook of International Law*, Vol. 58, 2015, 1-35.

<sup>143</sup> X., “(Un)Invited Guests: The Validity of Russia’s Argument on Intervention by Invitation”, *Cambridge Journal of International and Comparative Law*, 2014.



Self-determination encompasses the right of the people of a state to govern themselves without outside interference and primarily refers to various political and social rights.<sup>144</sup> In extraordinary circumstances (external) self-determination may entitle the population to determine their own political status including the formation of their own independent state, even when doing constitutes secession from another state.<sup>145</sup> Territorial integrity on the other hand enshrines the inviolability of the territory of the State, which *in casu* should be interpreted in conjunction with the prohibition to use force against another sovereign State.<sup>146</sup>

Although international law remains neutral with regard to the right of unilateral secession, no precedent was established in judicial practice. In the contemporary understanding of international law, the situations in which a unilateral right of secession – outside the context of colonialism or foreign military occupation – has been recognized, remain limited to the most extreme cases.<sup>147</sup> Whereas Russia previously advocated the strict and narrow requirements for remedial secession (*infra*) it now finds a mere threat of a draft law revising the language policy in Ukraine – neither its implementation nor enforcement – to be sufficient in constituting a substantial human right violation.

*“[T]he Russian Federation is of the view that [international law] may be construed as authorizing secession under certain conditions. Those conditions should be limited to truly extreme circumstances, such as an outright attack by the parent State, threatening the very existence of the people in question. Otherwise, all efforts should be taken in order to settle the tension between the parent State and the ethnic community concerned within the framework of the existing State”<sup>148</sup>*

Furthermore the Russian Federation appears to assume the *ipso facto* legality of foreign military intervention in order to enforce the alleged right of remedial secession claimed by the secessionist party. Contrary to the Russian interpretation, the neutrality of international law does not apply when a declaration of independence is given *direct* effectiveness through foreign military assistance, as was clearly the case in Crimea.

*“The illegality attached to [some other] declarations of independence [...] stemmed [...] from the fact that they were, or would have been, connected with the unlawful use of force or other egregious violations of norms of general international law, in particular those of a preemptory character”<sup>149</sup>*

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<sup>144</sup> X., “Self determination”, *Cornell University Law School*, available at: <https://www.law.cornell.edu/wex/>

<sup>145</sup> X., “Self-Determination”, *Princeton Encyclopaedia of Self-Determination*, available at: <https://pesd.edu>

<sup>146</sup> W. BURKE-WHITE, “Crimea and the International Legal Order”, *University of Pennsylvania Law School*, Public Law, Research Paper, No. 14-24, 1-17.

<sup>147</sup> S. CHESTERMAN, “Crimean War 2.0: Ukraine and International Law”, *National University of Singapore (NUS)*, Faculty of Law, 2014, 1-5; W. BURKE-WHITE, “Crimea and the International Legal Order”, *University of Pennsylvania Law School*, Public Law Research Paper, No. 14-24, 1-17.

<sup>148</sup> Paragraph 88 of the Written Statement by the Russia in the Kosovo Advisory Proceedings before the ICJ, available at: <http://www.icj-cij.org/docket/files/141/15628.pdf>

<sup>149</sup> Accordance with International Law of the Unilateral Declaration of Independence in Respect of Kosovo, Advisory Opinion of 22 July 2010, *International Court of Justice*, 2010, para 81.

The Russian Federation thus claim an extensive right of foreign military intervention in protecting its ‘compatriots’ abroad and a very low standard for the degree of oppression necessary to trigger the right of self-determination and subsequent remedial secession.<sup>150</sup> In doing so Russia transforms this legal concept from an unusual and extraordinary remedy for severely oppressed populations into a common practice applicable to almost any Russian minority within the post-soviet space.<sup>151</sup> It subsequently shifts the tension between territorial integrity and self-determination in the direction of the latter, making international borders in Eastern Europe far more instable.<sup>152</sup>

Even if one accepts the premises of Russian intervention and the right of self-determination for the ‘people’ of Crimea, in exercising this right international law requires a free, fair and democratic choice as to the political future of the self-determining party, preceded by a period of thoughtful deliberation. Leaving the question of the constitutional legality of the referendum aside,<sup>153</sup> it was conducted under presence of paramilitary and self-defence groups as well as Russian *Spetsnaz* without insignia, with no freedom of expression or media access for the opposition and without any credible international monitoring.<sup>154</sup> Furthermore, the referendum was hastily organized without any period of thoughtful deliberation and offered voters no genuine option of self-determination.<sup>155</sup> It is thus irrational to consider that such conditions were conducive to an environment in which the will of voters could be expressed freely.<sup>156</sup>

Contrary to Russian argumentation, the comparison drawn between the NATO intervention in Kosovo and the Russian activities in Crimea is a simplification at best and an outright abuse of legal rhetoric at worst. Although the intervention in Kosovo might have been illegal *sensu stricto* – as no prior approval from the UNSC was received – it was nevertheless legitimate as all diplomatic avenues had been exhausted and there was no alternative way to stop the atrocities in Kosovo.<sup>157</sup> Furthermore Kosovo’s eventual secession did not come at the same time as the (NATO) foreign military intervention but after nearly ten years of diplomacy, under UN auspices.<sup>158</sup>

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<sup>150</sup> W. BURKE-WHITE, “Crimea and the International Legal Order”, *University of Pennsylvania Law School, Public Law, Research Paper, No. 14-24*, 1-17.

<sup>151</sup> C. MARXSEN, “International Law in Crisis – Russia’s Struggle for Recognition”, *German Yearbook of International Law*, Vol. 58, 2015, 1-35.

<sup>152</sup> C. MARXSEN, “International Law in Crisis – Russia’s Struggle for Recognition”, *German Yearbook of International Law*, Vol. 58, 2015, 1-35.

<sup>153</sup> The Crimean Parliament simply did not have the authority to unilaterally decide its own destiny. Under the Ukraine Constitution it is possible for a region to seek self-determination but only through a national referendum.

<sup>154</sup> NATO-Russia relations: the facts, available at [http://www.nato.int/cps/en/natohq/topics\\_111767.htm-cl204](http://www.nato.int/cps/en/natohq/topics_111767.htm-cl204)

<sup>155</sup> Only two possibilities were available; to join the Russian Federation as a federal subject or to return to the Constitution of Crimea and be an ‘integral part’ of Ukraine.

<sup>156</sup> Report of the United Nations High Commissioner for Human Rights on the situation of human rights in Ukraine, Human Rights Council, Twenty-seventh session, 2014, available at: <http://www.ohchr.org/EN/HR/>

<sup>157</sup> The Independent International Commission on Kosovo, “The Kosovo Report”, Oxford University Press, 2000, available at: <http://reliefweb.int/files/resources/>; A. SLAUGHTER, “A Regional R2P”, in D. HELD and K. McNALLY (eds.), *Lessons from Intervention in the 21st Century: Legality, Legitimacy, and Feasibility*, 2014.

<sup>158</sup> Event summary, *The Ukraine Crisis: An International Law Perspective*, Chatham House, 1-5.

In Crimea on the other hand, there was no pre-existing crisis, no prior attempt of *bona fide* negotiation with the Ukrainian government and no involvement of the UN General Assembly or Security Council.<sup>159</sup> Notwithstanding the argumentation provided above, if it were to be assumed that the NATO intervention in Kosovo was indeed an outright breach of international law – without any legitimate justification – the argument that Russia could subsequently justify their own actions thereupon is not a substantial legal argument, but a fragile political one at best.<sup>160</sup> By no means does one violation of international law justify another one, as long as this conduct has not solidified and crystallized in new rules of (customary) international law.<sup>161</sup>

*“We keep hearing [...] that Kosovo is some special case. What makes it so special [...]? It turns out that it is the fact that the conflict in Kosovo resulted in so many human casualties. Is this a legal argument? [...] This is not even double standards; this is amazing, primitive, blunt cynicism.”*<sup>162</sup>

In keeping with customary Russian rhetoric, accusations of double standards and hypocrisy of the West swiftly surfaced. Although such accusations might not be without any grounds, Russia’s own practice of applying double standards severely impugns the legal justification for their actions in Crimea and hinders any effort to elevate Kosovo to some sort of international precedent. Not only do they contradict decades of Russian official positions and legal scholarly, it is only rational to question an argumentation, when the defending party considers their own prime argument to be illegal.

*“Russia’s stand on the Kosovo question is utterly clear and unchanged”*<sup>163</sup>

In conclusion of this chapter, reference has to be made to the strategy of denial employed in Eastern Ukraine. Russia cleverly exploited the lax standards for attribution, thus evading legal responsibility for their (plausible) involvement.<sup>164</sup> In light of the underexplored situation, it would prove to be extremely difficult – if not impossible – to substantiate that the unidentified militias were under the effective control of – or even that they were equipped, financed, or trained by – Russia.<sup>165</sup> As long as some plausible deniability as to the effective control of the (para)military groups operating in Eastern Ukraine is preserved, the situation will remain a legal abyss.

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<sup>159</sup> NATO-Russia relations: the facts, available at [http://www.nato.int/cps/en/natohq/topics\\_111767.htm](http://www.nato.int/cps/en/natohq/topics_111767.htm) - cl204

<sup>160</sup> W. BURKE-WHITE, “Crimea and the International Legal Order”, *University of Pennsylvania Law School*, Public Law, Research Paper, No. 14-24, 1-17.

<sup>161</sup> C. MARXSEN, “International Law in Crisis – Russia’s Struggle for Recognition”, *German Yearbook of International Law*, Vol. 58, 2015, 1-35.

<sup>162</sup> V. PUTIN, Address to State Duma deputies, Federation Council members, heads of Russian regions and civil society representatives, 2014, available at: <http://en.kremlin.ru/events/president/news/20603>

<sup>163</sup> S. LAVROV, Interview with the newspaper Politika, 2015, available at: [http://archive.mid.ru/brp\\_4.nsf/](http://archive.mid.ru/brp_4.nsf/)

<sup>164</sup> R. ALLISON, “Russian ‘deniable’ intervention in Ukraine: how and why Russia broke the rules”, *International Affairs*, Vol. 90, Nr. 6, 2014, 1255–1297; Nicaragua v. United States, *International Court of Justice*, 1986; The Prosecutor v. Dusko Tadić, *International Criminal Tribunal for the former Yugoslavia*, 1995.

<sup>165</sup> W. BURKE-WHITE, “Crimea and the International Legal Order”, *University of Pennsylvania Law School*, Public Law, Research Paper, No. 14-24, 1-17.

# Restrictive measures – relevant foreign policy instruments?

Contrary to popular rhetoric, (EU) restrictive measures do not constitute forms of economic punishment, but rather instruments of foreign policy aimed at facilitating compromise, not force capitulation.<sup>166</sup> However, as the confluence of international factors as well as the use of complementary policy instruments limits the capacity to isolate and identify causal effect, objections regarding the inherent effectiveness of sanctions arise. The *locus communis* is unfortunately based on a simplified (economic) logic, evaluating success solely upon behaviour-change in conjunction with imperfect statistical (trade) data.<sup>167</sup> Such deficient analysis neglects both the multidimensional nature of the instruments at hand (*infra*) as well as the complex international reality in which their imposition occurs.<sup>168</sup>

Arguably, when considering the chain of events justifying the imposition of the restrictive measures as well as Moscow's refusal to cede ground on any of these issues, sanctions may risk appearing ineffective at best and harmful at worst. The subsequent conclusion that EU restrictive measures prove to be ineffective against other major powers would not only undermine the EU's standing as a normative power – keen to uphold European norms and values as well as international law<sup>169</sup> – but would severely limit the spectrum of (coercing) policy options suitable for future (security) crises. Nonetheless, since sanctions are neither a purely economic phenomenon nor influence their targets solely by means of coercion, a multidisciplinary analysis will prove to be imperative.<sup>170</sup>

In light of the observations made in the third chapter of this study, the conviction grows that the political ambitions of the West and Russia are gradually drifting apart, thus creating an environment in which the EU will be forced to shift the tension between its idealist and realist objectives in direction of the latter. An informed understanding of restrictive measures is therefore essential in order to evaluate their future use. Although the half-heartedness of the EU's contention against Russia might (have) encourage(d) the country to disregard the EU's reaction and interests,<sup>171</sup> categorizing restrictive measures as inherent ineffective instruments is jumping to conclusions.

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<sup>166</sup> X, "The EU and Russia: before and beyond the crisis in Ukraine", 6<sup>th</sup> Report of Session 2014-15, European Union Committee, House of Lords, 2015, 1-123.

<sup>167</sup> Reference can be made to the naïve theory of sanctions that focuses around the principle of: "how greater the damage to the economy of the target, the higher the chances of success are." C. PORTELA, *European Union Sanctions and Foreign Policy*, Routledge, 2010, 208.

<sup>168</sup> I. DREYER and J. LUENGO-CABRERA (eds.), "On target? EU sanctions as security policy tools", *Issue report No. 25*, EU Institute for Security Studies, 2015, 1-91.

<sup>169</sup> P. HAM, "The EU, Russia and the Quest for a New European Security Bargain", *Clingendael*, 2015, 1-28.

<sup>170</sup> F. GIUMELLI, *Coercing, Constraining and Signalling: Explaining UN and EU Sanctions after the Cold War*, ECPR, 2011, 226.; F. GIUMELLI, "How EU sanctions work: A new narrative", *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>171</sup> C. PORTELA, *European Union Sanctions and Foreign Policy*, Routledge, 2010, 208.

## 7. Analytical framework

As referenced on numerous occasions throughout this study, restrictive measures are often observed on the basis of a *behaviour change* vector and *pain-gain* logic according to which targets will obey the sanctioner's demands in order to fend off the economic costs imposed by restrictive measures.<sup>172</sup> The obvious derivative of such logic is the assumption that the higher the costs, the more likely the target will cede to the demands. Even though the analysis of restrictive measures is far from being an exact science, such reasoning fails to grab the full scope of the instruments in question. Nonetheless, an alternative framework provided by F. Giumelli proves to be an immense leap forward and will be briefly outlined below.<sup>173</sup>

The essence of his framework is to look beyond the *pain-gain* (economic) logic and place restrictive measures in a more pragmatic perspective as *one* foreign policy instrument imposed in a crisis situation, aimed at influencing other actors by means of coercing, constraining and/or signalling. Consequently, even if sanctions are deemed ineffective solely due to the lack of behaviour change, this does not by analogy mean it was wrong to introduce them in the first place. The operationalization of the multidimensional nature of restrictive measures can be defined as followed and will be depicted in table II:

a) *Signalling change by increasing the cost of all options but one*

The coercive aspect of sanctioning pursues a behavioural change in the policy of the target by means of altering political calculations through the imposition of economic costs and thus creating incentives to embark on policies explicitly formulated by the sender.<sup>174</sup> Hence, it is imperative that the sanctioner's demands are precisely highlighted and these do not compromise the political survival of the target should it (reluctantly) accept.

b) *Signalling change increasing the cost of specific behaviours*

If the sanctioner makes no request demanding the pursuit of explicit policies or the surrender thereto might induce political defeat of the target, restrictive measures are likely to be defined as constraining. Hence, they undermine the capabilities of targets to achieve certain policy objectives deemed as unwanted by the sender. The desired effect thus is to inflate the economic costs that targets have to endure in order to achieve or sustain certain objectives.<sup>175</sup>

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<sup>172</sup> F. GIUMELLI, "How EU sanctions work: A new narrative", *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>173</sup> Author's notes, Conference, *Deutsche Gesellschaft für Auswärtige Politik*, Berlin, 2014.

<sup>174</sup> F. GIUMELLI, *Coercing, Constraining and Signalling: Explaining UN and EU Sanctions after the Cold War*, ECPR, 2011, 226.; F. GIUMELLI, "How EU sanctions work: A new narrative", *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>175</sup> F. GIUMELLI, "How EU sanctions work: A new narrative", *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

c) *Signalling disapproval of specific actions without direct material costs*

Although symbolic sanctions were not included in the index of (EU) restrictive measures *sensu stricto*, their lack of material impact does not justify them being qualified as a mere residual category of non-effective measures.<sup>176</sup> The signalling dimension of sanctioning is designed to show commitment and underline the importance of a norm within the international order as well as to stigmatise non-compliance with that same norm. Furthermore, signalling disapproval might arouse political dispute by (opposition) groups that would not have allied with the sanctioner if the material costs of the restrictive measures had been too severe.<sup>177</sup>

Table 2 – Sanctions classification according to purpose			
		Request feasibility	
		High	Low
Direct Material Impact	High	Coercing	Constraining
	Low	Signalling	

© F. Giumelli, "How EU sanctions work: A new narrative",

Henceforth, the analysis of the inherent effectiveness of sanctions should first and foremost define the exact form in which they are imposed.<sup>178</sup> Secondly one should delineate their underlying logic to establish whether they intend to coerce, to constrain and/or to signal. Furthermore, as successful measures are not the ones that provoke the maximum costs but the ones that cause the anticipated effects, a distinction between their material impact and political effect has to be made. Ultimately a counterfactual exercise is required to define whether sanctions were indeed the most beneficial policy option available to bring about the desired effects.

When put into practice, reference can be made to a textbook example of terrorist groups. Although sanctions might include a coercive factor (to abandon armed political struggle all together), voluntary compliance is very unlikely. Ergo, sanctions primarily limit the ability to pursue political objectives by means of constraining (e.g. arm embargoes) and signal disapproval of such actions toward the international community and the domestic audience, subsequently limiting public or international support.

<sup>176</sup> F. GIUMELLI, *Coercing, Constraining and Signalling: Explaining UN and EU Sanctions after the Cold War*, ECPR, 2011, 226.; F. GIUMELLI, "How EU sanctions work: A new narrative", *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>177</sup> F. GIUMELLI, "How EU sanctions work: A new narrative", *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>178</sup> It is only rational that sectorial import bans (e.g.) will have different effects than individual visa bans (e.g.)

Although these measures might result in a limited behaviour change by the terrorist group, they may prove be sufficient in achieving the desired effects (crippling armed incursions) at a lower cost than other policy options (e.g. armed intervention).<sup>179</sup>

## 8. Case study – the Russian Federation

Notwithstanding the excessive amount of past studies regarding the economic impact of sanctions against the Russian Federation, defining the exact repercussions of these measures within the economic and political sphere remains fraught with difficulty. In addition to the methodological challenges (*supra*) inherent to such exercise, the Russian economy has been affected by a confluence of independent factors that extend well beyond the imposition of restrictive measures. Furthermore, as targeted (smart) sanctions inflict – by nature as well as design – only a limited impact on the target economy *en masse*, dissecting their precise effect by means of a macroeconomic analysis is strenuous to say the least. The aim of the following chapter is thus to apply the aforementioned framework *in casu*, instead of providing a comprehensive economic analysis.

In line with the conclusion presented in the second chapter of this study, three semi-distinct sanction regimes can be identified. Be that as it may, the posterior analysis will exclude the measures in support of the non-recognition strategy of the illegal annexation of Crimea.<sup>180</sup> The absence of this regime in the subsequent reasoning is founded on the premises that Russia has become trapped by its own nationalist rhetoric and strategic culture, making the return of the peninsula to the Ukrainian legal order unacceptable and non-negotiable in the contemporary political environment.<sup>181</sup> Any analysis regarding the effectiveness of this regime would most likely result in Sisyphean labour due to the probable risk – how obnoxious it might be – that the current *status quo* becomes a *fait accompli*.<sup>182</sup> Despite implausible behaviour change, the sanction regime in question does however possess a strong signalling effect, limiting international support for Russia's actions as well as deter other actors from following in its footsteps.

In keeping with the anterior argumentation, the economic sanction regime (formally bound to the Minsk II agreement) should be perceived as a foreign policy instrument, providing the European Union with solid leverage over Moscow and thus aimed at extracting political concessions.<sup>183</sup> Consequently, the regime has enabled the Ukrainian government to survive in the short- and mid-term, as it forced Russia to

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<sup>179</sup> F. GIUMELLI, *Coercing, Constraining and Signalling: Explaining UN and EU Sanctions after the Cold War*, ECPR, 2011, 226.; F. GIUMELLI, “How EU sanctions work: A new narrative”, *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>180</sup> This being the measures targeting Crimea and Sevastopol as outlined in Chapter I, section II, subsection b.

<sup>181</sup> P. HAM, “The EU, Russia and the Quest for a New European Security Bargain”, *Clingendael*, 2015, 1-28.

<sup>182</sup> P. HAM, “The EU, Russia and the Quest for a New European Security Bargain”, *Clingendael*, 2015, 1-28.

<sup>183</sup> F. GIUMELLI, “Sanctioning Russia: the right questions”, *Chaillot Paper*, No. 10, European Union Institute for Security Studies, 2015, 1-2.

de-escalate the conflict in order to prevent a new wave of (harsher) measures.<sup>184</sup> Arguably, when focussing merely on the coercing factor of sanctioning, the regime in question might be regarded as ineffective, yet the signalling and constraining factors counterbalance the absence of quantifiable behaviour change.<sup>185</sup>

a) *Isolating (and nuancing) the material impact from the political effect*

In light of the high degree of economic interdependence between Russia and the EU, supporters of sanctions might be compelled to interpret the negative economic trends in Russia solely as a consequence of (EU) restrictive measures. Simultaneously, the aforementioned standpoint provides those opposing sanctions with a convenient scapegoat to account for the economic woes within the EU stemming from the decline in trade relations with the Russian Federation. *Prima facie*, it thus appears that EU sanctions – in unison with their Russian counterparts – exert a severe negative impact on the economic wellbeing of all actors in question.<sup>186</sup>

*“[The sanctions] are hurting economic interests of specific industries, export-orientated companies [on both sides] that lose their market shares earned through years of hard work. The question is whether it is profitable? As I have said before, of course not.”*<sup>187</sup>

Upholding such causal (one-dimensional) economic logic does however neglect the fundamental structural and institutional distortions plaguing the Russian economy as well as the confluence of other international factors. Since a drift towards stagnation of a slacking Russian economy had been predicted prior to the imposition of restrictive measures,<sup>188</sup> the question thus remains whether a contradiction in bilateral trade would have not occurred on the basis of these pre-existing tendencies, regardless of the external sanction-vector.<sup>189</sup> Although it falls beyond the practical scope of this study to provide a comprehensive macro-economic analysis, the following section aims to contradict the narrative that EU restrictive measures are the main cause behind the (limited) economic woes within the EU, while simultaneously nuancing their role in the economic hardship of the Russian economy.

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<sup>184</sup> S. SECRIERU and J. CWIEK-KARPOWICZ (eds.), “Sanctions and Russia”, *The Polish Institute of International Affairs*, 2015, 1-105.

<sup>185</sup> F. GIUMELLI, “Sanctioning Russia: the right questions”, *Chaillot Paper*, No. 10, European Union Institute for Security Studies, 2015, 1-2.

<sup>186</sup> D. GROS and F. MUSTELLI, “The Economic Impact of Sanctions against Russia: Much ado about very little”, *CEPS commentary*, CEPS, 2015, 1-4.

<sup>187</sup> D. MEDVEDEV, *Prime Minister of Russia*, Meeting with German businesspeople, Munich, 2016, as reported by Russia Today: <https://www.rt.com/business>

<sup>188</sup> I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91.

<sup>189</sup> D. GROS and F. MUSTELLI, “The Economic Impact of Sanctions against Russia: Much ado about very little”, *CEPS commentary*, CEPS, 2015, 1-4; R. CONNOLLY, “Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia”, *Research paper series*, Chatham House, 2015, 1-24.



A proper preface outlining the fundamental structure of the Russian economic system will prove to be imperative in disentangling the material impact of restrictive measures from the medium- and long-term economic distortions, driving the contemporary recession. Notwithstanding the complex legacy of the Soviet system or the long and painful economic reforms superseding it, Russia was considered as a basic – although still faltered – liberal market economy *anno* 2000. However, once favourable economic prospects and a growing self-confidence crystalized in the desire for a strong centralised state – asserting a self-evident and prominent position within the international order – further market-oriented reforms were swiftly halted.

Striving towards hyper-centralization and power-consolidation within the domestic political system,<sup>190</sup> waves of renationalization gradually increased state-owned shares in strategic important economic sectors<sup>191</sup> – thus reducing efficiency, transparency and political non-interference – in conjunction with the expansion of state bureaucracy. The rationale behind this system of political economy was to restore a sense of order (*poryadok*) lost after the turmoil of the 1990's, which would subsequently strengthen Russia's quest to re-establish its position within the international order. When analysing this hybrid economic system – characterized by state dominance and rent distribution – a useful starting point is the three-sector model described by R. Connolly.

The essence of this model defines the rent-producing sector (I) as a group of profitable multinational enterprises,<sup>192</sup> which are intertwined with the State through (*direct*) ownership of (*indirect*) regulatory favouritism. Contrariwise, the rent-dependent sector (II) encompasses domestic industries and public services, which are reliant on State subsidies financed through the rents generated in sector I. Market structures within both sectors tend to be monopolistic or oligopolistic as well as politicized in nature, thus culminating protectionism and non-competitiveness. Whereas the small and medium enterprises (III) account for a relatively small percentage of tax revenues, they operate largely outside the system of State manipulation.<sup>193</sup> When put into practice, the revenue growth of sector I – supported by high demands for oil, gas and metal exports in the 2000's – initiated a steadfast enlargement of this sector, resulting in an exponential scale of appropriated rents being channelled into production and services of sector II.<sup>194</sup> Subsequently, the prosperity created by the expansion of sectors II and I bolstered public (import) demands as well as overall growth in sector III.<sup>195</sup>

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<sup>190</sup> N. DAVIES, "Russia's Sovereign Globalization Rise, Fall and Future", *Chatham House*, 2016, 1-26.

<sup>191</sup> These include resource extraction, finance, military, heavy industry, transport and communication sectors; R. CONNOLLY, "Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia", *Research paper series*, Chatham House, 2015, 1-24

<sup>192</sup> These consist almost exclusively out of enterprises active within resource (oil, gas & minerals) extraction.

<sup>193</sup> R. CONNOLLY, "Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia", *Research paper series*, Chatham House, 2015, 1-24.

<sup>194</sup> These sectors include defence spending, pensions, social welfare and other areas of state bureaucracy.

<sup>195</sup> R. CONNOLLY, "Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia", *Research paper series*, Chatham House, 2015, 1-24.

Unsurprisingly, the collapse of crude oil prices – being Russia’s key export product and the source of around half of its federal budget income – constitutes the primary catalyst behind the on-going economic recession.<sup>196</sup> Whereas the imbalance between the global oil supply and demand is unlikely to disappear any time soon,<sup>197</sup> oil exports will only regain a mere percentage of their value in the foreseeable future. In keeping with the anterior argumentation, one can easily deduct that any significant oil price drop equally affects non-oil sectors – as well as general prosperity – by reason of their dependence on the redistribution of oil rent across the economy.<sup>198</sup>

Despite being interconnected with the declining oil prices, the depreciation of the rouble poses an additional worrying indicator for the Russian economy.<sup>199</sup> As both the price of oil and the value of the rouble plummeted, so too did business confidence and the average standard of living. Consequently, the recession accounted for a sharp contraction in domestic consumption and purchasing power,<sup>200</sup> as well as a subsequent decline of imports and a haemorrhagic outflow of both international and domestic capital.<sup>201</sup> Although the Russian populace has responded rather tranquil to these economic developments, political scapegoats (*infra*) will not permanently absolve the Russian Government for structural economic problems.<sup>202</sup> Galvanized by an increase in public service cutbacks and an overall deteriorating consumer sentiment,<sup>203</sup> a bottom-up erosion of political approval is gradually emerging.<sup>204</sup>

On the grounds of these structural distortions and international factors, it is only rational to disentangle – to some extent – the decline in exports from the imposition of restrictive measures. In principle, the economic woes within the EU are thus the likely outcome of domestic and international tendencies in Russia, rather than a mere offshoot of restrictive measures. Notwithstanding the overall limited impact of restrictive measures on the EU economy, these negative trends remain unevenly allocated, as certain sectors and/or member states are more greatly affected.<sup>205</sup>

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<sup>196</sup> I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91.

<sup>197</sup> X., “OPEC’s talks on curbing oil production come to nothing”, *The Economist*, 18<sup>th</sup> of April 2016.

<sup>198</sup> M. DABROWSKI, “The systemic roots of Russia’s recession”, *Bruegel Policy brief*, Issue 15, 2015, 1-11.

<sup>199</sup> R. CONNOLLY, “Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia”, *Research paper series*, Chatham House, 2015, 1-24.

<sup>200</sup> A. GABUEV, “A Pivot to Nowhere: The Realities of Russia’s Asia Policy”, *Carnegie Moscow Center*, 2016, 1-14; M. DMITRIEV, “Russian Society and the Economic Turning Point: opportunities missed, opportunities taken”, *Chatham House*, 2016.

<sup>201</sup> R. CONNOLLY, “Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia”, *Research paper series*, Chatham House, 2015, 1-24.

<sup>202</sup> X, “A whiff of panic in the Kremlin as economy sinks further”, Reuters, 2016, available at <http://blogs.reuters.com/great-debate/2016/>

<sup>203</sup> Based on *Rosstat* and *Levada Centre* statistics, referenced in M. DMITRIEV, “Russian Society and the Economic Turning Point: opportunities missed, opportunities taken”, *Chatham House*, 2016; YouGov, “Economic Satisfaction in the G20”, *Handelsblatt*, 2016.

<sup>204</sup> M. DMITRIEV, “Russian Society and the Economic Turning Point: opportunities missed, opportunities taken”, *Chatham House*, 2016.

<sup>205</sup> V. DOMBROVSKIS, European Commission Vice-president for the Euro and Social Dialogue, 2016, as reported by Sputniknews: <http://sputniknews.com/politics/20160415/>

*Mutatis mutandis*, the aforementioned indicators support the assumption that the inherent economic impact of restrictive measures has been relatively muted when compared with the ramifications of declining oil prices.<sup>206</sup> However, since the material impact on an economy *en masse* is neither the sole nor the decisive determinant of success, the political effect of restrictive measures – in accordance with their corresponding logic – will be further analysed in the following section. In conclusion, one can reasonably presume that although the annulment of sanctions might be the first step in economic rehabilitation, any prospect of immediate economic growth within Russia (or a subsequent revival of exports relations in the EU) would be economic megalomania.<sup>207</sup>

b) *Discourse of the sanction regime*

Regardless of their limited economic impact or the absence of a quantifiable behaviour change,<sup>208</sup> EU restrictive measures have proven to be efficacious within the political sphere. *A titre principal*, they contributed to the de-escalation of the Ukrainian conflict as they coerced Russia into *bona fide* negotiations.<sup>209</sup> *A titre subsidiaire*, they constrained the (future) use of military instruments (by Russia) and signalled European unity, normative power and perseverance. When applying the aforementioned framework *in casu*, a twofold distinction based upon the specific nature of restrictive measures as well as their targeted sectors has to be made.

Whereas individual sanctions target specific members of the Russian elite, their prime aim is to create personal inconvenience with the objective of fostering cooperation and influencing political decision-making within Russia.<sup>210</sup> Although (some) individuals within the economic, political and military sphere have indeed seen their freedom of movement restricted and their assets diminished – partly by cause of the economic recession but also directly due to restrictive measures<sup>211</sup> – the Russian leadership has been successful in channelling resources to politically well-connected allies. Sanctioned individuals have received lucrative government contracts, while strategic important firms have lobbied for access to the Sovereign Wealth Fund, thereby (*a contratio*) strengthening the (economic) influence of Putin’s inner circle.<sup>212</sup>

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<sup>206</sup> I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91.

<sup>207</sup> X, “A whiff of panic in the Kremlin as economy sinks further”, Reuters, 2016, available at <http://blogs.reuters.com/great-debate/2016/>

<sup>208</sup> How unlikely this course of action might have been, behaviour change could have encompassed the return of Crimea to Ukraine, recognizing Russian involvement with separatist movements in Eastern-Ukraine, etc.

<sup>209</sup> Although the effectiveness of the Minks protocols remains subject to discussion, the (coerced) peace talks have contributed (to some extent) to the de-escalation of the conflict as they most likely have deterred Russia from backing separatists in making further territorial gains.

<sup>210</sup> F. GIUMELLI, “How EU sanctions work: A new narrative”, *Chaillot Paper*, No. 129, European Union Institute for Security Studies, 2013, 1-46.

<sup>211</sup> M. RUSSELL, “Sanctions over Ukraine: Impact on Russia”, European Parliament Briefing, *EPRS*, 2016, 12.

<sup>212</sup> I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91:

“[The] inner circle became poorer in absolute terms, [but] they grew stronger in relative terms [as loyalty] was rewarded with a larger slice of a shrinking pie.”<sup>213</sup>

Subsequently, one might reasonably conclude that the *immediate* effects of personal sanctions remain rather limited. Be that as it may, since evasion and compensation techniques taint any future prospects of liberalisation, modernization and integration of the Russian economy<sup>214</sup> – while simultaneously enhancing the overall economic liability of the targeted actors – such efforts might prove counterproductive as soon as the *long-term* effects of restrictive measures take form and aggravate the deficient economic system within Russia, (possibly) resulting in an overdue and futile shift from loyalty towards financial judiciousness.

The discourse of the economic sanction regime will however be autonomously examined within the defence, finance and energy sectors, by reason of the distinct logic and corresponding effect of sector-specific restrictive measures. Although the interruption of military cooperation with Russia (partially) hampers the modernization of its armed forces – thereby reducing the capacity to use military instruments in order to achieve political objectives – it did not contribute significantly to the balance of power in the Ukrainian conflict. Ergo, the regime in question observes both a (limited) constraining and signalling logic.<sup>215</sup>

Contrary to the Ukrainian military-industrial sector,<sup>216</sup> EU defence networks are not as closely integrated with their (nearly autonomous) Russian counterparts, thereby neutralizing – to some extent – the effect of economic sanctions. Although hardware exports and foreign investments within the military sphere remain limited, EU restrictive measures still brought about severe supply-chain disruptions as they restrict access to advanced (electronic) technologies and production equipment needed for the Russian State armament program.<sup>217</sup> Notwithstanding these developments, the implementation of the SAP continues to this day – albeit in an increasingly uneven manner – and import substitution programs are expected to provide alternative supply arrangements (through domestic or foreign production) for most key components by the end of 2018.<sup>218</sup> At the moment of writing, these plans have however been hampered by economic stagnation and

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<sup>213</sup> C. JOHNSTON, “Sanctions against Russia: Evasion, compensation and overcompliance”, *European Union Institute for Security Studies*, Vol. 13, 2015, 1-4.

<sup>214</sup> R. CONNOLLY, “Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia”, *Research paper series*, Chatham House, 2015, 1-24.

<sup>215</sup> I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91.

<sup>216</sup> “The loss of access to the Ukrainian industry forces Russia to source key components for its warships, aircraft and weapons systems elsewhere – or start to build them itself” in K. GILES, “Russia’s ‘New’ Tools for Confronting the West”, Research Paper, *Chatham House*, 2016, 1-71.

<sup>217</sup> E. JONES and A. WHITWORTH, “The Unintended Consequences of European Sanctions on Russia”, *Survival*, Vol. 56, No. 5, 2014, 21-30; I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91.

<sup>218</sup> X., “The Military Balance”, *The International Institute for Strategic Studies*, 2016.

slow substitution ratings, which support the hypothesis that the SAP will be underfunded in the near future and effective military modernization will be further delayed.<sup>219</sup>

In keeping with Russia's strategic culture and political ambitions, military expenditure will however remain a top priority even though the (military) budget has been trimmed, and some elements of the modernization programme postponed. Arguably, when considering the impact of declining oil prices on the Russian economy it might prove to be mere a matter of time before military programmes exceeded Russia's economic capacities.<sup>220</sup> Be that as it may, unsustainable military expenditure does not affect Russia in the same manner that it would a Western democracy. Consequently, the domestic audience remains tranquil and the reoccurrence of a Soviet-style bankruptcy distant. In addition, as defence expenditure remains a highly sensitive issue within Russian politics, any reduction or redistribution of funds would most likely be interpreted as the result of a deliberate Western plot to hinder effective military modernization.<sup>221</sup>

Should one adhere to a constraining logic it is reasonable to conclude that restrictive measures within the military sphere *directly* affect Russia's advanced production capacities and military modernization in the medium term. Furthermore, the regime in question will most likely (*indirectly*) affect military expenditure in the long term. When following a signalling logic one can only applaud the coordinated action by Western states – while collectively accepting diplomatic and economic hardship in consequence – to stigmatize the (illegal) use of military instruments in order to achieve political objectives.<sup>222</sup>

Whereas it is common for an authoritarian regime<sup>223</sup> to enjoy the political support of a strong constituency who exploit one specific economic market, energy-related sanctions were designed to alter the political and economic calculations of the dominant oligarch elite by means of commodity and service restrictions.<sup>224</sup> The effect of these measures proves to be significant when the target relies on the sender for specific types of technology or services whose absence might bring (forthcoming) projects to a complete standstill.<sup>225</sup> With Russian oil output reaching historic levels in terms of volume – even tough rent incomes are stagnating – EU restrictive measures have a limited *short-term* effect.<sup>226</sup> However, as most of the current production originates from declining oil fields

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<sup>219</sup> X., "The Military Balance", *The International Institute for Strategic Studies*, 2016.

<sup>220</sup> R. CONNOLLY, "Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia", *Research paper series*, Chatham House, 2015, 1-24.

<sup>221</sup> K. GILES, "Russia's 'New' Tools for Confronting the West", Research Paper, *Chatham House*, 2016, 1-71.

<sup>222</sup> E. HUNTER, "Sanctions after Crimea: Have they worked?", *NATO review*, 2016.

<sup>223</sup> Although qualifying Russia as a genuine authoritarian state might jumping to conclusions, reference can be made to L. SHEVTSOVA "Forward to the Past in Russia" in "The Authoritarian Resurgence", *Journal of Democracy*, Vol. 26, Nr. 2, 2015.

<sup>224</sup> By reason of soundness it should be mentioned that also personal sanctions (targeting oligarchs) contribute to the desired effect of this sanction regime.

<sup>225</sup> I. DREYER and J. LUENGO-CABRERA (eds.), "On target? EU sanctions as security policy tools", *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91.

<sup>226</sup> M. RUSSELL, "Sanctions over Ukraine: Impact on Russia", European Parliament Briefing, *EPRS*, 2016, 12.

and new ones are considerably less accessible, the restriction of Western (innovative) technologies will severely affect Arctic and deep-water exploration in the *medium term*.<sup>227</sup>

In addition to the aforementioned restrictions on commodity and service exports, many Russian energy producers have been (virtually) barred from Western capital markets.<sup>228</sup> Considering the massive liquidity required for continued and sustainable oil production, financial sanctions (*infra*) have restricted the overall availability of funds, resulting in a clear mismatch between projected and real capital. Furthermore, (EU) restrictive measures hinder the refinancing of foreign debts by highly leveraged Russian companies, leading to the accumulation of immediate debt repayments and a subsequent contamination of (long-term) financial projections.<sup>229</sup>

Moreover, the (*short-term*) effects of financial sanctions extend well beyond the fiscal balance of blacklisted entities due to the concurring economic and political uncertainty they inflame and the overall downturn of (foreign) investment and lending which swiftly followed. In effect, the (previously high) levels of foreign direct investment (FDI) and financial credits have gone negative following the imposition of (EU) restrictive measures. Hence, financial sanctions coerce Russia into financing fiscal deficits solely by means of accumulated reserves and domestic lending. Whereas the capacity of the latter remains limited by reason of the insufficient depth of the domestic market,<sup>230</sup> the former will most likely become inoperative in the near future without fiscal adjustments and expenditure cuts.<sup>231</sup><sup>232</sup>

*“Formal and informal sanctions have seriously impacted the Russian economy. Bringing back the previous opportunities [–] when it comes to foreign investment and trust in the rouble [–] can be achieved only within seven to 10 years of growth of our economy.”*<sup>233</sup>

These distinct developments – in combination with the rouble devaluation – have put severe pressure on the Russian banking sector.<sup>234</sup> In the course of time, the overall impact of economic sanctions will curb financial prospects and limit further rent

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<sup>227</sup> I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91; M. RUSSELL, “Sanctions over Ukraine: Impact on Russia”, European Parliament Briefing, *EPRS*, 2016, 12.

<sup>228</sup> Council Decision 2014/512/CFSP, *Official Journal*, L 229, 31/07/2014, as outlined previously in chapter II of this study. I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91.

<sup>229</sup> I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91.

<sup>230</sup> M. RUSSELL, “Sanctions over Ukraine: Impact on Russia”, European Parliament Briefing, *EPRS*, 2016, 12.

<sup>231</sup> Author’s personal notes, Meeting with Chatham House official, *NGIZ conference*, The Hague, 2015.

<sup>232</sup> M. RUSSELL, “Sanctions over Ukraine: Impact on Russia”, European Parliament Briefing, *EPRS*, 2016, 12.

<sup>233</sup> A. KUDRIN, Former Russian Finance Minister, *International Business Times*, 2014, available at: <http://www.ibitimes.co.uk/>

<sup>234</sup> M. RUSSELL, “Sanctions over Ukraine: Impact on Russia”, European Parliament Briefing, *EPRS*, 2016, 12.

distributions for military purposes.<sup>235</sup> With fiscal reserves diminishing and expenditure cuts spiralling, only time can tell whether the domestic audience will continue to staunchly back the Kremlin's actions as they witness age-old promises of a new economy and overall prosperity disappear from the horizon.

c) *Unintended consequences*

Considering that any action or intervention in a system as complex as the international order tends to create unanticipated and undesirable outcomes, one cannot simply evaluate restrictive measures exclusively upon the (accomplished) intentions of the sanctioner.<sup>236</sup> *In casu*, unintended consequences have manifested themselves in the form of a “rally around the flag” movement as well as an economic and political pivot east.<sup>237</sup> As follows, a brief analysis of the aforementioned developments might contribute to the informed understanding of restrictive measures as it outlines the full ramifications of this policy instrument within both the domestic and international political spheres.

On a domestic level, the imposition of restrictive measures enabled the Kremlin first and foremost to pinpoint a clear external threat, which in turn serves as a convenient alibi for the structural economic and political defaults plaguing the country.<sup>238</sup> Due to the absence of a reasonable well-organised opposition in Russia, sanctions have *a contrario* strengthened popular support for Putin's regime and have severely harmed the EU's image among the Russian populace.<sup>239</sup> On an international level, Russia has successfully escaped full (diplomatic) isolation by reason of its assertive military intervention in Syria, its cooperation in combatting terrorist threats as well as the *de facto* support of other (re-)emerging powers.<sup>240</sup> Consequently, (some) Western states have been forced to resume cooperation with the country.

In addition, Western leaders have created a vigorous incentive for Russia to structure its future economic interdependence with other strategic partners who are deemed to have less interest in the instrumental use of economic relations and financial leverage.<sup>241</sup> Moreover, import substitution programs and the allocation of funds to strategic – yet uncompetitive – economic sectors are inflaming an increasingly introverted

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<sup>235</sup> R. CONNOLLY, “Troubled Times: Stagnation, Sanctions and the Prospects for Economic Reform in Russia”, *Research paper series*, Chatham House, 2015, 1-24.

<sup>236</sup> I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91.

<sup>237</sup> X, “The EU and Russia: before and beyond the crisis in Ukraine”, *6<sup>th</sup> Report of Session 2014-15*, European Union Committee, House of Lords, 2015, 1-123.

<sup>238</sup> I. DREYER and J. LUENGO-CABRERA (eds.), “On target? EU sanctions as security policy tools”, *Issue report No.25*, EU Institute for Security Studies, 2015, 1-91; X, “The EU and Russia: before and beyond the crisis in Ukraine”, *6<sup>th</sup> Report of Session 2014-15*, European Union Committee, House of Lords, 2015, 1-123.

<sup>239</sup> C. PORTELA, *European Union Sanctions and Foreign Policy*, Routledge, 2010, 208.

<sup>240</sup> M. RUSSELL, “Sanctions over Ukraine: Impact on Russia”, European Parliament Briefing, *EPRS*, 2016, 12.

<sup>241</sup> E. JONES and A. WHITWORTH, “The Unintended Consequences of European Sanctions on Russia”, *Survival*, Vol. 56, No. 5, 2014, 21-30.

and protectionist change in Russian (economic) policy. Notwithstanding the occurrence of such developments, concerns have arisen regarding their long-term viability.

*“Russia needs China, but China has options. Given the choice between the opportunity to increase their presence in Russia’s high-risk market and the potential to strengthen their positions in the huge and stable markets of the United States and the EU, Chinese banks are opting for the latter.”*<sup>242</sup>

*In specie*, only China has gained strength as both an economic and military partner to Moscow.<sup>243</sup> Although a durable Sino-Russian consensus might effectively ease the damages caused by (EU) restrictive measures, it cannot fully compensate for the loss of capital, technology and investments offered by the West.<sup>244</sup> Notwithstanding the failure of the much-vaunted (economic) rapprochement with China, both countries share a number of strategic interests that strengthens their mutual political sympathy.<sup>245</sup> Whereas Russia has successfully averted political isolation, economic seclusion does however remain a perfectly real threat.

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<sup>242</sup> A. GABUEV, “A Pivot to Nowhere: The Realities of Russia’s Asia Policy”, *Carnegie Moscow Center*, 2016, 1-14; C. BRUGIER and N. POPESCU, “Ukraine: the view from China”, *European Union Institute for Security Studies*, 2014, 1-2.

<sup>243</sup> D. FATTIBENE, “Russia’s Pivot to Asia: Myths and Realities”, *Istituto Affari Internazionali*, 2015, 1-12.

<sup>244</sup> C. BRUGIER and N. POPESCU, “Ukraine: the view from China”, *European Union Institute for Security Studies*, 2014, 1-2.

<sup>245</sup> A. GABUEV, “A Pivot to Nowhere: The Realities of Russia’s Asia Policy”, *Carnegie Moscow Center*, 2016.



## Which way forward?

Regardless of whether the crisis in Ukraine is the outcome of political megalomania or a simple externalization of the (dynamic) international reality that is the twenty-first century, it is without doubt that the current period of manifest disagreement requires serious efforts from both actors in order to prevent further escalation and to advocate the normalization of bilateral relations. Although the international order might endure in its current understanding, it goes without saying that the EU's readiness to uphold Western norms and values – as well as international law – is at stake, not just the political course of Ukraine. Since a *business as usual* approach might be mere idealism, policy makers face a very difficult choice between the path of geopolitical balance and further deterrence.

Considering that the former option will require concessions of both parties – that might very well affect their very fabric of existence – a constructive Yalta-like dialogue seems implausible at best and undesirable at worst. In effect, the balancing of geopolitical interests would require the EU to step down from its moral high ground and come to terms with the complex ethnic and political landscape of contemporary Europe. Since Russia will most likely remain a key player within an emerging multipolar world, pragmatic dialogue with Moscow might be inevitable in order to ensure consensus on future policy initiatives within areas of common interest. *Au contraire*, Moscow would have to acknowledge the European notions of sovereignty and equality – rather than its own distorted interpretations – in order to ensure genuine political self-determination for all sovereign nations. Such concessions should however not be framed as a spineless surrender to foreign demands, but as an expression of the economic, political and ethnic reality *anno* 2016.

In the latter case, EU restrictive measures will remain a necessary – and perhaps the sole – policy instrument capable to stand up in defence of European interests and values. Despite its many flaws and the numerous counteracting challenges – both external as well as internal – the premature annulment of sanctions would be considered as a Russian triumph over the West and such development would severely affect the EU's status as a normative power in consequence. In keeping with the anterior argumentation, one might reasonably conclude that restrictive measures have yet to reach their full potential, making strategic patience a necessary virtue. Notwithstanding this verdict, the continuation of sanctions might possibly isolate Russia further and force it to lash out in an unpredictable manner. On the other hand, restrictive measures might become less effective over time as the Russian economy gradually adjusts to the new circumstances. Be that as it may, the fulfilment of the Minsk agreements should result into a coordinated and mutual effort of lifting sanctions, rather than creating the illusion that one party capitulates the demands of the other. Partial easing of pressure by both actors and sustained political dialogue will eventually induce additional gestures of political co-operation as well as the normalization of bilateral affairs.

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