

## **THE WESTERN EXPERTS ASSESSMENT OF SANCTIONS AGAINST RUSSIA**

Russia's actions toward Crimea at the end of February 2014 have led to sanctions of Western countries against individuals, companies and officials from Russia. The sanctions were approved by the US, the EU and several other countries and international organizations. Russia, in its turn, responded with sanctions against a number of countries.

The Western academic circles actively discuss the situation with the sanctions. All authors agree that the main reason of the sanctions is the Russian policy in Ukraine. The economic sanctions aim is to force Moscow to change its political behavior and to avoid possible military action.

Many experts are the strong proponents of economic sanctions on Russia. However, there are the analysts who have debated the potential effects of current U.S. sanctions on Russia and Russia's retaliatory measures. Russia is a major player in the international economy; it has the world's ninth-largest economy and it is a major producer and exporter of natural gas and oil.

This article describes the views of the American and European experts-opponents on the following questions:

Are the sanctions effective in terms of economic impact?

How sanctions affect the European countries economy?

Andreas Umland (Andreas Umland), German political scientist and senior researcher of the Institute of Euro-Atlantic Cooperation in Kiev, believes that, despite the scale of the first sanctions were inadequate and soon gave the opposite effect: «Because of the incompleteness of sanctions the West failed to achieve nothing, and even on the contrary – Russia has received a signal that the response to its expansion will be moderate. In this way, the sanctions in some way contributed to the foreign adventurism of Moscow» [1].

Martin McCauley, Professor of London University, agrees with him and stresses that sanctions against Russia cause considerable damage to the economy of France. The issue with the delivery of «Mistral» for President Francois Hollande becomes a serious problem. That's why he called for the lifting of economic restrictions against Moscow. « France is one of the countries with the real losses. For example, the deal with the helicopter carrier...France also would like to deliver to Russia more of their products, including gastronomy, wines and delicacies, but now it is impossible. The French

economy today remains in poor condition, «- said McCauley» [2].

John Lokland, director of the Democracy and Cooperation in Paris, the Institute believes that Hollande is now worried about its image in the international arena. The French President wants to complete the sale of «Mistral». He takes the Russian position and calls for the lifting of sanctions. He suggested stopping the sanctions imposition against Moscow, because it does not benefit the European Union [3].

American researchers are also aware that the current gap with Russia could have far-reaching consequences. Strobe Talbott, the President of the Brookings Institution, assessing the seriousness of the crisis, said that the conflict would negatively affect both on Russia and the West, and on the world development as a whole. He said: «If we talk about Russia, I think there is no doubt that the crisis effect on the Western world. The West needs to integrate Russia and its neighbors in to the international community. In the twenty-first century, Russia should take place in the «board of directors» of the world order. Without Moscow's participation, it is impossible to create an effective international system. Russia is too important because of its size, its power and ability or prevents or helps in solving the major issues of our time «.

The Western experts believe the globality of the problem requires a layered or multi-level approach to its solution. Stephen Hadley, the former national security adviser of the President George W. Bush, decides: «Europe and the United States have to deal with too many problems simultaneously and the crisis in relations with Russia is too much. All clearly visible tendencies to follow the logic: «We need to do something, so let's impose sanctions. We've been able to do. It's easy to do.» It feels like all one answer – sanctions. The fact that we are not talking about the development of a complex multi-level strategy to overcome the crisis and non-escalation of the conflict – a serious mistake. We need something more than the sanctions [4]. And the second thing I would like to draw attention to, and that I am personally very upsetting – this desire to isolate Russia, which is stronger in the United States and Europe. Insulation is good for Putin. It is therefore the case that Moscow is under attack. The United States seeks to destroy Russia, to weaken it and undermine its position. And in Russia, there is a lot of people, institutions and social groups, private sector representatives, who did not want to be isolated. Therefore, I am concerned that we are reducing the exchange program and terminates communication with people interested in improving

relations with Europe and the United States. Unfortunately, we have already done too much in this direction» [4].

Experts realize the development of such a strategy, of course, it will take a time. Angela Stent, the Head of the Eurasian, Russian and East European Studies Center at Georgetown University, claimed that several packages of sanctions were imposed and they apparently influenced the economic situation in Russia. However, rather than to force Moscow to abandon the hybrid wars, sanctions provoked Russia to intensify efforts. She doubts the new sanctions will be even harder – can change the policy of Moscow. The expert believes The West must think twice before exacerbate the isolation of Russia [5].

Jim Collins, the US Ambassador to Russia from 1997 to 2001, outlined his vision for the diplomatic way to go out of the deadlock. «I would suggest that's what – and the initiative must come from President Obama. Sit down with Vladimir Putin at the negotiating table and ask, «So what do we do to end this? You are not profitable. We are not profitable. None of us cannot afford to go to the bottom of Ukraine, whether in economic or any other sense. From this, no one wins. So, what do we do?» [6].

Stephen Bigan, the former national security adviser, believe Russia should be involved into the dialogue with the West. «Yes, we need to condemn the inappropriate behavior; yes, we should not encourage what is happening in Ukraine, but we have to engage the Government in a communication on all possible levels. We need to maintain economic ties to deepen the relationship between Russia and the rest of the world. And first of all it is important to pay attention to the contacts between people. Isolation of Russia is not an option for us. It's too big and too important country» [7].

The experts suggested the different approaches in determining the agenda to deal with Russia. Angela Stent points out the Moscow's dissatisfaction with the disregard of its interests in the formation of the European security architecture after the end of the Cold War. From this expert concludes that it is necessary to focus primarily on the resumption of dialogue on this issue. Stephen Hadley, on the contrary, convinced that the agenda should be broader. «We should not focus on the discussion of cooperation on specific issues. Instead, we need to be ready to understand each ciuntirs' position»-said Hadley. He also stresses:»It is true, the problem has not to have a military solution, but the solution without military element also does not exist.»

In September 2015 the Russia Program (RUFS) at FOI published the analytical paper devoted to

the qualitatively assess the effects of the economic sanctions imposed by the EU and US against Russia following the annexation of Crimea and further activities in eastern Ukraine.

The authors conclude that the targeted economic sanctions of the EU and the US have contributed to imposing a cost on the Russian economy in combination with other factors, but have so far not persuaded Russia to change its behavior towards Ukraine. Among factors reinforced the effects of the sanctions the researchers point the following: the falling oil price, depreciation of the ruble and weakened terms of trade [8].

The politicized economic system gives advantage to rent-addicted loss-making producers who are loyal to the regime over competitive companies in resource allocation, which is damaging to the country's economic performance. At the same time the political resource allocation and rent distribution system warrant the survival of the regime and represent threats to the success of the sanctions. The authoritarian nature of the regime and its anti-Western propaganda, which manipulates public perceptions of the conflict issue, may e the regime less exposed to the full effects of the economic decline. The West's political measures that complement the sanction regimes need to address this threat and manage the risks it poses to the Western objectives. The conflict over Ukraine is important for both Russia and the West [8].

In order to resolve it, exit strategies need to minimize the risk of loss of face for both sides.

Going back again to the sanctions and its effect, Victoria Nuland, the US Assistant Secretary for European and Eurasian Affairs said about the impact of sanctions imposed by the United States and the European Union on Russia. «We believe that the sanctions imposed jointly by the United States and the European Union against Russia, painful bite. I think you can see how the ruble fell. See how much money is spent on Moscow had something to protect him. You can see how rising inflation, «- she said [9]. «The future of Ukraine determines not Moscow. This will solve the Ukrainian people «, – said US Assistant Secretary.

Victoria Nuland is currently touring a number of European countries, together with Vice-President Joseph Biden. In November 21, Biden met with the Petro Poroshenko, President of Ukraine. Following the talks, he said the United States intends to continue to increase pressure on Russia if it will continue its policy with regard to the conflict in Ukraine. «Russia will pay an even greater price and will be isolated,» – she conclude [10].

Turning our look to the relationship between Germany and Russia at the time of imposed sanctions, we can say that according to incoming recent information testifies to the serious decline in Russian-German economic relations. According to the Eastern Committee of German Economy, the trade turnover between Russia and Germany decreased in 2014 to 12.09% and amounted to about 68 billion euros. At the same time, German exports to Russia fell by 18%, resulting in the loss of 60,000 jobs in Germany. Rosstat estimates – more restrained: trade between Russia and Germany fell in 2014 by 6% and amounted to about 70 billion euros. In any case, these figures – is very alarming for the German business. Ukrainian crisis also hit German exports to Ukraine (-33%), Kazakhstan (20%) and Belarus (21%). In total, the loss of German exporters in the East exceeded 9 billion euros, of which the Russian market – 6.5 billion euros, and in Ukraine – 1.8 billion euros [11].

The main reason for the decline, according to the German entrepreneurs became EU sanctions imposed as a result of lasting more than a year of the Ukrainian crisis. Eckhard Cordes, the head of the Eastern Committee of German Economy, said that only under the threat turned out to be 300,000 jobs in closely related partnerships with Russia. At the same time – at the expense of Germany – has increased the volume of Russian trade with the countries of Asia and Latin America. In this regard, the German entrepreneurs believe that Russia imposed sanctions can cause serious damage and even destroy the trade relations between the two countries.

German business insists on a speedy political solution to the Ukrainian conflict. «Only through continuous dialogue can achieve acceptable to all parties to solve the conflict, the sanctions will not help», – said Eckhard Cordes. Rainer Dulger, the president of the largest industrial union of the German employers' Gesamtmetall, also expressed his hope for an early peaceful settlement of the Ukraine. Dulger welcomed the peace initiative of German Chancellor Angela Merkel and French President Francois Hollande, which led to agreements in Minsk.

Rainer Dulger noted that countries like China and Turkey, did not even think to join the sanctions, and it undermines the position of Germany in the Russian market. Gesamtmetall President supported Angela Merkel's proposal to discuss the creation of the free trade area from Lisbon to Vladivostok in the case of the peace establishment in South-East of Ukraine [12].

Russia and Germany are closely linked economically. German investment in Russia

exceeded to 22 billion euros, among the leading players – Siemens, Volkswagen, BASF, Metro, Adidas and Henkel. Concern Daimler has a stake in «KAMAZ», Wintershall (a division BASF) cooperates with «Gazprom», Siemens – with the Railways. Trade turnover between the two countries amounted to pre-crisis 2013 76.5 billion euros, while Russia had a positive balance (40.4 billion), which accounted for three-quarters of oil and gas. German exports to Russia amounted to 36.1 billion euros, including 8.1 billion engineering had on the automotive industry – 7.6 billion, and chemical products – 3.2 billion euros. In the same 2013 in the Russian Federation it has sold over 132 thousand German cars [12].

Prior to the Ukrainian crisis, Germany was the second largest trading partner after China, Russia. In turn, Russia has been one of the major export markets for the German economy. In Russia active 6000 German companies that have already experienced the negative effects of anti-Russian sanctions. Only in metallurgy and electronics fall in exports to Russia in the first 11 months of 2014 amounted to 20%. Difficulties experienced even companies such as Adidas, which will close about 200 stores in Russia in 2015. The plight of the Russian market, said the German company Henkel, which produces

detergents (Persil, Schwarzkopf). Kasper Rorsted, the head of the group, said he intends to maintain at all costs in the Russian market, where annual turnover is about one billion euros. According to him, since 1991, Henkel was able to survive several crises in Russia [12].

#### Conclusion

After several rounds of international sanctions against Russia for its annexation of Ukraine's Crimean peninsula in March and support of pro-Russian separatists in eastern Ukraine, experts are divided over whether they are working.

It depends on understanding the purpose of sanctions is. It is mostly intended to change behavior, to deter bad behavior. And in that sense probably not, probably it hasn't worked.

The Western experts-opponents of sanctions against Russia identify two main reasons combined to ensure that the policy of sanctions was doomed from the outset.

One was that the stakes involved for Russia were much higher than most Western observers were ready to believe, meaning the Kremlin would be ready to absorb substantial punishment.

The other was that the West suffers great losses from these same sanctions and sanctions with Russia could cost the economy of the European Union.

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