

Targeted Sanctions and the Survival of Autocracies: the Case of Russia

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June 6, 2019 Anton Berezutskii

Abstract

After the end of the Cold War sanctions became an increasingly important tool of international politics. In general, the imposition of sanctions pursues three possible goals: to signal, to constrain, and to coerce the targeted state in order to change its objectionable behavior. Existing studies show that the effectiveness of sanctions is largely determined by which type of political regime is targeted. The general consensus in the scholarly literature is that non-democracies are more resistant to sanctions than democratic governments since the former are able to mobilize and redistribute the resources to compensate the sanctions damages and prevent the risks of revolt within (by cooptation) and outside (by repression) its winning coalition. Since 2014, a number of Russian foreign policy actions led to the imposition of sanctions against it by Western countries. Sanctions did not lead to the desired change in Russia's foreign policy, but had a cumulative negative effect on its economy. In the same period the political regime in Russia continued to move towards further autocratization. This thesis analyzes the impact of sanctions on the strategies of repression, co-optation and legitimization which are used by authoritarian regimes to remain in power. Using the process-tracing method, the study shows that sanctions and Russian counter-sanctions led to the shift from the performance-based legitimization towards the model of the 'besieged fortress', the weakening of elites oriented towards incorporation into international cooperation and international institutions, and the strengthening of elites oriented towards the further securitization of domestic politics.

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Introduction

After the end of the Cold War international sanctions have become an increasingly important tool of foreign policy and substitute to military conflicts and interventions (Drezner 1999). Sanctions are “part and parcel of international diplomacy, a tool for coercing target governments into particular avenues of response” (Hufbauer et al. 2007, 5). The omnipresent goal of sanctions is a change in the behavior of a targeted country, coercion of target governments by penalties collectively imposed by international organizations or states responsible for security and peace against those who violate their obligations (Doxey 1987). The effectiveness of sanctions is a debatable issue, less than 35% of all sanctions episodes during 1914-2000 can be considered successful (Hufbauer et al. 2007). Three out of four sanctions measures over the past decades have been applied against non-democracies (Major 2012). Yet, the knowledge about the effect of sanctions on regime change and democratization is still relatively limited (Oechslin 2014). Being not always effective in terms of its end goals, sanctions, nevertheless influence the internal dynamics of autocratic regimes (Lektzian and Souva 2007).

The research question of this thesis is: why do sanctions on non-democracies trigger further autocratization? In order to answer the research question, the case of Russia since 2014 is studied. Since 2014 Russia is under sanctions mutually imposed by the USA and the European Union in reaction to the Crimea annexation and the destabilization of Ukraine. The sanctions, which can be divided into three groups include 1) targeted sanctions against individuals and entities, 2) arms and technologies embargoes in certain areas, and 3) bans on investments and trade in Crimea. However, the sanctions did not lead to the goals. Russia has not substantially changed its foreign policy towards Ukraine. Over the past years Russian economy stagnates but is not “in tatters”, and sanctions made a secondary contribution to this

(Tyll, Pernica, and Arltová 2018). The ratings of presidential approval are still significant and there are no prerequisites for the transformation of the regime in the domestic and foreign politics, rather the opposite. At the same time, further consolidation of the authoritarian regime in Russia in the observed period has happened (Lührmann et al. 2018).

The thesis is structured as follows. The introduction states the research question and applied research design and methodology. The first chapter provides a theoretical review of the concept of sanctions. The chapter presents the theoretical approaches towards targeted sanctions and the assessment of effectiveness criteria. Additionally, it analyzes the effectiveness of sanction imposed against authoritarian regimes. The second chapter introduces the case study of the research. The overview of sanctions imposed by the USA and the EU and the response from Russia is presented. Special attention is paid to the prerequisites of the conflict between Russia and Ukraine - the orange revolutions and the “gas wars”. The chapter concludes with an assessment of the effectiveness of sanctions from an economic point of view. The third chapter is devoted to the case study of the impact of international sanctions on the political regime of Russia. The appendix to this thesis contains information on the country's macroeconomic indicators for the period from 2014, as well as data from polls of the Russian population on issues related to the content of the thesis.

Research design and methodology

In order to answer the research question, this study uses process-tracing methodology to explore the mechanism of influence of an independent variable (the interaction of international sanctions and on a dependent variable (autocratization). This method implies “the collection of causal process observations in order to be able to reconstruct the process that leads to the outcome of interest” (Rohlfing 2012, 158). Process-tracing is most suitable in a within-case analysis based on qualitative data (Collier 2011). This research applies the case-

centric type of process-tracing the purpose of which is to seek the causes of the specific outcome in a single case (Beach and Pedersen 2013).

The thesis studies the period from March 2014 (the first sanctions episode from the US and the EU as a reaction to events in Crimea) to the present. This period covers the initial sanctions imposed for the annexation of the Crimea, their subsequent expansion, as well as sanctions for further foreign policy steps of Russia. The study of the five-year period allows for a more detailed look at the effect of sanctions, including the deferred one. The thesis analyzes the sanctions imposed by the United States and the European Union as a response to the foreign policy of Russia in Ukraine, as well as interference in the US elections, the alleged use of chemical weapons in the UK and the violation of nonproliferation agreements and arms transfers to Syria and North Korea.

In the focus of this study are targeted (smart) sanctions which are defined as follows: “sanctions that could be aimed at specific officials or government functions without damaging the overall economy and imposing exceptional hardship on the general public” (Hufbauer et al. 2007, 138). Imposed sanctions against Russia are grouped in categories based on their aim – economic, financial, corporate, individual and act as independent variables. The primary data consists of US and EU legal documents directly related to the sanctions regime. The secondary data form the basis for qualitative analysis, including scholarly literature, country reports, legal documents, and legislative acts, databases and national statistics.

The phenomenon of autocratization is understood as the antipode of democratization and as a matter of degree. This is an umbrella term which encompasses the breakdown of democracies, authoritarian backsliding and worsening of conditions in electoral authoritarian countries. It describes “any move away from [full] democracy” and “further consolidation of

already authoritarian regimes” (Lührmann and Lindberg 2019). Russia represents the typical case of autocratization - the transition from defective democracy to electoral autocracy (Cassani and Tomini 2019). The transition of the political regime of Russia is being considered as a claimed outcome. The theoretical explanation of independent variables is based on the interaction of international sanctions and the combined effects of repression, legitimization and co-optation decisive for the endurance or breakdown of an autocratic regime (Gerschewski 2013).

Legitimation is understood as claims to legitimacy, a means of securing authoritarian rule at home (von Soest and Grauvogel 2015, 5). This section bases a large portion of its observations on opinion poll data provided by Levada Center, one of the most established and respected sociological research organization in Russia. Primary sources include public statements of high state officials that are used to map the official interpretation of sanctions imposed against Russia, and data from public opinion polls that serve to illustrate the popular attitude towards Russian domestic and foreign policy, Western countries and sanctions itself.

Repressions are the “backbone of autocracies” (Gerschewski 2013, 21). It is the main instrument which autocrats use to stay in power and, statistically, authoritarian regimes use it more willingly than democracies (Davenport 1999; Carey 2010). The working definition used in this paper explains repression as a “behavior that is applied by governments in an effort to bring about political quiescence and facilitate the continuity of the regime through some form of restriction or violation of political and civil liberties” (Davenport 2000, 6). Two major categories can be distinguished: civil or political rights repression (such as censorship or restrictions on assembly and physical integrity rights repression (for example, kidnapping, torture, political imprisonment or extrajudicial killings). The former usually may affect the

general population while the latter is selectively targeted on civil and political activists (Frantz and Kendall-Taylor 2014, 333)

Information about individuals and companies affected by the sanctions is based on data from the “Five years of sanctions against Russia” project run by the RBK (RBK 2019). This project was launched at the end of 2018 and is updated on a regular basis. It contains information about sanctions, news related to them and economic indicators of their influence on Russia. RBK (RosBiznesKonsalting) is a Russian media group famous for investigative journalism including corruption in Russia and Panama Papers affair. Information on victims of persecution for reasons related to the sanctions regime is based on publications of the media portals of MediaZona and openDemocracy. MediaZona is an independent media outlet which focuses on the judicial, law enforcement and penal system in Russia. openDemocracy is an independent global media platform which focuses on a variety of social and political issues.

There are several outcomes of the research conducted in this thesis. It contributes to the sanctions theory because it explores the implementation and maintenance of targeted sanctions. It also contributes to political regime studies, studying the impact of external factors on the durability of autocracies.

Chapter 1. The theory of sanctions

The purpose of this chapter is to introduce the theory of sanctions. In the beginning, it presents a historical overview of the practice of bilateral and international sanctions, which shows that this measure is a historically long-standing method of economic statecraft. This section presents the existing definitions and methods for classifying sanctions. A separate section is devoted to targeted sanctions - the most frequently used measure of coercion in international politics of the present time. An additional section describes the existing criteria for the effectiveness of sanctions. Finally, the final paragraph is devoted to the analysis of the peculiarities of applying sanctions to non-democratic regimes.

1.1. Historical overview of sanctions

The first recorded use of sanctions dates from Ancient Greece era when Athens set a trade embargo against the city of Megara in 432 BC. Napoleon I used sanctions as the key element of the Continental Blockade against the United Kingdom during the Napoleonic Wars. In 1807 Thomas Jefferson established the Embargo Act against Great Britain and France as a response to their violations of United States neutrality. In its present form the practice of sanctions became widespread after the end of World War I. The founder of the League of Nations Woodrow Wilson advocated universal boycott against countries which acted aggressively towards member-states. In subsequent periods, sanctions were imposed against Italy and Japan for their aggressive foreign politics (Friedman 2012). These measures, however, did not prevent these countries from entering World War II. The absence of a strong institution capable of controlling the implementation of the sanctions regime, as well as the relative autarky of the countries, did not lead to the desired success. The post-war settlement resulted in the establishment of a supranational institution aimed to maintain global peace. Founded in 1945, the United Nations has included sanctions mechanism in its

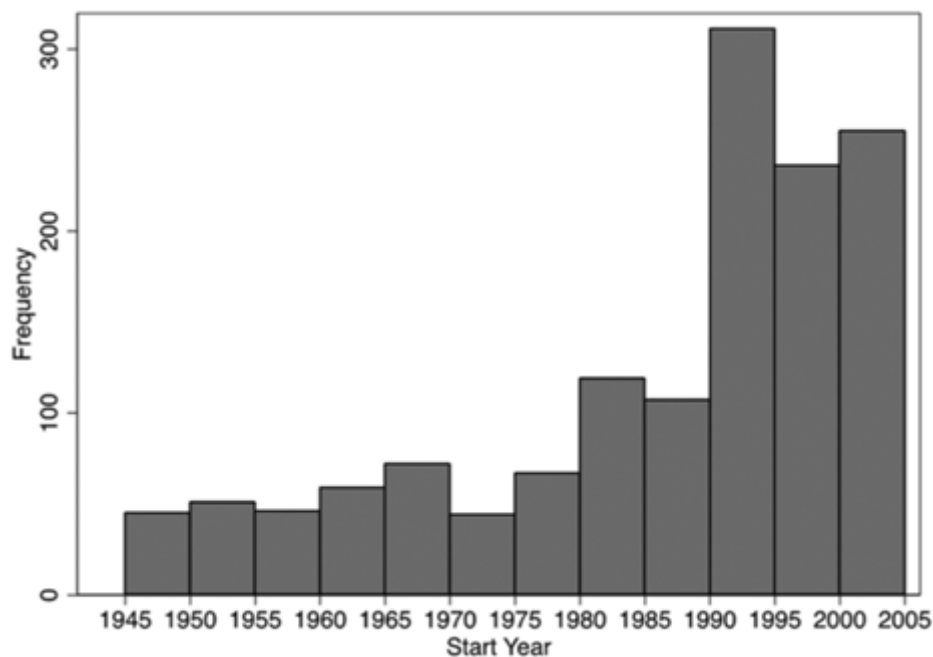
charter. The UN acts according to Chapter 7 of the UN Charter, which lists enforcement measures which do not involve the use of armed forces. Article 41, the key part of the Charter, has been used by the Security Council for the complementary measure such as the creation of international tribunals and compensation funds ('UN sanctions' 2013). The act of decision-making is centralized in the Security Council which, since 1966, has established 30 sanctions regimes. However, during the Cold War mandatory sanctions have been only imposed twice (against apartheid governments of Rhodesia and South Africa), while superpowers were content with unilateral sanctions (the US embargo of Cuba). Currently, the UN is running 14 sanctions regimes in order to support the political settlement of conflicts, nuclear non-proliferation, protection of civilians, counter-terrorism, and democratization. The European Union imposes sanctions as a part of its Common Foreign and Security Policy. In order to introduce the sanctions regime, the Council of the EU must enlist the unanimous agreement of all member-states. Since the European Union does not have a joint military force, sanctions remain one of its most effective foreign policy tool. On the nation-state level the United States most frequently uses sanctions. In the period of 1945-2005, the United States initiated almost half of all sanctions regimes included in the TIES database (Morgan, Bapat, and Kobayashi 2014). There are currently 26 existing US sanctions programs including those which target the states of Iran, Cuba, Russia, and North Korea (Masters 2017).

The end of the Cold War launched a process of global democratization. The spread of democracies across the globe made the international community more concerned about the violations of democratic procedures and civil liberties in non-democracies. According to Drezner, "the incidence of economic sanctions has multiplied since the end of the Cold War, without a similar increase in policy analysis" (Drezner 1999, 6). If in the middle of the XX century only five states were targeted by sanctions, by 2000 the number was already fifty

(Hufbauer et al. 2007, 17). During the period of 1945-2005, on average 23 cases of sanctions measures occurred annually (Peksen 2019). After the end of the Cold War sanctions were used in the variety of cases such as against Saddam Hussein's regime in Iraq, former Yugoslavia, members of Haiti's military junta, the Gaddafi regime in Libya, North Korea, and Iran.

Based on the TIES dataset we can note the following trends. In the postwar period until the 1980s, the number of sanctions episodes was about the same. The frequency of sanctions usage increased during the 1980s and the peak of sanctions activity fell on the 1990s. In the 2000s, the number of sanction cases began to decline. The average duration of the sanctions in the period 1945-2000 was relatively short and only rarely exceeded the three-year period (Morgan, Bapat, and Kobayashi 2014). Figure 1 shows the frequency of sanctions episodes in the period of 1945-2005.

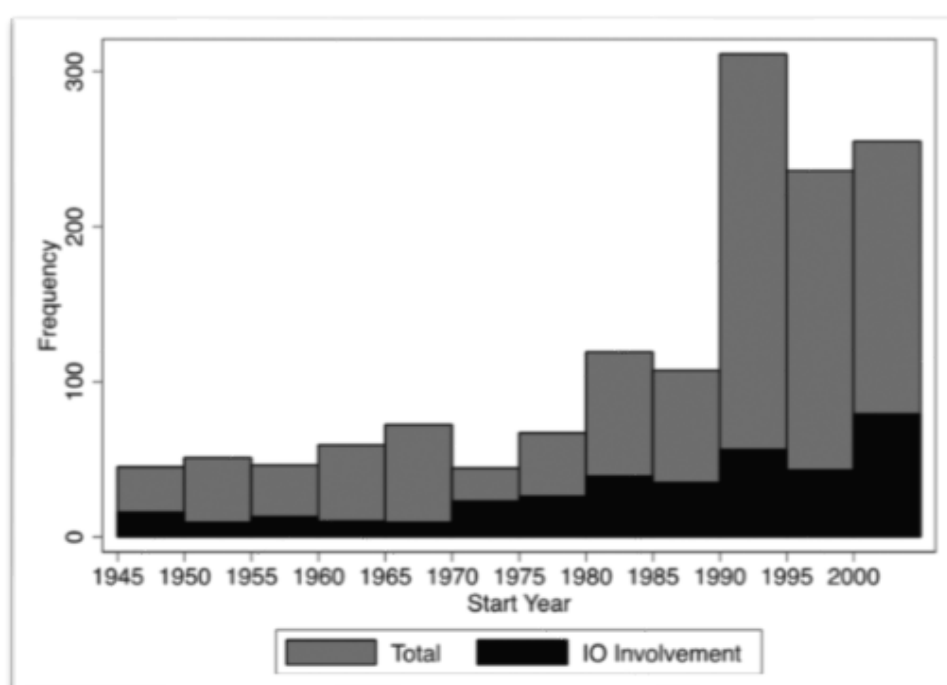
Figure 1. Frequency of sanctions cases 1945–2005



Source: Morgan, Bapat, and Kobayashi 2014, 547.

The use of sanctions in economic disputes (mostly trade-related issues) reached a peak at the turn of the 1980-1990s and is gradually decreasing. On the contrary, the number of non-trade-related issues in the 2000s continues to grow. There is also an increase in the use of multilateral sanctions imposed through international institutions in the post-Cold War period. Figure 2 displays this trend.

Figure 2. International organization (IO) involvement in sanctions cases 1945-2005



Source: Morgan, Bapat, and Kobayashi 2014, 551.

Contemporary studies of sanctions are presented in the form of large-N comparative statistical research and/or within the case studies. The most prominent and influential quantitative and qualitative datasets are collected by Peterson Institute for International Economics by Hufbauer, Schott, and Elliot (HSE), Threat and Imposition of Economic Sanctions (TIES) and Targeted Sanctions Consortium (TSC) projects. Research methodology of the projects differs in terms of evaluation of effectiveness components and success criteria. Table 1 contains a brief comparative overview of the listed research projects.

Table 1. Comparison of sanctions datasets

<i>Database</i>	HSE (2007)	TIES (2013)	TSC (2014)
<i>Period</i>	1914-2000	1945-2005	1991-2013
<i>Focus</i>	Economic sanctions (trade and financial)	Economic sanctions and travel bans	Various types of sanctions (individual, economic, political, military, diplomatic, transportation)
<i>Sender</i>	Country or international organization	Country or international organization	United Nations (UN)
<i>Target</i>	Country (single)	Country (single)	Country/entity/individual(s)
<i>Number of sanctions episodes</i>	204	1412	63

Source: Biersteker et al. 2018.

1.2. The definition of sanctions

Introduction to the theory of sanctions requires the formulation of definitions, a typology of sanctions depending on their goals and participants in the sanction process, the process of sanctions implementation, as well as an assessment of performance criteria. A sanction episode must “(a) involve one or more sender states and a target state and (b) be implemented by the sender in order to change the behavior of the target state” (Morgan, Bapat, and Kobayashi 2014, 543). By “sender” the country (or international organization) that is the principal author and subject of the sanction is meant, while the “target” is the country which is the object of sanctions (Hufbauer et al. 2007, 43–44). According to Kaempfer and Lowenberg, sanctions are applied for three groups of reason: (1) “against an offending countries whose policies directly threaten the wealth or security of the sanctioners or their allies”, (2) “to achieve moral or ideological goals”, (3) as an application to “strategic trade policy and commercial relations” (Kaempfer and Lowenberg 1992, 2). Sanctions are usually initiated by the particular states and can be implemented through international organizations such as the United Nations. In such situations, initiating countries enlist the support of other

countries making the sanctions international and more likely effective (Barber 1979). International sanctions are defined as “penalties to be collectively imposed by members of the body responsible for international peace and security on those who violated their obligations” (Doxey 1987, 4).

The TIES dataset defines economic sanctions as “actions that one or more countries take to limit or end their economic relations with a target country in an effort to persuade that country to change its policies” (Morgan, Bapat, and Kobayashi 2014, 542–43). The actions carried out by the sender state(s) or international organizations purely for economic purposes (for example, trade barriers during the “economic wars”) cannot be considered as sanctions per se. The political agenda is necessary, thus, Drezner defines economic sanctions “as the threat or act by a nation-state or coalition of nation-states, called the sender, to disrupt economic exchange with another nation-state, called the target, unless the targeted country acquiesces to an articulated political demand” (Drezner 1999, 1). The early sanctions studies defined the primary function of economic sanctions as a means of achieving “compliance” (Galtung 1967; Wallensteen 1968).

There are several ways to analyze the way by which sanctions work. Crawford and Klotz propose the typology of four mechanisms. The first mechanism, “compellance”, creates costs for the elites which results in a change of existing policy. The second, “normative communication”, creates a situation of moral condemnation in which the decision-makers have to act to avoid public criticism. The “resource denial” deprives the targeted state of resources needed to pursue its controversial behavior. Finally, the fourth mechanism of “political fracture” is aimed towards the instigation of a legitimization crisis of a regime, which generates public dissent or revolution, resulting in a change of government (Crawford and

Klotz 1999). Sanctions can operate within several public areas including decision-makers, government, the economy sector, and civil society.

Sanctions substantially affect the target economy by reducing its GNP level, inducing destabilization of the financial and banking systems (Peksen and Son 2015). Sanctions are used for minor changes in policies of a targeted country, disruption of aggression and deterioration of military potential, but the most frequent reason is regime change objectives (Hufbauer et al. 2007, 67). According to Kaempfer and Lowenberg, sanctions “can help to mobilize members of opposition interest groups in resisting the government’s policies”, but there is no correlation between the economic impact of sanctions and substantial policy changes (Kaempfer and Lowenberg 1992, 120).

Hufbauer et al. systematize sanctions into five categories depending on its objective: “to effect relatively modest changes in the target country’s policy, to change the target country’s regime, to disrupt a relatively minor military adventure, to impair the military potential of an important adversary, and to change the target country’s policies or behavior in other major ways” (Hufbauer et al. 2007, 65). Additionally, sanctions may serve a face-saving purpose since “the promotion of an image or reputation in the eyes of allies and enemies alike that the sanctioner will no tolerate certain actions within its sphere of influence” (Kaempfer and Lowenberg 1992, 20).

1.3. The nature of targeted sanctions

Since the late 1990s, the theory of targeted or “smart” sanctions became prominent. The idea behind them is to punish specific individuals or organizations responsible for the actions that caused the sanctions and “to avoid adverse humanitarian impact” (Cortright and Lopez 2002, 1). This resulted from the negative experience of the collateral damage caused by the

“comprehensive sanctions” against Iraq in 1990. The trade embargo led to mass starvation and deaths but did not substantially shake the regime of Saddam Hussein. Comprehensive sanctions are straightforward tools and their impact often may cause negative consequences for the population including the one in neighboring countries. They do not guarantee that the leaders of the regime will not get out of the sanctions without harm. Smart sanctions are aimed at strengthening political pressure on those who responsible for the internationally denounced actions. In international politics targeted sanctions tend “to focus on individuals and entities responsible for the actions or behavior posing threats to international peace and security or on economic sectors that support their proscribed activities” (Eckert, Biersteker, and Tourinho 2016, 1). The working definition of the term targeted sanctions used in this thesis is as follows: *“sanctions that could be aimed at specific officials or government functions without damaging the overall economy and imposing exceptional hardship on the general public”* (Hufbauer et al. 2007, 138). The terms “smart” sanctions and targeted sanctions are used interchangeably in this thesis.

The menu of smart sanctions includes travel bans, asset freezes, selective banking sanctions, arms embargoes, diplomatic restrictions, and commodity interdiction (Cortright and Lopez 2002). Individual sanctions - under which key actors and their relatives and associates have their financial assets frozen and are banned from traveling – bear the least risk for the general population. Diplomatic sanctions, such as a closure of embassies or a revision of regulations or suspension of visa issuance are applied to larger groups. Financial sanctions are aimed at individuals, entities and economic sectors. This type of sanctions includes control over currency transactions and bank accounts blockings. Commodity interdiction involves restrictions on the trade and production of certain products. They can be applied to both export and import (including luxury goods). This type of sanctions has an effect on the economy as a whole. Sectoral sanctions is a broader category that includes measures against

particular segments of the economy or industries. They include arms import embargoes and export prohibition, shipping sanctions and air freight bans.

The intermediate form between comprehensive and targeted sanctions are selective sanctions. The concepts of targeted and selective sanctions are overlapping but not identical. Selective sanctions are less broad than comprehensive sanctions and involve bans on particular products, segments of industry or financial flows. Targeted sanctions are personified in most cases. They are focused on certain individuals or groups with an aim to directly impact these groups and influence their behavior. While sectoral, financial and commodity sanctions are still more verified rather than comprehensive sanctions, they still indirectly affect the general population. Table 2 provides a brief comparison of comprehensive and targeted sanctions.

Table 2. Comprehensive vs. targeted sanctions

Comprehensive sanctions	Targeted sanctions
(1) Aid sanctions; (2) Large-scale commodity and trade embargoes; (3) Flight bans; (4) Financial sanctions	(1) Individual sanctions, affecting only designated individuals and entities; (2) Sanctions directed towards the military; (3) Diplomatic sanctions; (4) Selective financial sanctions; (5) Travel bans

Source: von Soest and Wahman 2015.

Up until the 1990s targeted sanctions were used as a part of broader economic sanctions combined with selective export bans or international aid suspensions. According to the HSE data, in XX century targeted sanctions were solely applied in only 20 cases and their success ratio is generally lower than the cases where targeted sanctions have been applied combined with other measures (25% against 34%) (Hufbauer and Oegg 2000). The TIES data collection shows that “targeted sanctions accounted for 60% of sanctions between 1945 and 1950. By the 1990s, targeted sanctions accounted for 80% of all sanctions, although this percentage fell in the 2000s down to 51%” (Morgan, Bapat, and Kobayashi 2014, 552). Despite the fact that

targeted sanctions do not always lead to the desired result and may incur unforeseen costs, they receive lesser criticism from global civil society (Craven 2002).

The purposes of targeted sanctions include coercion, constraints, and signaling (Giumelli 2016). The purpose of coercion is in the change of the targeted state behavior by imposing a cost on its misconduct. It is implied that rational cost-benefit analysis should lead to a change in the behavior of the state. The constraining purpose alters the possibilities available to targeted states by manipulating their agenda through the restricted access to key markets, funds and resources, thus, pushing for a change in proscribed behavior. Finally, targeted sanctions may serve the signaling purpose and refer to international law and human rights. Signals can be addressed to both the domestic audience of targets and the international community, creating an atmosphere of stigmatization for perpetrators. According to Hufbauer et al, this purpose is the most effective component of targeted sanctions which “work better as a signaling device than as a coercive measure” (Hufbauer et al. 2007, 139).

The use of targeted sanctions implies an exceptionally high level of expertise on the part of the sanctioning country. It requires an immense amount of specific knowledge about the country, individuals and groups targeted. Speaking about autocracies, it is necessary to understand that such regimes are much less institutionalized (at least from a formal perspective) than democracies. The actual scope of authority and the role of actors in violating legal norms and civil freedoms inside and outside a country may not coincide with their formal positions and the scope of declared authority. Identification of financial assets belonging to particular individuals and companies is a difficult process. Smart sanctions can be criticized for not being smart enough. A piece of anecdotal but grim evidence is the case when the USA in 1998 blacklisted “Usama Bin Ladin”, but “Osama Bin Laden” appeared in the security lists only after September 11, 2001 attack (Fitzgerald 2007, 41). Smart sanctions

sometimes are criticized as an instance of “face-saving” measure, “they may slake humanitarian concerns, and they may serve to unify fraying coalitions and isolate a rogue regime” (Hufbauer et al. 2007, 141).

1.4. Assessing the effectiveness of sanctions

The key criterion for evaluating the effectiveness of sanctions depends on what initial goals were set. Too broad and ambitious goals have practically most likely would not achieve major changes in targeted state policy. The success of sanctions is defined whether the target state makes concessions that the sender state(s) or international organization(s) require(s). The economic success of sanctions doesn't automatically guarantee political success. The effectiveness of sanctions is defined by the economic and political dependency of a targeted country on the “sender” countries. There were periods of pessimism (from the 1970s to mid-1980s), a new optimism (the second half of the 1980s up to the end of the 1990s) and then the period of more critical assessment based on the newly conducted research. According to the data gathered by the Peterson Institute for International Economics (PIIE) less than 35% of all sanctions episodes during 1914-2000 can be considered successful (Hufbauer et al. 2007). Their rating system classifies the sanction episodes as being successful if target complied with the sender's goals, or if sanctions were the primary reason that led to a change in the behavior of the target. Pape challenges the success rate of PIIE database. In his study, sanctions are more likely to be effectively combined with the use of military intervention and the actual success rate does not exceed 5% (Pape 1997).

There is no uniform opinion about the overall effect of economic sanctions on regime change. Peksen and Drury claim that sanctions may even deteriorate the level of democracy since the targeted authoritarian regimes are likely to transform economic stress into the source of consolidation and eradication of opposition (Peksen and Drury 2010). On the contrary,

another strand of research proves the hypothesis that sanctions destabilize leaders of the countries they target and make them more likely to lose power (Marinov 2005). The more recent study of the outcome of sanctions imposed by the EU, the UN, and the USA in the period 1990–2010 supports the argument that sanctions which are explicitly aimed to regime change will result in democratization (von Soest and Wahman 2015).

Without going into the debate regarding quantitative indicators of success ratio, it is now necessary to analyze how the scientific literature approaches the definition of the sanctions' success. In the scholarly literature a consensus that economic sanctions alone are not capable of leading to a change in the policy of the target country was formed by the end of the 1970s. J. Galtung was one of the first scholars who noticed that sanctions often lead to consolidation within the ruling class and boost the support of the incumbent regime creating the “rally-around-the-flag” effect. In his case-based research of the effect of sanctions on Rhodesia Galtung emphasized that the UN embargo had not weakened the Rhodesian regime but on the opposite strengthen Ian Smith's personal rule (Galtung 1967). Galtung contributed to the critique of the “naive theory of sanctions” according to which sanctions are expected to create sufficient economic hardships which subsequently trigger the popular uprisings against a leader who will have to make concessions to the “sender”. On the contrary, its critics argued that the economy under comprehensive sanctions tend to adjust and the deprivation society experience helps the leader to establish the politics of the “besieged fortress” preventing the mobilization of the opposition (Wallenstein 1968). Power elites in targeted states responsible for a misdemeanor can enrich themselves by taking control over black market or illegal trade which exactly what the case in the former Yugoslavia and Haiti under the military junta in the early 1990s.

In 1985 Gary Hufbauer, J. Schott and K. A. Elliot published a large-N, quantitative comparative research (HSE) in which they argued that one-third of all sanctions regimes of XX century can be classified as successful. Their database was the first and for a long time only comprehensive database on sanctions. The authors suggest to measure the success of sanctions by two criteria: “the extent to which the policy result sought by the sender country was in fact achieved and the contribution to success made by sanctions (as opposed to other factors such as military action or the mere lapse of time)” (Hufbauer et al. 2007, 49). At the turn of the century, scholars became interested in the question of why sanctions were successful in some cases but not the others. In this stream of literature the political regime type of targeted country serves as an explanatory factor (Brooks 2002; Escribà-Folch and Wright 2010; von Soest and Wahman 2013).

Evaluating the effectiveness of sanctions implies the answers to two questions: (1) how can we tell that sanctions work, and (2) what is the actual purpose of sanctions applied? (Jones and Portela 2014). Cortright and Lopez suggest the following criteria to assess the political effect of sanctions:

“1. Did sanctions help to convince the targeted regime to comply at least partially with the senders’ demands?

2. Did sanctions contribute to an enduring, successful bargaining process leading to negotiated settlement?

3. Did sanctions help to isolate or weaken the military power of an abusive regime?” (Cortright and Lopez 2002, 7).

Cortright and Lopez criticize the HSE study since their data “focus exclusively on the stated policy objective of sanctions, ignoring the other purposes sanctions may serve”. This leads to

“a misleading impression of ineffectiveness and undervalues the broader political impact of sanctions” (Cortright and Lopez 2000, 15-16). The success of the sanctions regime is determined by the degree of cooperation of the participating countries. The coalition “must be sufficiently large that the target country is not easily able to circumvent the sanctions by finding alternative buyers or sellers” (Kaempfer and Lowenberg 1992, 117).

Most of the datasets existing offer the following criteria for the effectiveness of sanctions: a change in the behavior of targets (Hufbauer et al. 2007; Morgan, Bapat, and Kobayashi 2014; von Soest and Wahman 2015). The TSC dataset goes further and proposes to distinguish three separate yet inseparable purposes of sanctions as effectiveness criteria: coercion, constraints and signaling (Biersteker et al. 2018).

In addition to the practical effect of the sanctions, there are symbolic and signaling purposes which are difficult to measure. There can be substantial unexpected consequences of sanctions. For example, international sanctions against apartheid were supported by various civil society groups whose pressure led to withdrawals of private companies doing business in South Africa assets worth of \$20 billion (Friedman 2012).

There are certain limitations in the usage of sanctions. When it comes to international sanctions group decisions are required. If interests of sender states diverge, compromise is necessary which can be an issue since these states may have different strength, size, ideologies, and strategic goals: “the goals may be too elusive; the means too gentle; or cooperation from other countries, when needed, too tepid” (Hufbauer et al. 2007, 7). When it comes to international organizations, in particular, the UN Security Council, the veto power of the permanent members plays a decisive role.

1.5. Targeted sanctions against non-democratic regimes

Another stream of the literature studies the relationship between sanction success and regime types (Jones 2015). The majority of the countries which fall under sanctions are autocracies (Major 2012, 80–81). The main paradox is that sanctions against authoritarian regimes are less effective. Democracies have accountability mechanisms that make them much more vulnerable to external pressure. If the economic situation in the country worsens, dissatisfied citizens may put pressure on the political elite through elections; the threat of voting for the opposition may force the authorities to change course. With authoritarian regimes, the situation is much more complicated.

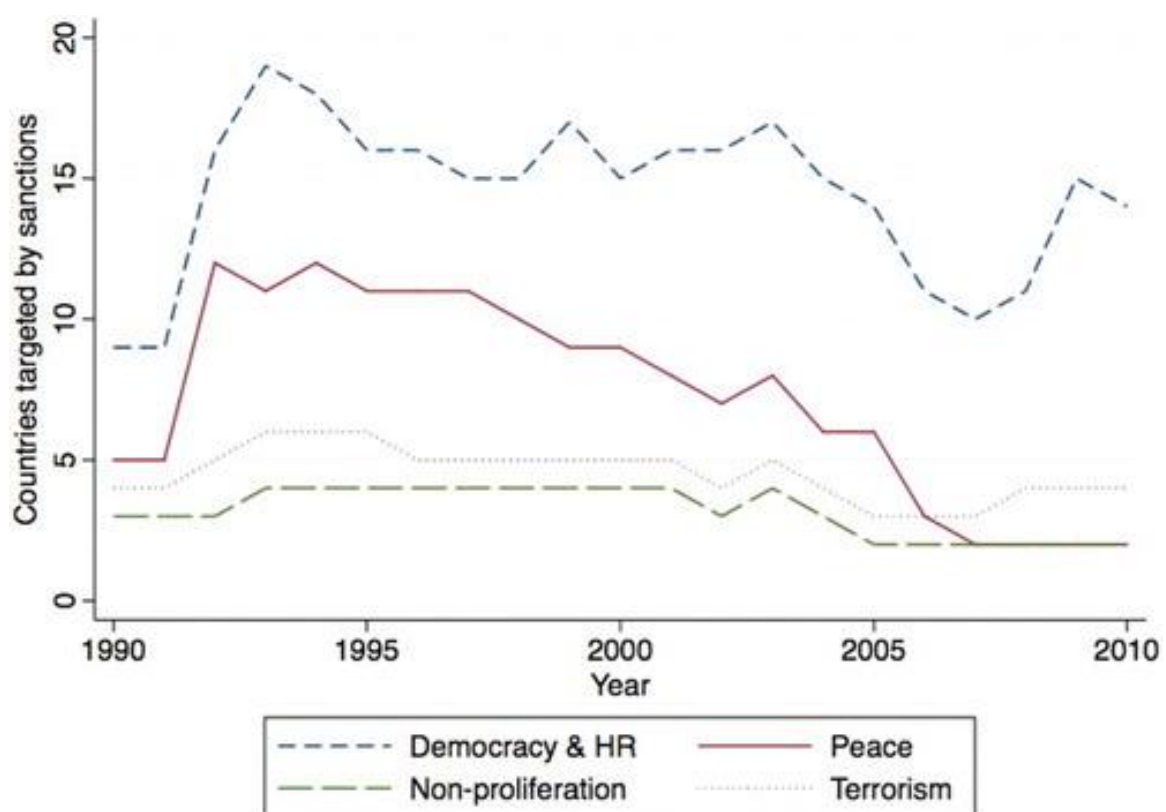
The general consensus here is that non-democracies are more resistant to sanctions than democratic governments since the dictators are able to mobilize and redistribute the resources to compensate the sanctions damages and prevent the risks of revolt within (by cooptation) and outside (by repression) the winning coalition (Allen 2008; Oechslin 2014). Comprehensive sanction will more likely lead to compliance if the targeted state is a democracy (Allen 2008; Lektzian and Souva 2007).

Political regimes are vulnerable to sanctions to varying degrees. Based on Geddes, Wright and Frantz classification of political regimes, Peksen argues that military and single-party dictatorships are more resistant to sanctions, since they have sufficient institutional and repressive capacity to cope with the economic and political damage of external pressure. Personalists regimes lack such advantage because they often rely on external rents and do not have strong institutional capacity to eliminate sanctions. He concludes claiming that sanctions against personalist autocracies can be as effective as against democracies (Peksen 2017).

Van Soest and Wahman define sanctions specifically aimed at democratization if they contain demand for fulfillment of one of the listed conditions: “(1) new elections, (2) the

modification of the constitution or the electoral code, (3) the admission of an international electoral observation mission, (4) the restoration of a democratically elected leader, (5) the recognition of electoral results, (6) the recognition of rights and freedoms directly linked to the electoral process (such as freedom of assembly and expression), or (7) the protection of those human rights that allow for electoral competition” (von Soest and Wahman 2013, 13–14). Sanctions aimed at democratization and protection of human rights dominate the post-Cold War world.

Figure 3. Number of sanctions episodes based on sanction goals 1990-2010



Source: von Soest and Wahman 2015.

Risa Brooks addresses the link between regime-type and sanctions success by arguing that theories that claim a direct connection between democratic governance and sanctions success are naïve. Brooks argues that different sanctions technologies interact with regime-type in order to produce varied sanctions outcomes: comprehensive (trade and financial) sanctions

are likely to be effective against democracies but counterproductive against dictatorships, while “targeted” sanctions will be successful against dictators but will have only moderate success against democracies. Conclusion about the direct relationship between the democratic regime and sanctions success is not plausible. Comprehensive sanctions are most likely to be ineffective against autocracies than democracies while targeted sanctions, however, may cause significant harm to autocracies and are almost unessential to democracies (Brooks 2002).

Summing up the first chapter, we can formulate several provisions. Since the end of the First World War, international politics has become firmly established. As the world globalized and closer political economic ties were established between the states, sanctions replaced a military solution to conflicts. Sanctions may differ in form and intensity, as well as in the goals set for them – to signal, to constrain, and to coerce. Since the goal of the sanctions is to change the behavior of the targeted state, this indicator is quite easily operationalized in a binary form (compliance/non-compliance). Theoretically, sanctions are the most optimal alternative to diplomatic and military measures of influence. However, sanctions do not always lead to the achievement of the desired effect, and sometimes even lead to opposite results, for example, activation of undesirable actions by the object of sanctions. The effectiveness of sanctions in relation to non-democratic regimes will be examined on the example of Russia in the next chapter.

Chapter 2. Western sanctions and Russian response

After the annexation of the Crimea in March 2014 and the subsequent participation of Russia in the armed conflict in the south-east of Ukraine, Western countries imposed a number of sanctions. The aim of sanctions was to provide the necessary pressure on Russia in order to change its foreign policy. The first round of sanctions targeted certain individuals from the Russian and Crimean elites. As the conflict unfolded in Ukraine, individual sanctions were supplemented with sectoral and financial sanctions aimed at key sectors of the Russian economy. Subsequently, the list of sanctions was extended to include new episodes interference in the US elections, malicious cyber-enabled activities, the alleged use of chemical weapons in the UK and the violation of nonproliferation agreements and arms transfers to Syria and North Korea.

Russia in its past has already become the object of sanctions. In the 1980s president Jimmy Carter imposed the grain embargo against the USSR in response to its invasion of Afghanistan, and Ronald Reagan attempted to prevent the project of the Soviet-European gas pipeline (Lindsay 1986). In the recent period, individuals who fall under the Magnitsky Act have become the object of financial and travel restrictions by the United States and several European states. The post-Crimean case is unprecedented in the post-Cold War history. For the first time such a wide range of sanctions was applied to the country as large and politically and military important as Russia. Russia is a permanent member of the United Nations Security Council and possesses a stock of mass destruction weapons comparable only with the US. In 2014 the Russian economy was the 6th largest in the world, leading in hydrocarbons export and being the second-largest exporter of weaponry. After the collapse of the USSR Russia was accepted into the club of world powers responsible for global political processes. Despite the fact that the expectations that Russia will be able to become a stable

democracy have vanished in the middle of the 2000s, in the post-soviet period Russia nonetheless managed to abandoned planned economy model and build, even with the flaws, the market economy. Russia was an effective member of various international institutions such as the G8, World Trade Organization or Parliamentary Assembly of the Council of Europe (PACE).

The foreign policy decisions adopted in 2014 changed the trajectory of Russia's development. They influenced not only the country's place in the system of international relations but also the political processes inside the country. In view of Russia's status and military capabilities, conflict prevention measures were initially out of the agenda. The sanctioning mechanism was implemented by the West as the only possible one. Russia's involvement in the global economy assumed that it would be more vulnerable to the imposition of sanctions.

It is necessary for the within case analysis to outline the political background to the Russian-Ukrainian conflict, present the overview of Western sanctions and Russia's response to them. A separate paragraph is devoted to the analysis of the history of relations between Russia and Ukraine. This is necessary to understand the next steps of the Russian leadership both within the country and in foreign policy. We then proceed with the analysis of the impact of sanctions on the economy of Russia and regime stability, namely, mechanisms of repression, legitimization, and cooptation within the political regime of modern Russia.

2.1. The political background of the Russian-Ukrainian conflict

Despite the fact that after the collapse of the USSR, fifteen independent states were formed on its territory, Ukraine was considered by Russian authorities and elites as a vital element of the “zone of privileged interests” (Medvedev 2008). Russian-Ukrainian relations moved from “frozen ties” in 2004 – 2010 to a limited partnership in 2010-2013 and eventually to the

conflict in 2014 (Tsygankov 2015). The Russian authorities jealously watched attempts to bring Ukraine closer to the West during the presidency of Viktor Yushchenko. The Orange revolution, as a result of which Yushchenko came to power, was viewed as a series of colour revolutions that were viewed as inspirational by the West and aimed at changing the geopolitical status quo in the post-soviet space and destabilizing the political regime inside the country (Solovei 2015). In order to eliminate the risk of colour revolution, Russian authorities adopted strategies “that combined a political, administrative and intellectual assault on the opposition and Western ideas of democracy promotion” (Finkel and Brudny 2012, 15). Another instrument of coercion on Ukraine is the issue of gas transit through its territory. Russia is the largest exporter of natural gas in the world, and the European Union is its key consumer. Until recently, the main transit of the gas flow went through Ukraine (which itself is a consumer of Russian gas) and is regularly accompanied by scandals and lawsuits regarding prices, terms and quality of supplies. The “gas wars” of 2006 and 2009 took place in line with the Russian political pressure on Ukraine (Stulberg 2015).

In late 2013, after President Viktor Yanukovych suspended the negotiations on the agreement on Ukraine’s association with the EU and instead signed a bail-out loan agreement with Russia, a new political crisis broke out in Ukraine. Yanukovych was perceived as pro-Russian president and the symbolic choice of Russia over the EU as a strategic partner caused “Euromaidan” - mass protests of Ukrainians. Attempts by the authorities to stop the demonstrations with the help of violence culminated in a further escalation of the conflict. As a result, Yanukovych was forced to flee the country on February 21, 2014. His successor, the new Ukrainian president Petro Poroshenko was elected with a political program to continue the course of European integration.

Not all Ukrainians unanimously supported the new course and new restrictions imposed on the Russian language. Pro-Russian demonstrations in Crimea and declared a threat to the Russian-speaking population served as the formal cause of Russian military forces intervention. A subsequent referendum held swiftly and in violation of both the Constitution of Ukraine and international law, secured Crimea as the federal subject of Russian Federation on March 18, 2014. This and the following military conflict in south-east Ukraine triggered international backlash and sanctions imposition.

Although reliable information about the true motivation and the processes of the invasion of Ukraine will be available only after the opening of the archives, it is still necessary to try to explain the logic of Russia's actions in Ukraine and shed light on its political regime. Among possible reasons are geopolitical and economic considerations, securitization of decision-making with a decisive voice of the special services ("siloviki"), the fear of another colour revolution in a post-soviet state and the use of vigorous foreign policy for the purpose of legitimization and presidential approval ratings boost (Bukkvoll 2016).

2.2. The overview of Western sanctions against Russia

The initial package of sanctions has been made public on March 5, 2014. According to the EU Council Decision 2014/119/CFSP 2014, the assets of 21 Russian and Ukrainian/Crimean officials responsible for the violation of human rights in Crimea and seizure of state property of Ukraine were frozen and their visas canceled (Delegation of the European Union to Russia 2017). The US supported this initiative by issuing an Executive Order (13360) that gave an assessment of the events taking place in Ukraine as "unusual and extraordinary threat to the national security and policy of the United States". On March 17 the US published the first list of individuals who received visa restrictions and assets freezes. The list included 11 Russian officials including such high-ranking figures as the speaker of the Federal Council Valentina

Matviyenko, Deputy Prime Minister Dmitry Rogozin, and presidential aide Vladislav Surkov (Welt et al. 2019).

The US's sanctions entered into force on July 16, 2014 without specifying the date of the action. In the original edition, the list of individuals and companies was relatively short, but it was subsequently expanded, including following an investigation into the interference of the Russian side in the US electoral process. European sanctions entered into force on 1 August 2014. Initially, their validity was limited to 12 months, subject to Russia's compliance with the conditions set forth. Failure to comply with the conditions (primary the Minsk agreements) leads to the automatic extension of sanctions for a further six months.

The majority of sanctions are associated with the annexation of the Crimea and the events in the south-east of Ukraine. Individuals and companies which are listed in the "Crimean" part of sanctions list are to one degree or another associated with the annexation of the Crimea. In cases of sanctions for the participation in the conflict in the south-east of Ukraine, state companies are targeted not because of their direct involvement (which is hard justify from a legal point of view) but rather because their owners have connections with Kremlin. The second most significant set of sanctions was introduced by Barack Obama on April 1, 2015. They allow the US Treasury to block any assets in the country of persons suspected of committing cyber attacks.

The combination of sanctions imposed by the US and the EU can be divided into five categories: individual, corporate, diplomatic, financial and sectoral.

(1) Individual measures include assets freeze and travel restrictions for individuals involved in activities targeted by sanctions.

(2) Corporate and financial sanctions include freezing of assets and access to global financial instruments of trade, investment and lending by Western financial organizations for companies and banks related to actions subject to sanctions.

(3) Diplomatic measures include:

- cancellation of the EU-Russia summit in 2014;
- suspension of Russia from G8 forum;
- suspension of negotiations over Russia's joining the Organisation for Economic Co-operation and Development (OECD) and the International Energy Agency (IEA);
- prohibition for the embassies of EU countries in Russia for the issuance of visas to residents of Crimea ('EU restrictive measures in response to the crisis in Ukraine' 2017).;
- temporal suspension of bilateral US-Russia presidential commission activity
- the closure of Russian consulate in San Francisco and buildings in Washington and New York.

(4) sectoral measures imply a prohibition on the supply of:

- military goods and dual-use technologies;
- goods and technologies for shale oil extraction and conversion (Christie 2016, 52–53).

As of May 2019, a total of 398 people are in the US and EU sanctions lists. Most of them belong to militia and officials of the Donetsk People's Republic (DPR) and the Luhansk People's Republic (LPR) (98 individuals) and military personnel and intelligence officers of Russia (96 individuals). List of legal entities contains 521 organizations including 134 energy companies, 117 banks, 59 defense enterprises, and 34 transport companies (RBK 2019).

Analyzing the whole set of imposed sanctions Connolly identifies five core objectives (Connolly 2018, 57–60). The first is aimed to disapprove Russia's actions in Crimea and Ukraine and to express diplomatic support to Ukraine. The second confirms the commitment of the West to the Common Foreign and Security Policy (CFSP) objectives – the respect of the rule of law, human rights and international agreements. Thirdly, the sanctions regime has symbolic meaning to demonstrate the unity of the Western world in the face of “Russian aggression”. The fourth objective is to exert economic pressure which could alter cost-benefit calculations of decision-makers in Russia and eventually change its foreign policy. Finally, sanctions were aimed towards the deterrence of further Russian destabilizing involvement in Ukraine and prevention of similar acts in any other countries.

The reaction of the West to the events in Crimea was almost simultaneous and unanimous. As Gilligan emphasizes, “the United States together with the European Union therefore targeted the very symbols of Russian power: the energy and finance sectors” (Gilligan 2016, 276). Despite the fact that from the very beginning of the conflict, the US and the EU tried to coordinate their actions, there are differences in both goal setting, maintaining and monitoring of sanctions. The complex nature of imposed sanctions “presented a heavy burden of compliance for the private sector in their implementation and have challenged the public sector in terms of enforcement, the provision of guidance and maintaining effectiveness” (Keatinge et al. 2017, 23). Statistics on the sanctions episodes are presented in Table 3.

Table 3. Number of individuals and legal entities fallen under sanctions since 2014

<i>Reason for sanctions</i>	<i>Sanctions target</i>	
	<i>Individual</i>	<i>Legal entity</i>
Crimea annexation and conflict in eastern Ukraine	276	476
Countering America's Adversaries Through Sanctions Act (CAATSA)	32	42
Cyberattacks against the USA	25	11
Military support of Syrian government	12	6
North Korea bargains	6	6
The use of chemical weapons (Skrripal poisoning)	4	-

Source: RBK 2019.

2.3. Russian response to Western sanctions

A few days after the first sanctions Russia prepared its response. In view of the fact that in previous years the state had increased its presence in the Russian economy, significant tools were at the disposal of the country's leadership. The role and presence of the state in the Russian economy allowed Russia to come up with countermeasures swiftly (Di Bella, Dynnikova, and Slavov 2019). The state was able to respond to Western sanctions in a relatively coordinated manner, using a series of financial, institutional and diplomatic measures. Initially Russian counter-sanctions affected only individuals. On March Russia banned nine US officials from entering the country including several senators. In the summer of 2014, Russia imposed a ban on the import of certain food and agricultural groups from European countries. The term of this ban practically mirrors the sanctions from the EU and is also routinely extended after each prolongation of European sanctions. The current version of the ban is valid until the end of 2019. Other stringent measures, such as the confiscation of foreign assets, prepaid Russian gas for European consumers, a ban on the import of textiles and automobiles, were discussed by the Russian side, but were never taken into force (Romanova 2016, 774–75). Subsequently, Russia was limited to reciprocal diplomatic

measures such as the expulsion in 2018 of American and British diplomats in response to the sanctions imposed for the poisoning of Sergei Skripal.

Convinced that the intentions of Western countries are serious and the United States and the EU are ready to speak with one voice, Russia developed its counter-sanctions plan which can be described with four complementary and partially overlapping sets of measures:

1. Securitization of strategic areas of the economy.
2. Coordinated actions to stimulate import substitution in strategic sectors of the economy.
3. Active efforts to establish closer economic relations with non-Western countries, especially in Asia.
4. Active lobbying in the circles of Western political and business elites related to the decision-making process.

Kremlin's counter-sanctioning policy pursued a number of tasks. First, it was a question of retribution. Russia could not but respond to the sanctions imposed against it. The response is, among other things, symbolic and is addressed to both external and internal audiences. Secondly, the ban on the importation of food products from the EU sought to convince Europe of the need to waive sanctions. As a conductor of this idea, influential and organized European agricultural lobby was chosen. Its activity, however, was not enough to revise the EU sanctions regime. Thirdly, the import substitution policy was lobbied by domestic producers in order to exclude European competitors from the market competition.

2.4. The economic consequences of sanctions

The answer to the research question cannot be given without explaining the features of the political-economic system of modern Russia. In the period 1999-2008, the Russian economy

was able to achieve impressive performance. The massive inflow of external resources became the main growth driver. The GDP and productivity grew annually by 83 and 70%, respectively. During 1999-2008 real wages increased by 3.4 times, and real pensions increased by 2.8 times (Kudrin and Gurvich 2015). The government maintained macroeconomic stability and relatively high growth and targeted inflation at low levels. The development of industrial sectors and infrastructure was by large neglected but the service sector and real estate were booming. Redistribution of growing natural resource incomes from the state budget via investment, salaries, and pensions allowed to secure the support of the majority of the population. The global financial crisis of 2008 created a short shock for Russian economy with the subsequent rebound but the “mix of cautious fiscal and monetary policies proved sufficient to steer Russia through the crisis but failed to restart rapid economic growth” (Miller 2018, 138). At the beginning of the 2010s, it became obvious that the fluctuating world prices for hydrocarbons are decisive for the growth of the Russian economy. Even before the events of 2014 Russian economy began to decline, “already teetering on the brink of recession before it was hit by the combination of war and an oil shock” (138). This was caused by structural and institutional problems, the inefficiency of state spendings and corruption. Investment and GDP growth was going down.

The main objective of the economic package of sanctions is to undermine the economy of the country. At the initial stage of 2014-2015, it seemed that the task of sanctions was the task of inflicting the necessary economic damage, which then will influence the decision-making process could achieve the goal. Simultaneously with the fall in world oil prices, there was inflation, an increase in the budget deficit and a severe depreciation of the national currency. In 2015 then US president Barack Obama stated that sanction had left Russia isolated and its economy “in tatters” (The Moscow Times 2015) and that statement was probably premature. After the initial shock, the economy of Russia plunged into recession but adjusted to current

oil world prices and sanctions regime. By 2017, the World Bank had been persuaded that the effects of sanctions had “worn off” (Connolly 2018, 3).

Russian officials emphasize that Western sanctions are not detrimental to the Russian economy. The official position usually comes down to the fact that sanctions do not have a significant impact on the Russian economy and will not force Russia to change its policies. Yet, the largest Russian state (Sberbank and VTB) and private (Alpha-Bank) banks, energy giant company Gazprom and popular retail enterprises (Magnit, X5 group) do not operate in the Crimea. For banks, the risk is to expand the already existing sanctions that could destroy the entire Russian financial system. Sanctions against Gazprom could jeopardize gas production and exports to European markets. Retail companies try to avoid problems with the issuance of loans by foreign banks and lack of necessary logistics. As a result, despite statements by the country's leaders about the full and irrevocable integration of Crimea in Russia, the economic pressure and the risk of further sanctions from the West forces Russian economic actors to avoid doing business the region.

Estimates of the role of sanctions in the decline observed in the Russian economy vary. Kholodilin and Netšunajev state that sanctions effect on both the economy of Russia and Eurozone is negligible (Kholodilin and Netšunajev 2019). On the contrary, a study by Bloomberg Economics research shows that the reason for the decline in Russia's GDP by an aggregate of 10% relative to the estimated prognosis from 2013 is a direct consequence of the sanctions regime (Doff 2018). Despite the confident statements by political leaders that sanctions are harmless to the Russian economy, the recent report by the Ministry of Economic Development estimates the damage from the sanctions in 2018 in the amount of \$6.3 billion. The greatest loss to Russian producers was caused by protectionist measures of the EU countries (\$2.4 billion) and the USA (\$1.1 billion). Almost 2/3 of all losses suffered

the metallurgical sector, the rest mainly accounted for the agricultural and chemical industries (Vedomosti 2019). The oil and gas complex, the military-industrial complex and banks suffered the most from sanctions imposed. For the fuel and energy complex, this effect was partially mitigated by the tax maneuver and the devaluation of the national currency in order to increase export revenues and make a budget surplus. For the military-industrial complex - by a sharp increase in state defense order. (Gorenburg 2017).

The damage to the economy from sanctions is estimated by experts from National Research University Higher School of Economics at 0.2% of GDP (Vedomosti 2018). The dynamics of key macroeconomic indicators of Russia under sanctions are presented in the Appendix 1.

The developments listed above are a direct result of the sanctions. There are also indirect effect in the form of “decreasing foreign direct investment, fewer borrowing opportunities for companies and banks not directly targeted by the sanctions and the lower capital inflow into the government debt market”. These indirect effects roughly triple the direct effects of the sanctions (Gurvich and Prilepskiy 2015, 384). Sanctions effectively isolated the Russian stock market from the rest of the world and caused a significant outflow of portfolios (Nivorozhkin and Castagneto-Gissey 2016). According to the survey of over 1000 leaders from small, medium and large businesses conducted by PWC, 59% of respondents claim that sanctions have a “somewhat negative” or “very negative” impact on Russian businesses. 8% evaluate its effect as “very negative” for their business activity (‘Through Hardship... to the Stars? 1001 Opinions of Russian Business Leaders’ 2018).

The five-year period studied in this paper is sufficient to sum up the interim result of the impact of sanctions on the Russian political and economic situation. In this study we assume that the fall of oil prices and structural problems alone cannot explain the recession in Russian economy. Though it is hard to isolate its immediate effect, Western sanctions

contribute to the substantial fall of GDP, devaluation of national currency, the sharp inflation of 2014-2016, the foreign direct investments (FDI) decline, and net capital outflow increase. The limited access of Russian companies to international financial markets and technologies for the extraction of hydrocarbons due to the sanctions is an important contributive factor in a long-run perspective. Over time, the effect of sanctions on Russian economy may have a cumulative effect. Russian counter-sanctions, rather, led to a deterioration in the lives of the Russian population and the economic situation in general. After the first two years of the food embargo, food prices rose by more than 30%. At the same time, the policy of import substitution announced by the government only slightly affected the growth of the Russian economy and did not make it less dependent on the export of minerals. However, there were some positive effects: the Russian counter-sanctions led to the growth of agriculture (World Bank Group 2019). The damage inflicted on the European economy by Russian counter-sanctions is relatively small and was caused by various bans on trade with Russia, imposed by the authorities of these countries, and not in response to them. The Russian economy is ten times smaller than the EU economy and almost as much as the American one, so any attempt to introduce symmetrical economic measures worsens the situation primarily in Russia itself. Western countries can easily compensate for the costs arising from the imposition of sanctions (Romanova 2016).

In conclusion, targeted Western sanctions are formulated in such a way as to affect specific individuals, companies, and the military and raw materials industries. The majority of the population is not directly affected by the sanctions. The response from the Russian government, the fall in oil prices and the manipulation of the ruble exchange rate by the Central Bank have a more significant effect on the standard of living of Russian citizens. According to Tyll et al., “ordinary Russians who perceive their economic reality mainly through the amount of their disposable income and purchasing power, are more than by

Western sanctions influenced by the proven management of the exchange rate and its binding on oil prices” (Tyll, Pernica, and Arltová 2018, 32). In 2018, the government announced a new pension reform associated with raising the retirement age. This change has caused discontent from both the public and a number of experts (Bennetts 2018). In an exceptional case, President Putin personally assumed responsibility for unpopular reform, which negatively affected his rating in the following months.

The political effect of sanctions on Russia will be analyzed in details in the final chapter of the thesis.

Chapter 3. Western sanctions and domestic Russian politics

Vladimir Putin came to power in Russia in 2000. In 2018, he was re-elected for his fourth presidential term, and by the time of its ending, he would be de facto governing the country for almost a quarter of a century. Putin inherited a country that was classified by Freedom House as “partly free”. Its current status is “not free” (Freedom House 2019). The process of autocratization during the period under study was affected by international pressure on Russia. The aim of this chapter is to provide an analysis of dynamics within each of the three pillars of autocratic stability.

3.1. The effect of sanctions on practices of repression and cooptation in Russia

Russian authorities were concerned witnessing the wave of "color revolutions" which took place in post-soviet republics Georgia (2003), Ukraine (2004), and Kyrgyzstan (2005). These protests resulted in the ouster of incumbent governments. As an antidote the regime engaged into the complicated process of the “managing the opposition” with the aim of “the shaping of the political arena and the encouragement of acceptable forms of political participation at the expense of more challenging forms” (Robertson 2009, 545). The status quo changed in 2011-2012 when the largest protest actions in the biggest cities of Russia were held, based on a purely political agenda. If the 2000s were characterized by targeted repression since 2012 political repression is institutionalized and becomes a full-fledged part of the political system. This includes criminal, administrative, and extrajudicial prosecution, as well as individual repression (Ohotin 2016).

While during the recent period the government introduced the variety of repressive measures, its enforcement is executed in an uncertain and arbitrary manner. The selectiveness of implementation can be traced with the case of the law of the “foreign agents” towards the

activity of NGOs, when “NGOs prosecuted by the law-enforcement agencies also receive funding from the state according to a cooperative rationale for managing NGOs” (Daucé 2015, 58–59). Yet, even this chaotic law enforcement plays its role in limiting the public mobilization, since NGOs and independent actors prefer to act cautiously or not to act at all since they don’t know which actions may become a reason of legal prosecution.

Current repressive changes in legislation affect primarily freedoms of assembly, association and freedom of expression online (‘Freedom House 2019). According to the advocacy group and an independent media project OVD-Info, while in 2013-2014 criminal cases of a political nature were initiated against more than 230 individuals, in 2015-2016 this number increased to 251 (OVD-Info 2017). Memorial Human Rights Center for this period recognized as political prisoners and politically motivated 76 individuals (Memorial 2019).

General mass support for the annexation of the Crimea in Russia and the absence of a powerful political opposition to this decision cause a relatively low level of repression aimed at those who disagree. However, a number of legislative and enforcement initiatives need to be considered. In May 2014, a new article 280.1 “Public calls for the implementation of actions aimed at violation of the territorial integrity of the Russian Federation” has been introduced in the Russian Federation Criminal Code. The article contemplates up to five years of imprisonment and the courts handed down the first sentences on it in 2015. Law enforcement practice on this article is selective. By 2017, seven people were convicted under this article based on their activity in social networks. Generally, in addition to Article 280.1, other “extremist” articles are also imputed to the defendants, and the punishment is imposed on the totality of these charges (Mediazona 2017).

Repressive strategies, as part of the general orientation of the political regime towards power politics in the first place, have become a systemic factor in the current political regime. The

increase in repressiveness in management is both a natural result and a mechanism for the transition to a tougher authoritarian regime and other ways to legitimize it.

The flip side of the repression medal is the practice of co-opting representatives of Russian elites who are subject to sanctions. Co-optation is “the capacity to tie strategically-relevant actors (or a group of actors) to the regime elite” (Gerschewski 2013, 22). In view of the fact that the defendants of the sanctions lists are built into the political and economic model of the country, it is not necessary to talk about special co-optational measures on the part of the regime. Rather, it can be said that the Russian side compensates for the damage to those involved in the sanctions lists.

Along with representatives of local authorities and the military, people from the inner circle of President Putin were in the sanctions lists from the south-east of Ukraine and the Crimea. Currently, the sanctions lists are 12 members of the Forbes rating. Along with representatives of local authorities and the military, people from the inner circle of President Putin were in the sanctions lists from the south-east of Ukraine and the Crimea. These are non-public persons, government procurement and oil and gas businessmen such as Gennady Timchenko, Arkady and Boris Rotenberg, Yuri Kovalchuk.

Vladimir Putin does not deny acquaintance with these enlisted individuals. In 2014 he described them as “my good friends, friends,” called their inclusion in the sanctions lists “a violation of human rights” because they “have absolutely nothing to do with Crimea” (‘Direct Line with Vladimir Putin’ 2014). Getting into the sanctions lists gives a special status within the system of Russian power becoming an equivalent to a “badge of honor”. In particular, a special advisor of president Putin on Ukraine Vladislav Surkov said he was “proud” of this event and compared it with “political Oscar from America for best male supporting role” (Guterman 2014).

The Russian government is demonstrating that it is prepared to compensate for the damage caused by the sanctions to the targeted individuals. In April 2017, a law was released on tax exemption in Russia for individuals who fell under sanctions. In accordance with the law, those who have fallen under the sanctions (the “illegal decisions of foreign courts”) of other countries will be able to recover the “overpaid” taxes for two years. The text of the law states separately that even victims who are tax residents of other countries, but cannot be entered into them after the imposition of sanctions, fall under compensation payments (Federalnyi Zakon ot 03.04.2017 № 58-FZ).

The ineffectiveness of monitoring sanctions, as well as the difference in the US and EU sanctions lists, allows list actors to circumvent movement restrictions. For example, one of the defendants in the US sanctions list, The former head of Russian Railways, Vladimir Yakunin, in 2018 received a visa of category “D”, which makes it possible to work in Germany (Deutsche Welle 2018). In the same year, three top Russian intelligence officials - Alexander Bortnikov, Sergey Naryshkin, and Igor Korobov visited the United States on a working visit despite being in the “Kremlin’s List”. According to the leading figure in Russian opposition and corruption investigator Alexey Navalny, Western sanctions are “chaotic” and “incomprehensible” since they do not “target properly the powerful oligarchs with close links to President Vladimir Putin” (Seddon 2019).

3.2. The effect of sanctions on claims to legitimacy

According to von Soest and Grauvogel, ideology, foundational myth, personalism, international engagement, procedural mechanisms, and performance-based claims form the general strategy of legitimation of non-democratic regimes (von Soest and Grauvogel 2016, 20). This paragraph presents an analysis of legitimation strategies of the political regime in

Russia and explains what effect the international sanctions imposed upon the events of 2014 had on them.

Among the above, ideology and myth have never been sources of legitimizing the political regime in the modern history of Russia. After the collapse of the Soviet Union, a substitute for ideas and concepts came to replace Communist ideology, which during the Putin period were offered to elites and society under the guise of "sovereign democracy." Its internal inconsistency did not lead to a substantial result. The circumstances surrounding Putin's presidency by the operation "Successor" do not provide a sufficient basis for the myth either (Hill and Gaddy 2013). The claim about the post-soviet elite cohesion in Russia is not plausible. During the 1990s its structure was fragmented and the trend toward monolithic structure which started in 2000s does not exclude the presence of opposing clans (Gel'man 2008, 165).

Personalist claim is much more valid for the stability of the political regime in Russia. Maintaining a high approval rating is key to the stability of autocratic regimes. The leader's popularity (even visible) leads to the demoralization of opposition candidates and reduces the risk of conspiracies within the ruling elite. The high level of support legitimizes the regime among those who are not its active supporter (Gehlbach and Simpser 2015). High approval ratings serve as a source of legitimacy for the President and his regime (Frye et al. 2017, 1) and made possible for the state propaganda to name Putin as the "leader of the nation" who gave back Russians "sense of pride and identity" (Holmes 2010, 112).

The progress in the economy, establishing order inside the country and raising its status in the international arena were indicated as achievements of the regime (Hutcheson and Petersson 2016). In essence, during the studied period the legitimacy of Russian political regime in Russia was based on a combination of performance and procedural mechanisms with a

personal rating of the head of the state. Wilson and Lee propose to divide this period into two segments: 2000-2008 when the economic growth was at the forefront and the second period after the annexation of Crimea when the focus shifted to Russia's foreign policy and place in the international arena (Wilson and Lee 2018, 7).

The high ratings of mass approval were the result of the policies of the new president in the early 2000s, such as the completion of the phase of active hostilities in Chechnya and the fight against terrorism and the necessary technocratic transformations. In the mid-2000s, a temporary decline occurred as a result of an ill-conceived and hastily implemented reform of the monetization of benefits. During the protests of pensioners, reforms were partially curtailed and until the pension reform in 2018, the authorities avoided decisions that could cause dissatisfaction among the general population and thereby undermine the consensus of the “Putin majority”. The presidential ratings reached the historical maxims of the first decade of being in power in 2006–2008 against the background of unprecedentedly high world oil prices and economic successes. The military conflict with Georgia in 2008 was the first example when the active foreign policy steps of the Russian leadership (including those involving the use of military force) gave the result in the form of an increase in approval ratings and “rally-around-the-flag” effect.

In 2011-2012, a series of rallies against violations in the elections to the State Duma took place in major Russian cities. For the first time in Putin’s history of Russia, such large-scale protests had a distinctly political agenda. The real reason for the discontent of the urban class can be considered the so-called “castling move”, when in September 2011, Vladimir Putin announced that he plans to be elected president again. That was a demonstration that the presidency of Dmitry Medvedev was a temporary solution in order not to change the Constitution informally to retain full power. The active part of society perceived it as a

violation of the spirit of the Constitution. At the same time, despite the high prices for raw materials exported products, there was a decline in the Russian economy. Based on Levada Center data (Appendix 2-5) a high presidential rating created both “spillover” and damper effect. In the upward trend the government enjoyed the mass popularity. In the case of public discontent, the fall of trust affected the regional authorities or the federal government. Until autumn 2018, President Putin’s rating was called “teflon” due to the fact that negative events in the country as a whole did not affect support indicators (Gregory 2015).

The period from the beginning of the third Putin's term until the annexation of the Crimea became the lowest in terms of public support since the beginning of the 2000s. The accession of Crimea became a catalyst for the unprecedented growth of the president’s popularity rating, which peaked in June 2015 (89%) and did not fall below 80% for four years. However, talking about consolidating the population around the government requires clarification. According to the surveys conducted by Timothy Frye, the rally-around-the-flag effect was caused not by the sanctions imposed against Russia, but by the fact of the annexation of Crimea to Russia (Frye 2019). Indeed, the vast majority of Russians support the annexation of Crimea. Almost two-thirds of respondents in Levada poll tell that the annexation of Crimea has been more to Russia’s benefit. Tables 5 and 6 in Appendix provide detailed information on the responses of respondents.

The year 2018 was a turning point in the sense of public assessments of Russia's foreign policy, sanctions policy and counter-sanctions. According to a poll by Levada on the eve of 2019, the number of Russians, who are not “too worried” about the political and economic sanctions of Western countries, decreased in 2018 from 40% to 33%. The share of those whom the sanctions “are very worried” has almost tripled: from 7% to 20%. About a quarter of respondents answered that they were “not bothered at all” by the sanctions. The share of

Russians for whom international isolation has become “very disturbing”, has increased almost three times, from 8% to 21%. 22% are “quite strongly concerned” with the problem of isolation. However, the majority (33%) “do not worry too much” about the international isolation of the Russian Federation — such an answer has consistently turned out to be the most popular since December 2014. “It doesn’t bother at all” states 19% of respondents (Levada 2019).

2018 in Russian politics was a milestone. For the first time, presidential elections were held in conditions of international isolation and sanctions. After a year, it can be stated that there was no significant change in economic dynamics, and social attitudes have deteriorated sharply. A significant reduction in support for the regime is accompanied by a weakening of the factors that previously provided this support and sustainability - foreign policy mobilization and internal propaganda. The sociologists note the trend to dispel the Crimean consensus. According to Lev Gudkov, “when they started to sense that Putin’s foreign policy became too expensive, the attitude began to change and the sense of irritation is growing” (MacFarquhar 2018). At the same time, the political regime has not yet met with any organized resistance from citizens or elites, successfully compensating for the decline in support by expanding repressive practices and administrative pressure. The decline in support is a serious challenge for the regime, undermining the level of legitimacy it needs for a successful transit as Vladimir Putin’s current presidential term expires in 2024. The situation of low support provokes local crises and instability, as has already happened in the regional elections in 2018.

The post-Crimean period became the stage of consolidation of the authoritarian regime in Russia - reverse transit from the forms of competitive, soft authoritarianism characteristic of the political system of the second half of the 2000s (Petrov, Lipman, and Hale 2014), to a

more rigid variation, based mostly on repressive strategies and expansion of state control (Lührmann and Lindberg 2019). As shown in the previous chapters, the operation on the annexation of the Crimea led to a powerful political mobilization within Russia — a sharp increase in support for the regime. Combined with subsequent foreign policy moves it established a large-scale conflict with the West as the principal framework for the political existence of the Russian Federation for an uncertain period.

These consequences led to essential changes in the nature of the political regime and a drastic change in the balance of power in the Russian elites. the weakening of elites oriented towards incorporation into international cooperation and international institutions, and the strengthening of elites (mainly power ones) oriented towards anti-Western mobilization development models. A new foreign policy doctrine — a strategy of confrontation with Western countries, a “hybrid warfare” (Kramer 2019) — has become an essential lever for consolidating the authoritarian regime and transit from soft forms of competitive authoritarianism to tougher forms, involving further restriction of civil liberties, the expansion of repressive practices and the introduction of ideology in public policy.

Conclusion

The main goal of this study was to study the influence of Western sanctions on domestic Russian politics and to determine why they did not achieve their goals and to what extent autocratization of the political regime in the period under study accompanied. The period studied in the thesis gives a certain basis for conclusions. Based on the stated objectives, the effectiveness of targeted sanctions can be questioned since they did not change Russia's position on key issues. Western officials state that the restrictions imposed after the annexation of the Crimea will be lifted when Russia returns the peninsula to Ukraine. This scenario is not feasible in the foreseeable future. Sanctions related to Russia's participation in the conflict in the south-east of Ukraine promise to soften when the settlement in accordance with the Minsk agreements begins. At this stage, this conflict is frozen with the absence of any positive change. Thus, the officially declared goals of the sanctions are not fulfilled. On the other hand, it was possible to prevent the spread of conflict in other regions of Ukraine. The coordinated imposition of sanctions and their extension due to the lack of progress in the process of peaceful settlement of the conflict in Ukraine demonstrates the determination of the West to follow the principles of international law. Before the Russian authorities were outlined the limits overstepping which will be punished by more serious measures of a financial and economic nature.

International sanctions negatively affect the position of Russia, undermining its authority in the post-Soviet space and the international arena. They contribute to the isolation of Russia from investments and advanced technologies in crucial areas and turning Russia into a “toxic” partner for countries that have not joined the sanctions regime. It is important to note that, depending on the subtype of sanctions, their effectiveness in relation to the goals set may differ. Individual and diplomatic sanctions did not cause significant damage to the regime. Targeted individuals were able to offset the costs within the country and to obtain

protection from the state. It was not possible to change the situation inside the country through an attempt at pressure from the groups of elites integrated to the West at this stage. Sectoral sanctions in the field of oil and gas production, as well as dual-use technologies, seem to be much more effective. It is important to note that the tacit permission of strategic Russian companies and banks to avoid working in the Crimea in order not to fall under sanctions shows that the Russian authorities understand and accept all the risks associated with financial sanctions. This demonstrates the dualistic nature of the Russian political regime where the formal requirements do not always correspond to the real rules of the game (Sakwa 2010; Ledeneva 2013).

The decision to annex Crimea, made by a narrow group of high-ranking, predictably provoked a deep conflict with the West and a response widespread mobilization of anti-Western sentiments inside the country and became a kind of intra-elite coup that sharply weakened the position of soft-policy proponents and interaction with the West and strengthened of the hard-line supporters position. The process of writing of this thesis was accompanied by incoming information about significant shifts in Russian public opinion. The fact of the annexation of the Crimea is an event that is positively assessed by the overwhelming majority of the population throughout the entire study interval. This foreign policy decision certainly strengthened the political regime in Russia by raising the presidential rating and increasing the legitimacy of the government as a whole. Already at the end of 2018, it became noticeable that the confrontation with the West was losing public support. Confidence ratings for the head of state are falling even more significantly - at unprecedented rates since 2000. This supports the argument that the main mechanism of legitimization during Putin's era was performance based. Other mechanisms also contributed but were secondary.

Given the fact that the scope of this master thesis is limited it is impossible to cover all the aspects of the above-mentioned research field. The main limitations of the study are as follows. The main problem of research related to the effectiveness of sanctions is the problem of identifying the exact damage. The economic downturn in Russia began before the events of 2014. The economic component of the sanctions, as well as countermeasures on the part of Russia, certainly spurred the recession, the damage from which caused discontent among the population at the end of 2018.

Further research on this topic should presumably focus on the methodology for calculating the damage and the process of transforming public dissatisfaction with economic damage within the country in a request for political changes in domestic and foreign policies within non-democracies. The case of Russia continues in the foreseeable future and provides an opportunity for further research.

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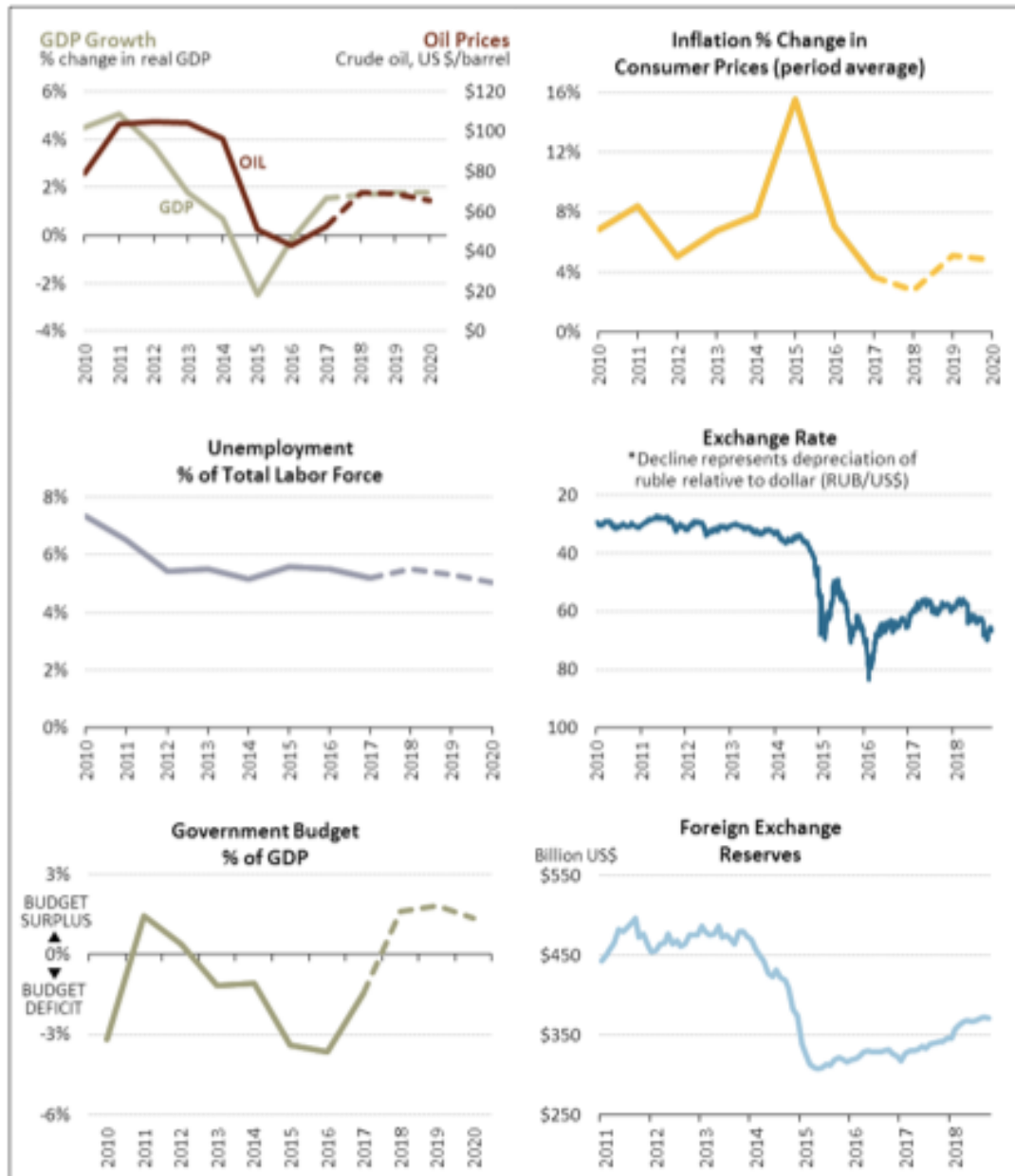
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Appendix

A.1. Key macroeconomic indicators of Russia under sanctions



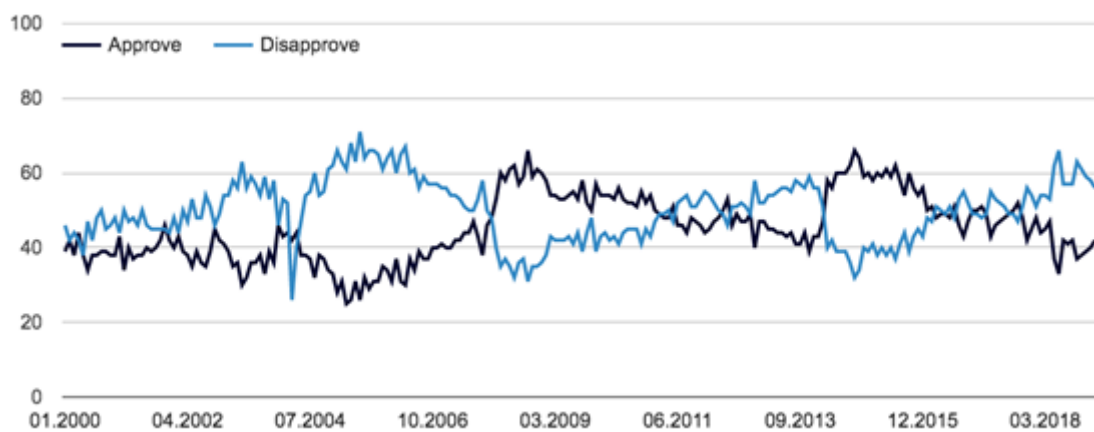
Source: Welt et al. 2019.

A.2. Putin's approval rating



Source: Levada Center (<https://www.levada.ru/en/ratings/>).

A.3. Approval of the government



Source: Levada Center (<https://www.levada.ru/en/ratings/>).

A.4. Assessment of the situation in the country



Source: Levada Center (<https://www.levada.ru/en/ratings/>).

A.5. Question: Do you support Russia's annexation of Crimea?

	Mar. 14	Mar. 15	May 16	Sep. 17	Mar. 18	Mar. 19
Definitely yes	57	55	57	52	53	58
Mostly support	31	33	31	32	33	28
Mostly don't support	6	6	8	7	8	7
Definitely not	1	2	2	4	2	3
It is difficult to say	4	4	3	5	4	5

Source: Levada Center (<https://www.levada.ru/en/2019/04/11/crimea-five-years/>).

A.6. Question: In your opinion, has the annexation of Crimea been more to Russia's benefit or detriment?

	Mar. 15	Feb. 16	Mar.1 7	Mar. 18	Mar. 19
More benefit	70	62	64	70	65
More detriment	18	20	23	15	19
It is difficult to say	12	18	13	15	16

Source: Levada Center (<https://www.levada.ru/en/2019/04/11/crimea-five-years/>).