

THE ‘ECONOMIC WEAPON’ REFRAMED:

ASSESSING THE EFFECTIVENESS OF SANCTIONS IN RESPONSE

TO THE RUSSO-UKRAINIAN WAR FROM 2022

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ABSTRACT

This thesis examines the effectiveness of the current sanctions regime on Russia that was implemented following its invasion of Ukraine. I evaluate effectiveness through a novel framework that examines 1) the military channel, 2) the budgeting channel, 3) the ‘smart’ sanction channel and 4) the society channel. These channels considered jointly inform my evaluation of sanction effectiveness, and I argue that the sanctions have been effective to some extent, but that their effectiveness has been hampered by phenomena such as sanction evasion and the breakdown of ‘smart’ targeted sanctions.

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INTRODUCTION

‘The Economic Weapon’, as sanctions have been historically referred to (Mulder 2022a) has sparked debates about its effectiveness since it first came into use. For the sake of the scope of this thesis, I distinguish between two kinds of sanctions; broad-based sanctions, such as embargoes and export restrictions, as well as ‘smart’ sanctions, tools that are targeted in their scope to affect elites (Drezner 2011), such as the freezing of assets, imposing bans on free movement, and embargoes on weapons (Rosenberg et al. 2016).

In the wake of Russia’s invasion of Ukraine in February 2022, over 1000 companies exited the Russian market (Sonnenfeld et al. 2022) as a response to the Russian aggression, and a coalition of more than 40 allied states, such as The United States of America, The United Kingdom, and The European Union (Bown 2022) imposed sanctions that are costly for the Russian Federation (Mahlstein et al. 2022).

This thesis seeks to contribute to the existing literature on the effectiveness of sanctions, specifically concerning the 2022 Russian invasion of Ukraine. To do this, I draw on the previous scholarship on sanctions and their effectiveness. My primary literature includes works from Drezner (2011, 2021, 2022, 2022), Mulder (2022), Rosenberg et al. (2016), Smeets (2018), Sonnenfeld et al. (2022, 2023), Allen (2005) and van Bergeijk (2022). I aim to contribute to this debate by combining various conceptual approaches, and to do this, I created a framework to evaluate effectiveness.

Since this particular case is still evolving, I do not aim to conclude on the final effectiveness of the current sanctions regime, as some may only develop their effectiveness with time. I aim to evaluate the effectiveness of economic sanctions that were imposed in response to Russia’s invasion of Ukraine as of the time of writing. This thesis gives ground to further research on

this topic as an evaluation of final effectiveness will only be possible as the sanctioning period comes to a halt. If the success or failure of a sanctions regime is defined by policy change, it is beyond the scope of this thesis for me to tie this back to the sanctions entirely, as it may also be down to different rationales and different theories within international relations scholarship. For this investigation, it does not make sense to define success this way, it is thus that I define it in a narrower scope, one that can be accessed via my framework and its different metrics.

This framework involves evaluating the effectiveness of sanctions in this current episode through four different channels, which serve as my indicators for effectiveness. These channels take the form of 1) the direct impact on military capabilities, 2) the impact on the state and by extension on the budget of the Russian Federation, 3) the impact the “smart” sanctions have had, and 4) the impact on Russian society.

I hypothesize that the sanctions imposed on Russia by the bloc of allies, which in this investigation is limited to the USA, the UK, and the EU as the major senders of sanctions, have been effective to some extent. However, the sanctions have also had unintended consequences and their success has been gravely hampered by sanction evasion made possible by third countries.

This thesis is structured as follows. I first introduce key concepts and disagreements on the topic of sanctions, and in doing so I also appraise the relevant literature. After that, I elaborate on my analytical framework, to then explain my research design. Later, I introduce the relevant empirical findings that corroborate the channels through which I assess effectiveness. Lastly, I offer my findings and discuss whether my hypothesis was correct or not. I conclude with a summary of my findings and offer avenues for future research.

I want to explore this topic, because misinformation regarding the effectiveness, or purported ineffectiveness of Western sanctions has become a breeding ground for anti-western sentiment

and populism in Europe and the USA. It is for this reason that I aim to provide an overview regarding those aspects that have been effective, and those that have not.

LITERATURE REVIEW

My analytical framework is novel in that I am not rigidly drawing from one single theory on sanctions and their effectiveness. In this chapter, I present the various sides of the existing literature and their varying definitions of effectiveness, which I use to generate my framework to evaluate effectiveness.

As was pointed out recently, a framework to analyse the effectiveness, minimise spill-over effects, and for evaluating the overall effects of sanctions is still missing (Rosenberg et al. 2016). This is a reality in the literature on sanction effectiveness that persists today. They evaluate effectiveness on three metrics: firstly, how well the sanctions worked in influencing the political situation and equalizing political leverage, also through altering the economic landscape; secondly, how well they work in influencing relevant constituencies on the national and international scale to unilateral action, including communicating sanctions targets; and thirdly how well sanctions achieve specific goals which are in accordance with policy targets. Furthermore, they argue that to be effective, sanctions policy must be informed by the impacts of negative effects that have arisen through policy and enforcement in recent history (Rosenberg et al. 2016). This, to me, is a useful framework to assess effectiveness, however, it is mainly useful for evaluating effectiveness after a sanctions episode has come to an end. Nonetheless, I believe the points of communicating targets and rallying communities together to achieve shared goals are useful for analysis and are similar to the current situation regarding Ukraine and Russia on the global stage.

The point of effectiveness in accordance with political goals is echoed by Drezner, who is a co-author of the previously mentioned paper, as he points out that even the relevant departments of the central government of the U.S. keep tabs on how effective sanctions are to achieve the policy goals stated by the U.S (Drezner 2021). He points out that sanctions will become less effective if certain actors will aid the targeted country in sanctions circumvention. He goes on to argue that the potency of a sanction has occasionally been mistaken for its effectiveness, pointing out the flaws of modern sanctions regimes (Drezner 2021). Indeed, the strength of a sanction should not be confused with its effectiveness, as a sanction can be strong, and still fail due to its circumvention or other factors hindering its correct implementation. Other scholars also point out that “effectiveness is a necessary but not a sufficient condition for sanction success” (van Bergeijk 2022, 9).

In response to Drezner, Gudzowska, and Prendergast point out that binary evaluations of sanction effectiveness, such as through the certain behavioural changes being measured are perhaps too narrow an assessment, and that occasionally sanctions are put in place to make their dealings more difficult, not for them to change their ways (Gudzowska and Prendergast 2022). This, however, according to Drezner, “sounds like sanctioning for sanctioning’s sake.”(2022, 193). To evaluate the case study of the war in Ukraine effectively, I would disagree with Drezner’s response, as hindering an autocrat’s dealings is likely to have some effect in the long run, without it being an unreasonable sanction.

In an earlier paper, he argues that “smart”, targeted sanctions are less effective than comprehensive sanctions in extracting concessions while noting that they are more humane at the same time (Drezner 2011). This point has been more recently contested, as Smeets argues that smart sanctions seem more effective than general sanctions as they are harder to be circumvented (Smeets 2018). In this regard, I agree with Smeets, however, in an applied context I hold with Van Bergeijk, who argues that in the sanctions episodes on Russia since 2014,

‘smart’ sanctions have been largely ineffective. He evaluates effectiveness through the achievement of policy aims and contrasts the current sanctions regime on Russia with recent historic ones (van Bergeijk 2022). This, to me, is a useful approach, however, as the sanctions regimes are still taking effect, I am unable to assess policy goals at the time of writing.

I briefly introduce one of the more influential papers on the subject, that a few of the papers I mention effectively build on, namely Hufbauer et al. (2007). Their study has seen multiple editions and mostly focuses on providing a database on sanctions episodes, offering analysis and policy recommendations on the various case studies.

Drawing on their work, Peksen declares sanctions as effective if they achieve full compliance by the targeted entity or at least a partial shift in policy that corresponds to the objectives that were stated by the sanctioning entities (Peksen 2019; Hufbauer et al. 2007). Bonetti also builds on Hufbauer et al. in using their dataset but does not operationalize effectiveness, however, success and failure. Success is likely if the relationship between the sender and the sanctioned country is cordial or neutral before the sanctions are imposed, and when the targets defined by the sender are ‘modest’, while failure in sanctions episodes is likely if third parties are aiding the sanctioned party in sanction circumvention, as well as when trade between the sender and the target is occurring before the imposition of sanctions (Bonetti 1998). In his paper, Smeets does not operationalise effectiveness per se but points out that the more ambitious a target is, the harder it is to achieve it (Smeets 2018). This is similar to Bonetti’s (1998) previously mentioned framework. Smeets does hold with Hufbauer et al. in presenting their updated findings from 2008, mentioning the diminishing effectiveness of sanctions over time (Smeets 2018). This is an important detail for the current analysis, as Russia has been under sanctions since 2014.

Escribà-Folch breaks with the influential work of Hufbauer et al. to use a mixed framework consisting of one introduced by Kirshner in 1997 and one by Kaempfer and Lowenberg in 1988, evaluating the effectiveness of sanctions on whether they target the government itself or those support groups that benefit from the government, which in turn is dependent on them. (Escribà-Folch 2012). This is a framework that is essentially spelling out what ‘smart’ sanctions are supposed to achieve, without explicitly mentioning them.

Mahlstein et al. evaluate effectiveness from a purely economic standpoint through the analysis of key performance indicators such as GDP losses and trade aggregates (Mahlstein et al. 2022). Similarly, Crozet and Hinz utilise a standard trade model and a theoretical counterfactual to evaluate the effects on trade, while also accounting for most likely unintended negative consequences for the sanctioning countries (Crozet and Hinz 2020). Bapat et al. operationalise effectiveness on two layers. The first is on successful sanctions, which must result in the target’s compliance or entering into negotiations and the second is on successful threats of sanctions, which are considered effective if the target complies or negotiates before the imposition of sanctions (Bapat et al. 2013).

In this next section, I appraise the aforementioned existing literature on sanctions effectiveness and the current sanctions regime on Russia. As previously mentioned, the topic of sanctions effectiveness is subject to much debate in today’s academic sphere, due to a variety of factors. There are those, who I will designate pessimists, who wonder if sanctions can be effective at all, such as Smeets (2018) Davis (2016), Mulder (2022c), and Peksen (2019) as well as those who focus on getting the conditions right for the sanctions to be effective, such as Rosenberg et al. (2016), Allen (2005) and Gudzowska and Prendergast (2022). Some authors, such as Drezner (2021) and van Bergeijk (2022) fit both of these descriptions. Lastly, there are the empiricists, who offer no value judgments, such as Bapat et al. (2013), Bonetti (1998), Crozet and Hinz (2020), and Mahlstein et al. (2022). These authors are important to mention in their

own right but do not help me in this case study analysis, as there are few empirical findings in this specific context of the ongoing sanctions regime. Their findings lack the focus on Russia, as well as social, political, or military considerations to merit inclusion in my framework.

The consensus among most of the scholars I list is that they argue from varying standpoints that to be effective, sanctions are often held to an unrealistic standard, and that oftentimes devolve into a tool only for dealing as much damage to the target, without a clear goal. There are very recent studies focusing on the sanctions on Russia as they are unfolding, and there seems to be a consensus that the scale of the current sanctions regime on Russia is of some concern. This is mostly so for Chachko and Heath (2022), Mulder (2022c), and Drezner, as he argues that sanctions have become a tool of first resort, and the array and sheer volume of current sanctions on Russia demonstrate this (Drezner, 2022). What I intend to do is present this thesis, that as the events are unfolding, intends on evaluating the effectiveness of sanctions. It is thus similar to Van Bergeijk's work (2022), however, I attempt to make my criteria for effectiveness clearer.

On the question of the effectiveness of sanctions regarding the Russo-Ukrainian war, I give only secondary attention to those scholars who view 'smart' sanctions as the right tool for the job in the 21st century, as in a later chapter of this thesis, I will go into more detail on 'smart' sanctions and their breakdown concerning Russia and the war in Ukraine. Lastly, when applying the academic literature to this still ongoing case study in sanctions effectiveness, it is important to have a concept that can be operationalised to accommodate 21st-century realities. A historical approach, such as that of Mulder (2022b) is no doubt useful in understanding how sanctions came to be viewed with this clout in terms of statecraft, but scholarship on more recent sanctions episodes is likely to be closer to the reality of the current war in Ukraine. Nevertheless, I will give a brief overview of the historical context with regard to sanctions, albeit more recent, while applying some historical findings to today's reality.

CONTEXT ON SANCTIONS AS A TOOL OF STATECRAFT

In the wake of the war in Ukraine, sanctions as a tool of economic warfare came to the forefront once more, as up until 2022 they were more closely associated with the largely frozen conflicts between the West and Iran or North Korea. Sanctions came to be known as an ‘economic weapon’ in the 20th century and were established in the Covenant of the League of Nations after the first world war (Mulder 2022a). Multilateral economic sanctions have been one of the defining features of post-Cold War Era policymaking (Andreas 2005) and there has been much debate on the effectiveness of various sanctions episodes.

On the history of economic sanctions, Mulder writes: “By setting up the German people against the imperial government, he hoped to provoke them to assert their popular sovereignty in the most radical way: by overthrowing the emperor.” (Mulder 2022b, 70). This point about pitting a civil populace against their warring government sounds strikingly similar to some reasonings for the current sanctions regime against Russia, and yet more than 100 years have passed. Within this period, multiple scholarly papers have been published that lay doubt on this approach to sanctioning (van Bergeijk 2022), perhaps even on the effectiveness of sanctions as a whole.

FRAMEWORK AND CONCEPTS

To create my framework, I build on the theories of van Bergeijk (2022), Drezner (2011; 2022) and Escribà-Folch (2012) which also helps me in connecting their findings to my metrics, namely the four channels of military capabilities, ‘smart’ sanctions, budget questions, and the impact on Russian society. Effectiveness for my intents and purposes is given by the achievement or partial achievement of a combination of these metrics. I take the ‘military’

channel from Escribà-Folch (2012), though in a different way; the ‘budget’ channel from van Bergeijk’s “banking channel” (2022, 6); the ‘smart’ channel from Drezner and van Bergeijk (Drezner 2011; 2022; van Bergeijk 2022); and the society channel as I identify the lack of scholarship on this issue as a potential gap in the literature. I do concede that measuring the effectiveness of sanctions on the target country’s society is a difficult metric to assess, but I will elaborate on this point in the ‘society’ chapter.

My concept to evaluate the effectiveness of sanctions on military capabilities is to rely on policy experts’ and analysts’ evaluations of the current situation in Ukraine. To do this, I will be drawing on the expertise of the European Council on Foreign Relations and the German Council on Foreign Relations.

As a concept to evaluate the effectiveness of economic sanctions on the budget and Russian figures could be to focus on the figures coming out of Russia, such as GDP or GNP, the way the Russian budget is looking for 2023 and 2024, and what contributed to the changes.

The concept to evaluate how effective ‘smart’ targeted sanctions have been since Russia’s invasion of Ukraine could be to measure the direct effect that targeted sanctions on people or entities have had, such as the asset freezes on Russian Oligarchs, senior figures in President Putin’s cabinet, or on the Russian Central Bank as a whole.

And finally, a metric for operationalising the effectiveness of the sanctions on Russian society is to watch the polls coming out of Russia, as well as to consider the situation for ordinary Russians in the country. This is an effect that is largely under-discussed in the current debate on sanction effectiveness, and it is thus that I claim that this is an important metric to include.

I will briefly note that these channels are to be viewed and understood as being part of one bigger picture, and thus it is important to consider them as overlapping in some respects.

Furthermore, most of these channels are difficult to assess with great accuracy as the data coming out of Russia has become increasingly unreliable, and statistics are likely to be selectively filtered by the Kremlin to make the situation look better.

A disclaimer is in order. If these channels' conditions were considered to be fulfilled in terms of being effective, it would perhaps lead to policy change on the side of the Russian government, however, these impacts would no longer be part of this investigation, as the scope would become too large, and as the conflict is still ongoing.

EMPIRICAL FINDINGS

Military

On this channel, I will argue that the effects the sanctions have had have thus far been far-reaching and extensive, however, the issue of sanction circumvention is particularly salient in this particular instance.

I assess the military channel through a direct analysis provided by different analysts, such as Rácz et al. of the German Council on Foreign Relations. They assessed the Russian military's capabilities vis-à-vis the sanctions imposed on Russia. Their findings conclude that the Russian military's success has been hampered by the fact that the sanctions imposed on Russia in 2014 have had a structural impact on the Russian armed forces, as export restrictions, cancelled contracts, and wholesale sanctions have slowed and hindered procurement of western- as well as construction of autarkical weaponry (Rácz, Spillner, and Wolff 2023).

Furthermore, the sanctions that have been imposed since February 24th, 2022, are more far-reaching than those imposed in 2014. With the tightening of access to dual-use products and

advanced technology, the Russian military is actively struggling to build and equip its more advanced machinery. As they put it:” Although its inventories were vast, Russia has few modern cruise missiles left. Its capabilities to conduct precision strikes are thus severely weakened as a result of the sanctions.” (2023, 7). As countries like Germany, France, The Netherlands, the United States, Taiwan, and even Switzerland have tightened controls on who can purchase their components, Russian manufacturers have been scrambling to replace those components with similar variants from countries that have not joined the bloc of allies in their sanctions regime, or otherwise attempted to import these parts via countries that are aiding Russia in sanctions circumvention (2023). Here I will add that the replacement parts coming from third countries such as Turkey are likely to be of poorer quality than those they are to replace, which is very likely going to affect the achievability of phasing out sophisticated Western technology.

Rácz et al. note that Russia still has vast stockpiles of parts, as well as outdated weaponry that is now being refitted and modernised to support the war effort in Ukraine (2023).

Furthermore, the drive to military autarky has been going on since 2014, and the recent sanctions have served as a reason for a further push in that direction. In addition, countries such as North Korea and Iran are actively supporting the Russian military by providing artillery shells, as well as drones to the Russian armed forces (2023). This aptly represents low-tech and high-tech military equipment, and how, with limited access to high-tech parts and imports, Russia is largely shifting to those low-tech stocks of equipment leftover from Soviet times and attempting to make them adaptable to 21st-century warfare. Whether Russia will succeed in this endeavour will not be part of this investigation. It must be noted, though, that Iran’s supply of drones is likely to be designated more sophisticated and high-tech than North Korean shells, making the point of circumvention very clear once more. In addition, both North Korea and Iran have been under sanctions for several years now, and for them to

now aid Russia in sanction circumvention is a sobering reality to acknowledge for policymakers, as the push for change through sanctions has backfired.

Russia has had somewhat of a head-start with learning to adapt to an ever-tightening sanctions regime (van Bergeijk 2022), and this trend is likely to continue, meaning as the war drags on, the effectiveness of the sanctions being imposed is likely to dwindle, a reality that echoes Smeets' assessment of diminishing effectiveness over time (Smeets 2018). This trend is likely going to turn into a long pursuit and catching up with regulators in Brussels, Washington, and Westminster (Rácz, Spillner, and Wolff 2023).

The role of third countries in sanctions-busting is especially salient with regard, as the Vice-President of the European Commission Josep Borrell pointed out that "EU exports of vehicles to Russia reportedly fell by 78% in 2022, while exports from the EU to Kazakhstan surged by 268%." (Borrell 2023), pointing out problems with the enforcement of the sanctions regime. This issue is, at the time of writing, being tackled by the relevant EU authorities through the 11th sanctions package, aimed at the "circumvention of EU bans on the export of dual-use goods, advanced technologies, and critical components to Russia" (Taran 2023).

Considering the empirical findings of how the sanctions imposed on Russia have affected its military capabilities, it can be useful to examine a theoretical counterfactual on military capabilities and imposed sanctions. Perhaps the situation would be much different if the sanctions regimes imposed were perceived as less threatening to the third parties. Were the sanctions imposed, and the threats of imposing them on countries aiding Russia in sanctions evasion perceived as non-credible threats, perhaps more countries than Iran and North Korea would have opted to support the Russian military. I would claim that it is likely China would be aiding Russia more actively through weapons shipments if the EU were not considering

sanctioning those few Chinese companies which, as Taran highlights, are believed to be supplying parts to the Russian military that are subject to EU sanctions (Taran 2023).

Budget

The Russian economy is very reliant on imports as well as exports to balance its budget, even more so now as it is operating a war economy (McGraw Olive 2023). The Russian Ministry of Finance is now largely using the country's national wealth fund to finance its budget deficit (Grozovski 2023). Said budget deficit of 1.8 trillion Roubles (Prokopenko 2023b) is in part a consequence of the sanctions imposed on Russia. It must be noted that Russia saw record revenues from taxes collected on energy exports in 2022 (Prokopenko 2023a), however, as demand has tanked, and the prices have stabilised, with the few outlets to these exports now being in Asia, Russia is unlikely to see another year like 2022 in terms of inflows.

Oil and gas revenues are down, on one hand, because the EU is all but boycotting Russian oil and gas, on the other because the market price for Ural crude plummeted. At the same time, budget spending in January 2023 alone was at 11% of annual planned spending, the reasons for which cannot be verified as Russia actively suppresses details that can offer insights into its war in Ukraine.

However, it is not just the public sector that is facing challenges in Russia. More than 1200 companies are said to have left the Russian market, hampering growth and losing companies representing around 40% of its GDP (Sonnenfeld et al. 2022). Furthermore, if all of those companies did indeed cease operations in Russia, this is likely to also carry with it an effect on tax revenues collected by the Russian authorities, however proving this would go beyond the scope of this thesis. What has been assessed however, are significant drops in tax revenue from energy exports, such as oil and gas (Schott 2023), and is likely to exacerbate as measures such

as the EU embargo on Russian oil are still taking effect, while the costs of shifting exports to Asia are still being incurred (2023).

The assessment of the large business retreat however, can be questioned in the wake of a large-scale sanctions evasion phenomenon that has been plaguing the imposed sanctions' effectiveness more recently, and as Russia's publishing of figures and data remains unclear (Sonnenfeld et al. 2023). Rightly, in their 2023 work assessing the business retreat presented in their 2022 paper, they present data on those companies that did exit the Russian economy but also problematise those that have not yet ceased operations in Russia, while also bringing up the crucial point of sanctions evasion. In this regard, they mention Turkey specifically as a country that enables Russian circumvention of sanctions in the market for aviation and electronics among others (Sonnenfeld et al. 2023). As problematic as this phenomenon is, it is unlikely to improve the budgeting situation for the Russian authorities and is thus less salient for this aspect of the analysis of the effectiveness of sanctions.

In trying to assess sanctions' effectiveness concerning Russia's budget, one may also consult with figures published by the Russian government, or agencies that estimate them. One such metric may be Russia's GDP. As Allen puts it, GDP and GNP can be useful metrics to grasp the effects of sanctions episodes (Allen 2005). This is true, however as Russia is a belligerent state in the war with Ukraine, it is actively spending on its military, an aspect that is included in GDP figures (Guriev 2023). Military spending may have been at its highest in modern Russian history, at 5% of GDP (Grozovski 2023). It must be noted that the current consensus is that the Russian economy contracted by 2.1% in GDP terms in 2022 (European Council 2023), but this metric alone is untransparent and does not tell the reader the true impact the sanctions had on Russia's economy. Another problem with using GDP or GNP as metrics is that Russia is a very unequal country (Zavadskaya 2023), thus I would argue that a drop in

GDP may be felt in the financial centres in Moscow, but not in rural areas, or vice versa, as budget shifts may affect rural areas more than urban hubs. Seeing as there is no consensus on what a GDP loss would mean in terms of the effectiveness of sanctions, it means that this metric is to be disregarded.

A point where budget, social, and military channels overlap is government spending. As McGraw Olive points out, a prolonged fiscal deterioration will push Putin into a consideration of guns and butter, where the war economy may supersede spending on social needs (McGraw Olive 2023). This trade-off may become real for Russian society, as financing the military has become paramount to Putin's ambitions of furthering his grip on Russia as a whole, which can be assessed by the projected military spending of Russia rising by up to 9% to a whopping 33% of GDP in 2023. This amounts to 9.5 trillion Roubles, with the costs of the mobilised conscripts in September of 2022 having cost another 2 trillion roubles alone (Grozovski 2023). In dollar terms, the amount spent on the military in 2022 alone could have been around \$90 billion (Rácz, Spillner, and Wolff 2023). However, as Prokopenko notes, "Even if there were to be a sharp shock to the budget, there would be no threat to military or social spending (together worth about 17 trillion rubles), which are protected and would be the last to see cuts." (Prokopenko 2023b). Thus, it is likely the issue of guns and butter is off the table, the question remains, though, for how long. The Russian economy has become battle-hardened since the 2014 sanctions in response to Russia's illegal annexation of Crimea and has thus had plenty of time to get used to sanctions and find measures to soften the blow of renewed sanctions packages (van Bergeijk 2022). This is an important consideration in evaluating effectiveness, as I would argue that sanction fatigue and diminishing effectiveness over time hinder long-term sanction effectiveness.

‘Smart’ sanctions

An important factor to consider is the kind of sanction that is being utilised. In recent years, academic consensus held that targeted sanctions were more successful than broad wholesale sanctions. Targeted sanctions can be viewed as the “precision guided munitions of economic statecraft” (Drezner 2011, 96). They focus on targeting individuals, transactions, and commercial activities in such a way that conveys harm to the target (Smeets 2018), be it the inner circle of an autocratic leader, or shutting down the financial hub of a country. Smart, targeted sanctions are less likely to have negative spill-over effects on the general public of the targeted country as they are not party to the conflict, and avoid collateral damage (van Bergeijk 2022). However, targeted sanctions are no flawless tool of economic statecraft either, as the Russian system around President Putin is no longer reliant on the Oligarchs, or them necessarily being in line with the Kremlin. Targeted sanctions will, in this case, be less effective, because they aim for individuals, rather than the system that allows these individuals to act in the way the sanctioning country is trying to put an end to and are thus largely symbolic, which can be seen as President Putin as well as Sergei Lavrov, Sergei Shoigu and Valeri Gerasimov were all sanctioned by the United States on February 25th, 2022, and the war is nonetheless nearing its sixteenth month. Whether or not these smart sanctions are effective in this specific regard is contested, as it was pointed out that smart sanctions were useful in pushing the political leaders, to make them feel the same pressure that was being applied to ordinary Russians through the sanctions regimes applied after the annexation of Crimea in 2014 (Smeets 2018). However, in a later paper Van Bergeijk stated, “it is naive to think that financially hitting oligarchs and top officials represents a threat to President Putin.” (van Bergeijk 2022, 12). This point could be perceived as being in discord with Smeets’ argument that ‘smart’ sanctions were imposed to equalise the pain felt by both the general public and the elites (Smeets 2018). In this regard, I agree with Van Bergeijk’s point

that the ‘smart’ sanctions on Russian oligarchs have been largely ineffective, not only in driving them to push President Putin for an alteration in his strategy but even for them to condemn the war in Ukraine. Certainly, sanctions can have adverse effects, leading to the opposite of the senders’ intentions, such as pushing them to double down on what they know, rather than breaking with it (Smeets 2018). As few Oligarchs have publicly denounced Putin, this theoretical assertion appears to be confirmed.

Society

As previously mentioned, there needs to be a disclaimer that the Russian government is unlikely to be publishing anything giving the impression that it is losing its tight grip on Russian society. As Russian opposition politician, publicist, and economist Vladimir Milov notes that Putin fortified his apparatus for repression to disincentivise protests against his rule. Furthermore, he notes that Western expectations for his regime to crumble under the pressure of sanctions and other factors were unrealistic (Milov 2023). This is an assessment I share, and it is unlikely his chokehold on Russian civil society is going to loosen soon, as I will present in the following paragraphs.

Russia has become more autocratic since the war in Ukraine broke out as Putin consolidated his authoritarian personalist rule (Zavadskaya 2023), an effect that could in part be attributed to the sanctions imposed on Russia. In this regard, some observations were made that fit the image we are seeing from Russia today. As Escribà-Folch notes, “authoritarian rulers may modify their levels of expenditures and of repression when targeted to retain power.” (Escribà-Folch 2012, 704). This is a tactic Putin has often employed and one that is in many an autocrats playbook: the act of direct transfers to the voting base before an election, which in Putin’s case are the relatively less well-off (McGraw Olive 2023). As an election is coming up in 2024, this is likely to further depress Russia’s budget.

The story of ordinary Russians has become less reliable since the beginning of the war, as answering a question in such a way that is deemed unsatisfactory by the Kremlin might result in a hefty fine or even prison time in Russia (Guriev 2023). Nonetheless, the Russian political activist Aleksei Minaiilo put together a research project titled “Chronicles” which assesses Russian sentiments through independent polling. The project finds that of those polled, 50% said that they have been experiencing anxiety attacks since March 2022. 39% of those who responded reported a fall in their income, with 48% expecting a further deterioration of their financial situation. Here, it was not made clear whether the 48% are taken of the 39%, or whether it was a distinct question posed.

They report that 41% of the respondents concur that they were affected by the sanctions imposed on Russia. Among respondents who are more well-off, the impact of the sanctions is felt considerably less, with only 23% of the respondents reporting being affected. Again, it is unspecified whether these respondents come from the previous dataset. 10% of those surveyed expressed a desire to emigrate, while 21% of young people polled considered leaving Russia. As previously, it is unclear whether this group is taken out of the previous 10%.

In Chapter 8 they provide further details on the conditions faced by those polled, reporting that 52% of those who opted to answer their questions felt compelled to save when shopping due to inflation, as well as 50% of respondents, noting significant increases in their utility bills, as well as reporting a very salient 16% responding that they were unable to get important medicines, as they were no longer on offer (Minialo 2023).

These findings add to a specific picture of Russian society that is reeling from the impacts of a war that 42% of respondents even felt responsible for (Minialo 2023), as well as a stringent sanctions regime that is crippling the economy, while the government is likely going to shift

spending to key constituencies and the army. Using this metric, a clear picture emerges that shows that the sanctions are affecting Russia, beyond the scope of the economy. Interestingly, the European Council made it clear that the sanctions do not aim at Russian society, and that pharmaceuticals are not subject to the sanctions imposed (European Council 2023). This is in discord with the 16% of respondents in Minialio's survey and could be down to false statements by those polled or the European Council, or due to exporting firms being overzealous in their process of de-risking and imposing harsher than necessary restrictions on trading with Russia. This scenario could well be an unintended consequence of the sanctions regime; however, it would go beyond the scope of this thesis for me to evaluate the veracity of this specific figure or the reasons for it.

Another metric to get a clearer picture of the impact on Russian society that the war, as well as the sanctions, have had is the number of emigres as a separate figure. Some 500.000 Russians are believed to have left the country (Guriev 2023; Rutland 2023; Rácz, Spillner, and Wolff 2023), with the estimated number of unreported cases likely being higher. Certainly, many are indeed leaving the country to not be forcefully mobilised, which would be an effect of the war, not of the sanctions, but a large number is also leaving the country for economic reasons (Aronova 2022; Ernst 2023). It is relatively easy for Russians to move to countries like Georgia or Serbia, they can start anew in a different country that is not facing the same sanction-imposed constraints on its economy, something that points toward the sanctions having an effect.

This immense brain drain that Russia is now faced with is likely to diminish its productive potential and economic growth for years as young, talented and educated people flee Russia (Sonnenfeld et al. 2022). As they point out, this exodus out of Russia is due to the business retreats that occurred, which is most certainly a consequence of the sanctions imposed on

Russia (Sonnenfeld et al. 2022). At the same time, Russia has begun taking control of, and effectively nationalising Western companies, in a tit-for-tat move with Russian assets being seized in Europe and elsewhere (Seddon et al. 2023). This behaviour is likely to worsen the industrial location of Russia as a whole, further exacerbating the effects brought about by the sanctions. At the same time, it is a negative consequence for those Western companies being nationalised.

MAJOR FINDINGS AND CONCLUSION

Having assessed the framework of four channels to inform my evaluation of the effectiveness of the current sanctions regime on Russia, I arrive at the preliminary conclusion that the sanctions have been mostly effective while having been hindered by certain factors. The military channel is clearest in this respect. Procurement of sophisticated weaponry was made more difficult, and access to material for replacing and refitting equipment has been hindered through threats of secondary sanctions on countries aiding Russia. Still, some loopholes and gaps are yet to be closed, as certain countries are still allowing their firms to trade goods, such as electronics, with Russia.

The budget channel is assessed with the context of record incomes for the Russian state in 2022, which cast doubt on sanction effectiveness in this regard, however, the circumstances leading to this situation are unlikely to repeat in 2023, and the gas embargo of December 2022 is still taking effect, negatively affecting collected tax revenues. The budget deficit remains stable for the foreseeable period as the Russian Finance Ministry uses the NWF to finance it. The large number of business retreats have depressed growth figures and are likely to contribute to reduced tax revenues. However, this channel is difficult to assess due to untransparent data

emerging from Russia. Government spending remains high, and its focus on the military and social needs simultaneously is likely to clash eventually.

The 'smart' sanctions channel is being discussed with much attention, as the consensus remains that the targeted sanctions, such as freezing assets of Russian Oligarchs and imposing entry bans on Russian officials, are effective, however largely symbolic. It is thus, that in this case study, 'smart' sanctions are designated largely ineffective in actually achieving policy results.

Lastly, the society channel is my novel contribution to the field. I conclude by remarking that Putin is unlikely to lose his footing inside Russia, as his repression apparatus remains intact and strong. Polling suggests that some Russians are experiencing anxiety attacks, income decline, expect worsening financial situations, and wish to emigrate. These are aspects I tie back to the impacts of sanctions, as some respondents have noted, which allows me to conclude that the sanctions are affecting Russian society. However, as previously noted, these are the less humane side effects of broad sanctions regimes (Drezner 2011).

Considering all four channels jointly, with the military channel reporting modest success of sanctions, the budget channel some success with considerable hindrances of sanction evasion, the 'smart' sanctions channel reporting little to no success, and the society channel presenting modest success that is subject to caution in interpreting the figures, I argue that the effectiveness of sanctions in this case study does not provide a clear-cut answer. However, as the existing loopholes in the sanctioning regime will indubitably be closed over the coming months, and as Russia's troops are faced with more difficulties regarding sophisticated weaponry, I expect this answer to become clearer during the war in Ukraine.

This research did have its limitations in terms of scope and data access, nevertheless, I have attempted to provide reasoning for constructing a new framework and applying it to this specific case.

Lastly, I offer some avenues for further research on this topic. As I have mentioned, the society channel is still under-discussed, and some scholarship that can garner more reliable empirical findings in this regard would improve the usefulness of this framework.

Furthermore, a comprehensive overview of the unbiased effects on the Russian state and its revenue flows would provide much insight into sanction effectiveness, as the economic aspect is perhaps easiest to grasp.

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