AN ASSESSMENT OF THE EUROPEAN UNION SANCTIONS ON THE RUSSIAN FEDERATION

BY

JOSEPH EMMANUEL DANQUAH

(10091122)

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JULY, 2015
DECLARATION

I hereby declare that except for the references to other people’s work, which I have duly acknowledged, this dissertation is entirely as a result of my own original research conducted under the supervision of Dr. Boni Yao Gebe, and that no part of this work has been presented for another degree in the university or elsewhere for any purpose.
DEDICATION

This work is dedicated to the millions of civilians who have lost their lives as a result of conflicts and wars in the international system. May their souls rest in perfect peace.
ABSTRACT

The ability of sanctions to act as a deterrent has been a major subject of interest in international politics. Sanctions on sovereign states have failed to act as a deterrent in most cases, as cost of compliance have often overridden cost of non-compliance. The main objective of this study is to identify the role of transnational actors in shaping the various actors in the international system, identify what led to the imposition of sanctions, to know the nature of the EU sanctions, and examine its impact on both the Russian Federation and the EU. The Study also examines the initiatives Russia has embarked upon in response to the EU sanctions and restrictive measures. The qualitative method was used in this study with secondary data mostly being analyzed. The study established that the sanctions on Russia have not deterred Russia from supporting pro-Russian states of Donetsk and Luhansk, in what it refers to as a humanitarian mission, informed by core Russian foreign policy objectives. Some findings made are that the sanctions have augmented tensions between the west, the EU and the Baltic states. The study established that the sanction on the shale oil production was counterproductive, as it affected the EU far more than Russia. Furthermore, Russia still supplied to the EU on existing contracts with major energy companies within the period of assessment. The counter sanctions by Russia on some agricultural products also have affected the EU, since Russia is the largest importer of EU agricultural products. The researcher recommends, based on the findings of the study that the sanctions on shale oil production, and major petroleum companies like Gazprom must be lifted immediately as the cost of compliance by the sanctioned is far lesser than that of non-compliance. The sanctions have not led to compliance as the very purpose for which it was imposed, (annexation of Crimea and support of pro-Russian states) have not been reversed. In order for sanctions to be effective, trans-national actors must conduct a robust risk assessment before imposing restrictive measures. Where the cost of convergence is greater than divergence, the sanctions is most likely not going to act as a deterrent.
ACKNOWLEDGEMENT

This work could not have been possible without the guidance of the Holy Spirit. I therefore owe my greatest gratitude to the Almighty God for helping me discern and bringing me this far. I would also like to thank my parents Mr. and Mrs. Agnes Danquah for all the support throughout the period of my education. This work could not have gotten to this level without the supervision of Dr. Boni Yao Gebe. I extend my profound gratitude.
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<tr>
<td>CIS</td>
<td>Commonwealth Independents States</td>
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<td>CFSP</td>
<td>Common Foreign and Security Policy</td>
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<tr>
<td>CSDP</td>
<td>Common Security and Defense Policy</td>
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<tr>
<td>ESS</td>
<td>European Security Strategy</td>
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<td>EU</td>
<td>European Union</td>
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<td>NIS</td>
<td>New Independent States</td>
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<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<td>BTU</td>
<td>British Thermal Unit</td>
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<td>CNPC</td>
<td>China National Petroleum Company</td>
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<td>WTO</td>
<td>World Trade Organizations</td>
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<td>GIC</td>
<td>Gross Inland Consumption</td>
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<td>LNG</td>
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CHAPTER ONE
RESEARCH DESIGN

1.1 Background to the Study

The European Union imposed sanctions on the Russian Federation, following the annexation of the Crimean Peninsula through a referendum supervised by Russia, and the subsequent alleged involvement of Russia in the Ukrainian conflict. This event caused much controversy and was condemned by some world leaders, as well as the North Atlantic Treaty Organization (NATO), as an illegal annexation of Ukrainian territory. These groups accused Russia of acting in contravention of the signing of the 1994 Budapest Memorandum on its sovereignty and territorial integrity. However, the Russian government, through the Foreign Minister, Sergey Viktorovich Lavrov, denied such allegation on the basis that the people of Crimea voted through a referendum to be annexed to the Russian Federation and for that matter the referendum was legitimate. Restrictive measures including the freezing of assets and visa bans were later imposed on the Russian Federation by the EU following Russian foreign ministry’s declaration to support pro-Russian states in Ukraine if the Ukrainian government attacks Russian civilians in the region.

The EU sanctions includes visa bans, asset freezes on some Russian companies, and an arms embargo and require member states to prohibit the sale, supply, transfer or export of arms and related materials of all types. Furthermore, the sale, supply, transfer or export of dual-use items for military use or to military end users in Russia is prohibited. Again, the sale, supply, transfer and export of certain sensitive goods and technologies should be prohibited when they are meant for deep water oil exploration and production, artic oil exploration and production or shale oil projects. This directive further prohibits the direct or indirect sale, transfer or export of arms of all types, including weapons and ammunitions, military vehicles and equipment,
paramilitary equipment, and spare parts to Russia by nationals of the EU member states or from the territories of member states using their flag vessels or aircraft.

The EU sanctions against Russia over the crisis in Ukraine are affecting Russia as well as affecting some big European companies like the German automobile industry, which export significantly to Russia. According to Yenchuk, the EU receives 30% of its gas from Russia with 15% through Ukraine. Up till December, 2014, 60% of Kiev’s building remained without heat due to the dissolution of the gas deal. The effects of the sanctions on the European Union cannot be left out. In view of this situation, the impact of the sanctions have begun to take effect as the Russian Federation has adopted measures to combat the sanctions which have affected the value of its currency, and key sectors of its economy. Against this background, the study assesses the significance of these sanctions on both Russia and the EU member states, and whether these sanctions will eventually deter Russia from supporting the secession of pro-Russian dominated states of Donetsk and Luhansk in Ukraine.

1.2 The Statement of the Research Problem

In order to be able to assess or measure the effectiveness of all types of sanctions, their objectives must be looked at first. All sanctions measures have objectives which could be, to reform, to satisfy public opinion or serve as a preventive measure. Several scholars have written on political sanctions and their general implications on target states. Other scholars have written on the implications of such sanctions on third party states and yet a few have written on the legal lapses in sanctions. Much have not been written on why sanctions, specifically economic sanctions do generate immediate retaliatory response from target states. The sanctions have affected EU-Russia trade relations and politics in that precinct. This study will focus on what led to the imposition of sanctions, the response by the Russian Federation since the imposition of sanctions, and the implications of these sanctions in
international politics. This study therefore examines this gap and contribute to knowledge in that precinct.

1.3 Objective of the Study

The main objective of this study is to identify the role of inter-state actors in shaping the various actors in the international system. This will help to establish how the inter-state actors influence the various actors in the international system. This topic is very important because the efficacy of sanctions to be used as a tool to shape actors in the international system have been a major debate in international politics. One significant aspect of the study is that it will highlight the impact of sanctions on both the sanctioning party (in this case the EU) and the sanctioned (Russia).

1.3.1 Specific Objectives

i. To identify what led to the imposition of sanctions.

ii. To know the nature of the sanctions and its impact on the Russian Federation.

iii. To examine the initiatives and strategies the Russian Federation has embarked upon in response to the EU imposed sanctions, and to analyse the repercussions of the sanctions on the EU and international politics.

1.4 Scope of the Study

This study focuses on what led to the imposition of sanctions, the response by the Russian Federation since the imposition of sanctions, and the implications of these sanctions in international politics. This assessment will focus on the implications of the sanctions in EU-Russia trade relations within the first year after the imposition of sanctions, and its implications on EU-Russia politics.
1.5 Rationale/ Justification of the Study

The sanctions on the Russian Federation by the European Union have affected both the Russian Federation and the European Union. Sanctions are generally imposed to act as a deterrent but some scholars and experts argue that sanctions do not always serve the purpose to which they were imposed. This study seeks to understand the sanctions on the Russian Federation, her response to the sanctions, and its implications on both Russia and the EU.

1.6 Hypothesis

The sanctions will not deter Russia from supporting the secession of pro-Russian States in Ukraine.

1.7 Research Questions

1. What are the primary causes for the imposition of sanctions on the Russian Federation?
2. What have been the responses by the Russian Federation after imposition of sanctions?
3. What have been the impact of the sanctions on both Russia and the European Union?

1.8 Theoretical Framework

This research is guided by the theory of offensive realism. The key proponent of this theory is John Mearsheimer. Mearsheimer’s theory of offensive realism, another variant of structural realism, asserts that the structure of the international system compels the state to maximize its relative power position. He agrees with other structural realists that self-help is the basic principle of action, but emphasizes that all states do possess some offensive military capability. ‘International Institutions therefore do not play a significant role in international politics as states do seek to accumulate power for hegemonic aspirations.’ However, since there is a great
deal of uncertainty about the intentions of other states, Mearsheimer argues that there are no status quo states since all states are searching for opportunities to gain power at the expense of the other. According to him, the best path to peace for great powers states is therefore the accumulation of more power for hegemonic aspirations, but since this isn’t feasible, the world is condemned to perpetual great power competition.\(^5\)

Unlike offensive realism which asserts that self-interest will prevent the possibility that ideas, norms or values might shape the behaviour of actors in the international system, constructivists counter this argument. According to constructivists, intersubjective shared ideas do shape behaviour by constituting identities and interest of actors. Robert Koahene, a key proponent of this theory, argues that states do not always have conflicting interests; they often have convergent interests and realize that they can cooperate in ways to improve their lives. ‘Nevertheless, if states could not necessarily trust each other to abide by their agreements, then they could construct international institutions to discourage cheating and encourage compliance and cooperation.’\(^6\) Thus, constructivism states that international institutions can perform various functions that help states to cooperate. They can clarify the nature of agreements, make state behaviour transparent, monitor compliance, and publicize cheaters.

Offensive realism is particularly significant in this study because it explains Russia’s response to the EU sanctions, which includes the deployment of its military to strategic positions in the Ukrainian region, the signing of significant trade pact with states like China, and its continuous defiance to further threats of multilateral sanctions by influential states like the United States. The pursuant of Russia’s relative interest as characterised by its foreign policy decisions which has not changed, and her national interest which is still guarded by its security interest does not draw far from the offensive realist’s debate.
1.9 Literature Review

Sanctions are generally evaluated by scholars in terms of their effectiveness in altering undesirable state behaviour. It is therefore imperative to assess the impact of sanctions on sanctioning parties or states as well as the internal or domestic politics of the target state. This review will focus on the effect of sanctions on sanctioning parties, the sanctioned party and other issues such as foreign policy and the role they have played.

Robert Huseby in his writing ‘When do Imposed sanctions Work’ lay emphasis on the need to weigh the consequence of sanctions before sanctions are imposed. Here, Huseby discusses the gap between the threat of sanctions and the decision to execute sanctions. If the threat of sanctions does not deter the target state, it is most likely the sanctions will also not act as a deterrent. According to the author, sanctions therefore tends to be effective under certain conditions such as where it is unilaterally imposed, thus without the involvement of other parties or states. Again, where a friendly relationship exists between the sanctioning state and target state, sanctions could act as a deterrent. Another analysis brought to light in this literature is that sanctions could arise defiance against sending parties, but also cause protest among in target states. The debate that sanctions could cause protest against the political leadership in the target state, patriotism, and popular support for the regime is discussed in this literature. In many cases the latter effects outweigh the former, with the result that resistance to sanctions is reinforced rather popular support for the regime reduced.

Blanchard and Ripsman in their literature ‘Asking the Right Questions; When do imposed Economic Sanctions Work?’, attempts to define conditions under which sanctions do work without countering the arguments above, asserts that the effectiveness of sanctions depends on the balance between the political costs associated with compliance and non-compliance. ‘If non-compliance implies high political costs, the target is likely to yield unless compliance is
even more costly politically. This view is noteworthy as it is demonstrated in many sanctions although in some cases the target state diverts some of the political cost to the population and other sectors of the economy. However, this is not always the case as some sanctions that implies high political costs rather leads to low compliance as seen in the EU sanctions.

Robert Donaldson and Joseph L. Nogee in their analysis, make a case for how Russia’s foreign policy in the post-Cold War era, specifically after the 1990s, has been a continuation of policies pursued by Tsars and commissars in the past, and how such inherent traits have characterized Russia foreign policy decisions. According to him personalities, personalities of Heads of State and the absence topographical boundaries have informed Russia’s foreign policy decisions. The authors also make a case that Russia’s Foreign Policy is largely dominated by its domestic policy which to a large extent, have influenced its Foreign Policy decisions. Other factors the authors make mention of are Russia and the ‘West’, Russia and the Near Abroad and Russia and the non-west and how these relations do influence its foreign policy decisions. This is significant to the study since it identifies the gap between foreign policy decisions and factors influencing its decisions.

Leonard, Mark, and Popescu Nicu assess the relationship between Russia and the EU, whiles branding Russia as the most divisive issue in the European Union. The authors cite the signing of oil and energy deals with individual EU countries as undermining some core principles of EU strategy. Ideological differences to sovereignty, power and world order is also said to have accounted for such wide gaps in EU-Russia relationship. For example, whiles Moscow believes that laws are mere expressions of power, and when balance of power changes, laws must also change, the EU believes that stability and peace depends on interdependence between the two. Thus, the author makes a case that Russia is pursuing a relationship characterized by asymmetric interdependence with the EU whiles the EU continues to make
claims that peace and stability must be based on interdependence between the two. On the issue of Russia deliberately pursuing a relationship of asymmetric interdependence, the position of the authors is debatable. In the international system, although nations do strive to cooperate to attain a win-win situation, the case of relative gains do differ. Thus, Russia’s relative gains in any form of cooperation in its relationship with the EU may at some point be indeed disproportionate with core EU principles or strategy and vice versa. This alone will not suffice to make claims that Russia is deliberately pursuing an asymmetric relationship with the EU in what could be likened to a win-lose situation.

However, the literature examines the relationship between Russia and the EU by defining the relationship with five key groupings within the EU. These are namely what the authors refer to as the ‘Trojan horse’ (Cyprus and Greece) who defends Russia’s interest within the EU; Strategic Partners (France, Germany, Italy and Spain) who have a special relationship with Russia which undermines common EU policies; Friendly Pragmatist (Austria, Belgium, Bulgaria, Finland, Hungary, Luxemburg, Malta, Portugal, Slovakia and Slovenia) who maintain friendly relations with Russia and tend to put their business interest above political goals; Frosty Pragmatist (Czech Republic, Denmark, Estonia, Ireland, ; Latvia, Netherlands, Romania, Sweden who also focus on business interest but are not afraid to speak up on Russia’s behaviour on human rights and other issues; and finally, the New Cold Warriors (Lithuania and Poland) who have overtly hostile relationship with Moscow and are willing to use their veto to bloc EU negotiations with Russia.9

These two approaches in each of the five groups mentioned above, tend towards one of the main policy paradigms, a potential paradigm through the process of ‘creeping integration’ favour Russia in many institutions, and encourage investment in the EU energy sector. On the other hand, EU member states who see and threat Russia as a threat claim that Russia’s
expansionism and contempt for democracy must be rolled back through the policy of soft containment that involves excluding Russia from G8, expanding NATO to include Georgia, supporting anti-Russian regimes in the neighbourhood, building missile shields, developing an energy NATO and excluding Russian investments from the EU energy. This, according to the authors, will give Russia access to all benefits of cooperation with the EU without demanding that it abides by stable rules. Adopting a policy of open hostility on the other hand will make it hard for the EU to draw on Russia’s help to tackle a host of common problems in the EU neighbourhood and beyond.

This assessment is noteworthy since open hostility could account for more problems in the areas of cooperation and trade. Nevertheless, on the issue of expanding the support for anti-Russian regimes, and building missile shields, and excluding Russian investment from EU energy, its effect could be colossal and draw the current situation out of hand. Such policies of containment will not be feasible with the current disposition of power in the international system, as well as the relationship Russia has developed with some EU member states. The influence of the Trojan horse, strategic partners, and the frosty pragmatist will makes such measures practically unfeasible.

A study conducted by Magaret Doxey examines the efficacy of international coercion by addressing the question of whether authorized international sanctions have a stronger compulsive force than other collective measures. According to Doxey, coercion must produce the desired results from individuals or groups to which it is directed. 'It is most economical where a threat is adequate to constrain behaviour; most expensive when the threat has to be implemented'.\textsuperscript{10} This literature is relevant to this study because it examines and makes an attempt to analyse conditions that will make economic and political sanctions economically feasible. Thus, the gap between what can lead to compliance by target state or non-compliance
are examined to weigh the ability of the sanctions to act as a deterrent. Two key factors that
the author makes emphasizes on non-participation and non-implementation. The non-
participation or partial participation of some members of the sanctioning body can cause
international sanctions of censure and coercion such as travel bans, severing of diplomatic
links, and economic and financial embargoes to lose its efficacy. For example, the author cites
that the non-participation of South Africa in the UN sanctions against Rhodesia left a huge gap
in the sanctions front, undermining the ability of the sanctions to act within the capacity to
which it was imposed.\textsuperscript{11} This assertion may be true at the regional level, although here, a
dominant power outside the region may be able to influence the situation, as in the case of the
United States. Nevertheless, such influence is most likely to be counter-productive since its
effect will not necessarily affect the sanctioned state only. For example, Russia could make
use of its business interests in the EU region to pursue an asymmetric relation with some EU
member states, because it can deter further sanctions, minimize the impact of existing ones, or
eventually lead to the lifting of sanctions. Therefore, although the influence of another
dominant regional power with supra-regional influence may slow this process, its impact could
be counter-productive.

On the issue of non-implementation, the author asserts that where there is an alternative system
within which the target can identify, the decision to implement sanctions must be slowed down.
However, where core values are under attack, there may be no disposition to bend, and lesser
values safeguard for their sake. The persuasive force of a sanction will be related to the value
the target places on the system and repercussions of non-conformity.\textsuperscript{12} This position is
noteworthy and affirms the differentiated impacts of sanctions on the response of target states.

Andreas Goldhau and Tim Boersma write on the Russian / EU situation and its implication for
regional and global energy market. Their analysis brings insights on why the EU member states
may not benefit from a (geopolitical energy paradigm) which could be potentially hazardous. Thus, a potential shift from the EU’s reliance on energy importation from Russia to other regions such as North Africa and the Caspian regions could be potentially hazardous for the EU. They question how such a geopolitical shift could question the viability of any multi-lateral arrangements that have emerged over the past decades. Their study indicates that the EU gas market is not ready as some parts of the continent are poorly integrated and natural gas cannot freely flow through scattered nations. For example, Bulgaria and Slovakia’s regulation of energy prices coupled with Hungary’s re-nationalization of its gas sector about no room for western companies. This position is significant because the current sanctions does affect EU markets which is the highest importer of Russia’s energy, particularly coal, Gas and electricity. The EU’s quest to find an alternative market for Liquefied Natural Gas (LNG) will not enhance EU gas supply security, nor lower gas prices in their countries.

1.10 Sources of Data

Both primary and secondary sources will be used to collect data for this research. Secondary data will be collected through journal articles, books and relevant literature on sanctions, the EU and Russia.

1.11 Limitations

This was not undertaken without encountering any form of challenges. The limitation of this study was the collection of both primary and secondary data and the nature of variables chosen. For example, planned interviews at the Russian Embassy and the European Commission was not granted within the scheduled time. Also, since the sanctions targeted various industries with specific restrictions on each sector, collecting relevant and credible data was time consuming.
This is because secondary data had to be verified and confirmed, before any form of interpretation and analysis was done.

1.12 Research Methodology

The Qualitative research methodology will be used. Some unstructured interviews will be conducted with diplomats at both the Russian Embassy and the European Union Commission in Ghana.

1.13 Arrangement of Chapters

This study is presented in four chapters. Chapter one constitutes the research design. Chapter two of this study deals with the effects of the sanctions on the European Union and Russia’s Trade Relations. Chapter three examines and analyses the response by Russia and its implications for EU-Russia politics. This is followed by chapter four which deals with the summary of findings, conclusions and recommendations.
Endnote


8 ibid pp.46
9 ibid pp. 48


12 ibid pp. 48-51
13 ibid pp. 56
14 ibid pp. 58
CHAPTER TWO
THE EFFECTS OF THE SANCTIONS ON EUROPEAN UNION AND RUSSIA’S TRADE RELATIONS

2.0 Introduction

The objective of this chapter is to review EU-Russia Relations, and discuss how the sanctions have affected these trade and political relations between the two blocs. EU and Russia’s relations is characterized by political, economic, security and trade in various sectors of cooperation.

2.1 A Review of EU-Russia Relations

There are some states within the EU who view Russia as a partner for integration and advocate for cooperation in key sectors of political, Trade and Investment, and Energy Infrastructure, even if Russia does not conform to all international obligations and treaties. Such states does include Cyprus and Greece who defends Russia’s business interest in the EU. There are another set of EU states who have developed hostile relations with Russia after sanctions. They posit that Russia’s involvement in Crimea and Ukraine is an indication of Russian expansionism and contempt for democracy. Such states have largely advocated for tougher measures to be put in by the EU to counter this supposed threat by the Russian Federation and called for the EU to extend its partnership beyond Russia in key areas of trade and Investment, Energy infrastructure and political cooperation. These states includes Lithuania and Poland who have openly hostile relationship with Russia and are willing to use their veto to bloc EU negotiations with Russia by supporting anti-Russian regimes, and advocating for the exclusion of Russian investment from European energy sector. Others include, Belgium, Bulgaria, Finland, Hungary, and Slovakia who tend to put their business interest above political goals, and Latvia,
Netherlands and Romania who also pursue their business interest with Russia, whiles openly criticizing human right abuses.\textsuperscript{15}

The Eastern Europe and the Baltic States have further complicated Russia’s relations with Europe after imposition of sanctions. Poland and Lithuania are using the sanctions as a leverage to alter perceived Russian influence in their affairs and to use their status as EU and NATO members to help cement the independence of neighbouring Belarus, Moldova, and Ukraine (as well as Georgia). These impinge on what Russia perceives as its zone of influence in Eurasia and they contradict core Russian core foreign and domestic policy goals of exerting its influence and cementing its trade and business relations in the region. Again, tensions with Estonia and Latvia, especially, over alleged discriminatory treatment of ethnic Russians and Russian-speakers in those countries has been another persistent problem that have created tensions in their relation with Russia overtime. Nevertheless, these nations rather focus on their business interest with Russia so their relations with Russia is guarded by business interest, but do not compromise on human rights. Trade between these states have therefore not been much affected after imposition of sanctions.\textsuperscript{16}

\subsection*{2.1.1 Energy Infrastructure}

Although the sanctions did not initially target the energy sector directly, it has been affected in one way or the other. This is because the sanctions had placed a ban on financing and exports of innovative technology to Russian oil companies, and on shale production.

The impact of the EU sanctions on EU-Russia trade relations cannot be discussed without a brief overview of the prevailing conditions in this sector prior to the imposition of the sanctions. Russia had been an important trade partner to the EU, with a large and expanding market that has been a traditional destination for exports for many EU member states. Russia was the EU’s
third-largest trading partner after the US and China, and the EU, Russia’s largest. Trade between the EU and Russia grew rapidly until 2008, when mutual trade reduced significantly as a result of the economic crisis. The EU’s trade with Russia was worth almost 270bn euros in 2012, which is significantly over US-Russia trade and Russia–China trade. The EU was the main importer of Russian energy resources and Russia was the biggest supplier of natural gas and main exporter of crude oil products to the EU.

On the side of the EU, it gets most of its energy from fossil fuels. In 2013, the EU imported over half of its energy and is heavily dependent on Russia as its leading supplier of fossil fuel (31% of gas, 26% of coal and 32% of crude oil imports). The EU imports over half of its energy particularly coal, oil, gas, electricity generation, and renewable energy. Energy is used in the following four primary sectors: electricity generation, industrial, transportation, and commercial purposes.

The usage of Russian generated energy within the EU member states prior to the sanctions did vary in the various sectors. In 2010, EU member states used 279.97 terawatt hours of solid fuel energy, 617.09 terawatt hours of oil energy, 441.80 terawatt hours of gas energy, 236.53 terawatt hours of nuclear energy, and 172.14 terawatt hours of renewable energy as computed by total Gross Inland Consumption. Europe as a continent used 23 million British thermal units (BTUs) per person the same year. Russia was a traditional source of fuel supply for the EU because it had the largest proven supply of natural gas reserves. In contrast, the EU member states had much lower natural gas production, which had been gradually declining due to exhaustion of natural resources and uneconomical potential for production. The EU was importing approximately 64% of its natural gas. In 2012, Russia accounted for 34% of the EU’s natural gas imports and about one quarter of its total supply.
In 2012, Gazprom, the largest exporter of Russian natural gas produced 74.4% of Russia’s natural gas supply and 13.6% of worldwide natural gas to EU member countries. With regards to natural gas trade, ‘Russia had categorized former Soviet states on its borders, including Belarus and Ukraine, as part of Russia’s “sphere of privileged interest.”’ Russia has used its dominant energy position and existing transmission infrastructure to its political and economic gain in that precinct. However, the former will be further discussed whiles examining the effect of the sanctions on EU-Russia political relations and Russia’s defence industry.

The sanctions have both undermined and fostered cooperation between the EU and Russia on various sectors of EU-Russian trade relations. These sanctions have impacted in the areas of Economic (Finance, Investment and Industry), Political and Security Industry and Energy Infrastructure.

### 2.2.0 Effects of sanctions on Energy Infrastructure

The sanctions on the energy sector prohibits the exports of certain energy-related equipment and technology to Russia which are subject to prior authorization by competent authorities of member states. Also, the sanctions stipulates that export licenses will be denied if products are destined for deep water oil exploration and production, arctic oil exploration or production and shale oil projects in Russia. Again, per the sanctions, services necessary for deep water oil exploration and production, arctic oil exploration or production and shale oil projects in Russia may not be supplied, for instance drilling, well testing or logging services. These restrictions are in itself by interpretation very conditional were not explicitly defined by the EU. This means that despite these restrictions prohibits further shale oil projects but does not put any restrictions on existing contracts or oil and gas transmission itself.
Energy is the most influential and significant defining factor when it comes to EU - Russian relations. Bilateral agreements with Russia have undermined the EU’s ability to secure key policy goals. In the energy sphere, Russia’s deals with Italy, Austria, Hungary and Bulgaria about pipelines and gas storage facilities. Ukraine, until the current crisis, relied on Russia for half its gas supplies, until Russia cut off gas supplies in June due to non-payment. Some EU member states such as Slovakia takes all their gas from Russia. In total, Russia supplies 23% of the EU’s gas. Russia’s supply lines run through Ukraine to several EU countries, and as much as 70% of its gas to the EU is carried through those pipes. As discussed earlier, prior to the imposition of sanctions Russia had enough leverage in this sector with regards to its energy trade with the EU. Germany gets more than 30% of its oil and gas from Russia. Italy is also highly dependent on Russian energy and some of Russia’s former Soviet bloc neighbours rely hundred percent on its gas deliveries.\textsuperscript{21} The EU’s trade with Russia, which is worth nearly 270bn euros in 2012 dwarfs US-Russia trade. This section will therefore discuss how the sanctions have affected the EU-Russia energy relations in that precinct. The sanctions prohibits the direct or indirect provision of services necessary for deep oil exploration and production, artic oil exploration and production, or shale oil projects in Russia, including drilling, well testing, logging and completion services, and supply of specialized floating vessels. It therefore targets Russia’s long-term oil and gas deals and future projects.

The imposition of sanctions has led to the abandonment of the South Stream pipeline project. Gazprom’s planned South Stream pipeline to be channelled under the Black sea would have bypassed Ukraine, resulting in more secure supplies to countries such as Bulgaria, Italy, and Austria. This project which would have benefited these countries have been abandoned as Russia is negotiating an alternative route via Turkey. This is a major loss to the European Union as finding an alternative energy transmission from alternative sources is relatively expensive to the smaller EU states. The sanctions have drawn Russia to alternative energy partners,
namely Turkey and China. In May, 2014, Gazprom and China National Petroleum Cooperation (CNPC) signed a 30-year, $400 billion gas pact, a landmark arrangement which does undermine the potency of the sanctions to affect Russia’s energy sector in the long term. China National Petroleum Co-operation (CNPC) has agreed to buy 10 percent of Vankorneft, a Rosneft subsidiary, which operates the lucrative Vankor oil field. As the Financial Times noted in September, the deal represents a stunning change in strategy. In the past, Russia brought in a foreign energy company only if it needed technology. For Vankor, Russia has all the expertise it requires, as the field is already in production.

Recent analysis shows that Russian energy exports are continuing rapidly, and in some areas, even increasing. The first example is coal. Despite sanctions, Russian coal is moving at higher volumes to the European countries most dependent on the cheap fossil fuel for home heating. German coal imports are the highest since 2006, as importers take advantage of a lower ruble and lower oil prices. Germany imported over 12 million tonnes of coal from Russia after sanctions in December 2014, despite the country's reputation as a leader in renewable energy, symbolized through “energiewende”, the much-lauded plan to switch Germany from nuclear power and fossil fuels to renewables. Germany still gets about half of its electricity from coal, with the other half coming from natural gas and nuclear. Currently, about a third of German coal comes from Russia; in addition, Germany imports about 25 billion cubic meters per year. Other countries such as Poland is the second-biggest consumer of Russian coal behind Germany. Ukraine, whose territory Russian natural gas must cross in order to reach its destination in Europe has quietly been buying Russian coal. In December, 2014, Ukraine bought 50,000 tons of Russian coal.

The sanctions on the energy sector have not significantly affected the supply of energy to EU states, although the sanctions does target Russia’s long term oil and gas operations and future
projects including pipelines, and offshore drilling. The only area in the energy sector where the sanctions have had considerable effect is oil and gas exploration. ExxonMobil, which over the past two years has been collaborating with Russia’s largest oil company, Rosneft, to conduct exploration and research in the Black Sea and Arctic Ocean through Bulgaria, as well as onshore in western Siberia have been greatly affected by sanctions. The long-envisioned South Stream pipeline that would have carried Europe-bound Russian gas underneath the Black Sea and Arctic Ocean through Bulgaria, was abruptly cancelled in December.

2.3 Trade, Investment and Industry

The EU resolution adopted in July 2014 to impose sanctions on Russia have affected trade and investment between the EU and Russia in several areas. Some major sectors of trade and investment between Russia and the EU that have been affected by the sanctions are, the Financial and investment sector, and Automobile industry.

2.3.1 Banking, Finance and Investment

The sanctions prohibits EU nationals and companies from buying or selling new bonds, and equity or similar financial instruments with a maturity exceeding 30 days. These companies are also prohibited from buying or selling new bond issued by five major state-owned Russian banks, their subsidiaries outside the EU and those acting on their behalf or under their control.

The sanctions are also having some effects on the financial sector. On December 16, 2014, the rouble’s value dropped 20%, trading at a record 80 roubles. The Central Bank of Russia raised interest rates by 6.5 percentage points from 10.5% to 17% in attempt to stop a fall of the currency. While the rate increase seemed futile, the rouble subsequently staged its biggest weekly rally in 16 years, as Russian companies scrambled to meet tax deadlines bought the currency and the Russian government mandated that exporters convert foreign exchange
revenues into rubles.\textsuperscript{25} The rouble loss of 41\% of its value against the dollar in December 2014, the worst performance among currencies of the world’s largest economies, was as a result of the sanctions. Also the Russian Trading System index dropped 45\% in 2014, the worst performance of any major equity. Russia is experiencing capital flight, stock prices have gone down, some investors have fled the country and the rouble has also depreciated. According the World Bank report in 2014 on the Russian economy had been stagnant in its baseline scenario.

According to Liza Ermolenko, an emerging-markets economist at research company Capital Economics, “the perception of Russian banks has been affected and they will struggle to find people who want to lend to them at decent rates.”\textsuperscript{26} Nevertheless, these major Russian banks that sanctions do affect are being financed by the Russian government. For example, VTB Bank, Russia’s second largest lender by assets are being financially supported by the Russian government. This bank which is 60.9\% -owned by the government, in September received a 214 billion ruble boost when the government converted earlier loans from another state bank into capital. Although the sanctions initially led to a local job cut in the bank, the international arm of VTB’s investment-banking unit VTB Capital announced in October, 2014 that the revenue numbers in both percentage terms and absolute terms for international business was going up. Again in September, another bank the sanctions targeted OAO Sberbank attracted over 200 investors at London for investment in Russia. In October, 2014, the EU officials predicted that sanctions combined with soaring oil prices will reduce Russia’s growth rate by June 2015 by 1.1 percent.\textsuperscript{27} This have however not been materialized.
2.4 Industry

2.4.1 Automobile

The sanctions have also affected various industries including the automobile, agriculture, and defence industries. This section will therefore examine the impact of the sanctions on these sectors.

The sanctions have affected the German automobile industry within the one year of assessment. In July, 2013, German exports to Russia amounted 38bn euros (£30bn; $51bn) the highest in the EU. Between July, 2014 and June, 2015, about 35 percent fewer cars have been imported to Russia than in the previous years. Large car manufacturers such as Volkswagen, BMW and Daimler have been affected by the sanctions in Russia. The consulting firm PricewaterhouseCoopers have said that the industry turnover in Russia is expected to be only around 1.52 to 1.75 million vehicles. That would be a decrease by 25 to 35 percent. Last year, sales had declined by ten percent to 2.34 million cars. Since the outbreak of the conflict in Ukraine and due to the economic sanctions against Russia imposed by the EU. The sanctions are therefore significantly affecting Germany’s automobile companies. Russia’s automobile market have contracted by 12 percent almost a year after sanctions. The embargo on car imports have not just affected the EU, especially German automobile industry but it’s been forecast that Russian economy could lose up to 1.4 billion euros if local automobile industry is not bolstered.

2.4.2 Agricultural Industry

The sanctions here are having effects on both Russia and some member states of the EU in the Agricultural sector. The agricultural sector has really been affected as a result of the EU sanctions on Russia. According to the European Commission, the EU’s agricultural food
exports to Russia stood at €11,864 million, accounting for 10% of total EU agri-food world exports before the embargo was imposed. This made Russia the second most important destination for EU agricultural products. The food ban affects a value of EU 5.2 billion.\textsuperscript{30} Economic damage is most severe in the perishable products sector as harvest was going for many fruits and vegetables when the Russian food ban entered into full force.

The retaliatory measures adopted by the Russian Federation which decreed a ban on agricultural products and foodstuffs from the EU and other countries like Norway and Canada on the 6\textsuperscript{th} August 2014 for one year has greatly affected the EU. The ban which includes vegetable and fruit bans, dairy products and meat have affected Lithuania, Cyprus, Spain (Fruit and vegetables), Belgium (fruit and meat), Greece, Denmark, Estonia, Finland and the United Kingdom. Countries potentially worst affected in terms of absolute value are Lithuania (EUR 927 million), Germany (EUR 595) and Netherland (EUR 528).\textsuperscript{31} Overall, Nordic and Baltic states are particularly exposed to both the potential backlash of EU-imposed sanctions. Again producers are suffering even more from income losses due to falling prices on the internal market as banned agricultural products are offered for domestic use.

\textbf{2.4.3 Defence Industry}

The EU sanctions prohibits the exports of dual use goods and technology for military use in Russia or to Russian military end-users, including all items in the EU list of dual use goods. Export of dual use goods to nine mixed defence companies was also banned. The EU restrictive measures targeted the defence industry by means of blacklisting Russian ‘dual-use’ technology manufacturers. The embargo includes a prohibition on the sale, supply, transfer or export of arms and related material of all types, including weapons and ammunition, military vehicles and equipment, paramilitary equipment and spare parts. It also includes a prohibition on the provision of financing and financial assistance and technical assistance, brokering services and
other services related to military activities and to the provision, manufacture, maintenance and use of arms and related materiel of all types. The ban also placed a restriction on the import and exports of arms from Russia although it excludes existing contracts. The EU applies arms embargoes to stop the flow of arms and military equipment to conflict areas or to regimes that are likely to use them for internal repression or aggression against a foreign country. The goal of the EU in imposing an arms embargo on Russia was therefore to deter it from supporting the rebellion in Ukraine. Although Russia had continuously denied this allegation the EU sanctions is aimed at preventing any act of aggression by Russia in that region.

Since the EU arms embargo did not target existing contracts, the Russian defense industry has not been significantly affected by sanctions. Despite the sanctions, France delivery of two Mistral-class amphibious assault carriers to the Russian navy in 2014 and 2015 went through, although NATO allies had tried to convince French officials to terminate the 1.2 billion euro contract signed by France and Russia in 2011. Russia is not a major market of military equipment from EU states; the Mistral deal is by far the largest deal. The EU is not a significant market for Russia arms as it receives most of its supply from NATO. Furthermore, more than 60 percent of Russian exports go to India, China and Algeria. Although Russia exports about $3 billion worth of arms annually to the EU, most of it is only used to service old-Soviet hardware. Moreover, since the EU arms embargo did not target existing contracts, the sanctions have not served the very purpose for which it was imposed. Again, the allegations that some ammunition that were recovered from captured rebels could not be linked to the Russian government as the Ukrainian military was a beneficially of Russian ammunition before sanctions were imposed. Russia’s defense industry has not been affected significantly, as these dual-use technology manufacturers some of which are state owned still supplied equipment through existing contracts within the one year period of assessment.
Endnotes


18 ibid p.38

19 ibid p.43.


21 ibid p.3


23 ibid p.8


25 ibid p.8

26 ibid p.9


28 ibid 7

29 ibid 8


31 ibid p. 6


33 ibid 71-78


35 ibid p.8
CHAPTER THREE

THE IMPLICATIONS OF THE SANCTIONS ON EU-RUSSIA POLITICS

3.0 Introduction

This chapter examines the implications of sanctions on Russia’s foreign policy, assess Russia’s response to the sanctions and their implications for EU-Russia politics. The sanctions were imposed to basically change Russia’s foreign policy position towards the Ukraine and its annexation of Crimea. The goal of any form of sanctions on a state is to construct its behavior or to change its foreign policy position on a specific issue(s). This section therefore appraises the EU’s sanctions on Russia to assess if it has been able to change Russia’s foreign policy position towards Ukraine and Crimea after a year of imposition of sanctions.

3.1 Determinants of Russia’s Foreign Policy

Russia’s foreign policy is characterized by the defense of traditional interests such as preventing territorial integrity, highlighted by Russia’s many contested borders, guarded by national interest and identity that are inextricably connected to domestic economic and political order as foreign policy priorities. The three major groups that have historically influenced Russia’s foreign policy can be categorized into the ‘Great power balancers’, the ‘pro-western liberals’ and ‘the nationalist’. Pro-western liberals advocates for major reforms on Russia’s political system which includes using some western democracies as a model and forming close relations with Europe and the United States.  

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3.1.1 Pro-liberal Group

Measures such as collective security, globalization, and the continuous advocating of Russia to make commitment to join international institutions like the World Trade Centre (WTO) are key in the pro-liberal group. Some of their core objectives is guarded by a policy of ‘assimilation’ which calls for integrating with the west on key areas of economic, technological and political cooperation. Boris Yeltsin’s government was inclined towards this position during its first term when Yegor Gaidor was an acting prime minister. Nevertheless, this policy orientation largely overshadowed traditional Russian sentiments as a great power, and the sovereignty and role of the state was diminished in what was largely referred to as a ‘market democracy’. Drawing from this, most liberal pro-Western wing lost interest in Russian politics, and an emphasis on Russian sovereignty, a greater role for the state, and the goal of Russia re-emerging as an independent great power gradually came to predominate in Russian policy debate. This led to pro-western views being so marginalized that they were largely categorized as irrelevant influence on foreign policy.

3.1.2 ‘Great Power’ Group

The key proponent of the ‘Great power’ school of thought is Evgeniy Primakov, who was an academic, Russia’s prime minister from 1998 to 1999, and its foreign minister before that, starting in 1996. He is also mostly referred to as Russia’s Henry Kissinger, both for being a statesman and for his straightforward realist conception of international affairs. From 1993 to 2003, Russian foreign policy was dominated by this group and pro-western liberals disappointed with reform and the West who constituted the ‘Great power’ school of thought. Beginning in 1996, Evgeniy Primakov started playing the key role in Russian foreign policy and the views of pro-Western liberals were gradually marginalized.
This group influenced Russia’s foreign policy by advocating for Russia to maintain a sphere of influence in the territory of the former Soviet Union and striving to contain U.S. global pre-eminence. The ‘great power balancers’ largely advocated for an independent national image that will not be drastically different from western rivals, and push for Russia’s greater European orientation. They do not totally reject western experience as their notion of Russia’s modernization includes importing western technology, attracting direct foreign investment and competing directly with the Europe and the west. Thus, they strive to play great power game not just on the regional level, but most importantly, on the global stage (involvement in the G-8, G-20, and the UN Security Council). Sergey Karaganov, the head of the Council of Foreign and Defense policy is a key advocate of this policy.36

3.1.3 The Nationalist Group

The Russian nationalist, another group that do influence Russia’s foreign policy are made up of the neo-imperialist and ethno-nationalist who advocate for Russia’s regional domination of the post-soviet space. They do challenge Russia’s current political boundaries, and largely advocate for a restoration of a state within the borders of the Soviet Union. The most influential party that effectively backed neo-imperialism throughout the 1990s was the Communist Party of the Russian Federation. These ethno-nationalists do solely advocate for regional domination and state building within the borders of present day Russia, and creating a protectorates and dependent countries around Russia. The essence of ethno-nationalist group that influence Russia’s foreign policy is to unite Russia with the Russian communities in the near abroad and build the Russian state within the areas of settlement of ethnic Russians and other Eastern Slavs. This would mean reunifying Russia, Belarus, parts of Ukraine, and northern Kazakhstan. The principles for a Russian policy of dominance over the “near abroad” were developed initially by former council member Andranik Migranyan in the early 1990s, and the former
chairman of the Committee for International Affairs and Foreign Economic Relations of the Russian Foreign Policy. From 1996 to 2010, the most vocal advocate of the policy of domination was Yuri Luzhkov, the mayor of Moscow. These three groups and their school of thought have to a large extent shaped the current Russian Foreign Policy towards Europe and the near abroad, which forms the main propel for, and precinct of this study.

3.2 Russia’s Foreign Policy towards Ukraine and Crimea

Russia’s current policy on Europe is a combination of the ‘nationalist’ and the ‘Great power balancers’ approach, which I will refer to for the purpose of this study as the ‘Supra-regionalist approach’. This is because the current policy of Russia towards the near abroad and Europe postulates regional domination of the post-soviet space, the restoration of a state within the borders of the Soviet Union, whiles encouraging the importation of technology and investment from both the east and west, and striving to maintain a top notch power position at the regional and supra-regional platform.

The current foreign policy of Russia is based on the advancement of Russia’s foreign policy guided by its national interests, power, and influence, including reconnecting with ethnic Russians and Russian speakers outside of Russia. ‘From 2000 to 2008, like many other nations in the world, Russia sought means to balance, or more correctly contain, U.S. unipolar hegemony. The United States was not viewed as malign, but often as misguided and overbearing. The period from 2004 to 2008 marked a major shift in Russian foreign policy and Moscow’s perception of U.S. power capacity and intentions, but principally because Russia’s confidence strengthened as economic growth accelerated. Following the series of “colour revolutions” in Georgia, Ukraine, and Kyrgyzstan, Russian foreign policy remained entrenched in a realist and pragmatic framework. This period which is characterized by Russian nationalism and the protection of post-Soviet space informed its actions and foreign policy
towards Crimea and the Ukraine. Russia’s current foreign policy towards Europe or the ‘near abroad’ including Ukraine operates in the sphere of its prevalent interests by economic means of strengthening her influence. The reasons stem from Russia’s quest for prestige, its history, its economic priorities of recovery and growth, its fundamental security concerns, and demonstrating power to keep Russia secure and able to pursue its policy goals.

As the Russian government seeks to enlarge its influence internationally, it finds those actions and policies of other states that might limit Russia’s influence threatening. This is particularly true of the actions and policies of the countries on Russia’s periphery, where Russia’s influence, although not as extensive as Moscow might wish, is still strongest and where Russia sees some of the most immediate threats to its security. Moscow’s worries have long focused on the possibility that political instability in a neighbouring country could involve Russia in violent unrest. Moscow’s willingness to take action to defend its influence in the region in light of these concerns is clearly demonstrated in the annexation of Crimea, the defence of local ethnic Russians in Ukraine, and the pursuance of policies to keep Ukraine stable. It is important to maintain influence in the region because Russians see Crimea and some of the countries in the near abroad as partners and allies that are crucial to Russia’s national interests.

Although Russia look more toward the East, Russian cultural and historical ties to Europe are indisputable. As Russia defines its policies toward Europe, this history, and the debate, that Europe have some ties with Russia have not been overlooked. Angela Stent postulates that Europe, particularly Western Europe, has historically been viewed by Russia in three dimensions. First, Europe has served as an idea, a concept of what an enlightened society should look like. During the Putin presidency, the idea of Europe as an model for Russian domestic politics was considerably discredited as the administration’s policies are much inclined towards appealing to ethnic Russians both at home and the near abroad, pushing for
greater dominance in the near abroad, and promoting investment with both Europe, the east and the west.\textsuperscript{42}

Some EU member states and the west do describe the current Russian foreign policy as characterized by isolationist tendencies. However, this is to the contrary, as the current foreign policy of Russia seeks to put Russia at the forefront of international affairs, exerting its influence through what it refers to as ‘soft strength’, Russia’s own version of ‘soft power’. Thus, as the proponents and advocators of ‘soft power’ sees it as a set of tool that the west does use to resolve conflict and shape actors in the international system, by designating rather than pressuring states. Russia describes it as a tool that the west uses to exert its influence on Russia and its dominant position in the Europe, the near abroad, and as a major actor in the international system.\textsuperscript{43} To this end, the current foreign policy position towards Europe and the near abroad is greatly influenced by Russia’s domestic policy which in effect urges greater efforts by Russian media and business to consolidate and promulgate the country’s positions in regional and global affairs, and pledge support for such activities. Thus, the support of civil society to advance Russia’s interest through ‘soft strength’ one of its foreign policy tools towards Europe and the near abroad is largely emphasized.

Again, the current foreign policy of Russia makes a very distinct meaning of national, regional and trans-regional security. Unlike the West and some states within the EU which designates, the classification of security as lying within the comprehensive understanding of security in its three dimensions (economic, political-military and human), recognizing that regional security is embedded in wider global environment and that security within states is as important as security among states,\textsuperscript{44} Russia, ascribes it to the connection between political and legally binding security agreements, with economic, military and human security, being the sole
responsibility of the political. This gap will therefore continue to lie at the heart of disagreements about Euro-Atlantic security.

3.3 A Review of EU Foreign Policy: Russia, Europe and the near Abroad

The EU foreign policy towards Europe, Russia and the near abroad differs immensely from that of the Russian Federation in terms of security, regional politics, democracy, the rule of law and integration. These EU policies do prescribe norms that are acceptable whiles proscribing those which are unacceptable. The policies to be reviewed are the Common Foreign and Security Policy (CFSP), the Common Security and Defense Policy, and the European Security Policy (ESS). Nevertheless, such norms do sometimes or in most cases do contradict with core domestic and foreign policies of the Russian Federation.

3.3.1 Common Foreign and Security Policy (CFSP)

The EU has developed a Common Foreign and Security Policy (CFSP) and a Common Security and Defense Policy (CSDP). CFSP is a mechanism for adopting common principles and guidelines on political and security issues, committing to common diplomatic approaches, and undertaking joint actions. The 27 EU member states exert a powerful collective influence on many foreign policy and security issues. Although the Common Foreign and Security Policy (CFSP) is based on unanimous consensus among the member states, some of these individual EU states foreign policies do change with changes in government. However, the EU’s relevance within the EU region increasingly depends on its ability to speak and act as one. To this end, some critics assert that on the whole the EU remains an economic power only, and that its foreign and security policies have regional impact but does not have enough global impact. ‘Some of the shortcomings in the EU’s external policies stem from the inherent difficulties of reaching a complete consensus among the member state governments. Moreover,
past institutional arrangements have often failed to coordinate the EU’s full range of resources.\textsuperscript{45} Also, some of the external policies in technical areas such as trade, democracy, good governance, and accountability, and neighbourhood policies are formulated and managed through a “community” process at the level of the EU institutions. The European Neighbourhood Policy seeks to deepen the EU’s relations with its southern and eastern neighbours while encouraging them to pursue governance and economic reforms. Some of these reforms do however sometimes directly conflict with some EU member states core foreign policies or, indirectly does so when its serves as an impediment to the key trade and investment policies of these states.

\subsection*{3.3.2 Common Security and Defense Policy (CSDP)}

Another set of EU policies that do conflict with Russia’s core Foreign policy is the Common Security and Defense Policy (CSDP). The Common Security and Defense Policy (CSDP) is the operations arm of Common Foreign Security Policy (CFSP). The activities of CSDP are not exclusively military in nature, as in practice, CSDP operations have most often consisted of civilian activities such as police and judicial training (“rule of law”) and security sector reform. Nearly 15 years after it was launched, CSDP has become largely oriented toward such activities, as well as peacekeeping, conflict prevention, crisis management, post-conflict stabilization, and humanitarian missions, rather than conventional military combat operations.\textsuperscript{46} Nevertheless, European policymakers have sought to establish a more robust CSDP by enhancing and coordinating EU countries’ military capabilities. The CSDP provides a platform for the EU to improve its capabilities and increase deployable assets, including plans for a rapid reaction force. Such forces basically serve as a catalogue of troops drawn from existing national forces that member states can make available for EU operations. Although the EU asserts that an effective CSDP calls for an autonomous EU capability to conduct
external operations, European officials’ stress that CSDP is not intended to rival or compete with NATO, but rather is meant to be a complementary alternative.  

The Lisbon Treaty confirms this position and further postulates that the CSDP gives the EU an ability to act in cases where EU intervention may be more appropriate or effective, or in situations where the EU deems it fit to exclude NATO for fear of escalating conflict within the region. Again, these policies do conflict with the foreign policies of the Russian Federation towards the near abroad and Europe, as Russia seeks to protect its national interests, strengthen the much envisioned Eurasia by dominating regional politics and exerting its influence within Europe. This is to strengthen its influence in the region’s politics (EU-near abroad) whiles consolidating its supra-regional power and political influence, and encouraging a greater economic and investment platform within the region and the West. Thus, the Common Security and Defense Policy (CSDP) of the EU does conflict with Russia’s regional and supra-regional aspirations such as protecting its territories, ethnic Russians within the EU-near abroad territory, especially along the Balkan region. To this extent, the countries of the former Yugoslavia and the former Soviet Union have been a focal point of EU external activities for several related reasons. First, because of geographical proximity, European policy makers deem it necessary to take care of ‘their own backyard’ following Europe’s much criticized failures with regard to the Balkan Wars of the 1990s. Secondly, the EU’s efforts to engage with and assist these countries, many of which are current or potential EU membership candidates, and thirdly, protecting the EU’s own interest as instability in this region (including but not limited to concerns such as transnational crime) can spill over into the EU itself. Coincidently, the Russian Federation have these same concerns and interest as the EU within this region and this is another significant area of differing foreign policy that may not change anytime soon, since Russia sees what the EU refers to as ‘its own backyard’ as ‘its own neighbours’.
3.3.3 The European Security Strategy (ESS)

The European Security Strategy (ESS), released in 2003, is very relevant for espousing the basic principles of EU foreign policy. The three basic broad strategies the ESS sets out are; taking necessary actions to address a considerable list of global challenges and security threats, building regional security in its neighbourhood: (the Balkans, the Caucasus, and the Mediterranean region), and the construction of a rules-based, multilateral world order in which international law, peace, and security are ensured by strong regional and global institutions. The ESS also clearly asserts that these outlined threats cannot be addressed by military means alone, but require a combination of military, political and economic tools in preventing conflicts or addressing them when they do arise. The EU through the ESS ultimately seeks to address conflicts by strengthening governance and human rights, and assisting economic development through such means as trade and foreign assistance.\(^\text{49}\) The EU’s preference of multilateralism and cooperative policy making that is distinctly principled-based and normative in its emphasis on democracy and human right does conform to the acceptable world order of supra-national integration blocs. Nevertheless, these set of multilateral rules do at a point diverge with some core policies of the Russian Federation in areas of governance, integration and regional security. The EU is often criticized, for example, for lacking a clearly defined strategic approach to Russia. Although EU members certainly share many perceptions and objectives with regard to Russia, the nature of such relations is complex, and there is a significant degree of variance. Some EU members weigh trade, business and investment concerns differently against concerns such as democracy, regional security and human rights. As discussed earlier, these countries includes the ‘Trojan horse’ (Cyprus and Greece) who defend Russia’s interest within the EU; the ‘Strategic Partners’ (France, Germany, Italy and Spain) who have a special relationship with Russia which undermines common EU policies; the Friendly Pragmatist (Austria, Belgium, Bulgaria, Finland, Hungary, Luxemburg, Malta,
Portugal, Slovakia and Slovenia) who maintain friendly relations with Russia and tend to put their business interest above political goals; and finally, the Frosty Pragmatist who (Czech Republic, Denmark, Estonia, Ireland, Latvia, Netherlands, Romania, Sweden) who focus on business interest but are not afraid to speak up on Russia’s behaviour on human rights and other issues. These EU member states have at a point diverged with core EU policies on sanctions where the interest of these individual states has overridden national interest. Some EU member states view engagement as the best way to encourage desired reforms and behaviours, while others prefer different tactics including sanctions and the use of external and regional security measures to constrain behaviour. This has been at the heart of disagreement in the European Security Strategy (ESS) among EU member states.

3.4 The Challenges of the Common Foreign and Security Policy (CFSP) and the Common Defense and Foreign Policy (CDFS)

The absence of a robust EU strategy in some cases might encourage member states to form strong national position on key issues which could undermine the goals of the common security and foreign policy (CFSP) strategy. This have accounted for some EU member states who have gotten ahead of the EU and instead made trade and key investment arrangements with Russia that do conflict with EU sanction policies. Such have been the case of the Friendly Pragmatist, (Austria, Belgium, Bulgaria, Finland, Hungary, Luxemburg, Malta, Portugal, Slovakia and Slovenia) who maintain friendly relations with Russia and tend to put their business interest above political goals. Such is the case of the ‘Trojan horse’ (Cyprus and Greece), who defend Russia’s interest within the EU; and the ‘Strategic Partners’ (France, Germany, Italy and Spain) who still have a special relationship with Russia which undermines common EU policies. Some analysts argue that the EU must continue to strengthen CFSP if it is to remain a significant actor, and exert its influence within the EU, and near abroad. The EU is however not a
sovereign state, and its member countries will continue to have their own national and foreign policies. Thus, although the EU clearly advocates that it sets out to achieve a broad foundation of convergence over time, the challenge of divergence does still exist in this situation.

Another set of EU policies that do conflict with Russia’s core Foreign policy is the Common Security and Defense Policy (CSDP). The Common Security and Defense Policy (CSDP) is the operations arm of Common Foreign Security Policy (CFSP). The activities of CSDP are not exclusively military in nature, as in practice, CSDP operations have most often consisted of civilian activities such as police and judicial training (“rule of law”) and security sector reform. ‘Nearly 15 years after it was launched, CSDP has become largely oriented toward such activities, as well as peacekeeping, conflict prevention, crisis management, post-conflict stabilization, and humanitarian missions, rather than conventional military combat operations.51 Nevertheless, European policymakers have sought to establish a more robust CSDP by enhancing and coordinating EU countries’ military capabilities. The CSDP provides a platform for the EU to improve its capabilities and increase deployable assets, including plans for a rapid reaction force. Such forces basically serve as a catalogue of troops drawn from existing national forces that member states can make available for EU operations. Although the EU asserts that an effective CSDP calls for an autonomous EU capability to conduct external operations, European officials’ stress that CSDP is not intended to rival or compete with NATO, but rather is meant to be a complementary alternative.52 The Lisbon Treaty confirms this position and further postulates that the CSDP gives the EU an ability to act in cases where EU intervention may be more appropriate or effective or in situations where the EU deems it fit to exclude NATO for fear of escalating conflict within the region. Again, these policies do conflict with the foreign policies of the Russian Federation towards the near abroad and Europe, as Russia seeks to protect its national interests, strengthen the much envisioned
Eurasia by dominating regional politics and exerting its influence within Europe. This is to strengthen its influence in the region’s politics (EU-near abroad) while consolidating its supra-regional power and political influence, and encouraging a greater economic and investment platform within the region and the West. Thus, the Common Security and Defense Policy (CSDP) of the EU does conflict with Russia’s regional and supra-regional aspirations such as protecting its territories, ethnic Russians within the EU-near abroad territory, especially along the Balkan region.

To this extent, the countries of the former Yugoslavia and the former Soviet Union have been a focal point of EU external activities for several related reasons. First, because of geographical proximity, European policy makers deem it necessary to take care of ‘their own backyard’ following Europe’s much criticized failures with regard to the Balkan Wars of the 1990s. Secondly, the EU’s efforts to engage with and assist these countries, many of which are current or potential EU membership candidates, and thirdly, protecting the EU’s own interest as instability in this region (including but not limited to concerns such as transnational crime) can spill over into the EU itself. Coincidently, the Russian Federation have these same concerns and interest as the EU within this region and this is another significant area of differing foreign policy that may not change anytime soon, since Russia sees what the EU refers to as ‘its own backyard’ as ‘its own neighbours’.

3.5 Responses to Sanctions: Energy, Trade and Politics.

Russia is still the world’s largest gas producer after a year of imposition of sanctions and the EU, still the world’s biggest gas market. The EU- Russian gas and energy supply have fallen from 40% prior to sanctions to 34% after almost a year of restrictive measures, and two-thirds
of Russia’s gas exports still going to EU countries. A third of EU’s oil and a quarter of its coal, and European companies are among the biggest investors in Russian oil, gas and electricity. At the same time, Russia’s energy giants have lost significant potential market in the EU due to the halting of the Southstream Gas project, and the conflict in Ukraine which have caused it to restrict the supply of electricity and gas to some parts of Ukraine, particularly Donetsk and Lugansk. EU-Russia energy relations should be straightforward, mutually beneficial and fast-growing, but the sanctions and counter restrictions by Russia have rather largely affected this trend of EU-Russian gas politics.

Some Europeans and EU states today perceive their reliance on Russian energy, in particular oil, as an instrument to dominate and exert its influence within the region. Others worry less about Russia’s willingness to sell energy abroad than its ability to do so. Despite record-high global prices, Russia’s output of oil and gas production has not significantly changed, but has been affected as a result of the ongoing crisis in Ukraine and its own restrictions on some parts of Europe. Nevertheless, Russia is still the EU’s largest gas importer after a year of sanctions, as it still supplies oil and provides energy to most EU member states that already had contracts with Russian oil companies prior to the imposition of sanctions. Moreover, Russian companies are investing in the exploration of new oil fields that will channel oil to some parts of Europe, and have made major arrangement with China about selling more gas to Asia and entering into the global market for liquefied natural gas (LNG) in the near future. Although the European Union is reinforcing its efforts to find alternative sources of gas supply, both geographically (mainly from North Africa and the Caspian region), and through developing renewable sources, such arrangement will only be effective in the long term. ‘Gazprom is Russia, and Russia is in a competitive and nationalistic mood, neither of which promises an easy relationship in the future. Yet, the more assets Gazprom acquires in Europe, and the more assets Europeans acquire in Russia, the higher each party’s stakes in the other’s economic health and prosperity,
and the more vulnerable each one is to the threats the other party may face.\textsuperscript{53} Thus, the relationship between Gazprom and Russia is not that which is diametrically divergent, but can best be described as that of being diametrically convergent. Gazprom is Russia, Russia is Gazprom, but Europe without Gazprom’s investment will not lead to compliance between the two blocs, but divergence in their relations.

Since the imposition of sanctions, Russia is shifting from transit pipelines (those that go through Ukraine, Belarus and other neighbouring countries) to direct ones, such as the offshore Nord Stream. Many Europeans assume that the rationale for this move is political, but Russia does not shy away from this as it clearly makes use of its energy giant, Gazprom as a tool to dominate the region and exert its influence. Gazprom’s pipeline strategy therefore reinforces fears that Russia uses energy as a political tool, but Russia is not afraid to make this public as oil is an important national leverage it has in both regional and trans-regional politics in that precinct. ‘After 17 years since Central and East European countries emerged from Soviet domination, yet, with the exception of the Czech Republic, Europe have done next to nothing to reduce their energy dependence on Russia.’\textsuperscript{54} Italy and other EU countries still buy a lot of Russian gas even after a year of imposition of restrictive measures on Energy infrastructure and therefore, cautious about their relations with Moscow. For other EU member-states in Eastern Europe, like the ‘New Cold Warriors’ (Lithuania and Poland), who have still been hostile towards Russia even after sanctions, the threat from Russia’s energy sector is one more reason for the EU to ‘get tough’ on Russia.

The EU is now trying to develop an effective energy policy by integrating its own gas and power markets and defining its energy objectives abroad more clearly. These efforts are geared towards finding an alternative market for Europe oil imports. The EU initially wanted Russia to allow western energy companies to invest more in the Russia energy sector, but the
restrictive measures on Russia’s energy infrastructure have led the EU to draw up new rules to prevent Russian companies from buying pipelines in the EU. Despite this, companies from individual EU countries still signed long-term bilateral supply deals with Russia despite restrictive measures. Some of these companies teamed up with Gazprom to build new offshore pipelines that other EU countries perceive as a threat to their energy security, until Russia halted the South stream project.

EU-Russia energy ties do not exist in a political vacuum as they are an integral part of a political, economic and security relationship that is becoming more complex and difficult. Tensions in EU-Russia relations have been rising for a number of years.

The Europeans have struggled to find a way of dealing with a Russia that it claims erodes democracy at home, bullies its neighbours and obstructs international initiatives. Kosovo have always been the EU’s point of reference. An increasingly self-confident and cash-rich Russia, on the other hand, is in no mood to be lectured by an EU that it perceives as both weak and arrogant. After the war in Georgia in August 2008, the Europeans acknowledged that they should take on more responsibility for stabilizing their ‘eastern backyard’, what Russia still refers to as its ‘eastern neighbours’. The sanctions therefore have augmented this fragile struggle by both the EU and Russia to dominate this region. Whiles the EU continues to push for Russia to allow western investment into its energy sector, Russia is in no mood to be lectured by the EU as to how it should frame its domestic policy on that sector. The Europeans highlight the importance of open energy markets, but do not act accordingly. The ‘third party clause’ in the EU’s new Gas Directive says that the only energy companies that ‘unbundle’ their generating, transport and sales activities would be allowed to buy pipelines and other downstream assets in the EU. This is rather an overt call by the EU for Russia to break up Gazprom which it will not do anytime soon as this will mean shooting itself in the foot. The sanctions on the Russian Federation have largely affected the Energy sector in Ukraine more than any other sector after
one year of imposition of restrictive sanctions. Russia’s decision to impose countersanctions by initially withholding the supply of gas and energy to Ukraine has affected Europe.

On Ukraine, the EU did criticize Russia for putting pressure the conflict torn state and other transit states for halting gas supply due to non-payment of bills. Similarly, the EU insists on transparent, market-based pricing for energy, but Russia insist such trends are determined by both domestic and global market trends. The former cannot be sacrificed for the latter because of core domestic and foreign policies on that sector.

3.6. Implications of the sanctions on EU-Russia Relations

The sanctions could have several implications on EU-Russia politics as some of such impacts have already started taking effect since the sanctions in various sectors of politics within the region after one year. Russia does not want new rules that will restrict its ‘supra-national’ foreign policy goals, while its ‘partners’, the EU are not ready to accept ‘old rules’ that it says do compromise EU Common Foreign Security Policy (CFSP) and Common Security Defense Policy (CSDP). Russia's attempts to reassert herself on the international arena and Europe in particular have been as an equal partner are being assessed by her European partners with irritation and suspicion because they have grown used to Russia's post-soviet cold war foreign policy which was largely advocated by the ‘pro-western’ school of thought group which saw Brussel and Washington ‘practically ‘dictating to Russia on its role in the near abroad including Belarus and Ukraine. On Ukraine, since the break-up of the USSR, political tensions between the two neighbouring states Ukraine and Russia have continued on many issues. This includes the division of the Soviet Black Sea Fleet between the two states, the basing rights of the Russian Black Sea Fleet in Sevastopol, the Russian use of military facilities on Crimea, and the number and status of the Russian military personnel on what Ukraine refers to as its territory.56
Irrespective of the sanctions imposed on Russia, it seems to be getting stronger both domestically and internationally; it is still part of many international institutions and its role is very important for solving many urgent security issues in the region. The Russian Federation therefore continue to push for the recognition of the right to have and express its own interests, no matter how different they might be from the interests of the EU or NATO. Russia continues to put in measures to protect its post-Soviet space because of its relevance as a vital national economic and security interest for Russia, which it sees as a right. The post-Soviet New Independent States (NIS) which were linked by numerous economic, political and humanitarian ties are imbibed in current Russian foreign policy towards the region does differ immensely from policies it pursued in the 1990’s towards the Commonwealth Independent States (CIS). Under Putin, Moscow's policy has shifted to a more pragmatic stance. 57The conflicts with Ukraine, Georgia and Belarus over energy prices and transit costs, which disrupted energy supplies to Europe is a clear indication of a shift from previous policies Russia pursued.

The sanctions which have affected gas and electricity prices and supply to Ukraine, Belarus and Armenia and other parts of Ukraine could have serious implications for the region, if sanctions are not lifted or at least that on energy infrastructure. Europe quest to find an alternative gas supply in light of the goal of sanctions is a logical and ‘noble’ one, which will practically worsen the situation in the region. Russia will not deliberately cut gas supply and increase electricity tariff in certain parts of Europe though it has the leverage to do so, because it will not be in its interest in the short term. Again, this will not be in the interest of Russia’s current foreign policy towards the region which seeks to protect, promote, and re-assert its role in the region. Furthermore the sanctions on Russia could lead to changes in the domestic and foreign policies of some member states in the EU due to energy price hikes and non-consistent
gas supply to some parts of Europe. This could further exasperate tensions in the post-Soviet territories which will affect trade, politics and security in this region. This could be a major security threat to the area Russia refers to as its own ‘neighbours’, and what the EU refers to as its ‘backyard’. Nevertheless, Russia will not act in the normal diplomatic style in a situation like this since its own territory could be under threat. This can lead to a deployment of its military to this part of the region which is fragile to Russia’s own security, and which Russia sees as its allies.

On Ukraine, pro-Russian separatist who Russia have not openly pledged to arm nor accept the accusation from Europe that it was arming these states of Lugansk and Donetsk, have lost electricity supply to the region due to non-payment of bills, which according to the Russia Energy Ministry amounts to about $ 15 million dollars a month. This further re-asserts Russia’s foreign policy position towards the region which it says is a humanitarian one. Although this may not necessarily be a political one, it can have implication on these regions since these pro-Russian states will begin to look elsewhere for support. This action will slow down the goals of these pro-Russian states whom Russia have not openly supported military, but it may not deter their ambition or quest to secede.

On Crimea, Russia has continued to defend the annexation as a legal one guarded and informed by the political provision of a referendum by the Crimean people. Again, this annexation has been justified by the Russian Federation on both historical and legal grounds. On the former, Russian Lawmakers have argued that it became incorporated into the Soviet Union in 1922 and remained within the USSR until its dissolution in December 1991, with the only exception being the period from late summer 1941 until spring 1944, when most of Crimea was occupied by the Third Reich. Moreover, the transfer of the Crimean Oblast from the Russian Soviet
Federative Socialist Republic to the Ukrainian SSR after the death of Joseph Stalin in 1954 has been described as a ‘brotherly gesture’ which wasn’t informed by federal law and constitutional amendment passed by the entire Supreme Soviet of the USSR. This transfer by the Presidium of the Communist Party of the Soviet Union in 1954 have therefore been referred to as having a dubious legal cover which contradict with core Russian foreign policy which clearly violated article 14 and 18 of ‘Stalins’ constitution which was still valid after his death and required a formal agreement between Soviet Socialist Republics for border changes.\textsuperscript{59} The Supreme Soviet of the USSR was the acceptable body to approve this agreement by passing a Federal law and constitutional amendment to that effect. In the case of Crimea, current Russian officials have asserted that ‘no such parliamentary procedure was initiated and duly carried out in the two parliaments, no relevant parliamentary sessions were held, no debates took place, no votes were taken and no agreement was adopted and signed.’\textsuperscript{60} Furthermore, Russia lawmakers have argued that the Crimean population was deprived of its right to give or deny its consent to the major status change and therefore, the transfer of Crimea to Ukraine was thus illegal even in Soviet terms, unconstitutional and clearly illegitimate.

Again, current Russian lawmakers have posited that after the dissolution of the former USSR, the population of the Autonomous Republic of Crimea was not consulted on whether they wanted to remain in Ukraine or join the Russian Federation. During the heads of the meeting of the Heads of the Russian Federation, Ukraine and Belarus when the Soviet Union was dissolved the Russian leader Boris Yeltsin failed to request from his Ukrainian colleague, Leonid Kravchuk, Crimea’s return to Russia. This is also a position that the current Russian administration have not shied away from, through the pursuance of its ‘supra-regional’ foreign policy. The sanctions have therefore not changed the positions of the Russian Federation towards the annexation of Crimea. Therefore tensions concerning the division of the Soviet
Black Sea Fleet between the two states Ukraine and Russia, the basin rights of the Russian Black Sea in Sevastopol, the Russian use of military facilities in Crimea, and the number and status of the Russian military personnel on Ukrainian territory will continue to be divisive factor in EU-Russia politics. Thus, the tensions on the Southern periphery of Russia as to its right to protect its own territory, and neighbouring states from what the Russian government have described as a western influenced propaganda to destabilize the region have augmented as a result of the sanctions with Russia re-enforcing its role in the region. Thus, the much talked about Eurasian bloc is likely to be accelerated and strengthened as the Russian Federation continue to take offensive and defensive measures to protect its economy, territories and promote trade, security and co-operation within the region.
Endnotes


37 ibid pp. 16-19

38 ibid p.21

39 ibid p.24

40 ibid p.27-28

41 ibid p.35


43 ibid p. 8


46 ibid p.12

47 ibid p.14

48 ibid p.15

49 ibid p.17


53 ibid p.86

54 ibid p.98


57 ibid p.14

58 ibid p.7

59 ibid p. 8

CHAPTER FOUR

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

4.0 Introduction

This chapter discusses the results, conclusions and recommendations for the study. The implications of the findings are discussed, and recommendations made to that effect.

4.1 Summary of Major Findings

The study came out with several major findings with varying implications as discussed earlier. The sanctions have had some effects within the one year period of evaluation. These sanctions and restrictive measures have affected both trade and investment in the EU-Eurasia region and beyond. Nevertheless, for the purpose of this study, such findings will focus on the EU region and the near abroad in that precinct. The sanctions within the period of assessment (1 year) have been able to prevent Russia from invading Ukraine to support pro-Russian states in secession. Nevertheless, it has not necessarily been able to prevent Russia from extending support to pro-Russian States of mainly Donetsk and Luhansk. Such support which have been mainly humanitarian do conform to Russia’s foreign policies of supporting ethnic Russians within the region and the near abroad. Although there were initial allegation from both the EU and third parties like the United States, the study didn’t confirm that Russian Federation was supplying weapons and ammunitions to these pro-Russian states to aid them in secession, as no such evidence could be confirmed nor connected to the Kremlin. Some ammunition were seized with Russian manufacturing products from pro-Russian rebels. However, this could not be connected to the Russian government as Russia had been supplying such arms to the Ukrainian government under previous government, headed by President Victor Yanukovych
before the conflict broke off. The tensions in Ukraine have however subsided, but this cannot be ascribed to the sanctions on Russia, as other factors mostly do come in to play. Such have been several diplomatic negotiations with the current Ukrainian government by Russia, the EU and the international community.

The study also did establish that the sanctions have augmented tensions between the west, EU and Russia on the Baltic States. Russia continues to use its foreign policy to cement its influence in this region, which it refers to as its neighbours, an important security area, and an economic and trade zone. The EU on the other hand have made several allegations that Russia continues to use what it refers to as ‘energy politics’ to exert its influence on these New Independent States (NIS), control domestic and internal politics, and win more states into its much desired Eurasian bloc. This is what Russia’s government have consistently defended as its rights to assist these neighbouring states which are in conformity to its current foreign policy goals of providing assistance in areas of security, maintaining diplomatic ties, and promoting investment in that precinct.

On the annexation of Crimea which initially pre-empted the imposition of sanctions on the Russian Federation, Russia has continued to defend the annexation as a legal one guarded and informed by the political provision of a referendum by the Crimean people. Russian lawmakers have posited that after the dissolution of the former USSR, the population of the Autonomous Republic of Crimea was not consulted on whether they wanted to remain in Ukraine or join the Russian Federation. Also, current Russian lawmakers have argued that, during the meeting of the Heads of the former Russian Federation, (Ukraine, Belarus, and Russia) when the Soviet Union was dissolved, the then Russian leader Boris Yeltsin failed to request from his Ukrainian colleague, Leonid Kravchuk, Crimea’s return to Russia.
The study also established that the sanctions have not significantly affected the supply of oil and energy to most parts of Europe, especially the Baltic States, and other EU states who had existing contract with Gazprom, Russia’s oil company before sanctions were imposed. The sanctions have drawn Russia to alternative energy partners, namely Turkey and China, as future partners in Gas and energy trade. Again, some EU states still have been trading with Russia on various sectors of trade irrespective of sanctions. Prior to the imposition of sanctions on Russia, Europe was the largest consumer of Russian oil. This has not changed after one year of sanctions irrespective of the EU’s attempt to find alternative markets mainly in the Caspian regions. Ukraine have however been largely affected by sanctions because of ‘damaged’ pipelines, and mainly financial constraints, which have led the Russian Federation to halt supply to some regions. Armenia have also been affected by price hikes which have led to some internal tensions, although Russia continues to assert its influence by keeping energy supply uninterrupted. The study also established that central Ukraine are generally in favour of greater economic reform, whiles eastern regions are not.

The sanctions have also affected both the automobile and banking industries respectively. The German automobile companies have dropped in sales mostly as a result of a fall in the importation of automobile to Russia, and are therefore significantly affecting Germany’s automobile companies. Russia’s automobile market have contracted by 12 percent almost a year after sanctions. The embargo on car imports have not just affected the EU, especially German automobile industry but it’s been forecast that Russian economy could lose up to 1.4 billion euros if local automobile industry is not bolstered. The sanctions also have also affected banking and investment in both Russia as well as the EU, although here such impacts have been on the individual banks that were hit by the sanctions and not their international subsidiaries. The Russian government has however been able to support some of these banks including VTB Banking and Investment. Since the EU arms embargo did not target existing
contracts, the Russian defense industry has not been significantly affected by sanctions. Despite the sanctions, France delivery of two Mistral-class amphibious assault carriers to the Russian navy in 2014 and 2015 went through, although NATO allies had tried to convince French officials to terminate the 1.2 billion euro contract signed by France and Russia in 2011. Russia is not a major market of military equipment from EU states; the Mistral deal is by far the largest deal. The EU is not a significant market for Russian arms as it receives most of its supply from NATO. Furthermore, more than 60 percent of Russian exports go to India, China and Algeria. Although Russia exports about $3 billion worth of arms annually to the EU, most of it is only used to service old-Soviet hardware. Moreover, since the EU arms embargo did not target existing contracts, the sanctions have not served the very purpose for which it was imposed. Again, the allegations that some ammunition that was recovered from captured rebels could not be linked to the Russian government as the Ukrainian military was a beneficiary of Russian ammunition before sanctions were imposed. Russia’s defense industry have not been significantly affected, as these dual-use technology manufacturers some of which are state owned still supplied equipment through existing contracts within the one year period of assessment.

On foreign policy, Russia have adopted what the researcher refers to as the ‘supra-regionalist approach’, which is because the current policy of Russia towards the near abroad and Europe postulates regional domination of the post-soviet space, the restoration of a state within the borders of the Soviet Union, encouraging the importation of technology and investment from both the east and west, and striving to maintain a top notch power position at the regional and supra-regional platform. The EU foreign policy Common Security and Foreign Policy (CFSP) and Common Security and Defense Policy (CSDP) does also contradict with core Russian foreign policy. Again, on the European Security Strategy (ESS), a provision which sets out
to address security threats in the EU region, the EU member states have at a point diverged with core EU policies on sanctions where the interest of these individual states has overridden national interest. Some EU member states view engagement as the best way to encourage desired reforms and behaviour, while others prefer much tougher tactics including sanctions and the use of external and regional security measures to constrain behaviour. This has been at the heart of disagreement in the European Security Strategy (ESS) among EU member states.

The study further established that Russia had developed a number of strategies to counter the effects of sanctions. The Russian Federation imposed countersanctions on some EU officials including travel embargoes, and food ban on some agricultural products. The food ban affects a value of EU 5.2 billion, since Russia was the second most important destination for EU agricultural products. This has affected the agricultural trade balance between the two from 10.8 billion Euros as at March 2013 to 8.2 billion as of July, 2015. Economic damage is most severe in the perishable products sector as harvest was going for many fruits and vegetables when the Russian food ban entered into full force. The retaliatory measures adopted by the Russian Federation which decreed a ban on agricultural products and foodstuffs from the EU and other countries like Norway and Canada on the 6th August 2014 for one year has greatly affected the EU. Overall, Nordic and Baltic states are particularly exposed to both the potential backlash of EU-imposed sanctions. Again producers are suffering even more from income losses due to falling prices on the internal market as banned agricultural products are offered for domestic use.

4.2 Conclusions

The result of the study justifies the hypothesis that, the sanctions will not deter Russia from invading Ukraine to support the secession of pro-Russian states. Therefore, the hypothesis was
justified, because the study indicates that the sanctions within the one year of assessment have not deterred the Russian Federation from supporting the secession of pro-Russian states, but the current ‘supra-regionalist’ foreign policy of the Russian Federation which seeks to consolidate and develop a robust security within the Balkan region, reconnect with ethnic Russians, exert its influence as the most dominant actor in Euro-Atlantic politics, and promote trade and investment within the region (specifically in the Energy sector; oil, electricity and coal) have rather acted as a deterrent. This was arrived at, after studying, confirming and analysing credible secondary data, including journal articles, books and publications on the EU sanctions and Russian countersanctions.

The study explained the reasons for the imposition of sanctions, and clearly identified the strategies adopted in response to the sanctions by the Russian Federation. This study also proves that the role of transnational actors in shaping the various actors in the international system is constrained by national interest and foreign policy goals. This study therefore adds to the veracity in the existing debate in international politics that sanctions on sovereign states in most cases, do not serve the very purpose for which they were imposed. One significant aspect of the study is that it highlighted the impact of sanctions on both the sanctioning party (in this case the EU) and the sanctioned (Russia), and identified the gaps in that precinct.

The study also revealed that the annexation of Crimea, which prompted the initial decision by the EU to impose sanctions and restrictive measures are not justified because of historical, political and most importantly on legal grounds, based on previous national and regional arrangements and agreements. Moreover, the sanctions have not led to compliance as the very purpose for which it was imposed have not been reversed within the period of assessment, nor will it be anytime soon. Based on core foreign policies of the Russian Federation which have been characterized by national interest, compliance is most likely not going to happen as the
Russian Federation will be ‘shooting’ itself in the foot by agreeing to turn back the wheels of history in allowing Ukraine to administer Crimea.

Finally the study revealed that in order for sanctions to be effectively used by transnational actors as a deterrent, construct the actions of states, and achieve greater convergence in international norms, transnational actors must develop a robust strategy, that doesn’t contradict domestic policies. Such lapses have been identified in the European Security Strategy (ESS), the Common Security and Defense Policy (CSDP), and the Common Foreign and Security Policies (CFSP) of the European Union.

4.3 Recommendations

The researcher recommends that trans-national actors like the European Union (EU) must be slow in making the decision to impose sanctions on sovereign states, especially those with regional and trans-national influence like the Russian Federation. For sanctions to be effective in shaping the actions of such major actors in the international system there is the need to carry out stringent risk assessment to weigh its ability to act as a deterrent. Furthermore, the grounds for the imposition of sanctions should have been legally assessed before its imposition, as the annexation of Crimea was and is still justified by international norms of legal agreements, constitutional provisions, domestic and foreign policies as discussed in the study. I therefore suggest based on the findings of this study (a year’s assessment), that the additional sanctions imposed must be immediately lifted, as its repercussions will be greater than cost. The use of Energy (Petroleum, Electricity, Coal, etc) by the Russian Federation as a leverage in shaping politics within the region have not changed after the imposition of restrictive measure on shale production and pipelines. Europe is still the leading consumer of Russian Energy. Ukraine’s internal instability and hostility of some nationalists Russians towards it remains a source of concern. Ukrainians in the west do fear that if the pro-Russian regions in Ukraine do succeed
in secession, they will eventually demand unification with Russia. This will escalate the current conflict and encourage Russian intervention. This is what the United States and the EU who regard Ukraine as a buffer to Russia, have been fighting against, in what the Russian Federation continue to designate as sheer propaganda and an attempt to subvert its. Nevertheless, the current Russian foreign policy which although largely characterized by the nationalist group, is ‘supra-regional’ and therefore, aided by greater understanding of the benefit of closer bilateral co-operation. Such scenario is most unlikely anytime soon, although it’s possible in the future if the west and East does not unite. However, such a unification will most likely be in the form of a referendum as it happened in Crimea, and not through a Russian invasion as the US and EU projects.

4.4 Implications for Future Research

The study is very significant because it provides a platform for addressing the use of sanctions as an alternative measure in constructing the actions of actors in the international system. The study have also indicated that a sanctioned state’s own foreign policy can act as a deterrent in its decision to the pursuance of a specific action contrary to international norms. Again, the study have proven the need for transnational actors like the EU to conduct a thorough assessment before sanctions are imposed, so the cost of compliance will not be lesser than that of divergence. These findings will be very relevant for future research in the area of the use of sanctions as a tool to deter sovereign states from specific actions. The findings and recommendations made by the researcher will serve as a platform for further research in the area, as well as provide a basis for solving future issues of this nature.
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