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Economic sanctions and the Russian war on Ukraine: a critical comparative appraisal

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Table of Contents

Abstract

This working paper studies the case of the sanctions against the Russian war with the Ukraine in 2022 against the background of four major and well-documented historical sanction episodes: (a) the anti-Apartheid sanctions of the 1980s, (b) the sanctions against the Iraqi occupation of Kuwait in 1990, (c) the sanctions against Iranian nuclear capabilities and (d) the US and EU sanctions against the Russian annexation of the Crimea. Two cases (South-Africa and Iran) have a comparatively low ex ante probability of success based on pre-sanction proportional trade linkage and regime type (the autocracy score). The key to understanding their success is in the banking channel (debt-crisis and SWIFT sanctions) and the behaviour of the private sector (divestment and over-compliance). The failure of the sanctions against Iraq underscores the importance of regime type and the need for a viable exit strategy and shows that some decision-makers cannot be influenced with economic hardship. The 2014 sanctions against Russia illustrate the comparative vulnerability of the European democracies and their weakness in organizing comprehensive sanctions that bite. Given the increased Russian resilience, the increasingly autocratic nature of President Putin's government, the credibility of his 2014 tit-for-tat strategy and the failure of European democracies to implement appropriate strong and broad-based measures smart and targeted sanctions are unlikely to influence the Kremlin's calculus. The European Union could only influence that calculus by restoring its reputation as a credible applicant of strong sanctions, including an embargo on capital goods and a boycott of Russian energy.

Keywords

Sanctions, Russia, Ukraine, South Africa, Apartheid, Iran, Iraq, Crimea, comparative case study.

JEL: F51.

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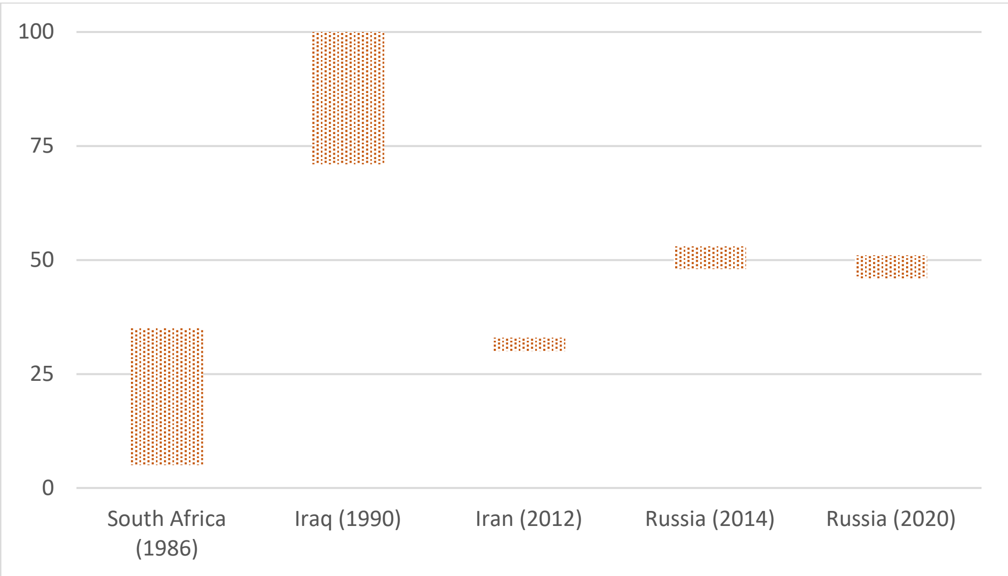
Economic sanctions and the Russian war on Ukraine: A critical comparative appraisal

1 Introduction

The aim of this working paper is to review the outlook for the economic sanctions imposed on Russia after its invasion of Ukraine in March 2022. Since this is an evolving case, our goal cannot be to arrive at some sort of final evaluation, and it is certainly not an accurate prediction of the potential success of these sanctions. Rather the aim is to discuss the case of the 2022 sanctions against the background of four major and well documented historical sanction episodes: (a) the anti-Apartheid sanctions of the 1980s, (b) the 1990 sanctions against the Iraqi invasion of Kuwait, (c) the 2012 sanctions against Iranian nuclear capabilities and (d) the 2014 US and EU sanctions against the Russian annexation of the Crimea. This comparative case analysis helps to assess the potentials and pitfalls of the current sanctioning approach and to guestimate what sanctions can and cannot do for the Ukraine.

FIGURE 1
Probability of sanction success for the five cases



Note: (year in brackets is the year for which underlying data were collected.

Sources: South Africa: Van Bergeijk 1994, Table 4.6, Iraq: Elliott and Uimonen, 1993, Iran: based on van Bergeijk 2009, Table 6.4, Russia: van Bergeijk (2014 and update).

Figure 1 provides a rough numerical indication of these cases by means of reported, (re)calculated and updated probabilities that the sanctions could be successful, that is: at least significantly contribute to modest and/or substantial achievement of their stated policy goals.[1] Although it is noteworthy that the empirical literature on the determinants of sanction success is characterized by substantial publication bias (Demena et al. 2021), it is important that the empirical analyses in this tradition have always been quite helpful to separate 'wheat from chaff' – that is: a useful tool to check if economic sanctions could work.[2] Judged against the background that the average failure rate of economic sanctions varies from a fifth for smart or targeted sanctions to a third for broad sanctions our cases a priori belong to the 'wheat' category, with the anti-Apartheid sanctions closer to an *a prori* expected failure and, in contrast, the sanctions against Saddam Hussein's Iraq looked quite promising at the time of imposition.

It should be noted from the start that the broad literature on success and failure of economic sanctions has a cyclical pattern with waves about optimist followed by pessimistic views on the effectiveness and usefulness of boycotts, embargos, financial sanctions, and targeted, smart sanctions (van Bergeijk 2019). Hundred years ago, economic sanctions were seen as very effective foreign policy tools. The League of Nations announcement of the 'terrible weapon' suggested that boycotts and embargoes could become a real substitute for war (de Fiedorowicz, 1936). 'A nation that is boycotted is a nation that is in sight of surrender', claimed US President Woodrow Wilson in 1919. Merely the threat of League of Nation sanctions was sufficient to stop Yugoslavian invasion of Albania in 1921 (van Bergeijk 1989)

A century later the sanctions against Saddam Hussein (Iraq), Kim Jong-un (North Korea) and Vladimir Putin (Russia) seem to provide a sobering lesson. Indeed, from our current perspective we cannot but observe that the pattern of Russian aggression in Ukraine and the Caucasus was not stopped by economic punishment. It looks as if sanctions do not work at all. This is, however, essentially an example of how a handful of high-profile cases can change the 'mood' in the literature. For example, the sanctions against South Africa's Apartheid regime – long considered to be failures – were seen in a different light after Nelson Mandela's release. In the case of Iran fluctuations in US elite hostility (back and forth) probably have been equally relevant (Navan Bapat et al. 2022). Indeed, the debate of the effectiveness and efficacy of the terrible economic is characterized by waves and recurring themes.

This working paper is organized as follows. Section 2 starts with a review of literature of the sanction black box focusing on three issues directly relevant for the sanctions against the invasion of the Ukraine (a) the mechanisms and impacts of broad, general sanctions, (b) 'smart' or targeted sanctions and (c) the

[1] This amounts to a success score of 9 out of 16 for the success score developed in the methodology of the Peterson Institute. The wording and definitions of the underlying 'policy result' and 'sanction contribution' may differ between the different editions of the seminal publication by Hufbauer et al. (1985, 1990, 2007); see van Bergeijk and Siddiquee (2017).

[2] It is also important to note that significant learning effects in sanction application have occurred (Biersteker and Hudáková, 2021; Early, 2021) that have increased the effectiveness of the process of sanction imposition. The empirical analyses underlying Figure 1 do not take this productivity increase in sanction application into account and may thus underestimate the probability for sanction success to some extent.

banking channel. Section 3 gives a brief overview of these cases, their differences, and their communalities, and reviews these cases from the perspective of the sanction literature, Section 4 evaluates the prospects of the current sanction regime. Section 5 draws conclusions and identifies issues for further research.

2 Gleaning inside the sanction black-box

Although the literature disagrees on many characteristics of sanctions and their impacts and many theories and alternative interpretations exist without the prospect of reaching a consensus soon (van Bergeijk 2021, Chapter 1), it would seem possible to identify communalities of a shared perspective. The question on which the literature disagrees is: 'what sanctions work?'. This apparent disagreement blurs the consensus that seems to exist on what does not work. So, what does not work?

2.1 The mechanisms and impacts of broad, general sanctions

One important stylized fact emerging from empirical literature on economic sanctions is that their low success rate. Roughly two out of three broad sanctions fail; for target sanctions the ratio ranges from three failures out of four to some four failures out of five (Park and Choi 2020). Hence many observers have argued that the sanction instrument does not work at all. Empirical research, however, has revealed under what conditions sanctions *do* or *do not* work.

The consensus is that economic sanctions cannot work unless there is some meaningful economic interaction before sanctions are imposed and that slow sanction implementation is not conducive for sanction impact as it allows for substitution of products and markets as well as for stockpiling and adjustment of the economy (van Bergeijk and van Marrewijk 1995; Dizaji and van Bergeijk 2013). This makes timing crucial (Dai et al. 2021) Agreement also exists on the fact that international support for the target and rally-around-the-flag effects reduce the potential political impact of sanction imposition and may even strengthen the position of the target's leadership (Early 2011; Grauvogel 2021). Finally, sanctions between countries that already had bad diplomatic relationships before the sanctions and sanctions against autocracies and dictatorships (as compared to democracies) have a lower probability of changing the target's behavior into the desired direction (Hufbauer et al., 2007, van Bergeijk 1999, van Bergeijk and Siddiquee, 2017). Finally, the goal of the sanctions matters. Sanctions aiming at 'easy', more limited goals *a priori* would seem to have a better chance to succeed, but the reported findings are biased by methodological problems and once these biases are taken into account 'sanctions seem to work equally good or bad independently of the sanction goal with the exception of disruption of military interventions were it is [significantly] more difficult to achieve sanction success' (van Bergeijk and Siddiquee, 2017, p. 15)

A second distinct consensus exist regarding the observation that broad, general sanctions have also unintended effects and impose collateral damage on a population that is often no party in the conflict that their governments have initiated. Typically, marginalized poor are hit disproportionally, and inequalities deepen, (Afesorgbor and Mahadevan, 2016), health care comes under pressure with negative impacts on child mortality and life expectancy (Ha and Nam, 2022) and human rights, political violence as well as political stability can deteriorate (Peksen 2021). These unintended effects have motivated a strive for sanctions that are targeted on elite decision makers with more direct responsibility for the conflict.

2.2 'Smart' or targeted sanctions

Even though targeted sanctions are now in the spotlight, they are not new. Indeed Morgan et al. (2014, 2021), point out a cyclical pattern in the use of targeted sanctions. They were actually used quite often directly after the Second World War when two thirds of sanctions were smart, waned off in the 1970s, made a return in the 1980s and 1990s, but then their usage decreased in the 2000s until during the 'second sanction wave' (van Bergeijk 2022a), policy makers rediscovered the instrument. According to Kirilakha et al. (2021, p. 66) smart sanctions were 'quickly proclaimed "superior" because they aimed to target entities that were deemed to be directly involved in the conflict that instigated the initiation of sanctions in the first place'.

A theoretical basis for targeting sanctions can be found in the Public Choice approach to economic sanctions (Kaempfer and Lowenberg 1988; Halcoussis 2021) that recognizes the distributional aspects of sanctions. The mechanism is in a nutshell that different (interest) groups populations will be hit differently – both in relative and absolute terms. The equilibrium level of the sanction target's behavior is determined by underlying countervailing political pressures of opposing interest groups that allocate resources, in the form of lobbying, protest, mobilization of supporters, etc., to intensify or abort the behavior. A very important insight of the Public Choice approach is that also the design of sanctions of sanctions is determined by opposing interest groups – but in the sender country. This has several implications, for example, the Public Choice Theory suggests that democracies *ceteris paribus* will design less potent sanctions than autocracies.[3] The choice for targeted sanctions rather than broad-based sanctions may thus reflect domestic interest group considerations rather than the effectiveness of the instrument.[4] Biersteker and Hudáková (2021, Tables 5.1 and 5.2) note an increase in effectiveness over time, although only 10% of targeted sanctions over the period 1991-2020 succeeds in coercing a change in behavior (for constraining the target's proscribed activities through limiting its

[3] See for example Matěj and Hanousek, 2021.
[4] This is a general point that is also relevant for broad sanctions and the type of goods that are and that are not sanctioned. Kaempfer and Lowenberg (1992, pp. 43-45), have argued that strategic considerations partially determined what manner of sanctions were applied against South-Africa. It is not really a surprise that OECD countries preferred to target coal, steel, and textiles.

access to resources the success rate is 22%). Typically, the consensus view is that sanctions should not be applied in isolation and that combinations of at least three to four different types is necessary.

2.3 The banking channel

Many sanctions aim at creating financial hardship. Examples range from the withdrawal of development aid and access to concessional loans to the expulsion from the international bank messaging system SWIFT and the freezing of foreign assets such as central bank holdings of foreign currency. Typically, this reduces the availability of trade finance and makes international transactions more costly and difficult thus magnifying the real economic impact of the measures. In these cases the banking channel through which sanctions work is direct and straight forward.

The banking system is, however, also relevant for sanction in another way, namely as a precondition for success. If the financial system is under stress than sanctions can exert influence via expansion of the trade gap and/or the savings gap, i.e. by exploiting the constraint of the hard currency required for paying for necessary imports and/or the bottleneck of foreign capital needed to finance the capital stock expansion to sustain economic growth. Potential targets may therefore want to hold large strategic foreign exchange stocks and/or run a current account surplus.

3 Findings and lessons from four cases

It is instructive to see how these insights from the literature play out in four well-known and widely discussed cases before we move to our analysis of the sanctions against the Russian war with the Ukraine.

3.1 The anti-Apartheid sanctions of the 1980s[5]

Sanctions against Apartheid were protracted and for long were perceived as failures due to extensive sanction busting, the high stakes for the Afrikaner (white minority, and the fact that only a few products were part of the products (consumer boycotts widened this to some extent but were by themselves not sufficient.

South Africa was vulnerable to foreign economic pressure on several counts: substantial trade linkage with the OECD, deteriorating economic health and reliance on a few suppliers for capital goods (machinery, trucks, intermediate inputs, spare parts, etcetera) and production and consumption patterns that were were rigid by international standards. These factors pointed to substantial vulnerability for economic sanctions. The UN oil embargo, moreover, looked quite promising, especially when after a new Iranian government decided to join the sanctions in 1979. Oil is not found in exploitable quantities in the country and South Africa had to import about 70 per cent of its requirements (import-

[5] This section is based on Van Bergeijk 1995.

substituting large-scale ‘oil-from-coal’ projects were initiated but did not materially reduce oil dependency). However, dependence in other areas was less obvious, South Africa being a major producer of most other strategic raw materials its dependence outside the energy sector was low. Being a supplier of strategic resources, it could retaliate substantially against the OECD countries. South Africa also mined an internationally accepted means of exchange. Kruger Rands were boycotted, but gold exports continued increasing resilience. For long, sanctions did not put sufficient economic pressure to change Pretoria’s political course.

However, an important escalation of economic stress came in the mid-1980s, when private banks and multinationals began to see the political risks of lending to and investing in the Apartheid regime as being too too large. So, significantl quantities of capital were taken out along the 1985 South African debt crisis (divestment from South Africa has been estimated at some $20 billion; see Cortright and Lopez, 2002, pp 95–6.). This disinvestment wave shrunk the economy in a direct manner (less production due to less capital). There was also an important indirect impact. Foreign direct investment has significant spill-over effects in terms of access to modern technologies and management techniques (the invisible components of international capital flows) and also networks with foreign firms are vital for market access. Disinvestment hit South Africa's both through direct and indirect channels and moreover offered a mental blow to the Afrikaner, that saw longstanding firms leave the country because of Apartheid.

Key take away

The decisive role of the disinvesting private sector is one of the major lessons from the case of anti-Apartheid sanctions that also has an important bearing for the sanctions against the Russian war with the Ukraine.

3.2 The sanctions against the 1990 Iraqi occupation of Kuwait[6]

The comprehensive sanctions that the world community imposed on Iraq after its invasion of Kuwait is a exceptional case since the international community demonstrated its ability to impose severe and almost watertight sanction measures (it is noteworthy that Switzerland for the first time in history participated). The oil boycott was relatively easy to organize especially after the disconnection of the pipe via Turkey and enforced with a military blockade. Foreign assets were frozen. Importantly, this was achieved within an extremely short period of four days only. Indeed, ‘Judging from History, the Anti-Saddam Sanctions Can Work’, wrote the Kimberley Elliot in December 1990.[7] The UN sanctions against the Iraqi occupation of Kuwait were effectively delivered significant economic loss to Iraq and showed that achieving international

[6] This section is partially based on Van Bergeijk 1991, 2009.
[7] See, for example, K. Elliott et al., *International Herald Tribune*, December 11, 1990. In the same vein see Smeets (1990).

political unity that and a forceful –difficult to circumvent – set of sanctions on short notice.

Effectiveness in delivering economic damage, however, is not a sufficient condition for success. The very promising sanctions did not succeed and eventually by necessity were followed by the military intervention of 'Desert Storm' (see Baldwin 2000, pp. 103–5). This suggests that the political economy aspects are also a crucial determinant for sanction success. Indeed, the Iraqi leadership ended protests unscrupulously also because, giving in would be irrevocable mean international loss of face, undermine the Iraqi position within the Arab world and a tactical withdrawal would probably lead to the dictator's own downfall mean because such a token of weakness could lead to a coup. The basic point is that no realistic alternative was on the table.

Moreover, decision-making is taking place in a highly uncertain environment and the outcome of sanction cases may thus be codetermined by risk and time preferences. Presented with a choice between the mathematically expected payoff of a gamble in international politics and undergoing that particular gamble, the sanction target might simply prefer the gamble. If the game is 'lost', however, the outcome *ex post* may seem irrational (van Bergeijk 1987). Indeed, the destruction of Iraq in the second Gulf War with hindsight might induce one to question the rationality of Saddam Hussein. The decision, however, to get involved in a very risky gamble showing a very low or even negative expected outcome should not be considered irrational unless the highest possible outcome is less than the outcome that results if the gambler does not play. The key point is that it was difficult to conceive a realistic exit strategy for the Iraqi leadership.

Key take away

The case of Iraq shows that effectiveness is a necessary but not a sufficient condition for sanction success and special attention for the construction of viable alternatives is important – that is: the exit strategy for the target is a key political economy aspect for ending the conflict directly relevant to the sanctions against the Russian war with the Ukraine.

3.3 The 2012 sanctions against Iranian nuclear capabilities[8]

The Iranian case would *a priori* seem to meet the underlying conditions to a lesser extent. Among them we can identify (a) a sufficient – but not a particular high – level of pre-sanctions trade linkage between the sanction senders and the target country, (b) limited capabilities to substitute import and export products (as in the case of Iraq), but this was compensated by (c) an unexpected broadening of the sanctions by using a new tactic, namely the exclusion of Iran from the SWIFT worldwide messaging system. The EU and US financial sanctions that accompanied their oil boycott may explain why the sanctions were biting much harder than would be a priori expected on the basis of pre-sanctions trade

[8] This section is partially based on van Bergeijk (2015a).

patterns. One of the measures taken within the EU's financial sanctions package was to exclude Iran from the SWIFT worldwide messaging system, which is used to arrange international money transfers. This makes it significantly harder to process international payments, while simultaneously constraining other bilateral economic flows. Most importantly, the financial sanctions imposed are characterized by their unexpected scale (concretely through the involvement of the EU); while Iran's exclusion from SWIFT is a measure that was used for the first time in history, and thus represents a new and innovative step.

The sanctions have been associated with an improvement of human rights into the direction of more democracy and the Joint Comprehensive Plan of Action a.k.a. the Iran Nuclear deal. A set of macroeconomic Vector Auto Regression models for the Iranian economy (Dizaji and Van Bergeijk 2013) find significant impacts of economic sanctions both on key economic variables (government consumption, imports, investment, income) and on two indicators of the political system that describes shifts in the autocracy–democracy dimension and in political competition and participation. The impact of an oil boycott on the Iranian economy is considerable: oil and gas rents are important drivers of the Iranian key macroeconomic variables and ultimately of its political system. A reduction of oil and gas rents creates economic costs that act as incentives to move towards a more democratic setting. However, this effect is only significant in the first two years and turns negative after six to seven years, as adjustment of economic structures mitigates the economic and political impact of the sanctions while the long-term gains of compliance decrease during a sanction episode, illustrating that sanctions create a window of opportunity that closes as time passes by.[9]

Key take away

The case of Iran illustrates the importance of the economic and political dynamics that are driven by economic adjustment to reduce trade and investment flows. The strongest impact in terms of utility forgone occurs in the initial phase of the sanction episode and wanes off as time passes. For broad ranged sanctions against the Russian war with the Ukraine this would mean that at best a medium-term window of opportunity could emerge in which diplomatic solutions are possible.

3.4 The 2014 US and EU sanctions and the Russian countersanctions (annexation of the Crimea)

The EU and US response on the invasion of the Crimea, was to impose travel sanctions and freeze froze assets (targeted on one bank and 33 individuals). Russia reciprocally blacklisted US and EU officials. This was the start of a of tit for tat pattern that resulted in comparatively stronger (enforced) Russian

[9] This mechanism also occurs for targeted sanctions. Being on a sanctions list is perceived as a sign of loyalty and is associated with promotions over time (Grauvogel et al. 2022).

sanctions highlighting importance of the comparative vulnerability of Russia and the EU. Before the invasion of the Crimea bilateral trade flows between the parties where more than twenty percent of Russian GDP and three percent of GDP of the European Union. Although comprehensive sanctions would have a stronger economic impact in Russia than in the EU, the economic impact is by no means negligible for the European Unions (Russia's 2012 share in EU external trade was about 10%). Bělín and Hanousek (2021) show that the EU sanctions on exports to Russia were enforced selectively causing only minor disruptions while the Russians were able to enforce significant economic losses on the EU.[10]

Importantly, therefore, it is not just the power to inflict economic loss that counts, but also how and to what extent economic damage translates into political change. Here the contrast between autocratic Russia and the democratic West is significant. This makes the Russian sanctions against the EU not negligible, especially in view of the fact that obviously much more internal coordination is necessary for the EU that for the design and implementation of counter sanctions. Therefore, the EU's choice to impose smart sanctions only may have reflected the costs of counter sanctions that Europe could suffer – although smaller than actually experienced by Russia – would convert more easily into political stress due to Europe's more democratic nature.

Key take away

The tit-for-tat pattern of the 2014 EU and US sanctions and the Russian countersanctions revealed comparative vulnerabilities of the EU and Russia related to their respective decision-making institutions and to a large extent explain why the EU sanctions remained quite limited.

TABLE 1
Summary table of sanction case characteristics

Case	PTL	Oil	Speed	Financial	Auto-cracy	Private sector
1980s South Africa	57%	Embargo	Protracted	Banking crisis	3	divestment
1990 Iraq	45%	Boycott	4 days	100% asset freeze	9	
2012 Iran	18%	Boycott	overnight	SWIFT-complete	7	over-compliance
2014 Russia	22%		Tit for tat		1	
2022 Russia	14%	US, UK	stepwise	piecemeal	1	divestment

Notes: PTL Pre sanction proportional trade linkage (bilateral trade in percent of target's GDP); autocracy ranges from 0 (no autocratic elements) to 9.

Sources: Polity 5, World Development Indicators, UNCTAD and country specific data South Africa: Webbink and Van Bergeijk 1989, Iraq: van Bergeijk 1994, 2009, Iran: van Bergeijk 2013, 2015a, Russia van Bergeijk 2014.

[10] See also Oligarchs Got Richer Despite Sanctions. Will This Time Be Different? *New York Times*, March 16, 2022.

Table 1 by way of orientation summarizes characteristics of the cases. In combination with Figure 1 this allows the following observations.

- Two cases (South-Africa and Iran) have a comparatively low *ex ante* probability of success based on pre-sanction proportional trade linkage and regime type (the autocracy score). The key to understanding their success is in the banking channel (debt-crisis and SWIFT sanctions) and the behaviour of the private sector (divestment and over-compliance).
- The failure of the sanctions against Iraq underscores the importance of regime type and the need for a viable exit strategy – a diplomatic alternative for the target's ruling decision-makers. Also, the case shows that some decision-makers cannot be influenced with economic hardship.
- The 2014 sanctions against Russia illustrate the comparative vulnerability of the European democracies and their weakness in organizing comprehensive sanctions that bite.

4 Prospects of the sanction regime against the Russian war on the Ukraine

The 2022 economic sanctions against Russia have been described by Western leaders and policy analysts as sanctions without precedent. That's actually quite an exaggeration. Sanctions against the Iraqi invasion of Kuwait in 1990 froze immediately *all* foreign assets and a *total* oil boycott was enforced with a military blockade. Sanctions against Iran in 2012 were also more comprehensive. Those sanctions for the first time (and thus unexpectedly) deployed the international bank payment system SWIFT: *all* Iranian payments were excluded.

The sanctions also had precedents in another sense: the western world has a long and sobering history of sanctions against the Soviet Union/Russia, such as the US grain embargo against the USSR invasion of Afghanistan in 1980 and export control and restrictions on technology during the Cold War. Neither of these cases was successful (Afesorbor and van Bergeijk 2022). Moreover, it is tempting to speculate that the weak 2014 sanctions may have reduced the credibility of broad-based sanctions by the EU.[11] That is also why, in the current circumstances, much more economic pressure is needed – across the full range of economic interaction with Russia.

The Western world has learned little from the ineffective sanctions against Russia's annexation of Crimea in 2014. Those sanctions did not work, because they were smart and targeted and therefore predominantly symbolic. The sanctions have failed mainly because it is naive to think that financially hitting oligarchs and top officials represents a threat to President Putin. He is in control and his threat to punish opposition carries much more weight for those who

[11] Moreover, Europe's increasing energy dependency on Russia over the last decades could reduce the expectation that the EU would use comprehensive sanctions (Gallea et al. 2022).

want to survive. Moreover, the signalling impact of smart and targeted sanctions aimed at the circles around Putin – while strong at the personal level – is limited for the broader population, especially in the context of the manipulation of Russian news by the Kremlin. Broad-based sanctions through their impact at large are more apt to communicate to the Russian population that 2022 war on the Ukraine is in no way comparable to the 2014 annexation of the Crimea. This will strengthen opposition also while the costs of the military intervention in itself are much higher than originally expected and are becoming increasingly clear.

The economic sanctions so far have not been directed towards Russia's major source of foreign currency income, that is its energy exports to the European Union (Chepeliev et al. 2022). Neither has an embargo on capital goods, intermediate products and transport equipment been imposed. At the time of writing the sanctions package is admittedly more extensive than it was in 2014, but importantly this time the West is trying to hit a Russian economy that is better prepared and more resilient. The sanctions during the Crimean crisis were imposed in a context where the Russian economy was more vulnerable to foreign economic pressure, but the Russians, unlike the Western world, learned from the sanctions following the annexation of Crimea. The possibility to escalate sanctions had more credibility and carried more weight in 2014 when EU-Russia bilateral trade amounted to 22% of Russia's GDP– the latest pre-sanction number for EU-Russia proportional trade linkage is 14%.[12] Russia also limited its dependence on the West in other areas, for example because the Russian Central Bank developed the System for Transfer of Financial Messages (SPFS) as an (imperfect) alternative to SWIFT. All in all, Russia increased its resilience by strategically reducing its dependencies on foreign countries.

Given the increased Russian resilience, the increasingly autocratic nature of President Putin's government, the credibility of his 2014 tit-for-tat strategy and the failure of European democracies to implement appropriate strong and broad-based measures smart and targeted sanctions are unlikely to influence the Kremlin's calculus. The European Union could only influence that calculus by restoring its reputation as a credible applicant of strong sanctions, including an embargo on capital goods and a boycott of Russian energy – with the side benefit that energy is an important source of income for the oligarchs (Baliga and Sjöström 2022).

Private sector activities may be more important to change the cost benefit analysis of the Russian authorities, especially if the current trend of divestment by multinational corporations perseveres; the possibility that Russia will be unable to pay interest on outstanding foreign debt and the threat of a debt crisis also may add bite to a sanction package that is in itself both too little and too late.

[12] Judged against the average sanction case this is still substantial and associated with an average success rate of fifty percent (Van Bergeijk 2012).

Key take aways

The sanctions against the Russian war on Ukraine are not 'unprecedented' and the current sanctions packet is not sufficient to realistically expect that they will work also because sanctions against military adventures have a significantly lower probability of success. Moreover, the weak 2014 sanctions reduced the credibility of broad-based EU sanctions and or the threat of scaling up targeted sanctions. Russia is also less vulnerable and better prepared than in 2014, increasingly autocratic and there is no valid exit strategy. Divestment and the possibility of a Russian debt crisis could add sting to sanction regime also because these events convey the information to the Russian population that the military actions in 2022 extend far beyond the 2014 invasion of the Crimea thereby countering the propaganda and media control by the Kremlin.

5 Final remarks

The Russian war with the Ukraine evokes memories of the Cold War, which had a major impact on East-West trade until the 1990s. We know from observation that relaxation between the great powers after the fall of the Iron Curtain led to an enormous increase in intra-European, and even global, trade (van Bergeijk and Oldersma 1990, 1992 van Bergeijk 2015b). The world and geopolitical relations changed radically. After the fall of the Iron Curtain, the two Germanys reunited, formerly centrally-planned Central European countries became EU Member States and many countries, especially China, became major players in the world trading system, creating alternative supply and export markets. Still, the potential consequences of a frosty relationship between Russia and the West are still significant although the influence of political barriers to trade in the current context is much smaller.[13] More important, than the economic costs are the political costs associated with the revival of Cold War thinking. It remains important to recall the lesson that Europe has successfully strengthened economic interdependencies in order to pacify former belligerent countries Germany and France. Supporting and affirming democracy and reducing political tensions with Eastern European countries is an achievement of the European integration process. Reducing interdependencies between East and West has a clear risk and can lead to diminishing international security. An autarkic Russia may be more dangerous and war-prone since the costs of conflict would be reduced. Also for this reason, an exit strategy from sanctions should be on our minds. Recreating mutual benefits and integration needs to be on the agenda as an instrument to find a solution out of the current crisis.

Current developments have further increased awareness of the economic dependencies in a globalized world and adds sentiments towards strategic autonomy fed by the world trade collapse during the Great Recession, the trade wars of President Trump and the lockdowns during the COVID-19 pandemic.

[13] It could therefore be argued that the political, defence and national security aspects appear to be relatively more important and driving the scaling up of the use of economic punitive measures against Russia.

The costs of international dependencies have become more transparent, and this may have significant consequences for the international architecture (van Bergeijk 2022c). Gallea et al. (2022) starting from the concept of the Resource Curse, find that extensions of the network of natural gas transportation pipelines is associated with larger autocracy and an increased likelihood of military conflict, thus challenging the very basis of Ostpolitik and other constructive engagement policies with Russia.[14] Their findings are also a challenge for the Liberal Peace (the idea that international trade and investment offer powerful antidotes against initiation of international conflicts) that may be less general than its proponents claim.

While the academic debate understandably currently is about the issue of how to design (optimal) sanctions (e.g., Sturm 2022, Baliga and Sjöström 2022), the challenge is to also keep an eye on the longer term, that is on the exit strategy form the current conflict and the concomitant sanctions. Economic sanctions have a long-run impact beyond the period of threats and impositions and imposing and lifting sanctions are not symmetric activities (Dizaji and van Bergeijk, 2013, Kohl 2021). It is important to consider the stick and the carrot, that is negative and positive economic sanctions (Carusso, 2021). In the end threat and punishment need to be accompanied by promise and reward.

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[14] See also Caselli and Tesei (2016) who find that energy rents tend to intensify moderate levels of autocracy and Dizaji (2022) for a study that deals with this issue in the greater Middle East region.

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