



# Five Years After Crimea, What Have We Learned About Sanctioning Russia?

Neil Bhatiya | Tuesday, March 26, 2019

*Editor's Note: Guest columnist Neil Bhatiya is filling in for Kimberly Ann Elliott, who will be back next week.*

In March 2014, then-President Barack Obama signed the first tranche ([https://www.treasury.gov/resource-](https://www.treasury.gov/resource-center/sanctions/programs/pages/ukraine.aspx)

[center/sanctions/programs/pages/ukraine.aspx](https://www.treasury.gov/resource-center/sanctions/programs/pages/ukraine.aspx)) of executive orders imposing sanctions against the Russian Federation for its illegal invasion and annexation of Crimea (<https://www.foxnews.com/world/five-years-after-crimea-annexation-tensions-remain>). Five years later, the confrontation between the United States and Russia has come to dominate the national security conversation, driving unprecedented tensions in the trans-Atlantic relationship. It is also likely to feature prominently in foreign policy debates during the 2020 presidential election campaign.

Even before 2020, the topic is certain to attract attention. Congress is already contemplating future sanctions authorities written into pending legislation, especially in light of the seizure of Ukrainian sailors by Russia in the Sea of Azov (<https://www.theguardian.com/world/2018/nov/27/kerch-strait-confrontation-what-happened-ukrainian-russia-crimea>) in November. Ukraine's upcoming presidential election on March 31 will also bring renewed focus on how to protect Kiev from further aggression. And the fact that Russia continues to defy Western efforts to rein in its behavior means that these sanctions could end up being a permanent fixture in U.S.-Russia relations. In light of all this, three principal long-term trends are worth further examination.

First, although the U.S. wields enormous power through its ability to impose unilateral sanctions, it is incredibly difficult to apply that power to a large integrated regional economy—like Russia's—that has trade linkages extending into vital regions, in this case much of the European Union. Five years after the first designations and the creation of the Sectoral Sanctions Identification list ([https://www.treasury.gov/resource-center/sanctions/sdn-list/pages/ssi\\_list.aspx](https://www.treasury.gov/resource-center/sanctions/sdn-list/pages/ssi_list.aspx)), which places restrictions on dealing with certain Russian entities, the Russian economy is doing relatively well compared to global benchmarks. The Organization for Economic Cooperation and Development, or OECD, projects modest but positive growth



*Russian President Vladimir Putin, left, and Minister of Energy Alexander Novak during the Supreme Eurasian Economic Council meeting in St. Petersburg, Russia, Dec. 6, 2018 (Photo by Maksim Blinov for Sputnik via AP Images).*

(<http://www.oecd.org/eco/outlook/economic-forecast-summary-russia-oecd-economic-outlook.pdf>) in 2019 and 2020. And while many analysts (<https://www2.deloitte.com/insights/us/en/economy/emea/russia-economic-outlook.html>) have flagged structural weaknesses that the sanctions exacerbate, Russia will still be competitive in the global economy.

While the Russian energy sector can no longer access advanced technology from international firms to expand into unconventional exploration and production of oil and gas reserves, it remains a key player in global oil markets. Since 2016, it has worked closely (<https://www.cnbc.com/2019/02/05/opec-nations-are-reportedly-trying-to-extend-cooperation-with-russia.html>) with the Organization of the Petroleum Exporting Countries, or OPEC, to manage production cuts in order to boost prices, though that relationship has shown signs of fraying recently (<https://www.bloomberg.com/news/articles/2019-03-18/opec-s-missing-meeting-shows-strain-in-saudi-russia-alliance>). It is also expanding its natural gas market share in Europe, ensuring that there are U.S. partners, like Germany, that must consider a vital economic relationship when contemplating new sanctions. That further weakens the amount of leverage the U.S. has over the Russian economy. While Congress has considered additional aggressive measures, these have had to be balanced against other market pressures on global energy prices, including similar coercive economic campaigns targeting Venezuelan (<https://www.bloomberg.com/news/articles/2019-03-20/venezuelan-crude-shipments-to-u-s-grind-to-a-halt-on-sanctions>) and Iranian crude oil.

Second, in its effort to push back against Russia, the United States has created an incredibly politicized domestic discourse around the application of coercive economic measures. Out of a fear that President Donald Trump would weaken sanctions against Russia upon taking office in 2017, a bipartisan effort in Congress to tie his hands resulted in the Countering America's Adversaries through Sanctions Act, or CAATSA ([https://www.treasury.gov/resource-center/sanctions/Programs/Documents/hr3364\\_pl115-44.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/hr3364_pl115-44.pdf)). Once signed into law, CAATSA mandated that any removal of Russia sanctions required a congressional vote. To date, Congress has only used this mechanism once, when it voted to narrowly approve (<https://www.rollcall.com/news/congress/chuck-schumers-campaign-block-russia-sanctions-relief-comes-short>) the lifting of sanctions on companies tied to Russian oligarch Oleg Deripaska.

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Those fights are likely to remain relevant for the foreseeable future. The most recent version of the Defending American Security from Kremlin Aggression Act of 2019, or DASKA (<https://www.congress.gov/bill/116th-congress/senate-bill/482/text?>

q=%7B%22search%22%3A%5B%22defending+american+security+from+kremlin+aggression%22%5D%7D&r=1&s=1#toc-idA9CEA9919E5940C6AF62935ED2E09313), extends those congressional review procedures to the sanctions authorities under the Sergei Magnitsky Rule of Law Accountability Act of 2012. As Congress expands the range of measures where it seeks to exercise veto power over the executive branch, it risks making sanctions a less useful and more politicized tool. And while a bipartisan consensus has for now been on display with regard to Russia sanctions, this might not always be the case. Many Democrats felt that the vote on the Deripaska corporate delistings was already as much a vote about Trump and his discourse on Russia than the merits of the deal itself. That pattern may be repeated across a whole range of future sanctions disagreements, weakening the legitimacy of an important U.S. foreign policy tool.

Finally, the intense focus on countering Russia's malign activity has upended geopolitics both in Europe and Asia. The Trump administration and traditional European allies are embroiled in a number of high-profile disputes, including over the Iran nuclear deal, the Paris climate change agreement, defense spending by NATO members, and tariffs imposed ostensibly for national security reasons. How to calibrate sanctions pressure on Russia without derailing Europe's longstanding economic relationship with Moscow should be seen as yet another stressor in the trans-Atlantic relationship.

Its most direct manifestation is the debate over whether or not the United States will sanction the Nord Stream 2 pipeline, which when completed will transport Russian natural gas to Germany via the Baltic Sea. Trump pointedly raised the project at NATO's July 2018 leaders' summit, exaggerating the extent to which it demonstrated Germany's dependence on Russian energy. And despite having issued guidance indicating the project would be exempt from CAATSA sanctions, the Trump administration has repeatedly warned ([https://www.washingtonpost.com/opinions/trump-and-angela-merkel-are-dueling-over-a-pipeline-heres-why/2019/03/14/755764e6-4675-11e9-aaf8-4512a6fe3439\\_story.html?utm\\_term=.5155e45b50f1](https://www.washingtonpost.com/opinions/trump-and-angela-merkel-are-dueling-over-a-pipeline-heres-why/2019/03/14/755764e6-4675-11e9-aaf8-4512a6fe3439_story.html?utm_term=.5155e45b50f1)) about its national security implications. The issue could come to a head again in January 2020, when the Russia-Ukraine transit agreement expires and needs to be renegotiated (<https://www.oxfordenergy.org/publications/russian-gas-transit-ukraine-2019-options/>). If talks between Moscow and Kiev break down, the crisis could flare up as Nord Stream 2 is approaching completion. It is plausible that such a coincidence would make it difficult for the administration or Congress to resist targeting Nord Stream 2 for sanctions, precipitating a decisive crisis.

At the same time the United States and Europe are drifting apart, there is also evidence that sanctions pressure is smoothing the way for a marriage of convenience between China and Russia. After Western sanctions chased away a great deal of international investment in Russia's energy sector, Moscow relied on a Chinese-sourced bailout of the Yamal liquefied natural gas project (<https://thediplomat.com/2018/01/chinas-stakes-in-the-russian-arctic/>). Both the China National Petroleum Corporation and the Silk Road Fund, a Belt and Road Initiative financing vehicle, provided enough capital to help the Russian firm Novatek complete the project. While there are a variety of factors that could prevent the Russia-China relationship (<https://www.cnas.org/publications/commentary/china-russia-cooperation-presents-a-fresh-threat-to-the-united-states>) from being a true strategic partnership, Putin clearly feels he has access to financial resources that are not subject to

U.S. sanctions pressure in the same way traditional Russian sources, like international debt markets, were.

Taking all these trends together, it becomes apparent that the United States finds itself in an unenviable strategic position. It is angering its allies, damaging but not deterring its intended adversary, and pushing that same adversary toward a closer embrace of another much more dangerous and capable rival.

However, because Russia's activities are so galling, there is no political space for moderating the current approach, let alone resetting it.

Washington can only hope that the long-term pain that sanctions are inflicting upon the Russian economy will cause Moscow to change its decision-making. But it seems likely that the next five years of sanctions strategy will be just as frustrating, and just as controversial, as the first five years.

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