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THE ROLE OF SANCTIONS IN U.S.-RUSSIAN RELATIONS

ANDREW S. WEISS AND RICHARD NEPHEW

Sanctions have been a central element of U.S. Russia policy following Moscow's annexation of Crimea and the beginning of the undeclared war in eastern Ukraine. They have produced some important successes in moderating Russia's behavior in Ukraine and sent a clear message about the long-term costs of the Kremlin's dangerous, disruptive foreign policy course. However, overreliance on sanctions in dealing with Russia risks undercutting their effectiveness over the medium to long term as the Kremlin inexorably develops mechanisms to evade sanctions or at a minimum seeks to soften their impact. As a result, the United States must ensure that its approach does not become overly focused on sanctions and instead maintains them as an element of a balanced, long-term strategy within which sanctions are harnessed to larger strategic goals. This calls for care and restraint in using sanctions in pursuit of U.S. objectives vis-à-vis Russia.

WHAT SANCTIONS HAVE ACCOMPLISHED

Before the impact of sanctions on Russia can be assessed, it is necessary to differentiate among the many types of sanctions the United States has imposed on the Soviet Union and its successor state, the Russian Federation, both during and after the Cold War. The United States has frequently used sanctions against the Russian state, Russian individuals, and Russian companies since the Boris Yeltsin era, many of them in connection with Russian activities unrelated to Ukraine.

Nonproliferation-Related Sanctions

The United States has imposed sanctions on Russian companies for arms and technology transfers that the United States has opposed since the 1990s. Sanctions have also been imposed on Russian individuals, banks, and other entities that do business with Iran, North Korea, Syria, and representatives of other countries whose foreign or domestic policies violate international norms or the preferences of the United States. These sanctions include prohibitions on Russian individuals or entities involved from doing business in the United States.

These sanctions have had a mixed record to date. In particular, Russia's active arms trade (it is second only to the United States as an arms supplier worldwide and even briefly surpassed the United States in 2013[1]) has routinely created issues involving countries that pose nonproliferation concerns for the U.S. government. The fact that the United States has had to impose sanctions on some Russian entities on multiple occasions—in particular, Rosoboronexport, Russia's defense-related export-import agency—suggests that Russian government officials and private businesses are willing to defy U.S. demands notwithstanding the potential repercussions. After all, the purpose of sanctions is to end or prevent the underlying bad behavior. The imposition of penalties in response to the breach of sanctions is therefore a failure from a strategic standpoint, even if it may have tactical advantages.

The Bill Clinton administration imposed sanctions on a number of Russian entities for cooperation with Iran's nuclear and missile program. This sanctions effort was intended both to discourage activity by Russian entities in sensitive areas and to prod the Kremlin into building a more effective export control system in the wake of the Soviet Union's collapse. For example, in the mid-1990s,

ABOUT THE AUTHORS

Richard Nephew *is a program director with the Center on Global Energy Policy at Columbia University's School of International and Public Affairs. He is also a nonresident senior fellow at the Brookings Institution. He previously worked as principal deputy coordinator for sanctions policy with the U.S. Department of State.*

Andrew Weiss *is vice president for studies at the Carnegie Endowment for International Peace, where he oversees research in Washington and Moscow on Russia and Eurasia.*

the United States succeeded in persuading Moscow that it should not export a centrifuge enrichment plant to Iran. The United States had threatened to impose sanctions on Russian companies in the event of such a transfer.[2]

Similarly, during the George W. Bush administration, Russian arms exports to Iran declined significantly—from $201 million annually to $18 million in 2007. This coincided with a major expansion of both U.S. sanctions and pressure on foreign governments to limit their activities with Iran.[3] Moreover, this reduction in arms sales took place despite the fact that the Russian government successfully opposed the establishment of a comprehensive arms embargo on Iran at the UN. Moscow succeeded in watering down this initiative, which ended up as an appeal to member states to avoid selling arms to Iran, but kept its own arms sales to Iran modest.

Some have argued that these examples prove that far from being deterred by U.S. sanctions, Russia simply engages in careful cost-benefit analysis and accommodates U.S. demands when its interests call for it, and rejects them when they do not. The case of the S-300 air defense system sale to Iran may be a good example of such calculating behavior. In 2010, the Russian government voluntarily decided to cancel the sale of the S-300 surface-to-air missile system to Iran, citing UN Security Council Resolution 1929 despite the fact that the resolution did not actually prohibit it. Russia's decision was laudable, and it also helped to create the right political environment for Congress to review and approve the U.S.-Russia Agreement for Cooperation in the Field of Peaceful Uses of Nuclear Energy (or a 123 agreement, as it is sometimes called, for the relevant section of the Atomic Energy Act). This agreement had important implications for U.S.-Russian nuclear cooperation, with significant commercial benefits to Russia. (The Bush administration froze the 123 agreement in response to the 2008 Russia-Georgia war.)

Ultimately, though, the purpose of sanctions is precisely this: to affect the interests of a given state so as to deter or compel it to act in accordance with the interests of the sanctioning state. It does not matter whether sanctions contribute 5 percent or 75 percent to this goal. If sanctions, or the threat of sanctions, help tip the scales for the targeted country to make the right choice in its otherwise complex calculation of self-interest, then they represent a particularly useful application of this foreign policy tool.

Ukraine-Related Sanctions

In the case of Ukraine, the sanctions imposed on Russia have been far more extensive. U.S. and EU Ukraine-related sanctions are not an independent measure but rather part of a broader strategy that also includes diplomatic pressure, negotiations to deescalate the conflict with the help of the Minsk accords, and stepped up military activities by NATO member states to deter further Russian aggression.

The sanctions have targeted the Russian economy in addition to individual Russian officials and business figures close to the Kremlin. They have also been designed to have a combination of short-term and long-term effects while minimizing the spillover impact on the global financial system and the economies of the United States and EU member states.
The specific measures include:

1. Prohibitions on providing new debt or new equity of greater than thirty days' maturity to identified Russian corporate and banking entities
2. Prohibitions on providing new debt greater than ninety days' maturity to identified entities and individuals operating in the Russian energy sector
3. Prohibitions on the export of goods, services (except for financial services), and technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime areas claimed by the Russian Federation and extending from its territory, to identified entities and individuals operating in the Russian energy sector
4. Prohibitions on providing new debt greater than thirty days' maturity to identified entities and individuals operating in the Russian defense sector
5. Blocking sanctions on designated entities and individuals operating in the Russian defense sector[4]
6. Asset bans and travel freezes on key individuals close to President Vladimir Putin or directly involved in Russian aggression against Ukraine
7. A total ban on transactions and economic cooperation with Russian-occupied Crimea

The results thus far have been mixed. On the one hand, Russia has shown no inclination to withdraw from Crimea or cooperate in the full implementation of the Minsk II agreement.[5] The Organization for Security and Cooperation in Europe (OSCE), which has the responsibility for monitoring the ceasefire agreed to in Minsk in February 2015, has reported nearly daily violations of the ceasefire's terms, including the continued movement of arms and personnel from Russia into Ukraine.[6] From this perspective, the present sanctions regime against Russia does not appear to have borne much fruit.

On the other hand, Moscow's military push into Ukraine has stalled, and the level of violence has declined. Given worries in many Western governments that the crisis might spin out of control and lead to a full-scale war between Russia and Ukraine,[7] this is seen as an improvement in the day-to-day situation even if the status quo remains unacceptable. The costs of continuing the military campaign, including the toll of joint U.S.-EU sanctions on the Russian economy, may have had a sobering effect on the Kremlin.[8] U.S. officials have indicated that they believe that the sanctions program has been particularly important for affecting the Kremlin's calculations on the margins of issues such as whether to seize the Ukrainian port city of Mariupol or to establish a landbridge to Crimea.

The greatest source of pressure on the Russian economy has been the sharp drop in oil prices, which plunged Russia into a serious recession in 2015.[9] The Russian economy is still struggling to find its footing and is expected to contract by a further 1.5 percent in 2016 with a possible return to extremely sluggish growth of 1 percent in 2017, according to the IMF.[10] These predictions hinge on the likelihood of an oil price rebound, which—at the time of this writing—is uncertain.

Sanctions did not cause this recession. But, they have complicated Russia's ability to cope with the recession in two important ways. First, they have reduced the overall attractiveness of investment in Russia, especially in its oil and gas sector, since a variety of long-term projects are either under sanctions directly or would be affected by sanctions associated with technology transfers. Second, sanctions have limited Russia's access to Western capital markets.

There is considerable debate over the implications of this type of sanctions. According to one school of thought, given Russia's low external debt obligations, this state of affairs is unlikely to present a major problem. Russia's sovereign debt is relatively modest, and corporate borrowers, who entered the crisis structurally long dollars, have been selling off dollar assets during the crisis and paying down their debts over the past two years. By deciding not to defend its currency and allowing the ruble to float freely, Russian economic policy makers have sent a clear signal that they want to preserve their hard currency reserves and not to defend the ruble exchange rate versus the U.S. dollar or the euro. Amid the dramatic decline in the ruble in late 2014, some Western observers argued that the combination of a currency panic, low oil prices, import requirements, and an inability to borrow externally had pushed the Russian economy into a slow-motion crisis. Sooner or later, the government would have to confront the possibility of defaulting on its foreign obligations or imposing draconian cuts on expenditures. By adopting an extremely orthodox, IMF-friendly set of policies (for example, removing the currency peg, shoring up the banking system, cutting expenditures, and letting the Russian consumer bear the brunt of the adjustment), the Russian government managed to stabilize the situation.

According to another school of thought, the question is not whether Russia has been able to weather the storm thus far or whether it has taken the right steps to mitigate the damage that has been done, but rather whether Russia can continue to do so in the face of low oil prices, continued sanctions, and potential future shocks. As a result, the issue is not short-term stabilization, but rather the repercussions from continued stalemate.

For this school of thought, Russia has two problems: a major fiscal policy gap that it is presently paying for by raiding its sovereign wealth fund; and, a potential debt crisis for its nongovernment borrowers.

On the first, Russia's sovereign wealth fund—the Reserve Fund—had $87 billion in assets in December 2013, according to the Russian Finance Ministry. As of June 1, it had $38 billion in assets, following months of sell offs by the Russian government to make up for budget deficits.[11] Russia continues to seek ways of cutting spending, and has indicated that it intends to keep the budget deficit within 3 percent of GDP in 2016.[12] But, continuing crises in Ukraine and Syria, as well as low oil prices may well undermine this strategy. For this reason, Moody's and Standard & Poor's have continued to rate Russia at below investment grade.[13] In recent months, the government has tested the waters on returning to Western capital markets, but immediately ran into obstacles imposed by U.S. and EU policymakers. A small Eurobond sale in May 2016 was hampered by moves to convince major Western financial institutions that the placement violated the spirit of the sanctions because the funds could end up in the coffers of designated entities as well as by the underlying economics of the situation. The Kremlin's multiple attempts to secure new sources of financing and investment from Asian sources have also failed to pan out.

Second, although it is true that corporate borrowers continue to pay down their debts, their total external debts still amount to $385 billion as of March 2016.[14] Debt servicing in 2015 and thus far in 2016 will reduce this amount. However, as Standard & Poor's put it: "Stress could mount for Russian corporations and banks that have foreign currency debt service requirements without a concomitant foreign currency revenue stream."[15] The Russian Central Bank helped to shore up these institutions through the provision of increased dollar and euro liquidity to Russian corporations through so-called repo operations and other tools. The substantial outflow of capital from Russia has also depleted Russian companies of potentially valuable sources of investment that could help generate much-needed growth and make up some of the lost value of exports amid Russian banks' and energy companies' inability to borrow internationally.[16]

The problem facing Russia, therefore, is less one of solvency and whether accounts can be made to balance. Russia has demonstrated a remarkable ability to maneuver financially during this crisis. Russia's problem is one of liquidity and whether, if current conditions persist or get worse (including through further sanctions pressure), Russia can keep its national-level accounts in balance. At an individual level, economic pressure has continued to build,[17] with many stories emerging from Russia that indicate an increasingly tense environment for average consumers.[18]

Russia's own incentives to play down the impact of sanctions and negative international fallout from its foreign policy are obvious. The Russians have every reason to obscure the costs of their policy in Ukraine, and Putin—in particular—has an interest in maintaining his reputation at home and abroad as a shrewd and cunning leader. Acknowledging that international pushback has affected his decisionmaking would undermine this image. Russian officials have argued that sanctions not only have failed to affect their policies but also have helped stimulate domestic industry via import substitution. For example, ruble depreciation has benefited Russian exporters whose costs are priced in rubles and a handful of industries such as agriculture that are focused on the domestic market.[19]

However, such arguments are a common tactic of those targeted by sanctions, as seen in other countries targeted by sanctions, including Iran and Myanmar.[20] Conversely, countries relying on sanctions as an instrument of their policy often exaggerate their impact, too.

In all likelihood, it will be impossible to determine the degree to which Russian behavior has been directly affected by sanctions and to what end until after the Ukraine crisis is long past. As with the Iran sanctions debate, there will be arguments made by both sides in support of their respective contentions. Regardless of whether it is true or not that sanctions have played a role in changing Russian policy and behavior, it is important to stress that U.S. officials believe that they have been effective, and key European officials are on the record as saying that the sanctions can only be removed upon full implementation of Minsk II.[21] There is always a chance that, due to other developments—Brexit, a major European economic crisis, or an unknowable security event that changes the nature of the Ukraine debate—the terms of the debate over sanctions against Russia will shift. But, assuming a generally stable status quo environment around the sanctions issue (and as the EU's decision to renew its sanctions time and again demonstrates), it is very likely that sanctions will remain part of the Ukraine policy mix until a diplomatic solution has been reached and the sanctions are dismantled.

LIMITS OF SANCTIONS IN RUSSIAN, TRANSATLANTIC, AND GLOBAL CONTEXTS

Even if sanctions are agreed to have had an impact in changing Russian calculus over Ukraine, there are limitations as to what they can achieve given Russian, transatlantic, and global factors.

The Russian Context

Sanctions may have forced Russia to take a more accommodating posture vis-à-vis Ukraine and its relationship with the EU, but it is highly unlikely that they could change Russia's perception of its right to pursue its interests within the borders of the former Soviet Union and to maintain a buffer against NATO. Since the end of the Cold War, the Russians have made abundantly clear their belief in their special rights in the former Soviet Union, if need be at the expense of their neighbors.[22] Russia's wars against Georgia and in Ukraine, and the general stance vis-à-vis its so-called near abroad, point to a firmly held vision of Russian security requirements in Eastern Europe and Eurasia that would be hardto change with any amount of external pressure.[23]

Sanctions are also unlikely to keep Russia from interfering in the internal affairs and foreign policies of its neighbors. Sanctions are just as unlikely to move Vladimir Putin to abandon Crimea, given its political, strategic, and cultural importance to Russia. In fact, the Kremlin has used U.S. and EU Crimea-related sanctions as a tool to consolidate and mobilize public support for its policies.[24]

U.S. and EU officials have signaled that they understand the limits of Crimea-related sanctions. They made a clear distinction between sanctions imposed on Russia for interference in eastern Ukraine, which constitute all of those listed above, and sanctions imposed on Russia for the annexation of Crimea, which apply only to a relatively small number of Russian, local Crimean, and Ukrainian individuals and entities involved in the annexation.[25] At the same time, the total economic blockade against Crimea has created lasting problems for the Kremlin's efforts to create an economic and political showcase.

Despite the effects that sanctions have had on Russia, its economy is proving resilient, and sanctions that would inflict more damage are more difficult to devise and implement in practice than might appear to be the case in theory. Russia's oil and gas riches are both the source of its strength and a crucial vulnerability. As a key exporter of hydrocarbons, especially to Europe,[26] there are concerns in Europe that any move to clamp down further on Russian oil and gas revenues would lead Russia to turn off natural gas and oil supplies. This would doubtless damage European economies, and, given that much of Europe depends partly on Russian natural gas to heat homes and businesses, the effects could go beyond the economic sphere. However, Russia would suffer as well for taking such a step, as natural gas and oil supplies to Europe are its primary source of external revenue. The question therefore becomes the degree to which either side might wish to escalate the situation, and, thus far, neither has demonstrated such an interest. With respect to less direct sanctions, measures that target key technology imports Russia depends on to develop its offshore fields or unconventional energy reserves are certain to take their toll over time and are less subject to mitigation efforts.[27] But, such measures are also less likely to create the sense of urgency in Russia that may be needed to overcome its sense that it can withstand significant economic pressures.

All in all, the potential future impact of sanctions on Russia is uncertain and may be limited by further pressures on the Kremlin to moderate—rather than to change—its behavior.

The Transatlantic Context

The limitations of sanctions against Russia are in part a result of the differences that exist in the transatlantic community on how to handle Russia strategically and the relative costs borne by the various partners. From a U.S. perspective, the application of sanctions against Russia is a fairly straightforward exercise of leveraging U.S. advantages against a weaker adversary. There is relatively little economic cost to the United States from sanctions on Russia, in part due to the design of the sanctions and in part due to the limited degree of U.S. exposure to the Russian economy. U.S. trade with Russia was about $23 billion in 2015, down from about $34 billion in 2014, and far below fifteenth-ranked Switzerland, which had a total trade with the United States of $53.5 billion in 2015.[28]

For Europe, the situation is markedly different. Russia represented the EU's third-largest import source and fifth-largest export market in 2015.[29] Russia's trade with the EU was just over 200 billion euros in 2015 (about $222 billion)—down from 330 billion euros in 2013 (over $360 billion).[30] One report from 2015 suggested that sanctions against Russia have cost Europe between 0.3 and 0.4 percent of its GDP, the equivalent of 40–50 billion euros.[31] This economic fallout from sanctions against Russia accounts for the reluctance in some parts of the EU to sustain the sanctions.

A number of countries have expressed their displeasure with continuing the sanctions, with Hungary, Italy, and Greece being particularly vocal.[32]

That said, these concerns have been present during internal EU deliberations on Russia sanctions from the start of the Russia sanctions campaign. With that in mind, policymakers in Washington and Brussels have been keen to stay in lockstep with one another as they chart next moves in the sanctions regime. Maintaining a unified transatlantic position on sanctions has been a key element of Western policy, perhaps even more important than the scale and scope of the sanctions themselves. Failure to do so would be a major win for Moscow and create a lasting wedge between Washington and its European allies and partners. Despite internal frictions, EU sanctions have been renewed against Russia on multiple occasions, which in itself is a major boost to transatlantic relations.

Even taking this into account, the sanctions policy vis-à-vis Russia may be reaching its limits. Barring an escalation of the military conflict in eastern Ukraine, or some other game changer, similar to the tragic shootdown of the Malaysian airliner over Ukraine in 2015, new sanctions against Russia appear unlikely, and current sanctions may not provide sufficient leverage to affect Russian behavior. This does not mean that sanctions will atrophy altogether; in fact, some of the sharpest measures were deliberately intended to impose long-term pain, as is the case with sanctions targeting Russian access to technical support and technology needed to develop its oil and gas resources. But, sanctions fatigue is becoming a real factor, especially amid the continued impasse over implementation of the Minsk accords.

Brussels's ability to apply more pressure against Russia by targeting its oil and gas sector is limited by Europe's partial dependence on Russian energy and its internal divisions. The EU has taken steps to reduce this vulnerability, such as diversification of its supply network; construction of liquefied natural gas terminals to buy gas from other suppliers, including from the United States; construction of reverse flow and interconnector pipelines; and the domestic development of renewable resources. But, these steps will take time to mature and offer no solution in the near term.

The Global Context

Globally, U.S. and EU sanctions against Russia are limited from two perspectives. The first is that Russia has other trading partners, even if some of these substitute relationships may take a while to fully mature.

At the same time, there are few viable sources for Russia to acquire advanced technology in the energy sector apart from the United States and Europe. This means it may take many years before Russia can begin to develop its unconventional and hard-to-access energy sources, even without sanctions being modified, and this will in turn hit the country's ability to keep producing oil and gas at current levels as major fields mature.

China is often cited as Russia's primary alternative to trade and cooperation with the EU, despite their past adversarial relationship and residual mistrust.[33] The scale and scope of this relationship ultimately is an open question since many observers question whether Russia would be willing to accept greater dependency on China, complicating its willingness to accept various types of deals with China, even if they offer short-term economic relief. Still, China and Russia see advantages in collaborating and, as one analyst has suggested, may be developing the framework for a "soft alliance."[34]

Other countries may also serve as a pressure relief valve for Russia. Iran, for example, may be prepared to look past its own historical animosity with Russia in order to advance its economic and military agenda by buying goods from Russia that remain difficult to source from others (including, when the final UN sanctions against conventional arms transfers to Iran are lifted, military hardware). However, senior Russian figures have made clear that Tehran will have to pay for significant future weapons imports itself and that amid Russia's stretched state budget it is not possible for Moscow to subsidize the redevelopment of the Iranian oil and gas sector.[35] Even U.S. partners, such as South Korea and Japan, have explored options for further energy cooperation with Russia, given their own needs. U.S. pressure, combined with the presence of other options that do not carry such political encumbrances, probably will avoid breaks in the sanctions regime against Russia to provide near-term relief. But, this is not a given.

Second, the utility of sanctions as a tool for managing Russian behavior also depends on the dominance of the U.S. economy and readiness of U.S. officials to utilize it for leverage. There is little indication that this situation or the willingness of the U.S. government to make use of the U.S. economy for this purpose has diminished. U.S. officials remain especially energetic in maintaining strict sanctions enforcement and vigilance against attempts to test the durability of the sanctions regime. Witness, for example, the effects of the U.S.-led response to Moscow's attempted Eurobond issuance in spring 2016.

In the long run, however, U.S. reliance on sanctions as a foreign policy tool may change, as economic power in the world becomes more diffuse, U.S. dominance in the global economy is diluted by the rise of other powers, and alternative global financial centers of gravity emerge.[36] These new actors, China being the most likely candidate, but India too, are likely to be less inclined to comply with U.S. sanctions policies. The United States in turn may find itself more vulnerable to their leverage and sensitive to their demands, and the cost of using sanctions as an instrument of foreign policy is likely to rise.

UNINTENDED CONSEQUENCES

The most serious unintended consequence from U.S. sanctions against Russia could be a gradual erosion of U.S. sanctions capabilities over the next few decades. Sanctions against Russia for zits activities in eastern Ukraine appear to be a prudent response to a security challenge, and one that minimizes the risk of military confrontation.

However, this is not the only instance in which the United States is using sanctions. There are dozens of U.S. sanctions programs, ranging from those targeting terrorists and human rights violators, to those focused on narcotics trafficking, organized crime, and the proliferation of weapons of mass destruction. Some of these sanctions have direct, intentional extraterritorial effects (even if the measures themselves are not extraterritorial, in that they only govern the ability of foreign actors to access the U.S. economy). Each one of these sanctions programs is defensible on its own merits and, in fact, is justified by the U.S. government through the announcement of a "national emergency" with respect to the underlying bad acts.

But the presence of so many sanctions regimes—combined with other uses of the U.S. regulatory and judicial systems to enforce judgments against various plaintiffs or to pressure foreign actors into better policies ranging from tax to countering corruption—adds up. There is a risk that, in pursuing these various policies by leveraging the strength of the U.S. economy, the United States will instead push foreign actors to either avoid the United States and the U.S. dollar altogether or, more likely, to create complicated business structures to minimize their overall U.S.-related risk.[37] Such a≈de-risking can take place on an individual business level or it can take place at an aggregate level, for example by developing alternative payment processing systems, the extension of credit, and the provision of development assistance. Visa and MasterCard have reportedly already begun to face this challenge, first being told that they must avoid transactions with identified Russian banks, then being driven to process all remaining transactions in Russia through the nascent national payments system, and then being challenged by a Russian state-backed credit card competitor.[38]

For the United States, this represents a significant threat to the effectiveness of sanctions as a foreign policy tool (and may have already tempered U.S. action, when—for example—some in the United States considered and then appeared to have abandoned plans to target the SWIFT financial messaging service for business conducted with Russian banks). Worse yet, it undermines the preeminent U.S. position in the global economy and its centrality in global financial flows. Already, we have seen targets of sanctions—such as Russia—explore alternative means to conduct trade and even partners of the United States work with China to create different means of providing development assistance, in the form of the Asian Infrastructure Investment Bank.[39]

An unintended, but certainly direct, consequence of sanctions against Russia is the long-term erosion of U.S. sanctions leverage for future situations as Russia and other potential targets seek to insulate themselves from the use of such coercion. This, in turn, could have the unintended consequence of making future military conflicts more likely. In a world in which there are fewer alternatives to the use of force but still residual political and strategic tensions, it is not a given that states will decide to settle their disputes through diplomacy rather than through force.

FUTURE CONSIDERATIONS

Sanctions remain a critical tool in persuading Russia to change its Ukraine policy. By moderating and blunting Russian behavior, the United States and the EU may have saved Ukraine from further Russian-instigated upheaval and≈sent a clear signal to Russia about transatlantic unity andxthe costs of violating the territorial integrity of other states in Eastern Europe. However, it remains in the interests of Ukraine, its Western partners, and other neighboring states wary of Russian aggression to avoid further escalation of the crisis and to seek a lasting diplomatic solution. For Ukraine, continued unrest will be deleterious to its future development and economic recovery, threatening its ability to remain a functioning state and to defend its territory. For Europe, resolving the Russia-Ukraine conflict will help secure its eastern borders and prevent further damage to its economies. It is far from clear whether the Kremlin sees any benefit in a diplomatic solution or simply wants to play for time in the hope that Ukraine will become mired in crisis and U.S.-EU unity on sanctions will eventually fracture. Nevertheless, the Kremlin's fixation on lifting the sanctions highlights the lasting pain they have created for the stagnant Russian economy.

For the United States, ending the sanctions regime in response to a successful diplomatic initiative will help end a difficult chapter with Russia and, perhaps, create the circumstances for a better relationship in the long term. It would reduce incentives for working around the U.S. sanctions regime, damaging both to U.S. credibility in the short term and sanctions effectiveness in the long term. Moreover, it would demonstrate yet again that sanctions remain a means to an end, not an end unto themselves, preserving the ability of the United States to wield sanctions again in the future if need be.

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The task force will assess the strengths and weaknesses of U.S. and Western policy toward Russia, Ukraine, and Eurasia since the end of the Cold War and offer a set of guiding principles for a durable U.S. policy framework. The task force is a joint effort with the Chicago Council on Global Affairs and is supported, in part, by the Carnegie Corporation of New York.

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