

Subversion in the Shadows: Russian utilization of soft power in counteraction of European Sanctions

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Abstract: This essay examines the effectiveness of European Union (EU) sanctions against Russia following its invasion of Ukraine in 2022, and highlights some of the challenges the EU has faced in applying sanctions to achieve policy change within the Russian government. This essay goes on to argue that, despite the EU's desire to apply pressure through sanctions and the sanctions' legal formidability, Russia's subtle utilization of interdependence and soft power has decreased sanction effectiveness. This essay describes the method of Russia's effort to evade sanctions and outlines sanction evasion as one of the key facts sustaining the Russian military invasion of Ukraine. Hence, this essay concludes that Russian resilience to economic measures makes clear the need for more suitable measures capable of effectively addressing the challenges that aggressive military powers pose to the liberal world order.

On February 23rd, 2022, Russia committed to an all-out assault on Ukraine, disrupting the regional status quo and prompting the European Union to levy unprecedented sanctions on Russia. According to statements from the EU, "Sanctions have already met three important objectives: they have sent the Kremlin a strong signal of Western resolve and unity, they have permanently degraded Russia's military capabilities, and they are asphyxiating its economy and energy sector, with long-term consequences." (European Parliament Report) However, Russia continues to wage its war unabated, prompting the question: To what extent have European sanctions been effective in their explicit and implicit goals against the Russian Federation since the start of the war in Ukraine? This essay will argue that the leveraging of interdependence and utilizations of soft power by both Russia and the EU have created a geo-economic conflict of competing worldviews, in which strategies of non-military pressure by the EU remain inadequately conceptualized and implemented. In arguing this claim, this essay will first outline a background context and consider the competing worldviews of Russia and the EU. Furthermore, it will explore the various sanctions on Russia with a focus on the oil price cap, analyze the various ways in which Russia evades sanctions, evaluate counterarguments, and draw out a conclusion regarding the broader distribution of power in Europe.

Historically, Europe has always been in an antagonistic relationship with Russia. Ever since the end of the Second World War, Russia was the primary opponent to Europe both economically and ideologically, counterbalancing Western liberal democracy with Eastern command-and-control authoritarianism. The actions of Russia have continued to be dictated by its powerful military-industrial complex, incentivizing Russia to use force to resolve its issues and achieve policy objectives. From the 2001 wars in Chechnya to the intervention in Georgia in 2008, to the seizing of the Crimean Peninsula in 2014, and, most recently, the invasion of Ukraine in 2022, there is displayed a clear development of a trend of disregarding sovereignty and the will of international institutions, reflecting a thorough realist perspective on the part of Russian policymakers trying to strengthen the country in the face of perceived Western provocations. This offensive-realist worldview is not dissimilar to the likes espoused by John Mearsheimer, and Russia has relied heavily on hard power to grow in size and strength. This thought process is deeply entrenched within Russia's decision-makers.

By contrast, the European mentality is in many ways the opposite of Russia. As a collection of Western liberal democracies, the European Union is the embodiment of Realism's competing tradition, Liberalism. The founding principles of the EU are free trade, the rule of law, democracy,

and human rights, values reflected in both its internal and external policy. Russia, which takes on the opposing perspective, finds itself diametrically opposed to the values of the EU, and the clash of these two European powers represents not just another geopolitical conflict, but a clashing of competing worldviews.

Policymakers reacted quickly to the Russian invasion, implementing significant punitive measures. Russia is now the world's most sanctioned country, surpassing the likes of Iran and North Korea, as shown in Figure 1

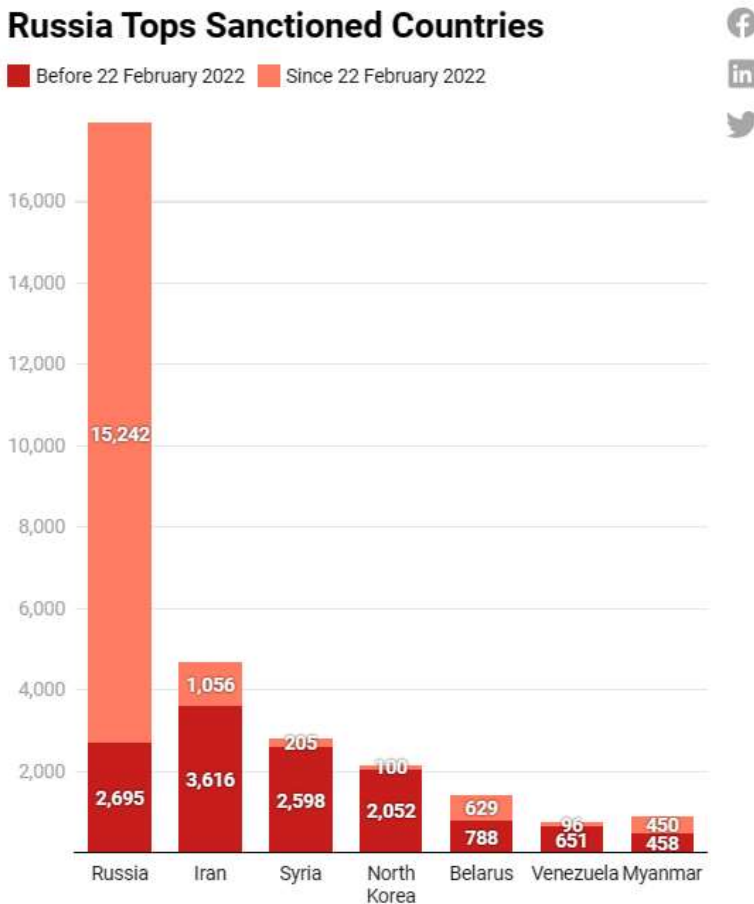


Figure 1: A comparison of the most sanctioned countries around the world. After Feb. 22, Russia has topped the list, according to Castellum.AI, a program tracking Russian sanctions globally.

“The Russian economy has long been critically dependent on imports for various industrial goods. In 2021, up to 98% of all smartphones, 96% of personal computers, 75% of medical equipment, and nearly 60% of pharmaceuticals came from outside the Russian Federation” (Ecgc.info. 2023). The hope was that, by undermining the Russian economy, the Russian war machine would slow, and, perhaps more importantly for Europe, Russia would lose a great deal of influence internationally. On paper, cutting off such crucial goods would mean all but an economic collapse, and many economists forecasted as much.

Russian activity targeted by sanctions	Type of sanction*	Legal basis**	Date initially adopted	Renewal***	Scope
Violations of Ukrainian sovereignty	Individual; geographical	Council Decision 2014/145/CFSP ; Council Regulation (EU) 269/2014	17.3.2014	Every 6 months	Close to 1 800 individuals and entities
Violations of Ukrainian sovereignty	Economic; geographical	Council Decision 2014/512/CFSP ; Council Regulation (EU) 833/2014	31.7.2014	Every 6 months	Finance, transport, defence, energy, technology, export-import restrictions
Violations of Ukrainian sovereignty (Crimea)	Economic; geographical	Council Decision 2014/386/CFSP ; Council Regulation (EU) 692/2014	23.6.2014	Every 12 months	Trade and financial restrictions
Violations of Ukrainian sovereignty (Donetsk, Kherson, Luhansk and Zaporizhzhia)	Economic; geographical	Council Decision 2022/266/CFSP ; Council Regulation (EU) 2022/263	23.2.2022	Every 12 months	Trade and financial restrictions
Chemical weapons	Individual; thematic	Council Decision (CFSP) 2018/1544 ; Council Regulation (EU) 2018/1542	15.10.2018	Every 12 months	Russia: 17 individuals, 1 entity. Total: 22 individuals, 3 entities
Cyber attacks	Individual; thematic	Council Decision (CFSP) 2019/797 ; Council Regulation (EU) 2019/796	17.5.2019	Every 12 months	Russia: 6 individuals, 2 entities. Total: 8 individuals, 4 entities
Human rights abuses	Individual; thematic	Council Decision (CFSP) 2020/1999 ; Council Regulation (EU) 2020/1998	7.12.2020	Every 12 months	Russia: 44 individuals, 13 entities (incl. Wagner group & associated); Total: 62 individuals 20 entities

Figure 2: Overview of EU sanctions against Russia, presenting various Russian activities and their punishments, with the corresponding date and scope. These sanctions were meant to cripple Russia's richest, and bring consequences and accountability.

Reality, however, did not align with such notions. Just one month after the beginning of the invasion, the Russian government swiftly enacted the so-called "parallel import" legislation, permitting import from any global source without requiring manufacturer authorization. The initiative proved highly effective, catalyzing a surge of imports funneled through various intermediaries and shell companies in over 40 countries, accounting for roughly one-fifth of all imports to Russia between April 1 and December 31, 2022. Nowhere is the significance of this failure more prominent than in the energy sector.

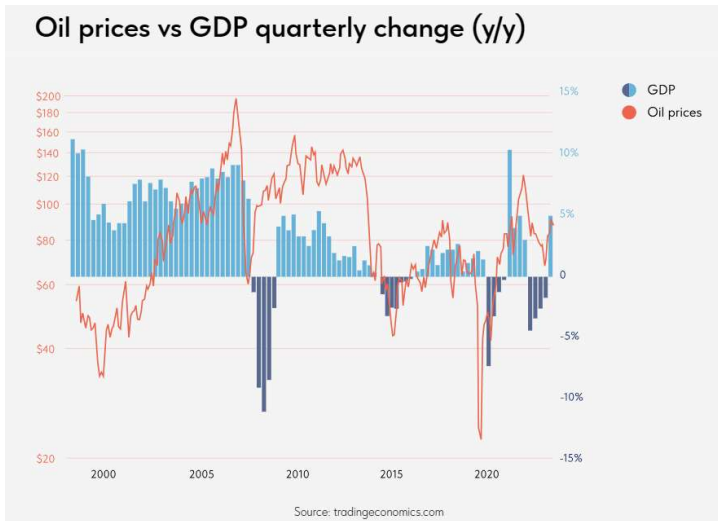


Figure 3: Graph comparing Russian GDP changes with Oil prices. A strong correlation between the well-being of the Russian economy and the price of oil globally can be seen, showing Russia’s strong reliance on its position in the global energy sector.

Oil income is the bedrock of Putin’s regime, allowing Russia to pour money into the military while avoiding worsening inflation. On 3 December 2022, the EU adopted Decision (CFSP) 2022/2369, which established the price cap for crude oil at \$60 per barrel. However, Russia’s oil – often exported with Western ships required to obey sanctions – has traded above the price cap due to an increase in global demand since mid-July, pumping hundreds of millions of dollars a day into the Kremlin’s war chest. Russia has also increased oil trade with neutral countries like China and India, further reducing the effectiveness of measures taken by the EU. By August 2023, India and China were responsible for 80% of Russia's crude oil exports.

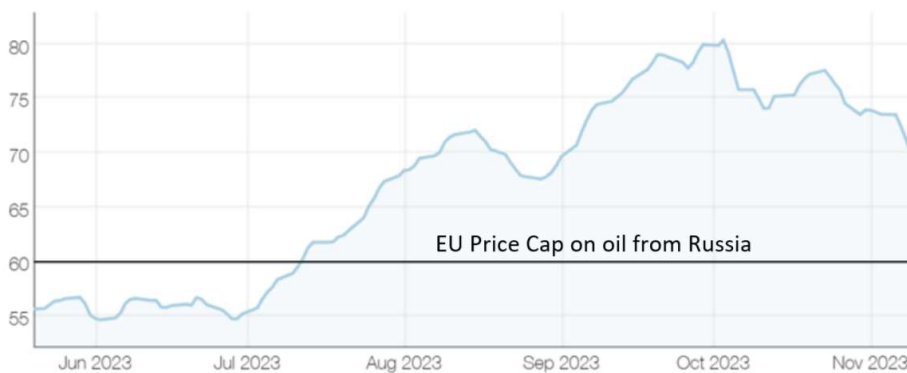


Figure 4: Price of crude Russian oil since June 2023. As shown here, Russian oil began being traded higher than the \$60 price cap in mid-July when global oil demand rose, in defiance of the EU price cap. This rise has provided significant funds to the Russian war machine.

With this money, Putin has been able to continue his campaign with no repercussion domestically, and expand and reform Russia to a war economy footing. Artillery shell production has grown exponentially in Russia, up to two million shells a year – twice the West’s expectation. This marked deficiency in the efficacy of European sanctions is striking, and serves as a window

of insight into broader geopolitical realities. Europe did not implement all of its sanctions on the same day – in fact it hesitated on many, providing Russia ample time to prepare for their impacts. “Confronted with a complex situation, Western nations had to weigh their intent to weaken Russia's energy sector against their own dependencies on Russian fossil fuels. The EU couldn't take the risk of severing ties with Russian oil suppliers too soon, given that Russia accounted for 25% of the EU's crude oil imports and 33% of its refined product imports in 2021, totaling 71 billion euros. It wasn't until June 2022 that the European Council sanctioned Russian oil exports. Herein lies the core issue of interdependence” (ECGC report, 2023). Before and during the earlier parts of the war, Russia effectively leveraged its position within the global systems of energy supply and demand to lessen issued sanctions by threatening reprisal via shutting down the flow of oil needed to keep European energy stable.

Some analysts and officials have argued however that EU sanctions were never intended to force Russia to withdraw or punish it, at least not in the short term. Clara Portela and Janis Kluge argued in a paper for the European Parliament that “While sanctions are a slow tool, time works in their favor. Moreover, the effects of sanctions will be lasting and hard to reverse. Sanctions have allowed the EU to frame a unified stance and demonstrate its commitment to international norms like state sovereignty.” This would be a compelling argument, highlighting the strength of soft power in international relations. Unfortunately, Russia has persistently worked to evade sanctions by amassing a shadow fleet of several hundred tankers, formally owned by unknown companies in exotic jurisdictions, as well as policies like the parallel imports policy. Furthermore, sanctions only truly hold weight when they are nearly universal, and have the backing of the global majority.

In conclusion, Russia and the West have engaged in economic warfare on a multi-dimensional level, a battle of wits with Russia improvising and adapting to the new conditions it finds itself in on the world stage. In attempting to utilize soft power in the form of sanctions, the EU underestimated the resilience and adaptability of Russia, implementing symbolic but poorly conceptualized measures. As demonstrated by Russia's continuing assault on Ukraine, and the foreboding statistics regarding the Russian economy, sanctions have not done enough to diminish Russian stability or their capability to continue waging the most brutal war in continental Europe since the Second World War.

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