Tightening the Screws: Examining the Efficacy of U.S. Sanctions Against Russia Amid the Russo-Ukrainian War

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The United States’ wide-scale sanctioning of the Russian economy in the aftermath of its brutal full-scale invasion of Ukraine is experiencing success. Despite intense debate on the efficacy of sanctions as a tool of American foreign policy, continuous efforts by Russia to circumnavigate sanctions and export controls, and the war in Ukraine showing no end in sight, sanctions are meeting their intended objectives. U.S. sanctions against the Russian Federation are a key tool in Washington’s economic arsenal as it seeks to punish Moscow for its role in a war that has decimated Ukrainian cities and slaughtered thousands upon thousands of innocents, all in a thinly veiled attempt at imperialistic expansion. In the nearly two years since the U.S. Department of Treasury and Department of State issued their first salvo of sanctions against Russian banks in 2022, Russia’s economy has lost substantial levels of revenue, been nearly completely isolated from the U.S. dollar, and is forcing itself to adjust to a wartime economy. Arguments continue that sanctions have not forced Russian President Vladimir Putin to turn his troops around and return home, and they will not; rather, sanctions will force Russia to have to make costly choices at the expense of either its war effort or its own people. While the true extent of the damage of Western sanctions may not be fully realized, we are only now beginning to see signs of severe economic harm that will only increase over time.

Introduction

Russia’s full-scale invasion of Ukraine on February 24, 2022, set forth a course of events that altered the world’s geopolitical landscape. Amid gut-wrenching scenes of World War I-style trench warfare in the 21st century, the United States has waged its own form of war against the Russian Federation since 2008 through the imposition of sanctions. Questions continue to be raised regarding the efficacy of the sanctions imposed upon the Russian Federation, often buoyed by common criticisms of U.S. sanctions against other adversarial countries. This analysis shows the unprecedented U.S. strategy is resulting in measurable impacts with goals and objectives misunderstood by both media sources and the wider public.

This paper examines the following questions: first, are sanctions against Russia key to U.S. national security interests? Second, what are the goals of these designations? Third, what are the common critiques of sanctions against Russia in response to its invasions of Ukraine, and do they lack substance? Finally, which areas of improvement exist within the United States’ sanctions program, and how can Washington act upon them?

Russia’s economic pillars are instrumental in continually fueling its war machine as the fighting in Ukraine approaches its third year. U.S. sanctions are increasingly cutting off vital revenue streams, import channels, and billions of dollars of funds previously available to Russia’s economy. As a direct result of sanctions, Russia is facing a devalued ruble, fewer clients, and increased logistics, transportation, and trading costs.

Policy Objectives and Tactics

As of February 2022, no program held the size, scope, and efficacy as that of “Russian Harmful Foreign Activities Sanctions,” one of the 38 sanctions programs listed on the website of the U.S. Department of
Treasury’s Office of Foreign Assets Control (OFAC). Using Executive Orders 13660 and 13661 in 2014, and then 14024 in 2021, the United States (as of September 2023) had sanctioned a total of 1,694 individuals and 2,043 entities, per Ukraine’s “War and Sanctions” tracker. From an American policy perspective, these actions have aimed to benefit from a Russian economy that is not operating at its full capacity. A weakened Russian economy aims to limit its military options and ability to leverage its hard and soft power as it once could, allowing America to focus on other key foreign policy areas. Furthermore, it sends a message to both authoritarian powers and democracies around the world that foreign policy goals cannot be fulfilled by military force to seize territory. It is critical, therefore, from both economic and military perspectives that the United States continues to hold Russia accountable for its actions through sanctions.

Sanctions are a powerful mechanism through which the United States can inhibit Russian economic power and cut off key revenue streams from the West through the sheer power of the U.S. dollar. Most foreign businesses and financial institutions do not wish to run afoul of the Department of Treasury or find themselves on the receiving end of secondary sanctions, so they will often endeavor to comply with sanctions measures. They also act as a reminder of America’s steadfast support for Ukraine and highlight Russia’s role in the war. Press releases from both the Department of Treasury and Department of State serve as official notices of designations to individuals, companies, and property; these function as highly visible messaging platforms, effectively a “name and shame” strategy. Some sanctioned individuals, such as Olena Shapurova, a puppet official in Russian-occupied territory in Ukraine, do not hold significant assets. Their designations instead allow for the United States to emphasize actions that violate human rights or territorial integrity, especially of its allies and partners, are not tolerated.

Even though U.S. sanctions can be effective, there is great debate around such a claim. Every sanctions program is created or adjusted based on the whims of policy, which rely on varying strategies and objectives. Some, such as the sanctions against South Africa’s government in the 1980s, were viewed as successful in coercing a change in Pretoria’s apartheid behaviors and aligning its new approach with American interests. Others, like the sanctions imposed on Venezuela beginning in 2006, are viewed as unsuccessful due to their role in triggering economic hardship for the Venezuelan population and the failure to oust Nicolás Maduro from power. These failed sanctions are often referenced in critiques against sanctions on Russia, citing similar consequences such as a failure to coerce a change in Russian behavior or the periodic evidence of evasion and circumvention schemes. When applied to a relevant scenario, these arguments are valid and important points to raise when discussing the value of sanctions and their necessity as a policy response. They are not, however, applicable in this current circumstance.

The primary reason the U.S. government’s current Russia sanctions program is unlike any other is due to its sheer scope and scale; never has a country with an economy like Russia been designated at such scale and intensity. Therefore, any comparisons to previous sanctions programs must be made with caution. Simply citing unsuccessful sanctions in another country does not mean that sanctions against Russia are doomed to fail. Too many variables separate different
country programs, which must be considered when comparing on with the others.

Current Russian sanctions are incomparable even to the previous major round in 2014, following the Russian seizure of Crimea. The U.S. government’s current authority contains vastly more legal powers and perhaps most critically it includes allies and partners in imposing parallel sanctions. Establishing a united sanctions coalition, including the United Kingdom, European Union, Japan, Australia, and New Zealand, has been a breakthrough in the imposition and enforcement of sanctions against Russia. This united front has demonstrated solidarity and like-mindedness between Western partners, granting further legitimacy to the U.S.’s sanctions program.

A key misconception surrounding U.S. sanctions against Russia is they are not achieving the desired results because Russia continues to fight in Ukraine. While theoretically, targeted sanctions could convince a government to cease military operations, sanctions alone have not and will not convince Vladimir Putin to order his troops to turn around and come home. The more feasible goal is one that systematically cuts off critical channels of revenue for the Russian economy, such as oil, gold, diamonds, or precious metals (while not causing unintended effects to global markets); denies access to Western markets, components, and investments; holds malign actors accountable for the atrocities committed in Ukraine; and reduces Russia’s capacity to wage war at an industrial scale over time. While powerful and effective, sanctions alone are not likely to deliver a Clausewitz-esque decisive blow in economic form; there is no singular designation remaining that will end the war. Rather, they have an accumulative effect that causes incremental death by a thousand cuts. With fighting steadily approaching its second full year, the effects of those cuts are starting to show.

Sanctions against Russia have caused serious damage to its economy, and the data show it. According to calculations by the European Commission based on data compiled from Russia’s Federal State Statistics Service (Rossat), the Russian economy contracted by 2.1% in 2022, with notable shrinkages in key manufacturing sectors like vehicle production. A large-scale pivot in Europe away from Russian oil and natural gas deprived Russia of its largest customer for its key export commodity, resulting in its energy revenues falling by nearly half in the first two months of 2023, compared with 2022. A decrease in European consumption of Russian oil gas has resulted in a sharp collapse in gas production levels, purportedly at their lowest since 1978: “Independent Russian-language news outlet Agentstvo reported that Gazprom ‘has never had such a low production rate in its entire history’ and that ‘the last time there was a similar figure was in the Soviet Union in 1978,’ a year when 372.1 bcm were produced.” As of the end of September 2022, the ruble sat at approximately 96.2 RUB to 1 USD down from 142 RUB to 1 USD on 1 January 2022, which triggered desperate interest rate hikes by the Russian Central Bank to stem the bleeding.

Sweeping designations against key manufacturers and suppliers of Russia’s military-industrial base have inflicted compounded misery onto a massive defense industry deeply constrained by staggering losses to Russian military equipment. While intricate and obfuscated evasion schemes have emerged to bypass Western export controls and sanctions on Russian defense companies, Russia “still struggles to produce weapons at the pace required by the war in Ukraine.”
Beyond targeting the defense sector, the U.S. government has recently begun tightening the noose around Russia’s future energy projects, a critical development in preemptively ensuring that vital future revenue streams for the Kremlin continue to be constrained. Current energy production has remained relatively unscathed (aside from the imposition of a G7 oil price cap with mixed effects) to ensure the flow of oil and natural gas to states that need it and to mitigate market shocks. Energy designations pose a more complex conundrum for the U.S. and its partners and allies; Washington is still searching for the right balance between curbing the world’s reliance on Russian energy, constraining Moscow’s export profits, and ensuring that oil and gas keep flowing to the countries which need it most. However, key energy projects in Russia’s arctic regions have been designated, with a particular emphasis on “entities and individuals involved in the development of key energy projects and associated infrastructure, including Russia’s Arctic LNG2 liquified natural gas project” as well as entities involved in the procurement of materials and advanced technology for future energy projects.

The emphasis on sanctions imposed on these two cornerstones of Russia’s economy is made clearer by the ever-growing reliance of Russian state-owned companies and other sanctioned entities on complex and obfuscated sanctions evasion schemes. Their role in circumventing export controls and sanctions often raises arguments that sanctions against Russia have proven futile. This is because companies can still get their hands on vital components, precursor goods, and dual-use items, which are critical for large-scale production of weapons systems, technological services, or other strategic deficiencies. Reports across the internet tell of very similar strategies, in which third- or even fourth-party suppliers and distributors of goods of interest (often Russian-owned) purchase essential products from Europe or the United States before shipping them along to their eventual final destination in Russia. These procurement networks pose a major risk to greater sanctions compliance, with some estimates claiming that Russian missile production, for instance, has expanded beyond prewar levels.

The Department of Treasury, State, and Justice have honed in on Russian sanctions evasion as a top priority, evidenced by arrests and continuous rounds of sanctions on procurement agents and their suppliers. This amounts to a large-scale game of a “whack-a-mole” policy against sanctions circumvention, given the ease with which Russian businesses can set up companies in third-country jurisdictions like Hong Kong, London, or the United Arab Emirates.

However, circumvention networks do not necessarily present net gains for Moscow either. Russia has been forced to pivot to alternate jurisdictions, especially the People’s Republic of China (PRC), and has had to layer and repeat transactions with arms dealers, smugglers, money launderers, or third-party re-suppliers. There are valid policy concerns about potentially increasing tensions with major powers like the PRC for their facilitation in Russian sanctions evasion. The PRC is likewise playing a cautious game of its own. The goods that are predominantly sent to Russia fall under the category of components and goods needed to build finished products in Russian factories and have rarely qualified as lethal goods. This is due to Beijing’s perception that crossing a red line could trigger larger-scale sanctions on Chinese entities that rely heavily on the Western financial system to operate successfully. Both alternatives have increased the likelihood of theft, faulty products, and exorbitantly higher logistics,
contracting, and transportation costs. These elevated costs may be temporarily covered by the Kremlin’s recent announcement it would double its defense spending. Still, with Russia reeling from its sovereign debt default in 2022, soaring costs will inevitably come back to haunt it. According to an investigative journalist who focuses on national security topics, “Russia’s 2022 default is likely to poison its interactions with international financial markets for a long time to come, even if sanctions on its central bank are one day lifted. While the sanctions on Russia’s central bank already block it from tapping Western credit markets explicitly, the default will see it also have to deal with creditor claims.”

Yet another frequent claim against sanctions programs is the civilian harm caused by economic constraints and restricted access to the U.S. dollar—whether through limited access to medicine, agricultural goods, food, or other critical human needs. This is simply not the case in Russia, nor will that likely be the case anytime soon. OFAC’s website contains at least 36 active Russia-related General Licenses which permit the continuation of certain transactions with sanctioned Russian entities. The rationale behind this is mitigating undesirable consequences such as civil aviation safety, marine rescue services, agricultural commodities, medicine, or telecommunications. These General Licenses play a crucial role in ensuring that the designations imposed on businesses and their owners will have their intended effects on blocking transactions from accessing the U.S. financial system but continue to allow the free flow of key goods to Russian citizens or recipients of similar imports. According to trade data, Russian exports of wheat and fertilizer have not been negatively affected by Western sanctions, even as some oligarchs who own major fertilizer companies have been designated. If anything, trade figures show an increase in exports compared to prior years.

At a more personal level, reports among the Russian populace claim that “a strong majority of Russians (70%) are not concerned by the sanctions imposed on Russia,…eight-in-ten Russians report that the sanctions levied against Russia have not created serious problems for themselves or their families,…[and] a majority of those who say they have experienced serious problems as a result of sanctions imposed on Russia express support for the actions of the Russian military forces in Ukraine (61%), though at a lower level than the overall population (76%).” Though Russian polling and surveys must be taken with a healthy dose of skepticism, it speaks to a broader sentiment that sanctions are targeting the upper stratosphere of Russia’s economy rather than trickling down to negatively impact ordinary civilians not in Washington’s crosshairs.

**Concluding Observations**

In short, U.S. sanctions against Russia are concentrated on long-term economic pain points that aim to degrade Moscow’s ability to wage war on its neighbors. There are multiple areas for improvement to tighten compliance and hamper circumvention efforts. Still, its unparalleled size, scope, and scale, this unified front against the Russian economy is proving more fruitful than critics give credit. Sanctions are a critical component of the United States’ national security interests when applied correctly, and in this context, are an important method through which Washington can apply significant economic pressure on the Kremlin for its brutal invasions of Ukraine. All this can be accomplished without the deployment of troops or the concerns that come with a kinetic engagement against a country like Russia. Valid critiques of American sanctions policy are a key part of
ongoing conversations of how to best utilize sanctions without unintended consequences against the global economy, and though not applicable in this context, ensure that policymakers in Washington feel pressure to continually revisit and revise their goals and objectives. Using general licenses to mitigate undesired economic effects on key commodities markets, vital services, or agriculture means that the likelihood of sanctions causing unintended economic hardships or humanitarian disasters in Russia is significantly lower. Blocking access to the U.S. dollar means that Russian firms must resort to complex evasion practices that increase costs and a higher chance of poor-quality products. The ruble has decreased sharply, further diminishing Russia’s economic power as a major currency holder and forcing additional increases in important costs for its military and industry. While forecasts and estimates indicate that Russia’s economy will not collapse, its stopgap measures are finite, and the continued pressure of U.S. sanctions reminds Russia that the cost of waging war is exceptionally high and will remain so. There remains plenty of opportunity for improvement—the oil price cap is beginning to show signs of enforcement. However, levels remain too high to call it a definitive success, foreign goods continue to flow into Russia through illicit schemes, and Russia’s economy is now on a war footing. With continuous and rigorous pressure from the U.S. Government on loopholes and obfuscation methods, those areas for improvement can be addressed properly. Whether Russia turns to energy, financing, or military means to continue to wage its war in Ukraine, it will find obdurate obstacles in its way.

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7 “Territorial integrity” is an important concept emphasized by the U.S. Government, particularly by both the State Department and the Treasury in their sanctions press releases, and the concept itself is a subsection of both E.O. 13661 and E.O. 14024.


10 “Yes, the Sanctions against Russia Are Working | EEAS.” EEAS, Accessed September 23, 2023.


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