



Stronger sanctions on Russia: Essential, but not a strategy

by Ian Bond, 25 February 2022

The West is rightly responding to Putin’s all-out attack on Ukraine’s territorial integrity with sanctions. But they need to be part of a wider strategy to ensure that he cannot win.

Putin has chosen war. Despite the desperate diplomatic efforts of Western leaders, in particular France’s President Emmanuel Macron, on February 24th Russian President Vladimir Putin launched large-scale military action against targets throughout Ukraine. The only question now is how far he can go. The West needs to be clear about the stakes. Putin’s territorial ambitions may be confined to Ukraine (though they may not), but his political ambitions go much further: to make Russia the dominant power on the European continent. He cannot be allowed to succeed.

On February 21st Putin announced that he was recognising the independence of the enclaves Russia had created in the Donetsk and Luhansk regions of eastern Ukraine in 2014. Though Western intelligence warned that an attack on Ukraine was imminent, many Western leaders continued to hope that Donetsk and Luhansk would be the limit of Putin’s ambition; carefully-calibrated sanctions were supposed to leave room for an ‘off ramp’ that Putin could take.

Putin humiliated all those who tried in good faith to find a peaceful way out of the crisis – lying to them about the situation on the ground, forcing them to listen to false accusations that Ukraine was committing genocide and making commitments to withdraw his forces from Belarus that he had no intention of keeping. Perhaps the only function the diplomacy served was to show beyond doubt that Putin cannot be trusted.

Now the focus has moved from diplomacy to sanctions. Surprisingly, the EU was the quickest out of the blocks with wide-ranging sanctions – faster than the UK or the US. The package of EU sanctions agreed on February 23rd included all 351 members of the lower house of the Russian parliament, the Duma, who voted in favour of recognising the Donetsk and Luhansk ‘People’s Republics’ and 27 individuals or entities described as contributing “to the undermining or threatening of the territorial integrity, sovereignty and independence of Ukraine”. The EU has also restricted economic relations with Donetsk and Luhansk (including banning imports from them) and prohibits “financing the Russian Federation, its government and Central Bank” – shutting them out of the EU’s capital and financial markets.

The measure that has attracted the most attention, however, was not taken by the EU, but by Germany unilaterally, when on February 22nd Olaf Scholz announced the suspension of the certification process for the Nord Stream 2 gas pipeline from Russia to Germany. This was a step long sought by the US, as well as Poland and the Baltic States, but resisted, until now, by successive German governments – on the unconvincing basis that the pipeline, conceived by state-owned Gazprom and carrying Gazprom's gas to Germany, was a purely commercial project.

The US and UK initially imposed more limited sanctions. In the US case, the most significant step was to ban trading in new Russian government bonds on the secondary market – eliminating a loophole that had allowed the Russian government to sell bonds to Russian financial institutions that could then go on to trade them on the secondary market in the US. It also added two banks and three individuals to its already long lists of sanctioned firms and people. The UK sanctioned three people close to Putin, all of whom were sanctioned by the US some years ago; and five banks, three of which were also sanctioned by the US some years ago. It said that over the coming weeks it would apply similar sanctions to those of the EU on members of the Duma and on Russian sovereign debt, as well as restricting trade with the two enclaves.

It became clear on the morning of February 24th, however, that none of the sanctions initially imposed were strong enough to affect Putin's calculations, or to get those around him to put pressure on him to de-escalate. Putin had decided to 'damn the torpedoes' and press ahead regardless of the cost. Or perhaps he calculated the damage the first round of measures would cause, and decided that it was outweighed by the gains (as he sees it) of 'reuniting' Russia and Ukraine.

The question is whether the West can increase the pain enough to change his calculus. If not, then beyond any short term signals of disapproval, the West needs to think in terms of inflicting the maximum possible economic damage on Russia in the medium to long term. The EU, UK and US all announced additional measures on the evening of February 24th, freezing the assets of more people and companies and further restricting Russian access to financial markets. They have also tightened export restrictions on sensitive goods and technology. The UK has banned the Russian airline Aeroflot from flying to the UK. These are all sensible steps, but unlikely to be enough.

Further Western sanctions should hit as many individuals close to Putin or involved in hiding his money and assets overseas as possible. Thanks to the [Panama Papers](#) and other leaked financial documents, a lot is known about the way Putin has amassed and concealed his fortune. Shell companies set up in the British Virgin Islands, (a UK Overseas Territory), Cyprus and elsewhere were integral to the process. The UK, EU and US should make a determined effort to follow the trails uncovered, and ensure that any assets they identify are frozen or put beyond the control of Putin and his circle. For 30 years, the Russian elite has been able to loot its own country and benefit from the financial system, rule of law and lifestyle available in the West. It is time to put a stop to that arrangement.

Western governments are apparently not likely to agree on the 'nuclear option' of excluding Russia from the SWIFT interbank messaging system for now: though that would have a devastating effect on the Russian economy, it would also make it considerably more difficult for Western customers to pay for imports from Russia – above all, oil and gas.

The difficulty of disconnecting Russia from SWIFT underlines both Russia's most vulnerable point, and the West's. Sanctions on Russia's fossil fuel sector, whether in the short term (such as an import ban on oil and/or gas) or with a view to the longer term (for example, preventing Western investment in projects in Russia)

would have a huge impact on the Russian government's development plans for the country. The industry contributes more than any other to the Russian state budget. Such measures would also be the most painful for the West to apply, however, because of Europe's dependency on hydrocarbons from Russia.

Scholz has shown political courage in relation to Nord Stream 2; but by buying more than 40 per cent of its gas and a quarter of its oil from Russia, Europe is funding Putin's war machine. It is unrealistic to think that European countries can stop buying Russian fossil fuels at the drop of a hat, but Europe needs to wean itself off its dependence on Russian raw materials as quickly as possible, with national governments or European Commission interventions to support the identification and acquisition of alternative supplies if necessary.

Sanctions are a necessary part of the response to the current attack on Ukraine. On their own, however, they are not a strategy for dealing with Russia or protecting Ukraine. Such a strategy needs to be broader.

First, the West needs to work on its own resilience. Russia will step up disinformation designed either to spread panic, cause confusion or discredit Ukraine. Western governments will need to respond quickly, and Western media need to avoid framing conflicting claims in neutral terms when there is clear evidence of what is true and what is not. Russian propaganda channels like RT and Sputnik should come under closer scrutiny: if they are not complying with their obligations to ensure balanced coverage and ban hate speech, they should be penalised and, if they are persistent offenders, closed down. Even at this late stage, governments that have neglected societal resilience should look at the examples of countries like Finland and Sweden and consider how to ensure that the whole of society contributes to ensuring national security.

The West should also anticipate cyber-attacks, not just on government institutions but on important companies (such as banks) and national infrastructure. National cyber-defence organisations will need to strengthen their guidance to the private sector (as the UK's National Cyber Security Centre has already [done](#)).

Second, in the military sphere, NATO members need to accept that there is not going to be a return to business as usual with Russia after this. Russia aims to intimidate the West: Putin's statement on February 24th warned that anyone who interfered in events would face "consequences that they have never faced in their history" – seen by many as a threat to use nuclear weapons. NATO is moving more forces into Central Europe and critical maritime areas to reassure allies that NATO will respond if Russia challenges the alliance; it also needs to make clear to Russia that it too has nuclear weapons and is capable of inflicting intolerable damage on Russia. There can be no 'unilateral nuclear deterrence', whereby Russia can do what it likes with its conventional forces while deterring any NATO response with the threat of nuclear escalation.

Putin has also demanded that NATO withdraw its (small) forces in Central Europe, placed there after the annexation of Crimea and invasion of eastern Ukraine in 2014; instead, NATO must rapidly reinforce allies who now find themselves on the front line, from the Baltic States to Turkey.

Poland will now be in a particularly vulnerable position, with Russian forces likely to be permanently stationed in Belarus and as much of Ukraine as Russia is able to occupy. Since European countries (including the UK) lack substantial forces able to reinforce Poland, the US may have to deploy more forces across the Atlantic.

NATO should formally denounce the 1997 NATO-Russia Founding Act. It was agreed in a different era, when Russia was committed to co-operation and NATO had no need to consider stationing conventional forces, let alone nuclear weapons, on allied territory in Central Europe. Russia breached its provisions on respect for international law, the UN Charter and OSCE principles on the inviolability of borders when it invaded Georgia in 2008, when it annexed Crimea in 2014 and again on February 24th. There is no reason why NATO should refrain any longer from stationing troops or even nuclear weapons wherever it thinks they are necessary for deterrent or defensive purposes.

In parallel with NATO's efforts to redeploy its forces to face the new dimensions of the Russian threat, the EU should step up defence industrial co-operation and rationalisation, with a view to increasing European capabilities over time. European leaders who have spent decades pretending that defence can be had on the cheap will have to admit to their populations that freedoms need to be defended, defence needs to be paid for and defence budgets will now have to rise – probably beyond 2 per cent, since vulnerabilities need to be plugged quickly.

Third, the West should step up its support to Ukraine, as long as there is an independent Ukraine to support. Russia's attacks on Ukrainian ports and airports will make it hard for Ukraine to export agricultural produce and other goods on which its economy depends, and to import weapons and other military supplies that it will need for its defence. If Ukrainian ports like Odesa are still functional, the West should consider naval escorts for convoys in and out of Ukraine, and state-backed insurance to replace commercial ship insurance that has become prohibitively expensive or non-existent as a result of the war. Ukraine will need financial support. And its civilian population will need help – whether they remain in Ukraine as internally displaced persons (IDPs) or cross its borders to Poland and other neighbouring countries. The EU should also offer Poland help in dealing with large flows of refugees.

Fourth, the West should look for political support elsewhere. One of the most eloquent critiques of Putin's recognition of the 'People's Republics' came from the Kenyan Ambassador to the UN, [rejecting](#) "irredentism and expansionism on any basis". There are many states that must worry about the precedent set if a powerful country can take the territory of a neighbour without suffering any consequences. China is particularly important in this context. It has taken an equivocal position on the conflict: Foreign Minister Wang Yi said on February 24th that China had always respected the sovereignty and territorial integrity of all countries, but also saw that the Ukrainian issue "had its own complex and special historical latitude and longitude, and understood the legitimate concerns of the Russian side on security issues". Those Western countries that still have good relations with China should encourage Beijing to lean on Moscow to end the fighting and look for peaceful ways to address its concerns.

Finally, Western leaders need to be honest with their populations: the easy post-Cold War period is over. Europe has become less secure than at any time since the 1960s, before the era of détente. The Russian conquest of Ukraine cannot be treated as a *fait accompli*: this is no longer the era of the Brezhnev doctrine, and the West cannot assume that if it allows Putin to swallow Ukraine, his appetite will be sated. Putin's immediate goal may be to eliminate the security threat to Russia that he fantasises Ukraine poses; but once Ukraine is under his control, then his perception of threat will transfer to other neighbouring countries. Europe is in for a long period of confrontation with Russia. Putin has the capability and the will to retaliate against Western sanctions, and to inflict economic pain and increase social division in Europe. But Western leaders cannot allow him to win. Europe's future is at stake today, not just Ukraine's.

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