

Lessons in Sanctions-Proofing from Russia

Government actors and other observers across Europe and the United States called the multilateral sanctions imposed on Russia in early 2022 “unprecedented.”¹ Even Russian President Vladimir Putin acknowledged their severity when he stressed “the need to counter economic restrictions that were imposed on us, which are truly unprecedented without any exaggeration.”² Part of the response to the Russian invasion of Ukraine, these financial and trade sanctions—imposed on Russia by Western governments—target key firms in the financial and energy sectors, debt financing, technology, Russia’s foreign currency reserves, and more recently, most Russian oil and transportation insurers.

Debates quickly emerged surrounding the success, or lack thereof, of the sanctions in curtailing Russian government aggression against Ukraine. The threat of severe sanctions issued in December 2021 did not deter Russia from invading Ukraine. The imposition of sanctions following the invasion two months later sought to curb the Russian government’s ability to continue its “harmful foreign activities.”³ Some noted the shift from an environment of deterrence to one of attrition,⁴ and the current approach may be categorized as one of

Caleigh Glenn is a Grand Strategy, Security, and Statecraft Postdoctoral Fellow in the Security Studies Program at the Massachusetts Institute of Technology and in the International Security Program at the Harvard Kennedy School. She can be reached at cglenn@mit.edu and followed on Twitter @CaleighGlenn. This article is based on a memo prepared for the Bridging the Gap workshop, “Sanctions and the War in Ukraine: Lessons Learned,” with support from the Raymond Frankel Foundation.

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“coercion by denial”: specifically, Western denial of the resources the Russian government needs to continue fighting.

The United States and its Western allies have long wielded financial and economic sanctions as instruments of coercion, with tangible costs imposed on the targeted actors. Governments on the receiving end of this tool of statecraft often take steps to minimize their exposure to sanctions’ pressure. In the wake of targeted financial and sectoral sanctions imposed in 2014 following Russia’s annexation of Crimea, the Russian government attempted to defend itself by “sanctions-proofing.”

“Sanctions-proofing” activities encompass actions designed to insulate a government from the constraints of sanctions. Sanctions-proofing activities aim to limit both the *exposure* of the government to sanctions and the *influence* of sanctions on government decision-making, enabling the government to pursue its policy preferences. These actions can be implemented in anticipation of sanctions as well as in response to their imposition. The strategies adopted depend in part on the resources available to the government as well as its vulnerabilities to foreign pressure.

The following sections identify Russia’s sanctions-proofing strategies pursued in the years between its annexation of the Crimean region of Ukraine in 2014 and its full-scale invasion of the country in February 2022. This article discusses three lessons learned from Russia’s sanctions-proofing activities taken in response to Crimea-related sanctions, the design of wartime sanctions that addressed such activities, and Russia’s initial response to these wartime sanctions. First, multilateral coordination on sanctions targets and swift imposition challenges two of Russia’s typical sanctions-proofing strategies. Second, successful sanctions-proofing is difficult when sanctions leverage global financial ties and a powerful US dollar. Third, governments adapt their sanctions-proofing strategies to address existing restrictions, suggesting the need for caution when expecting sanctions to alter wartime behavior and raising the importance of renewing focus on non-sanctions policy responses.

Overall, “sanctions-proofing” activities by governments do not offer an impermeable shield against financial sanctions due to the strength of the US dollar, the reach of multilateral sanctions, and the speed with which coordinated sanctions can be imposed. However, some sanctions-proofing strategies enable governments to continue pursuing their goals despite sanctions pressure. Analysis of Russia’s adaptations to the sanctions should temper expectations of sanctions’ ability to alter wartime behavior. The threat of sanctions did not deter war and the initial imposition of sanctions did not coerce a change in the decision to wage war. Sanctions alone are unlikely to be effective tools for compelling a change in wartime government behavior when battle outcomes feature more prominently in decision-making. Directing other tools of

statecraft toward third-party countries, such as the use of positive inducements—financial and political benefits exchanged for political support—could bolster the West’s position on the war by addressing Russia’s remaining sanctions-proofing tactics.

Sanctions-proofing does not offer an impermeable shield against financial sanctions

Russia’s Sanctions-Proofing Strategies

Prior to its 2022 invasion of Ukraine, the Russian government pursued a range of strategies to address its vulnerability to sanctions constraints. These government policies and actions responded to multilateral sanctions imposed on Russian firms and individuals following the annexation of the Crimean region of Ukraine in 2014. The United States, European Union, Canada, Japan and Australia gradually imposed targeted financial sanctions and travel bans on individuals and firms connected to the Russian government and those operating in Crimea. The financial sanctions targeted oil and gas firms as well as, eventually, financing in the oil and gas sectors of the Russian economy.

The Russian government has since attempted to mitigate the constraints of sanctions, restrict its exposure to them, and continue pursuing its policy preferences. Russia’s activities can be grouped into four general categories: protectionism; partnership creation; retaliation; and de-dollarization efforts.

Individual and Wholesale Protectionism

The Kremlin took steps to protect the targets of financial sanctions and implement protectionist policies in strategically important sectors. Government protection of actors targeted by sanctions can offset sanctions constraints while helping the government win the support, both political and financial, of sanctioned actors. In Russia, protection included both targeted support and wholesale protectionism.

The Kremlin worked to incentivize the return of Russian money and investments held outside of the country. In June 2018, then-Prime Minister Dmitry Medvedev announced the creation of a tax-free zone status for Russky Island, specifically to offer a destination for returning overseas Russian investments that were vulnerable to sanctions.⁵ This policy limited wealthy Russians’ exposure to financial sanctions by keeping investments in Russia while extending government influence over the destination of Russian money and investments. It also incentivized closer ties between the Kremlin and wealthy Russian individuals. In this way, the fate of their money and investments has become more

closely tied to the success of government decision-making, motivating political support for the Kremlin's actions.

Russia also pursued a broader "Russification" of its economy, creating substitutes for US-origin inputs and addressing vulnerabilities to sanctions in its supply chains. The government's import substitution plan involved redistributing oil and gas revenues to other sectors, especially the domestic manufacturing sector, and promised greater reliance on domestic resources. The groundwork for this strategy mostly pre-empted the imposition of sanctions in 2014, and was deliberately designed to meet this threat, as noted in official statements.⁶

The Russification of the economy extended to financial services. In August 2017, the Russian government introduced its own payment processing system, "Mir," designed to replace the domestic use of Visa and Mastercard.⁷ US sanctions laws prevent American services from processing payments to targeted actors; therefore, by limiting Russian access to international services and excluding foreign competitors from the market, the Russian government attempted to blunt the impact of restrictions and normalize the use of domestic substitutes. This large-scale protectionism can serve a longer-term strategy of adjusting economic behavior in favor of domestic-origin products.

Turning to Africa and China

As a second method of sanctions-proofing, Moscow sought to establish new economic and political partnerships. This method created opportunities for extracting benefits from non-Western states, especially those that have not historically imposed sanctions against Russia. The government attempted to pivot to new destinations for its goods, retain new sources of inputs for domestic industries, and foster political support and opportunities for power projection. This strategy can yield streams of revenue, substitutes, and political benefits to offset those constrained by sanctions.

Targeted sanctions imposed on energy, financial, and transportation firms in 2014 disrupted Russia's options for business. In its search for new markets, the government turned to Africa. Putin organized the first Russia-African Summit in Sochi in 2019, touting a reinvigoration of Russia's economic, political, and security influence on the continent. The Summit's declaration, signed by Russia and 43 African governments, emphasizes establishing closer political collaboration, expanding and diversifying trade, and widening markets for Russian exports. The gains from this partnership appear slow to materialize, though: only around 3.8 percent of Russian exports in 2020 were destined for African states, primarily Egypt.⁸

The government's renewed focus on Africa adopts a patronage-based model, emphasizing political benefits to the Russian government in place of long-lasting partnerships.⁹ This approach can insulate the Russian government from

the constraints of sanctions by enabling it to extract benefits from new partners that are less likely to cut off these benefits than Western states. The Russia-Africa Summit declaration explicitly identifies “unilateral coercive measures” and the “extraterritorial application of national law by States” as violations meriting a coordinated response, building measures of sanctions assistance into the partnerships.¹⁰ The Russian government views the continent as a theater where it can project power over strategic chokeholds in the eastern Mediterranean and Suez Canal.¹¹

Pursuing new economic partners also enables the Russian government to secure foreign substitutes for domestic products that may find their way onto sanctions lists. Although the Russification strategy prioritizes domestic substitution, securing new trade partnerships can meet the remaining domestic demand for necessary inputs. Russia’s courting of African states seeks access to raw materials and minerals in the continent; however, experts like political scientist Kimberly Marten have pointed out that Russia is late to the game in Africa.¹²

The Russian government also turned to China. Russia’s efforts to develop its Mir payments processing system involved partnering with China, and Russian lenders began issuing credit cards using UnionPay, China’s state-owned payments network. The government worked with China on closer financial ties in other ways, such as earmarking the Russia-China Investment Fund for industrial infrastructure development in Russia.¹³ In 2014, Moscow and Beijing signed a three-year currency swap deal—an agreement structuring the exchange of equivalent amounts of Chinese renminbi and Russian ruble for use in credit lending and bilateral trade payments. Worth USD \$24.5 billion, it was intended to manage currency risk while increasing bilateral trade and mutual investment using their national currencies. They renewed the deal in 2017.

Creating financial ties with non-Western countries hedges against cut-offs, establishing links that may survive Western sanction imposition and securing continued material exchange with non-sanctioning states. In addition to offering material benefits that aim to offset the constraints of sanctions, these partnerships can be used by Moscow to signal to the Russian public that it has international political support.

Creating financial ties with non-Western countries hedges against cut-offs

Retaliation Across Borders

The Russian government retaliated in response to the imposition of sanctions between 2014 and 2021, directing hostile responses toward the countries whose governments had imposed sanctions. By retaliating, Moscow sends the

message that imposing sanctions has consequences.¹⁴ Retaliation may make other governments wary of joining a multilateral sanctioning effort in order to avoid bearing the brunt of Russian counter-measures. Moreover, because US sanctions laws are enforced beyond its borders, retaliation is an attempt to deter firms and individuals in third-party countries from complying with sanctions rules. The Russian government can use retaliation to demonstrate the contested nature of the sanctions and dissuade broader compliance. In essence, retaliation is partly a sanctions-proofing strategy against multilateral sanctions and broader compliance with sanctions.

Russia's retaliation toward the US and other Western imposers of sanctions amounted to hostile actions, including counter-sanctions and diplomatic recalls. These counter-sanctions have also often taken the form of trade restrictions and travel bans on public and private actors in the sanctioning countries. For example, Russia has recalled ambassadors and listed US individuals on its own sanctions lists. Russia also retaliated against Canada's imposition of sanctions on the Bank of Moscow, Dobrolet Airlines, and the Russian Agricultural Bank by banning the import of Canadian agricultural, raw and food products in August 2014.

By retaliating, the Russian government can obscure perceptions of international support for the imposed sanctions and focus domestic attention on an external threat requiring a strong government in Moscow to address. Moreover, retaliation can enable the Russian government to send a message to third-party states that complying with sanctions against Russian actors carries consequences.

Weaning off the Dollar

A fourth strategy of Russian government sanctions-proofing involved limiting its reliance on the US dollar. "De-dollarization" reduces a government's risk of being cut off from the global financial system dominated by the US dollar. By de-dollarizing, the government attempts to reduce the amount of assets held in dollars and the number of transactions that use the dollar.

In June 2021, Russia's Finance Ministry announced that the country's National Wealth Fund would decrease the share of assets held in dollars from 35 percent to 0.¹⁵ The Fund accumulates Russia's oil revenues and is intended to support the country's pension system. By altering the composition of the Fund to favor currencies other than the US dollar, sanctions restricting use of the US dollar would not impede domestic spending from the Fund.

The Russian central bank also diversified its foreign exchange reserves, weighting the euro, Japanese yen, and Chinese renminbi more heavily than in previous years. In the eighteen months following spring 2018 sanctions, the

central bank halved its total dollar reserves to 22 percent and increased the share of renminbi to 15 percent of the nearly USD \$550 billion total.¹⁶ Further reductions in dollar holdings followed in 2020. By the end of 2021, the Japanese yen comprised 6 percent of Russia's foreign exchange reserves, totalling around USD \$33 billion,¹⁷ up from a near negligible amount in 2014.¹⁸ The central bank focused on diversifying away from the dollar, requiring exposure to EU and Japanese sanctions risk by denominating reserves in euros and yen and locating reserves in European and Japanese banks.

This diversification included a prioritization of gold. Holding reserves in gold became a way for the Russian government to retain some access to a relatively stable store of value. It enabled Russia to engage in sanctions evasion using gold to conduct transactions without exposing those transactions to dollar clearinghouses. De-dollarization in this way attempts to reduce the exposure of the government's assets to Western sanctions.

Russia's de-dollarization efforts aimed to shield against disruptions to status-quo transactions by shifting the denomination of payments to the ruble. Russia's main commodity exports, which comprise a sizable share of its trade, are traded globally in dollars. The Russian cabinet's press service announced in October 2018 that the government prioritized efforts to reduce the economy's dependence on the dollar through "mechanisms to shift foreign-trade settlements to national currencies," specifically the ruble.¹⁹ Even Russian firms embraced de-dollarization; VTB Bank head Andrey Kostin took measures to de-dollarize, increasing use of local currencies and re-registering major companies in Russia.²⁰

The Russian central bank focused on diversifying away from the dollar

Three Lessons Learned

Despite Russia's four sanctions-proofing strategies, implemented following the West's 2014 sanctions, the sanctions imposed in response to the invasion of Ukraine levied intense material constraints on Russia. The government remained exposed to sanctions and vulnerable to their influence on decision-making. The sanctions were multilaterally coordinated and swiftly imposed following the invasion, and they hit a broad range of targets. These features of the recent sanctions policy challenge Russia's options for reducing pressure from the sanctions, but they also leave room for Moscow to adapt its approach.

Three lessons emerge from the West's efforts to overcome Russia's sanctions-proofing in the design of wartime sanctions. Underlying each of these lessons is a note of caution: we should be careful about expecting sanctions to fundamentally alter wartime behavior. The battlefield more heavily influences Russian government actions, and the government remains capable of continuing its wartime aggression despite sanctions.

Lesson I: Swift Multilateral Coordination Undercuts Sanctions-Proofing

Multilateral coordination challenges Russia's strategy of de-dollarization and its ability to pursue alternative partnerships. De-dollarization does not shield Russia's government from sanctions involving the euro, pound, and Japanese yen, and the number of states choosing to coordinate sanctions limits the number of actors willing to transact with Russia.

Multilateral coordination between the United States, the European Union, and Japan on the targets and timing of sanctions imposition made a large share of Russia's foreign reserves vulnerable. The February 2022 sanctions froze roughly half of the Central Bank of Russia's foreign reserves, valued in 2022 at USD \$640 billion, despite Russia's previous efforts to reduce the share of its reserves held in dollars. The Russian government saw this coffer of reserves as its "war chest," and the Russian government claimed it had built a "fortress" economy that would not be hurt by sanctions, a strategy that included storing large currency reserves in foreign central banks. The government wrongly assumed these reserves were safe from sanctions.

Moreover, the speed with which Western countries coordinated the initial imposition of sanctions left little time for the Russian government to buffer anticipated constraints by diversifying more heavily into Chinese renminbi. Their speed contributed to making the 2022 sanctions unprecedented, and departed from peacetime sanctions that slowly increase direct pressure by adding actors to the sanctions list over time. In an effort to shield its reserves, the Central Bank of Russia has since stopped disclosing the composition of its foreign reserves.

Multilateral coordination also poses challenges to Russia's sanctions-proofing strategy of seeking new partnerships. The number of states choosing to impose sanctions limits the availability of new strategic partners that might help Russia buffer the constraints of sanctions. This coordination makes it difficult, though not impossible, for the Russian government to pursue partnerships to offset costs because it increases the number of pathways for secondary sanctions to be imposed on would-be collaborators should they decide to transact with the Russian government.

The nature of Russia's invasion of Ukraine further complicates Russia's ability to garner alternative markets and financing, as the conflict hinders grain exports

and has thus alienated potential African partners. Ukraine has been unable to export wheat and vegetable oils, which comprise a sizeable share of some African states' imports. Somalia, for instance, obtains almost all its wheat imports from Russia and Ukraine. Egypt, still waiting for pre-paid shipments of wheat from Russia, is the world's largest wheat importer and has turned to India for its supply of wheat in response to the war in Ukraine.²¹ Few African states have supported Russia's invasion of Ukraine, choosing to vote in support of Ukraine or abstain from voting at the UN General Assembly.

The multilateral coalition appeared to give even China pause. US Treasury Secretary Janet Yellen noted in March 2022 that she had no immediate evidence that China "is providing Russia with any significant workarounds for sanctions."²² China has taken an ambiguous position on the conflict. Chinese officials on one hand have issued statements condemning the sanctions against Russia and taken advantage of discounted Russian oil prices, but on the other they have sent some aid to Ukraine and halted approval of Belt and Road Initiative (BRI) deals with Russia. One year into the war, some Chinese firms are reported to have exported military and dual-use technology items to Russian defense companies,²³ and the US Treasury Department has designated some Chinese firms for their transactions with Russia. The sanctions, however, contributed to an initial chill around commodity-trade finance when oil importers in China paused new purchases of Russian crude to assess risks in cargo payment.²⁴

Overall, multilateral coordination on sanctions imposition can limit some sanctions-proofing efforts, including de-dollarization and pursuing new partnerships.

Lesson 2: Strength of the US Dollar Undermines Sanctions-Proofing

The power of the US dollar in international markets and the stability of US domestic markets contribute to extensive third-party compliance with US sanctions by companies not bound by sanction rules. This compliance is motivated by (1) a desire to retain access to the US dollar for international transactions and (2) the risk of secondary sanctions imposed to penalize actors transacting with entities on the sanctions list. By leveraging third-party financial ties and the attractiveness of the US dollar, the constraints imposed by US sanctions extend beyond their direct reach.

The sanctions imposed by the US and Western countries leverage global financial ties: they restrict some Russian banks' access to SWIFT—the cross-border payments messaging system—and they are accompanied by the threat of secondary sanctions imposed on firms that engage in transactions with designated actors in Russia. The US dollar is the preferred currency for many international transactions, and this makes US sanctions particularly acute. Every transaction

conducted using the US dollar moves through the US financial system, subjecting the transaction to restrictions. US sanctions sever access to both the dollar and its clearinghouses, incentivising even non-US firms to avoid dealings with sanctioned actors using the dollar.²⁵ Moreover, the US dollar is the dominant currency in foreign exchange markets. Thus, third-party firms whose markets are connected to the global financial system are incentivized to adhere to US sanctions rules.

Firms in third-party states, such as China and India, are in general abiding by Western sanctions against Russia. The threat of sanctions enforcement penalties by the US for non-compliance with its sanctions partly explains this phenomenon. Even though China has not imposed sanctions on Russia, and Russian

Firms in third-party states, such as China and India, are generally abiding by Western sanctions

sanction-proofing efforts saw an increased role for China to play, many Chinese firms have altered their dealings with Russian firms. For example, Chinese cell phone manufacturers Huawei, Xiaomi and Oppo reduced their phone shipments to Russia by over 50 percent, citing the risk of secondary sanctions;²⁶ prominent oil firm Sinopec suspended talks about a USD \$500 million investment in an East Siberian petrochemical plant;²⁷ and

China's state-owned payments network UnionPay refused to cooperate with sanctioned banks in Russia for fear of being targeted by sanctions.²⁸

Companies in third-party states are electing to self-sanction their interactions with Russia, expanding the scope of the sanctions beyond the stated terms. As a result, Russian industries not explicitly implicated in the Western sanctions lose access to status-quo business and face restrictions via firm-level decisions to exit the Russian market. In addition, the sanctions themselves are broader in scope than in the pre-war period: they target Russian sovereign debt and technology, and the US sanctioned the import of Russian oil and liquified natural gas in March 2022, working to offset the domestic impact by committing to release 90 million barrels from the Strategic Petroleum Reserve.²⁹

Third-party firm willingness to comply with US sanctions due to threat of punishment and desire to access the dollar broadens the scope of the sanctions to include the very actors Russian businesses would turn to in the face of Western sanctions.

Lesson 3: Sanctions-Proofing Tactics Adapt, and So Must Strategy

The power of the US dollar in international markets and multilateral coordination on sanctions targets, as well as timing, challenge Russia's typical defenses against

sanctions. De-dollarization was not a bulwark in the face of multilateral sanctions, and few governments and foreign firms eagerly transacted with Russia. However, the Russian government is adapting its protectionism and partnership strategies.

First, Russia is adapting by implementing limited protectionism. Rather than directing the creation of Russified substitutes, the Kremlin is locating new foreign suppliers for needed inputs while high commodity export revenues enable the injection of public funding into the economy. In the first months of the war, the Russian government benefited from oil revenues that enabled Putin to spur domestic support by ordering 10 percent raises in monthly pensions and in the minimum wage.³⁰

The Russian government strategy to Russify the economy prior to its invasion of Ukraine was incomplete when the wartime sanctions were imposed, leaving key firms in the manufacturing sector scrambling for inputs. Russia's import substitution strategy appears to have failed the sanctions test, as the country's imports of goods and services as a percentage of its GDP remain high. Obtaining foreign substitutes for necessary inputs can buffer gaps in supply chains more quickly than a full-scale import substitution plan.

A financial form of Russification is more tenable: hoping to stabilize the domestic currency, the government is mandating that transactions make use of the ruble and is penalizing foreign customers that refuse to pay in rubles.³¹ The Russian Finance Ministry is considering allowing export-oriented companies to receive payments for international sales in cash as a means of buffering constraints on the financial sector.³² This action would bolster the protection tactic by increasing demand for rubles, bypassing Western-dominated payment processing systems subject to sanctions enforcement, and reducing the risk of non-payment.

In addition, the Russian government is encouraging banks and firms to use the currencies of "friendly nations"; to that end, the Russian currency exchange began trading the South African rand and Armenian dram to soften the sanctions pressure on the financial sector. Though South Africa initially called on Russia to withdraw its forces from Ukraine,³³ it signalled its willingness to strengthen its relationship with Moscow by hosting a joint military naval exercise with both Russia and China in February 2023.³⁴ Finally, Putin recently announced his desire to use cryptocurrencies as a means of completing international settlements that "will not depend on banks or interference by third countries."³⁵

Moscow's strategy to Russify the economy was incomplete prior to its invasion of Ukraine

At a finer grained level, the Kremlin is working to curry favor with rich Russian elites, promoting the return of their wealth. This strategy may benefit Putin's government in the short-term by gaining the support of elites who typically use their income in the West, but whose fortunes are now tied to the success of Putin's policies. Although the sanctions may encourage the return of capital to Russia by sanctions-evading elites, buttressing the sanctions-proofing strategy, this may not translate to a consolidation of elite support for the war as the choices available to elites are constrained.

Second, the Kremlin's adaptation of its partnership strategy amounts to a "coordination of convenience" with other governments also facing Western sanctions. Governments whose citizens are frequently targeted by Western sanctions are the ones exhibiting willingness to collaborate in sanctions evasion and sanctions-proofing. Although Russia's pursuit of economic returns in its relations with African countries is ongoing and slow to realize, the countries where Russia is most active are also ones facing multilateral sanctions—namely the Central African Republic and Zimbabwe. Russia's trade with North Korea is ongoing and North Korean officials, including Kim Jong Un, have described a growing strategic and tactical partnership with Russia.

Meanwhile, Iran has offered Russia a barter trade scheme that would allow Iran to import Russian raw materials in exchange for Iranian manufactured goods, including car parts.³⁶ A barter model would move transactions outside traditional financial channels and signal a bilateral approach to evading sanctions. This coordination of convenience serves Iranian interests as well, supplementing transactions stymied by Western nuclear-related sanctions and export controls. Similarly, Putin announced in September that Russia is boosting its bilateral cooperation with Venezuela, a country also facing US sanctions.

In sum, the Russian government is not swayed by financial restrictions when it can still fund war expenses via oil and gas sales and projects, and still pursue trade relations with sanctioned states. Russia's adaptation of its typical sanctions-proofing strategies indicates that the options available to Russia involve closer relations with governments also facing Western sanctions, pointing to the need to emphasize non-sanctions policies.

Countering Sanctions-Proofing

Swift multilateral coordination and leveraging the power of the US dollar inhibit sanctions-proofing activities from offering an impermeable sanctions shield. These features of the sanctions make it difficult for the Russian government to

insulate itself from the constraints of sanctions. The imposition of multilateral sanctions on coordinated targets immediately following Russia's invasion of Ukraine restricted Russia's ability to adjust quickly to the intense constraints and abrupt changes in trade.

That the swift imposition of sanctions did not directly compel a reversal of Putin's decision to invade suggests that sanctions alone are unlikely to alter wartime government behavior. It further suggests that the coercive pathway of sanctions policy operates differently during war than in peace. Rather than *directly* coercing a change in government behavior, sanctions imposed immediately at the start of war may operate *indirectly* via "coercion by denial"—altering the expected utility of fighting over time by denying the Russian government Western resources needed to continue its aggression. Differences in wartime sanctions strategy from peacetime sanctions policy should inform understandings of coercive effects and assessments of sanctions success.

Imposing additional sanctions now, though, is unlikely to have the same impact as in February 2022. Even the most recent sanctions have not managed to overcome Russian government efforts to deepen economic and political ties with other governments whose citizens are frequent targets of Western sanctions. Russian reliance on Iranian and North Korean technology is an indication that the sanctions have constrained Russia's technological warfighting capability; nevertheless, Moscow remains able and willing to fund war expenses.

This does not mean that sanctions had no impact. As the first two lessons show, the swiftly imposed, multilateral sanctions that leveraged the influence of the US dollar overcame key Russian sanctions-proofing strategies and imposed intense immediate constraints on the Russian government. Yet, analysts and policymakers should also consider how sanctions policy may be reinvigorating partnerships among sanctioned governments, and adjust Western strategy accordingly.

Policymakers in the US now appear to be applying a combination of positive inducements—financial and political benefits—and secondary sanctions in third-party countries. For all the focus on designing sanctions against Russia, fewer expectations have been set for the influence on Russia of humanitarian and financial aid to Ukraine, and positive inducements directed toward third-party governments within Russia's influence. These additional tools in the statecraft toolkit can bolster strategy by motivating broader multilateral support beyond the threat of secondary sanctions for collaborating with Russia. To that end, US Treasury Secretary Janet Yellen made an official visit to Senegal and

The coercive pathway of sanctions operates differently during war than in peace

South Africa in January 2023, immediately preceding South Africa's planned military exercises with Russia and China. She explained that "the United States is here as a partner to help Africa realize its massive economic potential." The timing of this US attention to Africa is revealing of a shift in strategy.³⁷

Leveraging the attractiveness of US financial power, namely the benefits of US investment, may induce broader third-party buy-in to Western policy vis-à-vis Russia and challenge Russia's pursuit of wartime partnerships. But the imposition of sanctions did not coerce a change in Russia's wartime behavior, and expecting sanctions alone to alter government wartime decision-making is misguided.

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