The Annexation of Crimea and EU Sanctions: An Ineffective Response

Kiegan Barron¹

kieganbarron@gmail.com

Abstract

Ongoing geopolitical developments regarding Russia and Ukraine have resulted in discussions about the utility of sanctions. This article analyzes European Union (EU) sanctions on Russia following the annexation of Crimea by investigating whether EU-Russia oil and gas trade relations compromised the efficacy of restrictions. It thus argues that the EU did not sanction Russian oil and gas due to EU reliance on these resources. However, the absence of sanctions on these industries cannot be held responsible for Russia’s refusal to leave Crimea since restrictions that were put in place still notably impacted the Russian economy. Hence, other considerations, such as the general ineffectiveness of sanctions, unintended consequences of the EU restrictions, and deeper historical reasoning clarify why Russia’s occupation of Crimea persisted.

Key Words: sanctions; oil; natural gas; Crimea; annexation; Russia; European Union

¹ I would like to thank Dr. Valerie D’Erman for her encouragement and feedback on this article, as well as for her help throughout my entire undergraduate degree. I would also like to acknowledge Dr. Tom Saunders and Dr. Andrew Wender for their guidance throughout the previous four years.
Introduction

The Russian annexation of Crimea in 2014 prompted widespread sanctions, which can be understood as commercial or financial penalties placed on groups, individuals, or countries by other political entities to force behavioural changes. In short, sanctions are tools for political units to achieve their goals (Barber, 1979). This topic has renewed significance due to the ongoing Russian invasion of Ukraine. Therefore, the purpose of this article is to analyze the efficacy of European Union (EU) sanctions placed on Russia. These restrictions are important given close EU-Russia trade relations, particularly regarding oil and natural gas. Thus, my research takes up the following questions: how did EU-Russia trade relations affect EU sanctions placed on Russia, and did EU-Russia trade relations impair the ability of the EU’s other sanctions to force Russia out of Crimea? In other words, did EU sanctions restrict imports of Russian oil and gas? If not, did this omission render other EU sanctions toothless? The argument of this article is thus twofold: first, it posits that the EU failed to meaningfully sanction Russian oil and gas since doing so would have devastated the European economy. Second, this article goes on to suggest that the EU’s failure to place restrictions on these industries cannot be blamed for reducing the effectiveness of the sanctions that were put in place since they still had a major impact on the Russian economy. This last point thus indicates that other factors, such as the inefficacy of sanctions in general, the unintended consequences of the specific EU sanctions, and the deeper historical motivations behind the annexation, need to be considered when assessing Russia’s refusal to leave Crimea.

To articulate these arguments, I will first give a brief overview of Russo-Ukrainian relations as related to Crimea, up to and including its annexation. This section will also explain Russian reliance on EU oil and gas exports. Thereafter, I will highlight the goals of EU sanctions and whether they were achieved. The following section will explore why no major sanctions were placed on Russian oil and gas due to their potential to cripple the European economy. I will then demonstrate how, despite this absence, other sanctions still had a substantial impact on Russia’s economic situation. However, since Russia persisted in its occupation of Crimea, the next section will present three possible reasons to explain why. Finally, this article will conclude by discussing the potential implications of ineffective sanctions in light of the ongoing Russo-Ukrainian war. Given that this section will address the “moving target” of current affairs, the cut-off point for events referenced will be July 20, 2022.

Historical Context

The Crimean Peninsula has been ruled and subjugated by numerous civilizations, empires, and states. Before the common era, the region was inhabited by the Ancient Greeks and Romans (Hammond, 1963). In the first millennium AD, Crimea was then occupied by the Romans, Goths, and Khazars (Magocsi, 1996). The first half of the next millennium saw further tumult, with incursions by the Mongols, Ottomans, and Cossacks—ethnic Slavs from the steppes of Ukraine (Halperin, 1983; Magocsi, 1996). The peninsula was subsequently conquered by Russia under Catherine the Great in the eighteenth century (Rywkin, 2015). However, the region was transferred to Ukrainian control under the Soviet Union per the decision of General Secretary Nikita Khrushchev (Rywkin, 2015). The end of the Cold War prompted heated debate between the newly independent Ukraine and the Russian Federation over who would control the peninsula. In 1997, an agreement was reached that allowed Crimea to remain under Ukrainian control while permitting Russia to keep a key division of its navy (the “Black Sea Fleet”) stationed in Sevastopol, the largest
city in the region (Sivis, 2019). Tensions seemingly cooled until 2014, when domestic upheaval in Ukraine allowed the Kremlin to further pursue its geopolitical interests.

Since its independence, Ukraine has alternated between governments that have favoured close ties with Russia and those that have sought to establish ties with the EU. This oscillation has caused conflict between these two factions, and Russia and Ukraine more generally. For instance, in 1993, the Ukrainian government declared European integration a main foreign policy objective (Shyrokykh, 2018). This goal was reciprocated by the EU, which sought to expand its membership to ensure greater stability in Europe and to encourage democratic developments in the eastern part of the continent (Shyrokykh, 2018). However, in 2004, widespread protests erupted in response to accusations that the presidential election had been rigged for pro-Russia candidate Viktor Yanukovych (Sivis, 2019). This “Orange Revolution” was ultimately quelled with a run-off election, which led to an electoral victory for the pro-Western candidate, Viktor Yushchenko (Sivis, 2019). Tensions once again boiled over in November 2013, when now President Yanukovich, who won the 2010 election, announced that Ukraine would pull out of an association agreement with the EU designed to lessen travel barriers (Silva & Selden, 2019). This announcement prompted further civil unrest, which resulted in Yankovich fleeing to Russia as his government collapsed (Silva & Selden, 2019). Amidst this chaos, Russia moved troops into Crimea, and justified this military operation under the guise of protecting civilians and de-Nazification (Rywkin, 2015). A referendum was then organized in March 2014, which resulted in 97% voting in favour of Crimea joining the Russian Federation (Sivis, 2019). While widely seen as a violation of international law by the West, Crimea has nonetheless since remained under de facto Russian control (Schmidt-Felzmann 2019). Moreover, pro-Russia separatist movements supported by the Russian government have also engaged in low-level conflict in the Eastern Ukrainian regions of Donbas and Luhansk since 2014 (Sivis, 2019).

To understand the relevance of the EU’s reaction to the annexation of Crimea, additional context is needed. The Druzhba pipeline, created to supply oil and gas to the Eastern Bloc, was built in 1964 (Flade, 2017). A gas transportation system between the Eastern and Western Blocs was then put in place in the 1970s—later complemented by the Urengoy-Pomary-Uzhhorod pipeline in 1984 (Blinken, 1987). Much to the dismay of the United States (US), throughout the 1980s exports of Russian natural gas and oil to Western Europe increased, which led to the creation of more Soviet pipelines and the rise of Russian state-run gas companies like Gazprom (Goldman, 2010). Following the collapse of the Soviet Union, and the dramatic increase of trade between the two formerly isolated blocs, Russia became overwhelmingly reliant on EU oil and gas imports. For instance, by 2014, Russia was exporting 70% of its oil and 90% of its gas to the EU, which accounted for 11% of its Gross Domestic Product (GDP) (Khrushcheva & Maltby, 2016). Due to this reliance, the Russian economy was vulnerable to potential oil and gas restrictions, which must be considered when assessing EU sanctions following the annexation. Indeed, there was presumably an opportunity for the EU to inflict major trade-related consequences on the Russian economy.

**EU Reactions to the Annexation of Crimea**

On March 17, 2014, the day after the Crimean referendum, the EU issued a sanctions package: travel restrictions and asset freezes were placed on 21 officials involved in the annexation and the separatist movements in Eastern Ukraine (Gurvich & Prilepskiy, 2015). In the month that followed, this list expanded to include 36 implicated officials (European Parliament, 2017). In July
2014, 15 additional people were sanctioned, including former Russian Prime Minister Mikhail Efimovich Fradkov and Head of the Security Council of Russia Nikolai Platonovich Patrushev (European Parliament, 2014). By 2015, the list of sanctioned individuals had grown to 155, including Crimean Prime Minister Sergey Valeryevich Aksyonov and Commander of the Ukrainian Navy Denis Valentinovich Berezovskyi (Sivis, 2019). Travel restrictions were also announced on key officials involved in Russian state enterprises, such as the Kerch ferry used to connect Crimea with Russia as well as the Sevastopol commercial seaport, which came under Russian control in 2014 (European Parliament, 2014).

Sanctions were not just levied at individuals; they were also placed on diplomatic and trade-related areas. In July 2014, bilateral talks between Russia and the EU were suspended due to the annexation of Crimea (Luciani, 2015). However, the true nail in the diplomatic coffin had already occurred in March 2014, when Russia was expelled from the Group of Eight (G8), which included Germany, France, the United Kingdom, and Italy—four of the most powerful EU member-states at the time (Podolian, 2015). Meetings scheduled to be held in Sochi later that year were relocated to Brussels, with the now Group of Seven (G7)(Sivis, 2019). In March 2014, the EU also placed embargos on Russian arms, other military materials, and technologies, as well as on products for deep-water oil exploration and production (Covington & Burling LLP, 2014). In July 2014, the European Council’s Committee of Permanent Representatives announced an extension to the previous arms embargo and also banned new investments in transportation, telecommunications, and energy in Crimea (Silva & Selden, 2019). The European Investment Bank (EIB) then annulled future financial operations in Russia (2022). Restrictions were also placed on Russian companies’ access to “advanced oil and gas production technologies,” which limited new technologies intended to aid in oil and gas extraction (Gurvich & Prilepskiy, 2015, p. 359).

These sanctions aimed to pressure Russia to leave Crimea, as evidenced by an EU press release from March 2014, which stated that “the EU [has] imposed … travel bans and asset freezes against Russian and Ukrainian officials … until Russia reverses its decisions” (Council of the European Union, 2014). So, did these restrictions achieve their goal? Given that, by 2018, Russia still occupied Crimea despite the renewal of EU sanctions for another four years, it is clear that little success was achieved in the short term (Sivis, 2019). Furthermore, in 2022, the full-scale Russian invasion of Ukraine has demonstrated that EU sanctions were insufficient in preventing escalating aggressions on the part of the Kremlin (Reuters, 2022). In short, EU sanctions have proven ineffective at substantively changing Russia’s actions towards Crimea specifically and Ukraine more broadly.

The Lack of Meaningful Sanctions on Oil and Natural Gas

How might one understand this inefficacy? To begin, it is important to note the scope of the sanctions: many targeted individuals, diplomatic endeavours, and non-oil and gas trade relations. Recall the 155 sanctioned individuals, removal of Russia from the G8, and ban on imports of Russian arms and other military equipment (Covington & Burling LLP, 2014; Podolian, 2015; Sivis, 2019). The EU did enact some restrictions on oil and gas, as evidenced by the limits placed on Russian oil and gas companies’ access to “advanced production technologies,” the embargo that targeted commodities used for deep-water oil exploration and production, and the halting of energy investments in Crimea (Gurvich & Prilepskiy 2015, p. 359; Silva & Selden, 2019). Yet, the EU failed to enact a full-scale ban on Russian oil and gas imports or to place any
restrictions that might have significantly hindered the aforementioned industries. Moreover, in response to these sanctions, Russia turned to China for new oil and gas technologies and deep-water oil exploration products—actions attributable to a de facto alliance between the two countries since the Soviet Union’s dissolution in 1991 (Sivis, 2019).

Admittedly, a correlation can be drawn between the implementation of EU sanctions and decreased EU-Russia oil and gas trade relations. Whereas in 2014 Russia exported 70% of its oil and 90% of its gas to the EU, exports decreased to 50% and 70%, respectively, by 2021 (Khrushcheva & Maltby, 2016; U.S. Energy Information Administration, n.d.). However, it is unlikely that the EU’s limited sanctions caused this decrease. Indeed, reduced oil and gas exports to the EU is partly attributable to Russia’s increased trade with other actors: as of 2022, Russia exported 20% of its oil and gas to China—a 100% increase from 2012 (International Energy Agency, 2022). Furthermore, in an effort to diversify away from its reliance on Russian oil, the EU turned to oil and gas supplies from Azerbaijan and Iran in 2014 (Bocse, 2018). While this shift was partly due to the perceived inappropriateness of Western nations importing Russian oil after the occupation of Crimea, some have also forwarded the EU’s desire to establish greater resource security by reducing its reliance on one supplier (Bocse, 2018; Judge & Maltby, 2017; Khrushcheva, 2011). Due to these variables, it is reasonable to argue that EU sanctions on Russia had little impact on decreased oil and gas trade relations between the two political units.

Why then did the EU not meaningfully sanction Russian oil and gas? Indeed, if their goal was to pressure Russia to leave Crimea, why did the EU not halt all oil and gas imports since doing so would have presumably caused massive tumult in the Russian economy that might have forced the Kremlin to pull out of Crimea? To answer this question simply, just as Russia depends on the EU to buy its oil and gas, the EU depends on Russia to sell these resources. For instance, in 2013, the Druzhba pipeline, which flows from Eastern European Russia into the EU, accounted for 100% of Slovakian oil, 94% of Hungarian oil, and 65% of Czech oil (Tsakiris, 2015). Finland, Latvia, Estonia, Bulgaria, and Croatia also received about two-thirds of their oil imports from Russia during the same period (Hernández, 2022). Furthermore, Russian natural gas accounted for more than two-thirds of supplies found in Estonia, Latvia, Finland, the Czech Republic, Slovakia, Croatia, and Bulgaria in 2020, whereas Germany, Austria, Italy, Poland, Lithuania, Hungary, Slovenia, and Greece received about 40% of their gas from Russian suppliers (Hernández, 2022; Eurostat, n.d.).

Due to the EU’s reliance on Russian oil and gas, it is reasonable to assume that, if truly consequential sanctions were placed on these industries, they would have devastated the EU’s economy. Indeed, even without applying sanctions to these industries, EU restrictions still had a notable impact. For example, from 2012 to 2016, trade between Russia and the EU decreased by 44% (European Commission, 2022). Some of the most powerful EU member states, such as Germany and France, also experienced massive decreases in their exports to Russia; France alone lost 1160 million euros in potential GDP gains over those four years (European Parliament, 2017). Moreover, retaliatory Russian sanctions on EU meat, dairy, and other food exports contributed to Italy’s loss of 850 million euros of projected GDP (Sivis, 2019; Uspit, 2018). While hardly devastating and difficult to directly link to EU sanctions, these possible consequences demonstrate why the EU refused to penalize Russian oil and gas since doing so would have likely increased gas prices and utility bills, as well as possibly have prompted an economic recession in Europe (Uspit, 2018).

---

2 Importantly, 50% and 70% of a countries’ exports going to one trading bloc is still notably high (U.S. Energy Information Administration, n.d.).
The Broader Inefficacy of Sanctions

Despite the correlation between the EU’s lack of restrictions on oil and gas and Russia’s refusal to leave Crimea, it would be incorrect to suggest a causal relationship between the two phenomena since the Russian economy nonetheless experienced a severe downturn following the annexation of Crimea. From 2014 to 2016, the value of the ruble depreciated 40% against the euro and 50% against the American dollar (Korhonen et al., 2018). Furthermore, Russian GDP only increased by 0.7% in 2014 and then contracted by 2.8% in 2015—a far cry from the over 4% GDP growth seen annually from 2010 to 2013 (European Parliament, 2017). Russian unemployment also increased slightly from 5.2% in 2014 to 5.6% in 2015 (The World Bank, 2022). While it is difficult to establish a direct causal link between the economic downturn witnessed between 2014 and 2016 and EU sanctions enforced during this same period, it seems reasonable to posit that the latter had at least some impact on the former. The halting of future investments from the world’s largest supranational money lender (EIB) alone likely had a significant effect on the Russian economy (European Investment Bank, 2022). All of these consequences demonstrate that a lack of restrictions on oil and gas did not render EU sanctions meaningless since they seemingly still impacted the Russian economy—yet, Russia still refused to leave Crimea.

So how can the fact that EU sanctions failed to pressure Russia to leave Crimea, despite having “real teeth,” be reconciled? Three hypotheses hold explanatory potential: first, the general nature of sanctions themselves may be ineffective; second, the EU’s restrictions likely had unintended consequences; and, third, deeper historical discourses may have motivated the annexation. As political scientist James Barber points out, sanctions were historically intended to prevent conflict between countries (1979). This notion was popular in the interwar period (1918–1939) and has regained prominence since the end of the Cold War, with ideals of peaceful co-existence and cooperation dominating international relations (Barber, 1979; Booman, 2014). However, Morgan et al. have found that, since World War One, sanctions have only achieved their stated goals 34% of the time (2009). Furthermore, a study on sanctions directed at authoritarian regimes, which Russia can reasonably be considered, found a mere 4% success rate (Pape, 1998). The reason for this inefficacy is partially attributable to the impact of sanctions on ordinary citizens rather than those in power. For example, after Iraq invaded Kuwait in 1990, the US banned all trade and financial relations with Sadeem Hussein’s regime (Booman, 2014). While the impact of these penalties has been disputed by scholars and political pundits, it is undeniable that these sanctions correlated with hundreds of thousands of Iraqi citizens suffering from malnutrition, increased infant mortality, and a 23% unemployment rate (Drezner, 2011). Coeval with this mass suffering, Hussein’s government consolidated power by becoming the sole means of food distribution and employment (Drezner, 2011). Although it is outside of the scope of this article to analyze if similar processes occurred after the annexation of Crimea, the notion that sanctions would have been felt by Russian citizens, rather than those in power, invites consideration. In short, what the aforementioned example illustrates is the inefficacy of sanctions in general, which may have hindered the EU’s inability to alter Russia’s behaviour.

Second, it is necessary to note the unintended consequences of EU sanctions. In a December 2014 speech to the Duma (the Russian Parliament), President Vladimir Putin argued that the West had used the annexation of Crimea as an excuse to impose sanctions. Furthermore, Putin posited that, even without “the Crimean Spring,” the US and EU would have found another reason to enact punitive measures (2014). In other words, sanctions applied by the West after the annexation of Crimea allowed Russian leadership to claim victimhood, which resonated with
everyday Russians. Indeed, a 2015 Pew Research Poll found that 73% of Russians thought their economy was “bad,” with 33% blaming sanctions for their economic woes (Simmons et al., 2015). According to the same poll, 12% of Russians had a favourable view of the North Atlantic Treaty Organization (NATO), 15% had a favourable view of the US, and 31% had a favourable view of the EU (Simmons et al., 2015). Moreover, the favourability of all three political units decreased by at least 10% from 2013, with EU favourability falling by 32% (Simmons et al., 2015). Thus, sanctions may have deepened divisions between Russia and the EU, rather than encouraging Putin to pull out of Crimea.

Third, taking into consideration the deeper historical roots of Russia’s annexation may help to clarify why EU sanctions were unlikely to succeed in prompting Russia to withdraw from Crimea, regardless of their impact on the Russian people. In a speech at the 2007 Munich Security Conference, Putin argued that his goal was to restore Russia’s global power, which he felt was lost after the collapse of the Soviet Union (Putin, 2015). Putin also criticized “the West” for creating a unipolar world—a reference to American domination of the geopolitical sphere since the 1990s (Putin, 2015). Put simply, Putin’s speech demonstrated his intention to upset the post-Cold War geopolitical order (Fried & Volker, 2022). In his December 2014 address, Putin asserted that Orthodox Christianity originated in “Kievan Russia,” and that Ukraine was therefore “sacred” to the Russian people (Rywkin, 2015, p. 95). These appeals to Russia’s past served as both motivations and justifications for the events of February 2014, in which the annexation of Crimea was deemed to “restore” Russian pre-eminence on the world stage, while also “re-unifying” a “sacred” region with its “rightful” owner (p. 95). Ultimately, this reasoning must be considered when assessing the inefficacy of EU sanctions. Romantic appeals to Russia’s “great power” and to the roots of Orthodox Christianity indicate that a rational cost-benefit analysis of the pros and cons of the annexation was largely irrelevant to Putin. Hence, while EU sanctions might have negatively affected Russia’s economic growth and reduced the quality of life for everyday Russians, these sanctions did little to address the deeper historical and religious discourses that motivated the annexation of Crimea.

**Conclusion**

In conclusion, EU reliance on Russian oil and natural gas impeded its ability to place meaningful sanctions on these industries. However, Russia’s refusal to withdraw from Crimea cannot be attributed to this failure since other sanctions still exerted a substantial impact on the Russian economy. Thus, while it is difficult to pinpoint the exact reason for the sanctions’ failure, some possible explanations include their general inefficacy, their unintended consequences, and the historical motivations behind the annexation. In light of Russia’s full-scale invasion of Ukraine since February 2022, I anticipate that additional sanctions will likely prove equally ineffective. As of writing this article, the EU has planned to cut Russian gas imports by two-thirds by 2023 (Smith, 2022). Moreover, individual EU member states have taken stronger actions: Lithuania has stopped importing Russian gas, and Germany has halted production of the Nord Stream II pipeline (Chambers & Marsh, 2022; Dapkus, 2022). To satisfy their energy requirements, the EU has turned to other suppliers—notably, West African countries, such as Senegal and Nigeria—with largely untapped oil and gas reserves (Paquette & Halper, 2022). While the perceived morality of continuing to import such resources from Russia may suffice in justifying these decisions, European leaders should recognize that these measures are unlikely to alter Russia’s behaviour. Indeed, half a year into the war in Ukraine, there appears to be no end in sight. Furthermore, as
evidenced by historical precedent and the annexation of Crimea, sanctions are often insufficient for fostering meaningful change.
References


Institute for Economies in Transition.
https://helda.helsinki.fi/bof/bitstream/handle/123456789/15510/bpb0418.pdf?sequence1


