

Catch Flies with Honey, not Vinegar: A Prescriptive Analysis of the Western Response to the 2014 Ukraine Conflict

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Abstract

After the 2014 Euromaidan protests and deposition of the Ukrainian President Viktor Yanukovich, Russia annexed Ukraine's Crimean Peninsula and proceeded to wage a proxy war through pro-Russian separatists. As a result of these actions, international relations with Russia have sunk to the lowest levels since the Cold War. The deterioration of international relations has included individual and sector-level sanctions being employed between the West and Russia. These sanctions have been implemented with the aim of signaling intolerance of Russia's actions in Ukraine, and to promote reform of its aggressive policies in Eastern Europe. To date, these sanctions have not altered Russian policy, but rather have isolated Russia and pushed it towards increased South American and Asian economic ties. Furthermore, the current economic trough Russia is experiencing is not entirely a result of international sanctions, but is instead largely due to the drop in global oil and gas prices between 2014 and 2017. As such, sanctions are not an effective long-term tool with which to penalize Russia. This paper provides a critical evaluation of the international response to the Ukrainian conflict while emphasizing the importance of Russo-West reconciliation via economic integration. To respond effectively to aggressive Russian foreign policy, it is important to consider the inner workings of the Putin Administration and its post-Cold War political economy. With a focus on mutual interests, this prescriptive review puts the Ukrainian conflict and current slump of relations into their proper contexts, while also pushing for the reconsideration of maintaining ineffective retaliatory sanctions.

Keywords: Ukraine Conflict, Putin administration, international sanctions, Crimea, political economy, Russia

Introduction

Despite its hosting of the 2014 Winter Olympics in Sochi, Russia's facelift of international relations was short-lived.

The Russian Federation's 2014 annexation of Ukraine's Crimean Peninsula following the Euromaidan protests and ousting of then-President Viktor Yanukovich, has launched the European Union (EU), the United States (U.S.), and the G7 countries (referred to hereafter as 'the West' or

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'Western') into a state of political and economic gridlock. Geopolitical tensions have been worsened by the ongoing uprising of Russian state-backed separatists in Ukraine's eastern region of Donbass. How can the international community respond effectively to such a threat? Integral to answering this question is an understanding of Russia's post-communist politics. This paper begins with a brief historical review to provide context to Russia's post-communist political economy, including the rise and fall of the Yeltsin Administration (YA), as well as the rise and continued dominance of the Putin Administration (PA). With reference to Russia's post-communist background and international political economy, it will be shown that the Western response to Russia's foreign policy in Ukraine must focus primarily on the security of the greater Eastern European and Eurasian regions, as well as increased economic integration with Russia, rather than political isolation, sanctions, and travel bans in an effort to promote Russian policy reform.

Yeltsin and the Making of Russian Oligarchy

A key part of the collapse of the Soviet Union was the state-to-private transfer of power. It was this distribution of huge state assets to a relatively small number of wealthy individuals in the 1990s that would pave the way for Russian oligarchy. As a result of this unbalanced transfer of power, Russian economic policy was essentially owned by a handful of wealthy businessmen: the oligarchs. Oligarchy and oligarchs, as used in this paper, refer to a small and wealthy elite within the business world that function as major determinants of government policy. This oligarchy has helped to shape present-day Russian political economy, and is therefore important when considering how to deal with the current policies being employed by Russia. Under the YA, mass privatization of state assets occurred. To give one example of many, the energy firm Yukos was auctioned and sold to individuals for a small fraction of its market value (78 per cent stake in Yukos, valued at about \$5 billion (U.S. dollars) at the time was sold for a mere \$310 million).¹ A result of the transfer of these large state assets was a huge shift in power from government to the private sector. This shift in economic power in turn motivated Russia's policies to become more protectionist with regard to oligarch-dominated sectors such as the oil, automotive, and mining.² In fact, prominent members of the Russian business

community have often supplied direct input on legislation before it is passed by Russia's parliament.³

Russia's privatization reform process occurred over a short period of time. This haste caused a lack of checks and balances, thus allowing the formation of Russian oligarchy through the insider-rigged auctioning of state assets. While the privatization successfully transferred state assets to the private sector, these reforms faltered because the government lacked the institutional framework and political loyalty to counter-balance the power between the state and private sector.⁴ With the auctioning off of huge state assets going for a fraction of their worth, the Russian Oligarchs (ROs) were the clear winners after the fall of the Soviet Union. Conversely, the beleaguered state found itself helpless as it emerged from behind the Iron Curtain into a competitive international marketplace.⁵ This sudden shift in power from the state to the private sector left an interconnectedness with the state that afforded the ROs the opportunity to influence policy in their favor through the bribing of corrupt Soviet-era politicians.

Vladimir Putin and the Emergence of the *Siloviki*

As Russia entered the late 1990s, the public's opinion of the government's relationship with the oligarchs was increasingly skeptical. The tax breaks, unenforced policies, and heavy hand of ROs in politics contributed to an ever-more antagonistic relationship between the electorate and their representatives.⁶ For reasons relating to terrorism, RO-mediated political corruption, and a dwindling public image, an approval poll of Yeltsin's presidency hit an all-time low of six per cent by the end of the YA.⁷ It was at this time that Vladimir Putin, with nationalistic ideals, a strong image, and security background, was elected with promises to restore order and reform the relationship between the ROs and the government.⁸

In a 1997 interview, Mikhail Khodorkovsky, an RO with interests in the energy sector, ironically stated that, "Politics is the most lucrative field of business in Russia. And

¹ Marshal I. Goldman, "Putin and the Oligarchs," *Foreign Affairs* (2004): 34-35.

² Sergei Guriev and Andrei Rachinsky, "The role of oligarchs in Russian capitalism," *The Journal of Economic Perspectives* 19, no. 1 (2005): 132, 138-139.

³ *Ibid.*, 145.

⁴ Joel Hellman and Daniel Kaufmann, "Confronting the Challenge of State Capture in Transition Economies," *Finance and Development* 38, no. 3 (2001): 31.

⁵ Joel Hellman, "Winners take all: The Politics of Partial Reform in Postcommunist Transitions," *World Politics* 50, no. 2 (1998): 203-212.

⁶ Guriev and Rachinsky, "Role of Oligarchs," 145.

⁷ Daniel Treisman, "Presidential popularity in a hybrid regime: Russia under Yeltsin and Putin," *American Journal of Political Science* 55, no. 3 (2011): 592.

⁸ Goldman, "Putin and the Oligarchs," 36.

it will be that way forever.”⁹ This all changed with the advent of the PA. With the downfall of the YA and subsequent rise of the PA in 1999, oligarchical power and ownership became increasingly dominated by state entities and controlled by a small (non-business) political elite centralized around the president. In recent years, this relatively small political elite has been termed the *Siloviki*.¹⁰ More specifically, the term *silovik* refers to politicians linked with the military and security branches of Russia’s government. The transfer of power from private oligarchs to the *Siloviki* has created what some scholars have referred to as a developing *silovarchy* in Russia.¹¹ Unlike ROs, the *Siloviki* has the power to deploy law enforcement and judicial branches of government to intimidate, ostracize, and incriminate rivals and effectively remove them from the political sphere.¹²

It was at this time, with the ROs and the *Siloviki* battling for political dominance, that one of the most influential oligarchs, Mikhail Khodorkovsky, was jailed for tax delinquency in 2005.¹³ Meanwhile, other oligarch-owned conglomerates, such as Sibneft, paid less than half the tax percentage that Yukos had been paying and received no penalties.¹⁴ This targeted enforcement of legislation incited an oligarchical exodus of Russian assets, along with Mafioso-like rent-seeking by the government in the years to come. As many oligarchs left, the state further consolidated its power with the purchase of former RO firms and assets. Government boards control these firms and assets, with substantial membership belonging to the elite politicians within the so-called *Siloviki*. The *Siloviki* is perhaps most notably present on the board of the state energy giant Gazprom.¹⁵ With much of the economic and political power in the hands of the *Siloviki*, the torch bore by the ROs throughout the 1990s and early 2000s was largely passed to members of the *Siloviki* surrounding Putin, thus creating the current state of Russian *silovarchy*.¹⁶

The dominant and authoritarian look of the *Siloviki* may appear to draw stark parallels between *silovarchs* and oligarchs, but this is not entirely the case. A critical difference between the former and the latter is ownership: ROs generally hold a supermajority stake in firms, while *silovarchs* are government officials that merely control these large state-owned firms. In fact, the initial function of these *silovarchs* was likely a protectionist measure taken by

the PA to reign in Russian politics and distance them from the oligarchs.¹⁷ The difference in ownership means that *silovarchs* have less at stake in terms of personal wealth when implementing risky policy than the ROs do. This may seem like it would be of benefit to a society plagued by oligarchy, however, Russia’s level of corruption as rated by Transparency International has sunk to unprecedented levels. Russia ranked 82nd in the year 2000,¹⁸ while in the year 2016, it ranked 131st.¹⁹ It would seem that the transition from oligarchy to *silovarchy* has been highly detrimental to Russian democracy.

Although the oligarchy of the 1990s involved a government that was, in some ways, employed merely to facilitate the demands of a handful of wealthy Russians, *silovarchy* has seen several further changes since its emergence in the year 2000. These changes include the increased government stake and control of media and ousting of ‘political non-government organization’, regions in Russia being given less autonomy, and the consolidation of power in the executive branch of government.²⁰ Of particular concern is Russia’s increasing trend of state-controlled and censored media. The media and censoring may be used to skew public opinion and undermine democracy. As a result of the ROs and *silovarchs*, and despite high hopes for democratization with the onset of the YA, a consistent divergence from democracy has been ongoing since Putin’s appointment to the presidency in 1999. Western hopes for democratic reforms in Russia appear to be, at best, far off. Increased state control amid weak democracy means that any major political reform and legislation must go through the tight-knit filter of Putin’s *silovarchy* to materialize.²¹

The PA has also pushed for Russian nationalism and the promotion of a carefully-crafted Russian ideal. Although impossible to define precisely, this ideal appears to focus on Russia as a political, military, and economic superpower: a superpower which may redraw state lines by means of force, as was shown with the annexation of Ukraine’s Crimean Peninsula in 2014. Other examples of how Russia’s policies have superseded state lines include countries such as Moldova (the 2006 Wine Crisis) and the 2008 Georgian conflict. Both of these countries have since

⁹ Daniel Treisman, “Putin’s Silovarchs,” *Orbis* 51, no. 1 (2007), 141.

¹⁰ Ian Bremmer and Samuel Charap, “The siloviki in Putin’s Russia: who they are and what they want,” *The Washington Quarterly* 30, no. 1 (2007), 86.

¹¹ Treisman, “Putin’s Silovarchs,” 141.

¹² *Ibid.*, 142.

¹³ Goldman, “Putin and the Oligarchs,” 39-42.

¹⁴ *Ibid.*, 43.

¹⁵ Bremmer and Charap, “Siloviki in Putin’s Russia,” 85.

¹⁶ Treisman, “Putin’s Silovarchs,” 142.

¹⁷ *Ibid.*, 146.

¹⁸ Transparency International, “Corruption Perception Index 2000,” *Corruption Perceptions Index*, accessed 17 March 2017, https://www.transparency.org/research/cpi/cpi_2000/0/

¹⁹ Transparency International, “Corruption Perceptions Index 2016,” *Corruption Perceptions Index*, accessed 17 March 2017, http://www.transparency.org/news/feature/corruption_perceptions_index_2016

²⁰ Michael McFaul and Kathryn Stoner-Weiss, “The Myth of the Authoritarian Model—How Putin’s Crackdown Holds Russia Back,” *Foreign Affairs* (2008): 70-77.

²¹ Bremmer and Charap, “Siloviki in Putin’s Russia,” 85-87.

been subject to ethnic Russian uprisings resulting in military incursion and political support from Russia.²² It is clear that the PA prioritizes the protection of Russian interests throughout Eurasia and, historically, has authorized aggressive actions to protect them.²³

Russia and the West: Current and Future Perspectives

Central to current geopolitical tensions between Russia and the West is Russia's foreign policy with its surrounding countries. With Russia's current aggression in Ukraine along with its decade-old (largely unresolved) actions in Moldova and Georgia, there has been increasing concern that Putin's *silovarchy* is seeking more than just closer ties with former Soviet states.²⁴ How ought the world to address the stubborn politics of *silovarchy* in response to repeated sovereignty-infringement by Russia?

Key to Russian foreign policy in the last two decades has been its resources, particularly its massive natural gas reserves. Since the breakup of the Soviet Union, Russia has used energy prices as a 'soft policy' to encourage former members of the Soviet Union to increase ties with Russia. A good example of its soft policy is its relationship with Ukraine.²⁵ Depending on the Ukrainian government's stance on Russia, Ukraine has experienced both subsidized and artificially high gas prices. A main concern the West has in Russia's policy with regards to resources, is its consistent use to undermine democracy in former Soviet states.²⁶ With the ongoing developments in Ukraine, Russia's neighbors worry that this soft policy could progress into military intervention.

The 2014 Russian annexation of the Crimean Peninsula and ongoing uprising of pro-Russian rebels in Eastern Ukraine demonstrates the evolution of Russia's soft policy to a highly aggressive foreign policy. Russia's unprovoked military intervention in Ukraine is an affront to both the security and combined economic well-being of Eastern Europe.²⁷ Should the international community fail to quell Russian aggression in Ukraine and other former Soviet states, there is worry that the malign foreign policy could spread to other former Soviet states and lead to

further escalation in regions such as the Korean Peninsula, the Middle East, and the South China Sea.

The proxy war being waged by Russia through pro-Russian separatists in the Donbass region of Eastern Ukraine hit a low-point on July 17th, 2014 when the Malaysian airliner MH17 was hit by a warhead while flying over Eastern Ukraine.²⁸ This proxy war, the annexation of the Crimean Peninsula, and the downing of flight MH17 has elicited several responses by the international community including economic sector-level sanctions against Russia, individual-targeted economic sanctions and travel bans of *silovarchs* and oligarchs (both in Russia and Ukraine), and Russia's exclusion from G8 talks.²⁹ Although all Western nations are a part of the United Nations (UN), to date the UN has not implemented a binding resolution as a result of Russia's hostile actions. This is due to consistent veto use by Russia, a permanent member of the UN Security Council, on resolutions that seek to condemn Russia's actions.

Ultimately the sanctions, in combination with a drop in global gas prices, have thrown the ruble into a sustained state of crisis causing it to lose 32.7 per cent of its nominal value vis-à-vis the U.S. dollar by early 2015.³⁰ The West's purposes for the sanctions are to signal the unified international disapproval and to alter Russia's foreign policy in Eastern Ukraine. Russia is certainly economically impacted by its aggressive policy; however, this may not be an effective way to break the stubborn resolve of Putin's *silovarchy*.

Dissolving the *silovarchs'* power will not be achieved by placing travel bans and sanctions on Russia's remaining oligarchs and *silovarchs*, or by excluding Russia from the G8 summits.³¹ By limiting the ability of the elite to integrate themselves into the global community and marketplace, sanctioning nations are effectively locking these figures into Russia instead of giving them the option to leave Russian politics for the shelter of international business. The distancing of Western markets from ROs and *silovarchs* may dilute Western influence on Russian political economy, thus obscuring any of the West's future attempts at promoting Russian policy reform. As they are, the sanctions represent a regression of Russian international economic integration achieved over the last three decades. Further, slights to Russia's pride such as its exclusion from the G8 economic conferences will consolidate Putin's power, as the Russian people, feeling isolated, subscribe to

²² Jeffrey Mankoff, "Russia's Latest Land Grab: How Putin Won Crimea and Lost Ukraine," *Foreign Affairs* (2014): 61-65.

²³ Andrei Tsygankov, "Vladimir Putin's Last Stand: the Sources of Russia's Ukraine Policy," *Post-Soviet Affairs* 31, no. 4 (2015): 7-10.

²⁴ Mankoff, "Russia's Latest Land," 61-65.

²⁵ Randall Newnham, "Oil, Carrots, and Sticks: Russia's Energy Resources as a Foreign Policy Tool," *Journal of Eurasian Studies* (2011): 134.

²⁶ *Ibid.*, 140,142.

²⁷ Mankoff, "Russia's Latest Land," 60.

²⁸ Dutch Safety Board, *MH17 crash* (The Hague: Dutch Safety Board, 2015), 253.

²⁹ Wan Wang, "Impact of Western Sanctions on Russia in the Ukraine Crisis," *Journal of Politics and Law* 8, no. 2 (2015), 2-3.

³⁰ Alexandra Bozhechkova and Pavel Trunin, "An Estimation of Fundamentally Substantiated Real Exchange Rate of the Ruble," *Russian Economic Developments* 2 (2015): 65-67.

³¹ Treisman, "Putin's Silovarchs," 153.

nationalism in their leadership.³² In fact, since the 2014 annexation of Crimea, the proportion of Russians who both support the PA and think that Russia is a superpower increased significantly.³³ Thus, the sanctions have successfully unified the Russian people behind Putin and inflated Russian nationalism – a step back from promoting policy reform.

In addition, it is important to note that China, along with many other Asian and South American countries, have not imposed sanctions on Russia.³⁴ Although the West is an option for economic integration, with the development of China, India, and South America, Russia has viable alternatives from which it can receive substantial foreign direct investment and further integrate itself. Western sanctions are not isolating Russia effectively, but rather, pushing it towards alternative economic integration. With Putin's approval rating reaching an October 2014 high of 88 per cent in the midst of its actions in Ukraine, and diplomatic trade breakthroughs with China, the PA has the political footing and economic support it needs to weather Western sanctions for the foreseeable future.³⁵ Further, dealing with Russian *silovarchy* means dealing with a relatively small group of politicians and executives who generally have little stake in the firms they run. This consolidated state power and ownership mean that sanctions imposed by only part of the world's major economies on these individuals and firms have little personal impact, while still permitting the *silovarchs* and ROs to steer the economy towards other partners.

If the international community is to respond to aggressive Russian policy, then it must consider the goals of the Russian elite. The *silovarchs*, unlike ROs, are not predominantly motivated by financial gain, but rather, with the preservation of power. However, as capitalists, ROs are generally in favor of enhanced ties to the prosperous Western markets. Since Russian government-favored RO firms still employ many Russians, they have maintained political sway and are therefore an important factor in Russian politics. As such, oligarchs have maintained major influence in Russia, and are still very much susceptible to the allure of Western economies. The past has shown that the conversion of oligarchs into prominent international businessmen is achievable by allowing them to diversify their investment portfolios. For example, the oligarch Roman Abramovich has left Russia and now owns the Chelsea Football Club, while others such as Berezovsky (now deceased), have left Russia.³⁶

If the international community seeks to maintain its influence on Russian policy and promote reform, then its actions in response to the Ukraine crisis must be constructive and focused on mutual interests. Mutual interests held between ROs, *silovarchs*, and the West are the long-term security of the Eastern European and Eurasian region and general economic well being.³⁷ Russia does not want to establish a dominated dependence with the Chinese economy, while the U.S. needs Russia as an ally to maintain regional influence on China's foreign policy relating to both land disputes and North Korea's nuclear armament.³⁸

Ironically, the West and Russia also desire the same fate for many of the Eastern European people: peace and economic security. With the fall of the Soviet Union, over 10 million ethnic Russians found themselves suddenly outside of Russia – Russians with interests that are still protected by the PA.³⁹ When the perceived anti-Russian Ukrainian nationalist regime of Poroshenko seized power after the massive Euromaidan demonstrations in 2014, ousting then-President Viktor Yanukovich, Russia mobilized itself both in Crimea and Eastern Ukraine to protect not just ethnic Russians, but Russian cultural values in the eastern Donbass region and Crimea. Putin's *silovarchy*, above anything else, desires the respect of the international community towards its interests and values regarding the protection of ethnic Russians throughout Eastern Europe and Eurasia.⁴⁰ Stability in Eastern Europe and throughout Eurasia is therefore a key mutual interest held between the West and Russia.

The trilateral (North American-Russian-EU) cooperation on mutual security concerns and economic interests may be the international community's best bid at both reestablishing healthy ties with Russia and thereby promoting Russian political reform. Although sanctions penalize Russia for its actions, their ineffectiveness in altering Russian policy to date necessitates a change in Western strategy. Russia's economy and, most importantly, security must benefit from changing its foreign policy to persuade both the *silovarchs* and ROs to support such reform.

Current Status of the Conflict

The Cost of Sanctions

Since the conflict's beginning in late 2014, there have been several significant developments in terms of the

³² Ibid., 153.

³³ Wang, "Impact of Western Sanctions," 4.

³⁴ Mankoff, "Russia's Latest Land," 72-74.

³⁵ Wang, "Impact of Western Sanctions," 3-4.

³⁶ Treisman, "Putin's Silovarchs," 152.

³⁷ Jeffrey Mankoff, "Russia's Asia Pivot: Confrontation or Cooperation?" *Asia Policy* 19, no. 1 (2015): 84-86.

³⁸ Ibid., 85-87.

³⁹ Tsygankov, "Putin's Last Stand," 1-3.

⁴⁰ Ibid., 7-10.

crisis as well as the international response to it. Two different ceasefires, known as the Minsk Protocols, have been arranged between the Ukrainian government and the separatist rebels. Although the first ceasefire agreement was frequently violated and finally abandoned, the second and current Minsk Protocol has largely held, albeit with frequent minor violations. Despite reported peace progress in Ukraine, international sanctions against Russian and Ukrainian entities have remained in full force, with the EU prolonging sanctions until at least July 31st, 2017, and no end in sight for similar sanctions imposed by the US and other G7 nations. While these sanctions do effectively limit Russia's economic growth, a recent analysis of Russia's economic trends has revealed that the Ruble's large drop vis-à-vis the U.S. dollar is mainly the result of falling oil and gas revenue and only partly the result of sanctions.⁴¹ Decreased oil revenue, which supports about 50 per cent of Russia's annual budget,⁴² combined with sustained sanctions, could risk wearing thin Russia's currency reserves. However, with a major oil and gas production cut by the Organization of Petroleum Exporting Countries and signs of petroleum prices rebounding,⁴³ the Russian economy may be able to revive its growth in the long-term. In short, while international sanctions imposed on Russia have had an effect on economic growth, sanctions will likely prove increasingly ineffective in the face of a strong global oil and gas market.

International Issues

Additional factors that have become relevant to international relations with Russia are its role in the negotiation of the Joint Comprehensive Plan of Action (JCPOA) with Iran aimed at limiting its nuclear program, North Korea's nuclear armament, and the emergence of the insurgent militant Islamic movement known as the Islamic State of Iraq and the Levant (ISIL), also known as Islamic State and Daesh. The fast-spreading, spontaneous, and diffuse nature of ISIL's terror cells has catalyzed a concerted international anti-terrorism effort, involving much of the international community including the U.S., EU, Canada, the Middle East, and Russia. Additionally, Russia's ties with North Korea give it the unique opportunity of asserting its influence to help dismantle North Korea's nuclear program. The North Korean threat, its role in negotiating the JCPOA

with Iran, along with its role in combatting ISIL, have bolstered Russia's leverage internationally. It must therefore be noted that, for the sake of addressing the North Korean, Iranian, and terrorist threats, the West cannot afford to completely isolate Russia in retaliation for its policies towards Ukraine. Lastly, with North Korea's fourth nuclear test in January of 2016, and the firing of four ballistic missiles into the Sea of Japan in March of 2017, dialogue with North Korea is sure to become of increased priority. Any such international discussion would inevitably involve the UN Security Council, which includes Russia as a permanent member with veto power. Any international response to Russian aggression in Ukraine must therefore be conducive to the future cooperation towards solutions on these global issues.

Western Support for Ukraine

A remaining contentious issue with regards to the U.S. policy in Ukraine is whether the U.S. should allow for lethal arms to be supplied to the Ukrainian government.⁴⁴ In clear demonstration of the U.S.'s partisan politics, such legislation for providing lethal aid (Bill S.452)⁴⁵ has already been passed with overwhelming support in the Republican-dominated U.S. Congress and Senate, but was halted by then-president Barack Obama, a Democrat. Although the U.S. now has a Republican as president, there has been no discussion so far about what should be done with regard to Ukraine. The question of whether the West has a duty to supply lethal arms to Ukraine itself warrants articles dedicated to the subject, and will therefore only briefly be touched upon here. There is, however, a case to be made for the international community to provide Ukraine with sophisticated weaponry, namely the U.S. and U.K. as signatories on the 1994 Budapest Memorandums on Security Assurances.⁴⁶ This pact for non-nuclear proliferation may indicate that unfulfilled international security obligations to Ukraine are not being upheld.

As of yet, Western nations have supplied aid strictly in the form of humanitarian assistance. This form of aid includes essentials such as medicine, clothing, and monetary support.^{47,48} In fact, Canada alone has announced

⁴¹ Christian Dreger, Konstantin A. Kholodilin, Dirk Ulbricht, and Jarko Fidrmuc, "Between the Hammer and the Anvil: The Impact of Economic Sanctions and Oil Prices on Russia's Ruble," *Journal of Comparative Economics* 44, no. 2 (2016), 297.

⁴² Economic Research Group, "Federal Budget Execution", accessed 17 March 2017, <http://www.eeg.ru/pages/123>

⁴³ Organization of Petroleum Exporting Countries, *World Oil Outlook 2016* (Vienna: Organization of Petroleum Exporting Countries, 2016), 3, 7.

⁴⁴ Jeffrey Mankoff and Andrew Kuchins, "Russia, Ukraine, and US Policy Options: A Briefing Memo," *Center for Strategic and International Studies* 29 (2015): 5.

⁴⁵ Defense of Ukraine Act of 2015, S.452, 114 Cong. 1st session (2015).

⁴⁶ United Nations Security Council, "UN Document A/49/765," *United Nations*, accessed 17 March 2017. http://www.un.org/ga/search/viewm_doc.asp?symbol=A/49/765

⁴⁷ European Commission, "ECHO Factsheet – Ukraine," *Humanitarian Aid and Civil Protection*, accessed 17 March 2017, http://ec.europa.eu/echo/where/europe-and-central-asia/ukraine_en

over 700 million Canadian dollars in humanitarian assistance towards the strengthening of democracy and increased development in Ukraine. Meanwhile, the North Atlantic Treaty Organization (NATO) alliance has suspended both civilian and military cooperation with Russia, but has left diplomatic channels open such as the NATO-Russia Council and Euro-Atlantic Partnership Council.⁴⁹ There is, however, still a Western presence in Ukraine known as operation UNIFIER. UNIFIER is a military training program which involves the U.S., the U.K., and Canada. Operation UNIFIER has achieved moderate success in empowering the Ukrainian armed forces through additional training capabilities and should be continued if not expanded upon. Providing training and non-lethal foreign aid is a key factor to success: a strong Ukraine absolutely requires non-lethal aid. However, if the gridlock in Eastern Ukraine continues over the long-term despite the sanctions, the divide will predictably deepen amongst sanctioning countries, some of whom, such as Poland, rely heavily on Russian imports and exports.⁵⁰ This will most likely lead to some countries' parliaments not voting to continue with the sanctions. If long-term sanctions are the only major tool the international community is willing to use as a deterrent, and they continue to prove ineffective in steering Russia's aggressive foreign policy away from Ukraine, then there will be few options left to choose from that don't involve lethal aid or support. In this scenario, it may not be a question of *whether* lethal aid is appropriate, but of *how* lethal the aid should be. All options, diplomatic and economic, should be exhausted prior to providing lethal aid to Ukraine, as this could have undesired consequences that go well beyond the current conflict.

Conclusion

Instead of pushing Russia towards integration with emergent Asian and South American economies, the most promising bid to reestablish ties with Russia may be achieved by focusing on regional security and economic stability – a trilateral mutual interest that is of top priority amongst the *silovarchs* and ROs. Due to Russia's historical and political dynamics from the 1990s to the present, it has been suggested that, rather than sanctions, enhanced Eastern European and Eurasian security along with

increased Western economic integration with Russia (i.e. the lifting of sanctions) could be critical to diffuse current geopolitical tensions in Ukraine. To be sure, Russia should not be rewarded for its actions in Ukraine, but recent and ongoing events have shown that Western sanctions and the political isolation of Russia are not effective in reforming Russian foreign policy. A subsequent step of reestablishing and increasing trade links with Russia will primarily be of interest to ROs, while satisfying the *silovarchs'* desire for stability. This will not only benefit the global economy, but also relieve strained international relations with Russia. Lastly, with increased security cooperation with Russia in relation to North Korean, Iranian, and terrorist threats, reconciliation with an emphasis on joint policy may be achievable. While the supplying of lethal aid to Ukraine is an option for the international community, diplomatic and economic options should be exhausted prior to providing it. Providing such aid could lead to undesirable consequences and potentially the further destabilization of Eastern Europe.

Russia is a strategically important player internationally; as such, any international response to Russian policy must be conducive to continued cooperation in resolving conflicts outside of Ukraine. Despite a post-Cold War low in international relations with Russia, common issues such as North Korea, Iran's nuclear program, and terrorism represent opportunities for collaboration and potential long-term reconciliation. While sanctions focus on penalizing Russian *silovarchy* and oligarchs for their current intervention in Ukraine, a measured international response must be forward-looking, constructive, and mutually beneficial if it wishes to sway a small authoritarian Russian elite to reform its policies. Sanctions represent a wedge between international relations and Russia, while, to date, being an ineffective tool to catalyze Russian policy reform. The West's strategy to counter Russia's Ukraine policy, which largely constitutes sanctions, should therefore be reassessed.

⁴⁸ Canadian Armed Forces, "Operation UNIFIER," accessed 17 March 2017, <http://www.forces.gc.ca/en/operations-abroad/op-unifier.page>

⁴⁹ North Atlantic Treaty Organization, "Relations with Russia," accessed 17 March 2017, http://www.nato.int/cps/en/natolive/topics_50090.htm

⁵⁰ Ian Bond, Christian Odendahl, and Jennifer Rankin, "Frozen: The politics and economics of sanctions against Russia," *Centre for European Reform* (2015), 17.

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