

Economic Sanctions against a Global Superpower: Adequate for Deterrence and Punishment?

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Russia's February invasion of Ukraine marked a clear violation of international law. Vladimir Putin [denies](#) Ukraine's statehood, but Russia's war of aggression and motives for territorial conquest are blatantly illegitimate, giving the international community the right to intervene militarily. Even in the face of Ukrainian President Volodymyr Zelensky's [cries](#) for international military aid, however, more countries have imposed sanctions than provided heavy weapons, and none have chosen to fight alongside Ukraine against Russia. Sanctions are a common foreign policy strategy in contemporary politics, especially when military action risks escalation, a dangerous option against a nuclear power. Still, a sanction campaign against a nation as powerful and influential as Russia is unprecedented and demands that Canada and NATO allies clearly articulate their objectives.

The aim of this policy brief is to examine the effects of the economic sanctions imposed against Russia, and to contemplate whether a non-military interventionist strategy will inflict enough pressure on Putin to end the war in Ukraine. First, the paper will provide an overview of the rationale behind sanction imposition and the current policy strategies of NATO allies. It will then consider possible circumstances whereby Putin could evade the intended punitive effects of the sanctions, and conclude by highlighting possible policy avenues for Canada.

Context

NATO has faced [criticism](#) for its lack of direct military intervention in Ukraine and failure to implement a no-fly zone. As a [defensive alliance](#), however, NATO's primary task under [Article 5](#) is to preserve peace and the safety of its member nations. Since direct military engagement with Russia risks [expanding and escalating](#) the war, NATO allies have prioritized containing the conflict within Ukraine. While negotiations with Yugoslavian President Milosevic effectively ended the [Bosnian War](#) in 1995, NATO allies are hesitant to negotiate with Putin, whose expansionist aims could result in wider territorial disputes being brought to the negotiation table. To minimize the risk of nuclear confrontation and Russian territorial gains, the alliance has turned to economic sanctions as a form of direct intervention in the active conflict.

Economic Sanctions: What Purpose do they Serve?

The ultimate aim behind sanction imposition is to change the [calculations](#) of conflict perpetrators through deterrence and punishment. Deterrence strategy encompasses two schools of thought: deterrence by denial, whereby actors make it unlikely or unfeasible for their opponent's actions to succeed, and deterrence by punishment, whereby actors threaten to impose sanctions if the aggressor

follows through with their threats. Deterrence by denial is considered a [more reliable](#) strategy since it works proactively to convince an opponent that their objectives cannot be met at a reasonable cost. In the case of Ukraine, however, NATO allies pursued deterrence by punishment. This strategy is [cheaper](#), and enables NATO allies to evade military intervention on behalf of Ukraine, which is not a member of the alliance.

Evidently, this strategy did not ultimately succeed in deterring Putin, who concluded that prospective territorial gains outweighed the projected costs of waging war in Ukraine. This, however, is where sanctions take on a punitive role: following Putin's invasion, NATO allies imposed all threatened sanctions against Russia while adding even harsher measures directly targeting Russian oligarchs, reflecting an attempt to penalize Putin by making his war too costly to persist.

Since it is difficult to wage war with a struggling economy, punishment through sanctions thus aims to shift the balance of economic interdependence to penalize the undesirable behavior of an opponent. By targeting the economic performance of the opponent's state, sanctions work to convey that aggressive behaviour will not be tolerated, and cannot persist without confronting considerable costs.

Despite this simple rationale, evaluating the effectiveness of sanctions is difficult. Sanctions are rarely pursued apart from other foreign policy missions, like arms supply or humanitarian relief campaigns, and often influence the decisions of key actors [in tandem](#) with ambiguous personal or political factors. Attributing foreign policy outcomes to economic strategy alone risks oversimplifying contextual realities, where overlapping or unknown factors are often considered in actors' cost-benefit analyses. Consequently, while sanctions can be correlated to observed outcomes, there are few circumstances where causation can be explicitly established.

Even with this challenge of evaluating overall sanction efficacy, it remains important to consider whether sanctions put forth by intervening actors meet their stated objectives. Current sanctions against Russia aim to end the war on Ukraine by [intensifying logistical conflicts](#) within the Russian military and [amplifying anti-Putin sentiment](#). The following section will therefore provide an overview of the measures imposed on Russia by international actors, and consider whether these sanctions can successfully achieve their punitive aims.

A Glimpse into the Unprecedented Campaign

Russia's invasion prompted a multilateral economic response unprecedented in its size, scope, and speed. Just weeks following February 24, [41 countries](#), including the U.S., EU, U.K., Canada, Australia, Japan, South Korea, and Taiwan, implemented harsh sanctions and export control measures against Russia. Past cases have demonstrated the vitality of [swift and widespread](#) sanction application for successfully deterring or punishing opponents. The speed of this response exposes Putin's [miscalculated assumption](#) that Russia's 2014 invasion of Crimea destabilized the NATO alliance. While underlying tensions persist among allies, increased Russian aggression since 2014 has actually increased NATO's [defence spending](#) and strengthened the response time of its allies. This is captured in decisions by Canada, the U.S., and the EU to block various Russian banks and major companies, including [Sberbank](#), which holds 33% of the banking system's assets as Russia's largest bank.

Most notable on the multilateral level is Russia's cut-off from the global financial community. The decision by G7 countries to [freeze](#) Russian assets and [disconnect Russia's Central Bank \(CBR\)](#) from SWIFT significantly prolongs the process of making foreign exchange payments. Since sanctions cover

the US dollar, the Euro, Yen, Pound, and Franc, Putin is limited in his ability to evade these restrictions: shrinking Russian foreign currency and freezing assets prevents Russia from drawing from its \$643 billion in foreign reserves, and from converting foreign assets into rubles to provide liquidity to [sanctioned bank establishments](#). While emerging market economies like Turkey, Brazil, and India have been [hesitant](#) to condemn Russia's actions or impose economic sanctions, this reluctance is partially offset by [boycotts](#) from major global companies, like BP and Shell, who withdrew oil and gas projects to evade political risk.

The combination of national, multilateral, and corporate responses has succeeded in doubling Russia's interest rate from [9.5% to 20%](#), while reducing Russia's currency by 45%. This marks the largest decrease in Russian currency since the [1998 economic crisis](#). While Russia's foreign debt is manageable, sitting at [27% of its GDP](#), the timeline for repaying short-term debt presents Putin with a considerable challenge: In the next year, Russian corporations will be obligated to repay over [\\$100 billion](#), which will prevent many Russian borrowers from refinancing standing debts. Consequently, the government will be forced to draw from domestic savings for debt repayment in a time of negative growth.

[Additional sanctions](#) on technological equipment and defence-related firms will make it impossible for Russia to produce various military products domestically, capturing the punitive effects of the current campaign. Specifically, the U.S. has imposed an embargo on [semiconductor chips](#), using its strong grip on technology markets to target [vulnerabilities](#) in Russia's military-industrial complex. Since Russia's financial system is highly integrated in the global system, imposing heavy economic sanctions will have serious [repercussions](#) for the domestic economies of imposing states. This response therefore works to send a clear message to Putin: the international community condemns his actions, and, until he backs down, Russia's economic and military performance will be targeted by strategic international policies.

Are Economic Sanctions Sufficient?

The figures presented above indicate that freezing Russia's foreign reserves, implementing trade embargos, and expelling Russia from SWIFT have effectively hindered Russia's economic capacity. Nevertheless, economic hardship should not be equated to political success, and there are still several scenarios where sanctions may prove to be ineffective for deterrence or punishment given Russia's status as a global nuclear power. Sanctions can fall short of meeting their objectives for [three main reasons](#). The first is when their imposition is delayed because of the dominant interests of imposing states. Before the invasion, Western powers were overwhelmingly concerned with maintaining diplomatic relations with Russia. While NATO allies warned that invading Ukraine would result in economic penalization, Western powers poorly communicated the extent of the sanctions they were willing to impose on Russia prior to the invasion. Even once evidence of Putin's plans emerged, few immediate efforts were made to halt the [NS2 pipeline](#) or crush Russia's energy sector. Biden's [December statement](#) that the U.S. would not deploy military force in the case of invasion likely emboldened Putin by reducing strategic ambiguity, allowing Putin to prepare for ensuing economic consequences. So, although Putin underestimated NATO's ability to implement a cohesive response, his accumulation of federal reserves, minimization of foreign debt, and budget balancing [suggest](#) that economic penalization was a foreseeable cost he was willing to incur.

A reactionary policy may have been warranted given the [risk](#) of intervening against a nuclear force prematurely. However, the threat of sanctions did not deter Putin from military advancements, suggesting that NATO's reactionary response may have afforded Putin enough time to prepare for a military campaign under a suffering economy.

Secondly, sanctions can fail when they are inadequate for their task. While the sanctions imposed on Russia are unparalleled in comparison to former campaigns, Russia is also much more [powerful](#) than previously targeted countries. Given its vast economy and alliance network, Russia is better prepared to bear the weight of economic penalization. For instance, the targeted nature of the imposed sanctions may allow Russia to use proceeds from unaffected export sectors, like [raw materials](#), to partially offset the impact of sanctions on oil exports and exclusion from SWIFT. With the share of Russia's foreign currency reserves in NATO countries [decreasing](#) from 93% to 46% since 2016, Russia may be able to maintain a considerable profit margin to prop up the [national budget](#). Even if the EU successfully [reduces gas exports](#) by 66% by the end of the year, Russia can, in the short-term, offset the type of budget crisis that would force immediate troop withdrawal.

This slight flexibility also provides Russia with the chance to expand its market. Military and economic support from China offers another possible avenue for evading the intended effects of imposed sanctions. Although Beijing provided only a small amount of [economic assistance](#) to Russia during the annexation of Crimea in 2014 to evade secondary sanctions, the changing nature of Sino-American relations since Crimea could alter China's response in the current context. In the past decade, China and the U.S. have [disagreed](#) on countless policy issues, including cyberspace and South Sea regulation. Many EU states now consider China a [rival](#) because of its decrease in outward investments. While there is no guarantee that China will offer substantial economic support to Russia, China's dwindling engagement with the U.S. and EU means that it is ultimately less risky to engage with Russia than in previous conflicts. This factor, combined with Russia's [decreased reliance](#) on the US dollar since 2014, could lessen the impact of the imposed measures, and must be considered by Western actors.

Finally, sanctions can fail to meet their objectives when they produce [unintended effects](#) that offset their initial aims. While Western leaders tried to impose restrictions targeting Russian elites rather than the wider population, the [withdrawal](#) of firms in technology, agriculture, and pharmaceuticals, combined with the current currency crisis, are [severely affecting](#) Russia's population. In turn, Putin is using the economic hardship created by sanction imposition to garner support for his regime. State-sponsored media outlets producing pro-Kremlin propaganda [frame sanctions](#) as the West targeting the Russian population unfairly. So, where Western sanctions aim to target Putin's legitimacy crisis, they have also contributed to a [rally-around-the-flag effect](#). If Putin is successful in distorting NATO's response to convince the Russian population that sanctions are disproportionate, the campaign could have the unintended effect of reducing domestic pressure on Putin to end the war.

Similarly, the lack of [non-Western support](#) for the American-led response to the war could discourage key alliances for NATO's Indo-Pacific strategy, like India and Vietnam, from condemning Russian actions. The sanction campaign has demonstrated the West's [ability to control](#) the global economic system, and many countries remain skeptical that Western-led responses can reflect their interests. In turn, Putin's [accusations](#) of the West using its hegemonic position to impose a particular worldview and value system may resonate with key non-Western countries, affecting support for Western interests in other foreign policy issues.

Recommendations for Canada

Canada strongly supports the rules-based international order that Putin has blatantly undermined. Despite the campaign's harsh impact on Russia's crumbling economy, however, Putin shows [no sign](#) of backing down. If the survival of Russia's economy and success of its war effort depend on continued indifference from key states, its capacity to shift trade alliances, and support from the Russian population,

Canada must work to close economic loopholes through secondary sanctions while improving the core message that the sanction campaign is communicating internationally.

Canada has already placed over [750 sanctions](#) on key actors and organizations from Russia, Ukraine and Belarus since the start of the conflict, but there is still room to intensify existing measures. While the strategy of NATO allies has been reactive, Canada must now use sanctions offensively, and prepare to impose secondary sanctions if countries like China, India, or Brazil show a willingness to help Russia. Canada can take the lead in setting up a [joint sanctions taskforce](#) to establish a set of secondary sanctions consistent across NATO allies. In doing so, Canada can encourage countries currently demonstrating indifference to Russia's violation of international law to boycott gas and oil imports, signalling that their implicit support for Russia will harm their long-term economic development interests. This can also help shorten the time horizon for Russia's ability to function economically under the current measures, increasing the pressure Putin faces to withdraw Russian troops.

Canada must also work to establish a clear communication plan and digital communications alliance to overcome the sanctions' unintended effects on Putin's domestic and international legitimacy. After the Russian Federal Service for Communications, Information Technology and Mass Media [mandated](#) that all domestic media outlets use information from official Russian sources on February 24, civilians turned to virtual private networks (VPNs) to avoid information restrictions. Since then, demand level for VPN access has been [873% higher](#) than the average. Although most Russians continue to indicate [support](#) for Putin and blame the West for tensions in Ukraine, Canada should capitalize on this increased access to, and demand for, uncensored media and information to generate anti-war sentiment among Russians before VPN usage is effectively stifled by Putin's censorship tactics. This can be done by setting up a [Digital Communications Alliance](#) to draw on the resources and expertise of global media, communications, and technology outlets to improve the circulation of information within Russia, working to convey the inaccuracy of Putin's narrative while maintaining internet integrity.

Canada must also clearly communicate to Russians and Western-Skeptic states that sanctions have been imposed to punish Putin's violation of international law, and not to convey Western superiority. While suspended cooperation with Russia is necessary, Canada must demonstrate a willingness to include Russia in future discussions and decision-making bodies, like the Arctic Council, that are [key](#) to its economic success. By signalling that Russia's exclusion from the global economy is a punitive, not a permanent, measure, Canada can stifle the appeal of Putin's anti-Western rhetoric, increasing the domestic and international pressure he faces to end the war.

Finally, as Putin works to divide cooperating partners, Canada must remain clear and unambiguous when communicating that the imposed sanctions will not be lifted until Russian forces are withdrawn, and that this Russian retreat be, "[in effect, irreversible](#)." Putin is determined to demonstrate Russia's capacity to withstand sanctions, especially since pursuing negotiations without substantial territorial gains risks his political survival. In turn, Canada should prepare to increase its [budget](#) for food, supplies shipments, and humanitarian aid to keep Ukraine in the war. Canada must show that even if NATO will not engage in direct military confrontation with Russia, it will not be subjected to nuclear coercion on the international stage.