

Sanctions and Dialogue: the New Normal in EU-Russia Relations?

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Early in 2016 some Brussels based diplomats eagerly told anyone who wanted to hear it that they expected the sanctions against Russia to be eased by the middle of that year. In the meantime, we are a year down the line and the sanctions are still unchanged. Indeed, on 28 June 2017 the EU extended the sanctions with another six months. Russia's answer came two days later, when Putin signed a decree extending the counter sanctions against the EU. In January 2018 sanctions and counter sanctions will have been in place for almost three years.

In 2014 the EU introduced sanctions on various occasions: the annexation of Crimea, the war in eastern Ukraine and the downing of the MH17 flight. Have they reached their objectives? To answer this question, it is important to make a distinction between different types of impact: political, economic and symbolic. The political goals of the sanctions were mainly about the violation of Ukraine's territorial integrity. Their objectives have clearly not been met. Russia has not withdrawn from Crimea and no diplomat in his or her right mind has any illusions that it will. The annexation is a fait accompli. Nor has the war in eastern Ukraine ended, even though it seldom makes the headlines these days. Only recently, in the weekend of 24 and 25 June, the OSCE's Special Monitoring Mission to Ukraine reported 1,000 breaches of the ceasefire. The total number of fatalities has likely exceeded 10,000. The intensity of the war may have decreased; the smallest spark may ignite the fire again. Nor is the end of the war in sight.

How have the sanctions affected the Russian economy? Clearly it finds itself in a worse state than before the Ukraine crisis. The Russian GDP went down from 2,231 billion USD in 2013 to 1,283 billion in 2016. The growth in 2016 was slightly negative at -0.2% (World Bank data). Yet, most analysts agree that the effect of low oil prices has been much bigger than that of the sanctions. It is hard to separate both analytically. Trade and investments between the EU and Russia were obviously affected, but in the field of energy the sanctions have not impacted the volumes of gas and oil traded.

In two ways the EU's sanctions can be said to have resorted some symbolic effect. First the sanctions sent a clear signal that Russia's actions were unacceptable. The annexation of Crimea in 2014 was a grave violation of the European border regime and in many ways a dangerous precedent. Secondly, the EU displayed surprising unity, maintaining the sanctions over several years. This has happened against all odds, while the EU was coping with huge internal challenges such as Brexit and amidst increasing pressure from business communities in several Member States to ease the sanctions.

While the sanctions are likely to remain in place for a while, things are moving on the political front. With the Ukraine crisis, the Strategic Partnership between the EU and Russia was suspended. Initially top bilateral political contacts were frozen. Today, in contrast, we see an increasing number of high-level meetings. Recently, in April 2017, Mogherini visited Moscow. At the end of May 2017 Putin was received by Macron in the prestigious setting of Versailles. None of these visits led to a breakthrough, but they signal an increased willingness to engage in high-level diplomacy with Russia and to cooperate in selected areas.

Are the sanctions there to stay? The EU has linked the lifting of the sanctions to the implementation of the Minsk II agreement on the war in eastern Ukraine. However, this necessitates the bypassing of two obstacles. First, Russia does not seem to be very eager to change its position on eastern Ukraine. It is unclear what its current level of engagement on the ground is, but in the most minimalistic scenario it could for sure take action to stop weapon deliveries and other support for the so-called separatists if it wanted to. Within the Kremlin's geopolitical reasoning, a continued low intensity conflict is useful because it turns Ukraine – a country drawn into the Western sphere of influence – into a liability rather than a useful ally. The second obstacle is of an internal Ukrainian nature. The autonomy which the Minsk II agreement provides for Donetsk and Lugansk lacks political support in Ukraine and pushing it through may be nothing less than political suicide. Add to this the huge economic problems

of the country and its incapacity to get corruption under control and it becomes clear that a solution is not within reach.

Moreover, there is the uncertainty of what will happen across the Atlantic. The expectation that Trump would ease sanctions against Russia quickly after taking office – paving the way for the EU to follow suit – has not materialised. Speculation over links between Trump and the Kremlin and over Russian meddling in the American presidential election has led to such an imbroglio that US policy on Russia is all but certain.

Renewed high-level contacts suggest there is a growing political will in Europe to move to a next stage. Yet, any concession on either side would be seen as losing face. This results in a stalemate: sanctions remain in place, but political leaders seek alternative channels to talk to each other, be it in the margin of summit meetings (the G20 for example) or in ad hoc diplomatic formats (such as the Normandy format with Germany, France, Ukraine and Russia). The near future may bring more of this growing ambivalence. A combination of increasing political cooperation and mutual sanctions may become the new normal for a while to come. Ultimately it is not impossible that the big turning point will not result from an effective implementation of Minsk 2, but rather from a major unexpected external event, a black swan, which will push the West and Russia again towards closer cooperation.