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TOWARDS SECURITY THROUGH ECONOMIC POLICY: A BALDWIN'S APPROACH

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Abstract. The safety and security research is presented as a problem of multiple levels. This article is focused on security on a national level within the wider international community. More specifically, it evaluates economic policy exercised by several members of the international community as the response to the Russian annexation of Crimea in 2014. “Economic statecraft” as a technical term presented by David A. Baldwin in the book with the same name represents economic policy exercised by International actor or multiple actors to influence the behavior of another actor in the desired direction. The main advantage of such tool is its non-violent nature as the opposite of direct military involvement often resulting in death and various atrocities. Baldwin as a realist or perhaps neo-realist on the field of the theory of international relations provides us with tools for assessment of the viability of economic sanctions. Evaluation tools can be used in retrospect when the wider economic data is available. Economic statecraft is the comprehensive name for economic policy instruments such as economic sanctions, economic warfare and foreign aid. When these are used in the particular case, their usage can be consequently evaluated taking into consideration four main criteria. The aim of this paper is to analyze, evaluate and discuss economic sanctions imposed against Russia as a consequence of Crimean annexation. A secondary aim of this article is to synthesize acquired knowledge and assess the success of sanctions in this particular case. Final part of this article reviews the outcomes of such economic policy using the Baldwin’s “failure makers.”

Keywords: foreign economic policy, economic sanctions, international relations, Crimea

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1. Introduction

Russian annexation of Crimea in 2014 was an unacceptable violation of international law to many, and several members of the international community decided to undertake retaliatory measures other than war. Since the Putin’s Russia behaved in the past decade as a classical unitary actor on the “political chessboard” in the spirit of political realism (Brzezinsky, 2016), the author thought that it would be exciting and enriching to use the corresponding approach to evaluate economic sanctions as the prevalent measure used against Russia. The primary purpose of this article is therefore to assess the economic policy tools described in book published by David A. Baldwin (Baldwin, 1985), who wrote it in the last years of the Cold War and apply its findings to the ongoing international situation regarding Russian annexation of Crimea and Russian “indirect military involvement” in Eastern Ukraine. More specifically, to evaluate economic policy exercised by several members of the international community as the response to the Russian annexation of Crimea in 2014. “Economic statecraft” as a technical term represents economic policy crafted by the International actor to influence the behavior of another actor in the desired direction. The main advantage of such tool lies in avoiding direct military involve-

ment that often results in death and other atrocities. Baldwin's neo-realist approach on the field of the theory of international relations together with his economic knowledge provides us with excellent evaluation tools that can be used in retrospect when the wider economic data is available. Economic statecraft is a comprehensive name for economic policy instruments such as economic warfare, foreign aid, and economic sanctions (Kabát, Filip, Filipová, 2017). Main questions which we shall ask when evaluating the outcomes of economic policy measures – Do costs outweigh the benefits? Would another alternative have been more useful? Was the “minimum acceptable” degree of success attained? Were some goals ultimately achieved? The aim of this paper is to analyze, evaluate and discuss economic sanctions imposed against Russia as a consequence of Crimean annexation and to review the outcomes of such economic policy using the Baldwin's “failure makers.”

The first half of this article attempts to describe and explain Baldwin's concept of foreign economic policy he calls “statecraft,” while the second half analyzes the international situation after the annexation of Crimea using Baldwin's perspective and tools for the analysis. The conclusion then discusses our findings and results of the study.

2. Economic statecraft

Economic Statecraft (1985) represents a mixture of knowledge from the fields of international relations, foreign policy, economy and political science carefully structured, and well integrated. This Study of economics as an instrument of politics is a significant contribution to an understanding of the use of various economic tools in the international relations (Filip, Ujváry, 2016, Fabuš, 2014). The book was written as the response to the increased number of available alternatives or instruments in the nuclear age. Economic statecraft is being defined from multiple perspectives. The author provides an analytical framework within which reliable knowledge about economic statecraft can be developed to replace the conventional wisdom (Baldwin, 1985:368). This framework is at the same time tested at numerous known cases of sanctions and provides a compelling explanation of success or failure. These examples are here to support his claims and hypotheses which drive him to the conclusion, that in virtually every case examined, there was a reason to suspect that thorough and rigorous application of the framework he developed would lead to conclusions significantly different from those of the conventional wisdom. Among other things, Baldwin captures dynamics of sanction policies in modern international relations. Extracts the theory of statecraft and most clearly defines the role of economics. Finally, he regards the elucidation of alternatives to military statecraft especially important in the nuclear age.

Baldwin defines statecraft as “an art of conducting state affairs” (Baldwin, 1985). Deriving from his definition, economic statecraft then is an art of conducting state economic affairs.

Specification of this term is developed further:

- Emphasizes means rather than ends
- Does not restrict the range of goals that may be sought by economic means,
- Treats policy instruments as property concepts, thus facilitating the maintenance of a clear distinction between undertakings and outcomes,
- Definition of economic statecraft includes a definition of “economic” and provides criteria for distinguishing economic techniques of statecraft from non-economic methods.

Since the definition of the term is quite clear, it is also important to understand what lies behind this term. Baldwin distinguishes three basic components of economic statecraft:

- Type of policy instruments used in the influence attempt (economic tools)
- Domain of the influence attempt (by other international actors)
- Scope of the influence attempt (some dimensions of the targets behavior including beliefs, attitudes, opinions, expectations, emotions etc.)

According to Baldwin, the chief contribution to the international community can be done by “improving understanding of statecraft is one of the most valuable contributions scholars can make to the functioning of democratic political processes” (Baldwin, 1985). Since the nation-states emerged, military and diplomatic tech-

niques were commonly used. That wasn't the case with economic methods. Such discrepancy or deficiencies in the use of various techniques led Baldwin to the conclusion that exploration of this dimension of international politics might improve the state of world affairs.

When trying to understand Baldwin's argumentation, it is crucial to bear in mind that he thinks as the realist or perhaps neo-realist and a practical economist as well. The latter is among other statements easy to identify in the following: "The costs of military statecraft have substantially increased. Assuming that political leaders will continue to want to influence other states or non-state actors, they are likely to find nonmilitary measures such as economic techniques of economic statecraft, increasingly attractive. If this is correct, enhanced understanding of the capabilities and limitations of such policy instruments would seem desirable" (Baldwin, 1985).

No matter how high the country's political influence is or how accurately economic tools were used in the past, a higher number of available choices could be decisive for a statesman when contemplating alternatives. Even though, the only real world superpower is still the United States "...no country in the world has a greater need for alternatives to military statecraft than the United States" (Baldwin, 1985) is a statement that remains valid even thirty years after its first publication. The United States is not the only international actor whose policy-makers, students or just ordinary people might find this knowledge useful. Many citizens perceive happening behind the borders as something "out there," and their responsibility for those matters is often underestimated. In fact, citizens are the only ones who have the power to elect their representatives. For this reason, such knowledge increases their ability to assess accomplishments of policies applied abroad.

The statesman's primary responsibility is to evaluate costs and benefits correctly before any action is to be taken. Any knowledge and options available and relevant to his objective might be the one that will have the biggest influence on the outcome. Sometimes it is not so important which choice or a set of options is the best, but which choices have to be avoided. It might also help the politicians to develop an adequate reasoning when presenting their ideas to the public. For instance, "...economic pressure is to be welcomed as a peaceful alternative to war rather than condemned as a means of pressure similar to war" (Baldwin, 1985:354).

3. Tools and techniques

When discussing the most important tools of the economic statecraft that is quite broadly defined, Baldwin summarizes economic tools into three separate categories:

- Economic sanctions
- Economic warfare
- Foreign aid

Needless to add that some argumentation in his book is written in a very defensive way what implies individual awareness of possible derogation of his concept - "*Economic statecraft is not a bizarre, abnormal, non-routine, extraordinary, unusual occurrence, but rather a regular, routine, everyday, ordinary, commonplace activity*" (Baldwin, 1985).

So what are then the techniques of economic statecraft? These are ways for foreign policy makers to make influential attempts in other states or non-state actors in the international arena. On the world stage as well as in front of the democratic public, in general, wars are the least favorite "solutions" to the problems. For this reason, war is to be discouraged by encouraging alternative means of settling disputes and that prohibition on a functional equivalent to war is likely to increase the probability of war (Baldwin, 1985). On the contrary, in assessing the utility of economic statecraft critics often accentuate the negative and downplay the positive aspects of such measures.

In connection with military dimension, as the realist, Baldwin understands that trade bind states together. In fact, trade functions as a protection against each other (Baldwin, 1985). Even though the efficient use of techniques of economic statecraft was often infirmed by many scholars, coercive effects of economic statecraft can

be as intense as those produced by armed force, without leaving dead bodies on the battlefield. Nevertheless, military tools of foreign policy go hand in hand with the domestic economy because military power is built upon economic foundations.

Economic sanctions. As mentioned above, the most common tools of economic statecraft are economic sanctions, foreign aid, and economic warfare. Every tool has a different effect, and this also depends on the particular situation and circumstances. Most commonly used are perhaps the economic sanctions in all forms. Economic sanctions were especially helpful when a slow, undramatic, cumulative effect is necessary (Baldwin, 1985).

On the other hand, Baldwin's argumentation about the impact of the embargo on the Soviet Union seems a bit odd. Soviets had a centrally planned economy where a military sector had a top priority, and the plans were designed for several years ahead. Planners with party advisors would rather let 10 million people starve than decrease an expected output of military production. In my opinion, influence difference of economic sanctions on capitalist economy and CPE is too vast to compare. Also, embargoes in general cause harm mainly to "non-politicians" and "non-soldiers" – to the people directly irresponsible for the political status quo. It is applicable in the 21st century as well. Later in the book, Baldwin claims that embargo did strengthen Soviet control of the bloc. As he writes, he realizes even more that "rudderless states" are difficult to influence (Baldwin, 1985). We will discuss the impact differences between the Soviet Union and Russia later on.

In all analyzed cases where sanctions had been applied, these only strengthened the regime and prolonged suffering of ordinary people.

Economic warfare. The purpose of economic warfare is to capture crucial economic resources of the opponent to prevent the enemy forces to operate properly. This tool is used mainly in the total war between states but also during the preparation for the war. Typical policies applied and subsumed under economic warfare are a blockade, preclusive purchasing, capturing enemies' assets and blacklisting of people or entities under opponents control.

Foreign aid. Foreign aid is a controversial tool of economic statecraft. Baldwin provides us with two definitions of aid, first one is defined as a transfer of resources from the United States Government to other countries for any purpose other than payment of an obligation. The second one is used, when nothing material is expected in return with a notion that the loan is not aid, but the grant is. In connection to economic statecraft, Baldwin specifies that foreign aid is very much like an ordinary commercial exchange transaction in that one party uses financial resources to get another party to change its behavior (Baldwin, 1985:292). Nuances of the diction of the text or speeches that accompany aid-giving cause differences in an actual outcome. Aid as a tool of an economic statecraft is often used to clarify commitments:

- "you have our support" with the aid means an enhancement of the commitment;
- "we disapprove" is enhanced when aid suspension follows.

Furthermore, any attempt to determine the utility of foreign aid as an instrument of statecraft must be based on a clear distinction between the feasibility of the goals on the one hand and the utility of the aid on the other. Quite appropriate is Baldwin's parable of aid to salt. More salt doesn't necessarily mean better (Baldwin, 1985).

Costs, benefits, and morals. The leitmotif of Baldwin's publication is the idea of lower costs of economic tools used in foreign policy compared to relatively high costs of military tools. A first instance can be found here: "Costs always matter to the rational decision maker, and cost estimates must be made no matter how difficult that may be. "All or nothing" is a decision rule for fanatics, not for rational and prudent statesmen" (Baldwin, 1985).

One of the biggest advantages of using economic instead of military statecraft derives from avoiding the costs associated with military statecraft. The preference for using the economic statecraft to a large extent depends on the accuracy of cost estimates of military statecraft. Despite this fact, there can't be the equation between one billion dollars of military costs and one billion dollars' worth of military force. We also can't claim that 2bn in

economic losses is more than 1bn of military equipment lost, because a use of military tools causes death, and there is no economist or politician in the world that has the moral right to calculate the cost of a human life. Still, in our era, we tend to put a price tag nearly on everything, even human life (Sandel, 2013).

When connecting evaluation of economic sanctions to costs and benefits, we can ask if the trade sanctions have the appropriate means through which to show concern? Baldwin answers with the following: “It depends on goals and targets of the influence attempt, the probable costs and benefits, and the costs and benefits associated with alternative policy options.” (Baldwin, 1985). His advocacy of sanctions on cost benefits follows with an argument that, if there is no change in the behavior after economic sanctions were applied, it, at least, increased target country’s costs of noncompliance with the international order.

4. Evaluating success of economic statecraft

When determining success or failure of economic statecraft, it is important to define what is considered as a failure. The failure assessment criteria are perhaps the most important outcome of the book.

- The costs outweigh the benefits
- Another alternative would have been more useful
- The “minimum acceptable” degree of success was not attained
- Some goals were not completely achieved

To conclude the first part of this paper, economic statecraft works well only when it is firmly supported by other political tools by the majority of the international community. Otherwise, the effect of them is highly questionable no matter what approach or assessing framework is used to evaluate the outcomes. Even though the cold war is over; this book did not lose anything from its actuality.

In the second part of this work, we can use Baldwin’s “failure markers” and evaluate economic sanctions imposed on Russia by the part of the international community as a response to the events in Ukraine in 2014.

Sanctions against Russia – The pretext. The initial stage of the Ukrainian revolution in the winter of 2013-2014 already indicated that the lawfully elected President Yanukovich would not stay in his office much longer. People in the streets of Kiev and many other mostly west-Ukrainian cities declared their will to change pro-Russian affinity and declared their desire to become a part of the “West.” Ukraine as a traditional sphere of Russian influence consists of a large Russian-speaking population. As much as 24% of the population uses The Russian language as their primary language while 17,3% of Ukrainian citizens claim their Russian ethnicity (CIA World Factbook, 2017). Once President Yanukovich escaped to Moscow and a new temporary government was established, Putin’s Russia began to act to maintain its influence in the region. Officially, Russia was only “protecting rights of Russians abroad” (The Washington Post, 2014). Russia began to send unmarked troops and military equipment in the late February 2014 which blockaded most strategic Ukrainian infrastructure in the Crimean area. This intervention is commonly known as “a stealth invasion”(The Economist, 2014). The invasion was followed by the abrupt “referendum” where 95.5% of voters agreed with reunification with Russia. Although Russia initially insisted that Russian forces were not involved in the invasion, President Putin admitted, that Russian troops had been active in Crimea saying “Of course, the Russian servicemen did back the Crimean self-defence forces” (Putin, 2014).

Reaction of the international community. The majority of United Nations General Assembly passed on March 27, 2014, the non-binding resolution declaring Crimea’s referendum invalid. Thus, the internal community did not recognize Crimea as a part of Russian Federation. Needless to add, that the draft resolution against Crimea referendum in the UN Security Council was vetoed only by the Russia earlier that month. The secession of Crimea from Ukraine was then a clear violation of international law.

The United States was alleged several times by the Russia’s representatives that they incite anti-Russian Maidan demonstrations in Ukraine. And that they intentionally want to reduce the traditional sphere of Russia’s

influence. However, United States declared that such a flagrant infringement of international law in the case of Crimea calls for the immediate reaction. For this reason, President Obama announced a list of economic sanctions that were already several times augmented (Ashford, 2016).

The European Union summoned an extraordinary meeting of the Council of the European Union on 3 March 2014. EU leaders condemned the clear violation of Ukrainian sovereignty and territorial integrity by acts of aggression by the Russian armed forces as well as the authorization given by the Federation Council of Russia on March 1 for the use of the military forces on the territory of Ukraine. The EU called on Russia to immediately withdraw its troops to the areas of their permanent stationing, by the Agreement on the Status and Conditions of the Black Sea Fleet stationing on the territory of Ukraine of 1997. In the absence of de-escalatory steps by the Russian Federation, on 17 March 2014, the EU imposed the first travel bans and asset freezes against Russian and Ukrainian officials following Russia's illegal annexation of Crimea. The EU strongly condemned Russia's unprovoked violation of Ukrainian sovereignty and territorial integrity (EU Newsroom, 2014).

Australia's Prime Minister Abbot declared that Australia stands with countries around the world in urging Russia to de-escalate tensions, pull back its military, and engage in genuine dialog with Ukraine (Nelson, 2015). On June 19, Australia unveiled financial sanctions and travel bans against 50 people, and 11 entities thought to be responsible for or complicit in the Russian threat to the sovereignty and territorial integrity of Ukraine. Since there was no de-escalation in the conflict in Ukraine, Australia broadened its sanctions several times by the end of 2014 (Taylor, 2014).

Canadian sanctions related to Russia were enacted under the Special Economic Measures Act to respond to the gravity of Russia's violation of the sovereignty and territorial integrity of the Ukraine. On March 17, 2014, the Special Economic Measures Regulations came into force (Government of Canada, 2014).

Set of sanctions. Canada's sanctions targeted on Russia are limited to assets freeze on designated persons and financial prohibitions. The Regulations of Canadian government include a list of names of persons for which the Governor in Council considers there are reasonable grounds to believe that they are connected with the Government of Russia, or that they are individuals or entities engaged in activities that directly or indirectly facilitate, support, provide funding for, or contribute to the deployment of Russian armed forces to Crimea. In addition, Canadians are prohibited from dealing with any property held by or on behalf of a designated person, or facilitate or provide financial or other related services in respect of such a dealing, make any goods available to a designated person, provide any economic or related services to or for the benefit of a designated person. The Regulations also impose restrictions on some areas, like the financial and energy sectors. With some exceptions, they prohibit any person in Canada or Canadians abroad to deal with a loan, bond or debenture of longer than 90 days maturity in relation to certain designated persons, or to provide or otherwise deal with capital funding through the transaction of shares in exchange for an ownership interest in relation to certain designated persons. Causing, assisting or promoting prohibited activities is likewise prohibited.

The Australian Government (The Government of Australia 2014) listed 113 Russian individuals, and Ukrainian collaborates – thought to be largely members of President Vladimir Putin's inner circle and close supporters. The sanctions against Russia include travel bans, export bans on certain products and asset freezes. Another company will be penalized as well, taking the total to 32. Other sanctions include restrictions on access to Russian banks to Australian capital markets, a ban on the export of goods and services for Russian oil exploration and production and a ban on arms exports to Russia. Australia's defense exports to Russia are typically subtle, but the weapons ban is being included because the sanctions are mirroring those taken out by the European Union and the United States. The unanimity stops exporters using back doors through other countries where sanctions don't apply.

Sanctions introduced by the EU target the finance, energy and defense sectors. The Union has restricted three Russian energy companies from raising long-term debt on European capital markets – Rosneft, Transneft, and Gazprom Neft. The EU has also halted services Russia needs to extract oil and gas in the Arctic, deep sea, and shale extraction projects (Dreyer, 2015). The export of any technology considered military 'dual-use' has been

banned from nine Russian companies, including the manufacturer of Kalashnikov rifles. Five major Russian state-owned banks – Sberbank, VTB, Gazprombank, Vnesheconombank (VEB) and Rosselkhozbank - have been banned from receiving any long-term (over 30-day) loans from EU companies. Brussels has also added 24 individuals to the list, blocking travel to the EU and freezing assets. Russian MPs and businessmen, as well as politicians in Crimea and Donbass, are on the blacklist (TV-Novosti 2014).

The President of the United States Barrack Obama authorized sanctions against Russia that include restrictions on the travel of certain individuals and officials and showed our continued efforts to impose a cost on Russia and those responsible for the situation in Crimea. Designated some Russian and Ukrainian entities, including 14 defense companies and individuals in Putin's inner circle, as well as imposed targeted sanctions limiting individual financing to six of Russia's largest banks and four energy companies. U.S. has also suspended credit finance that encourages exports to Russia and financing for economic development projects in Russia. The provision, exportation, or re-export of goods, services (not including financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory, and that involve five major Russian energy companies were also suspended. The United States is prepared to take additional steps to impose further political and economic costs. A secure Ukraine, integrated with Europe and enjoying good relations with all its neighbors, is in the interests of the United States, Europe, and Russia (US. Department of State, 2014).

The initial stage of the Ukrainian revolution in the winter of 2013-2014 already indicated that the lawfully elected President Yanukovich would not stay in his office much longer. People in the streets of Kiev and many other mostly west-Ukrainian cities declared their will to change pro-Russian affinity and declared their desire to become a part of the "West." Ukraine as a traditional sphere of Russian influence consists of the largely Russian-speaking population. As much as 24% of the population uses The Russian language as their primary language while 17,3% of Ukrainian citizens claim their Russian ethnicity (CIA World Factbook, 2017). Once President Yanukovich escaped to Moscow and a new temporary government was established, Putin's Russia began to act to maintain its influence in the region. Officially, Russia was only "protecting rights of Russians abroad" (The Washington Post, 2014). Russia began to send unmarked troops and military equipment in the late February 2014 which blockaded most strategic Ukrainian infrastructure in the Crimean area. This intervention is commonly known as "a stealth invasion" (The Economist, 2014). The invasion was followed by the abrupt "referendum" where 95.5% of voters agreed with reunification with Russia. Although Russia initially insisted that Russian forces were not involved in the invasion, President Putin admitted, that Russian troops had been active in Crimea saying "Of course, the Russian servicemen did back the Crimean self-defense forces" (Putin, 2014).

Reaction of Russia. In response to the sanctions imposed on Russia, Russia retaliatory imposed a "full embargo" on food imports from the EU, the US and some other Western countries. President Vladimir Putin said (BBC, 2014) that the food ban would take immediate effect and last for a year. In addition to the food imports ban, Russia has banned Ukrainian airlines from transit across its territory. The Russian government considered banning transit flights for EU and US airlines in retaliation for sanctions over Ukraine. Barring airlines from Siberian airspace would significantly increase costs and flying time for many jets bound for Asian destinations. To understand why Russia has chosen "food import ban" as a retaliatory measure it is necessary to look at the structure and proportions of Russian exports and imports (Filipová, 2016; Gasperová, Filipová, 2016).

A year before the sanctions were imposed, EU's food exports to Russia were worth 11.8bn € while the US food exports to Russia were worth 972m €. Russia was the EU's second-biggest market for food exports (10% of total), after the US (13%). Russia had to choose the group of products that are easily replaceable and have relatively little-added value (Shirov, 2015, Fabuš, 2015). Also, such group shouldn't harm EU too much, but still it is considerably "resonant" within the exporting countries. Considering the volume of imported volumes of automotive industry products, chemicals, and other products with high added value, it would indeed hit the Russian economy as a boomerang. For the comparison, see the following Table 1, how insignificantly influenced EU sanctions the volumes of trade with Russia.

Table 1. Top Russia’s trading partners in 2016

1.	Netherlands	10.2%	29.3bn USD
2.	China	9.8%	28bn USD
3.	Germany	7.4%	21.3bn USD
4.	Belarus	4.9%	14.1bn USD
5.	Turkey	4.8%	13.7bn USD
6.	Italy	4.2%	11.9bn USD
7.	South Korea	3.5%	10bn USD
8.	Kazakhstan	3.3%	9.4bn USD
9.	United States	3.3%	9.4bn USD
10.	Japan	3.3%	9.4bn USD
11.	Poland	3.2%	9.1bn USD
12.	UK	2.5%	7bn USD
13.	Finland	2.3%	6.5bn USD
14.	Ukraine	2.2%	6.3bn USD
15.	Belgium	2%	5.7bn USD

Source: <http://www.worldstopexports.com/russias-top-import-partners/>

Moreover, after Medvedev’s directions toward the Russia’s agriculture ministry and producer organizations to find ways to boost farm outputs to prevent price rises for consumers it might help local producers to develop their business as a result of which Russia’s self-sufficiency will be accompanied by the higher employment rate. In the meantime, the Russian authorities are already searching for alternative suppliers in South America, Turkey, and China.

Effects of sanctions on the Russian Economy

Although it might be quite early to assess an overall effect of direct sanctions imposed on Russia, we can try to review the Russian GDP in 2014, 2015 (Kudrin, 2015). Russia’s Real GDP grew only by 0.6% in 2014, which could be easily seen as the success of the economic sanctions implemented by the West. Nonetheless, taking into account the unexpected situation on the world oil market in 2015 it is questionable to account 3.7% GDP decline to direct economic sanctions. But again, 0,3% growth in 2016 is showing that Russian economy is not doing too well.

Russia is heavily dependable on the earnings it receives from the oil exports. In 2013, the natural gas and oil sales accounted for 68% of total export revenues (EIA, 2014). Having in mind Russia’s high imports of goods with higher added value and weakening Ruble, shrinking oil prices only intensified the objectively severe conditions in which Russian economy appeared to happen (Baffes, 2015).

We can only speculate, why the Russia on the OPEC summit refused to decrease oil production, and whether or not would the U.S. allies as Saudi Arabia or Kuwait cut their crude output as well (Olson, 2014). Did the sanctions weaken the Putin or the Russia as a whole? Embargo as the most powerful tool of economic statecraft did strengthen Soviet control of the bloc during the cold war. According to international newspapers including those in Russia, nationalism in the largest Country in the World is on the rise (Laruelle, 2015). That strengthens the position of Russia’s beloved leader Vladimir Putin. Introduced sanctions by the West increased his popularity what gives him even more space to maneuver in the international arena. As Baldwin writes, “rudderless states are difficult to influence” (Baldwin 1985:247).

What economic and mostly financial sanctions undeniably caused was, that they gave a clear message to investors and financial speculators that the Russia is to be avoided. Also, foreign portfolio capital was leaving Russia at 2014 and 2015 at a brisk pace.

Conclusion

To evaluate economic sanctions against Russia, we can use Baldwin's failure markers again. If the primary aim of sanctions was to force Russia to withdraw from Crimea or to stop Russia sending troops to Ukraine, this did not happen, and it's quite unlikely that it will occur in the foreseeable future. So far, the costs outweigh the benefits. Unfortunately, regarding Russia's retaliatory measures, European producers pay for it with no compensation from the officials. And that quite clearly damages European economy.

Would another alternative to such sanctions had been more useful? Imposing the more strict embargo on Russia in this globalized world and, more importantly, taking into account EU's dependency on Russia's oil and gas, would have economically disastrous consequences for far too many European economies. It is hard to believe that Russia would withdraw from Crimea. With such energized 19th-century nationalism that is still taking place in Russia, it would only make Russian public blinder to Putin's "chess moves" on the international "chess board" of politics. Sanctions might weaken the enemy in material terms, but it might and usually do strengthen the opponent morally.

However, we can talk about "acceptable minimum." Russia feels the pressure from the outside and perhaps understands that while it is a powerful player on the scene of world politics, it's underdeveloped, and unbalanced structure of the economy heavily reliant on the export of non-renewables makes it very economically vulnerable to external pressures and turbulences on a global market.

Since the use of economic statecraft as a substitute to the military statecraft, it has its limits, and the effects come very slowly as we mentioned before. Their outcome is only to be increased in their intensity. All introduced sanctions we referred to in the first part of this work are weak. Soft and mild and they do no harm to the decision-makers in Russia. We can understand that countries that disagree with the politics of Russia and the annexation of Crimea "have to act" in order not to lose their credibility and respect. Even if the results are null.

One of the fulfilled goals or desired impacts caused by imposing economic sanctions is "considerably reduced space for maneuvering of Putin's Russia" in the case of financial and economic problems. As a matter of fact, Russia was facing serious fiscal and economic problems in 2015. Interventions of the central bank in an attempt to prevent Ruble's further devaluation probably won't be sufficient in 2017 if something "goes wrong again." Only rising oil prices can help Ruble to grow. Interest rates have already tripled reaching 17%, and state bond yields reached 12,97% p.a. in 2016. A glutton for money by the plethora of Russian companies who want to finance their losses, not only because of sanctions but also because of them, drastically increased demand for money. Companies are unable to pay their debts, and corporate bonds are also endangered. If the prices of crude won't significantly grow by the end of this year, Russia might face even harder economic reality. There soon might be no one to buy Russia's debt. Would that present a sufficient punishment for Putin's annexation of Crimea? Probably not.

On the contrary, what direct sanctions were unable to accomplish, economic warfare can. Excessive oil drilling by the United States and its allies such as Saudi Arabia keep oil prices on level unacceptable by many oil exporters like Russia. How far and how long will such low levels be sustained remains the question of the day. And how long can Russia economically survive on oil export prices around 40 USD would be an intriguing research question for further research.

As we discussed, economic sanctions as a tool of economic statecraft have the capacity to serve the imposer with several significant advantages. Nonetheless, as Baldwin puts it (Baldwin 1985:63): "*Economic sanctions may have diplomatic, political, psychological, military or other effects even when their economic effect is nil.*" In other words, anything is better than war.

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