

The Effect of American and European Sanctions on Russia

The paper defines “international sanctions” as politically and economically coercive decisions imposed by two or more countries upon another country to further their own perceived strategic interests. International sanctions can include economic manipulation; coercive diplomatic efforts; or preliminaries to war. Sanctions are controversial. Scholars question sanctions’ effects on innocent citizens; the level of ethnocentrism involved in designing and implementing sanctions; and the possibility that sanctions may be ineffective. Ang and Peksen 2007 found that sanctions achieve their goals only 33% of the time. Supporters of sanctions argue that regardless of sanctions’ negative effects on innocent people, those citizens were already being oppressed by their government. Supporters also argue that sanctions are the best international alternative to inaction; and that in the absence of sanctions, oppressive regimes have no incentive to reform. Opponents of sanctions argue that sanctions promote western values while diminishing the culture of the targeted state. Conversely, supporters argue that something must be done, and cite democratic peace theory as a justification for cultural insensitivity. There have been several international sanctions against Russia by the U.S. and its allies, beginning in 1979 when the U.S. stopped wheat exports to the Soviet Union. The most recent major sanction was imposed in 2014 on the Russian Federation following its annexation of Crimea. The paper examines economic and political sanctions against Russia, and attempts to determine their effect on political and macroeconomic variables such as election results, exchange rates, trade, unemployment rates, and economic growth; and whether sanctions have been effective in meeting their goals.

Keywords: Crimea, Macroeconomics, Russia, Sanctions, Ukraine

Introduction

This paper analyzes the effect of American and European economic sanctions on the Russian economy and on Russian politics; and makes conclusions concerning the success and failure of anti-Russian economic sanctions.

Under Article 41 of the United Nations Charter (UNC), only the United Nations Security Council (UNSC) has a mandate to apply sanctions (UNC Article 41) that must be complied with by all UN member states (UNC Article 2.2). UNSC sanctions do not include the use of military force. If sanctions do not lead to the diplomatic settlement of a conflict, the use of force can be authorized by the Security Council separately under UNC Article 42. (United Nations 1945)

UN sanctions should not be confused with unilateral sanctions that are imposed by individual countries in furtherance of their strategic interests. (Carisch E., Martin L., and Meister S. 2017) Typically intended as strong economic coercion, measures applied under unilateral sanctions can range between coercive diplomatic efforts, economic warfare, or preludes to war.

There are several types of sanctions:

- Economic sanctions typically include trade bans, which are often limited to certain sectors such as armaments; or blanket sanctions with exceptions for food and medicine (Haidar J. 2017). Economic sanctions are applied for purely economic reasons, and typically take the form of tariffs or similar measures, rather than bans on all trade.
- Diplomatic sanctions reduce or remove diplomatic ties, such as closing embassies or consulates.
- Military sanctions are military interventions.
- Sports sanctions prevent one country's people and teams from competing in international events.
- Environmental sanctions may address both economic and political issues. They often include trade barriers and restrictions on trade, because trade is a key factor in problems such as endangered species, ozone-depleting chemicals, and environmental laws. Although environmental sanctions are relatively new, recent UN concerns over environmental issues have motivated individuals and governments to actively cooperate in dealing with these problems.

The paper analyzes the political and economic effects of the sanctions imposed on the Russian Federation in 2014 by the United States, Canada, and the European Union following Russia's annexation of Crimea. The events leading up to these sanctions are discussed below.

In February 2014, Russia made several military incursions into Ukrainian territory. Russian soldiers without insignia took control of strategic positions and infrastructure within the Ukrainian territory of Crimea. Russia then annexed Crimea after a referendum in which Crimeans voted to join the Russian Federation.

International sanctions were subsequently imposed against Russia and Crimea by a large number of countries. The sanctions were imposed by the U.S., Canada, Australia, the European Union, (EU) and other countries and international organizations against individuals, businesses, and officials from Russia and the Ukraine. Russia responded with sanctions against several countries, including a total ban on food imports from the EU, the U.S., Norway, Canada, and Australia. (Overland I. and Fjaertoft D. 2015)

In 2016, the U.S. Treasury Department prohibited Americans from investing in Crimea, importing goods from Crimea, exporting or re-exporting goods from Crimea, or financing transactions in Crimea. (Office of Foreign Assets Control 2016)

The sanctions by the European Union and the United States continued to be in effect as of 2018. (SKULD 2018) In July 2018, the EU announced the extension of sanctions until February 2019. (RT International 2018)

Proponents of sanctions argue that the American sanctions were designed to shield the Russian public from the economic effect of sanctions. The Washington Post argued that "The United States targeted the sanctions at Putin's circle of friends rather than at average Russian families. That included restricting credit to Russian banks, energy companies and defense firms known to be controlled by his cronies and freezing assets and instituting travel bans on

particular individuals.”(Smeltz 2018) According to the Economist, the measures were “calibrated to avoid rocking global markets” (Smeltz 2018) and to win support from the European Union, which also passed sanctions against Moscow.” (Smeltz 2018)

In August of 2014, Russia initiated countersanctions banning specific food commodities from the U.S. and the EU. The ban was broad, covering both staples and luxury items. Affected foods included beef, poultry, fish and seafood, fruits and vegetables, nuts, dairy (milk and cheese), and a wide range of processed and prepared foods.

The National Interest has identified five major effects of the countersanctions: (Twigg 2018)

1. The countersanctions were a gift to the Russian agrifood industry. They effectively supported an import substitution strategy whose broad objective had been in place since the late 2000s: to become self-sufficient in food. As a result, the Russian agrifood industry grew by 3.2% per annum from 2014-2016.
2. Overall, the share of imports in total food consumption decreased from over a third in 2014 to just over 20 percent in the second quarter of 2017.
3. By February of 2015, annual food inflation was over 23%. By 2018, Russian food price increases were much lower than the overall inflation rate.
4. Some banned food products from the EU have made their way to Russia as re-exports from other countries. In the final quarter of 2014, EU dairy exports to Belarus increased tenfold compared to the previous year, and exports of fruit and fish doubled.
5. Oligarchs, other investors, and the Russian government became interested in the agricultural sector. For example, oligarch Viktor Vekselberg has started investing in the construction of urban greenhouses. The government has earmarked 242 billion rubles (just under \$4 billion USD) in agricultural support for 2018–2020, focused on rail transportation, subsidized loans, block grants to regions, partial compensation for capital investments, and targeted support for dairy farmers. A new legal requirement for public procurement gives preferences to domestic products—not just for food, but across the board, including key industries like software.

Hypothesis

The paper hypothesizes that American and European sanctions imposed on Russia have been ineffective. This hypothesis is tested empirically by analyzing the effect of sanctions on Russian political and macroeconomic variables such as election results, exchange rates, trade, unemployment rates, and economic growth.

The effective goal of the sanctions was to harm the Russian economy and decrease political support for Putin; thereby forcing Russia to de-annex

Crimea. Despite a relatively low GDP growth rate, the Russian economy is stronger today than it was in 2014. The sanctions have had no significant impact on the Russian economy other than reducing Russian imports; thereby increasing net exports and GDP.

The sanctions have also failed to decrease political support for Putin. In the 2018 elections, Putin increased his vote percentage from 65% in 2012 to 76% in 2018. The United Russia Party, which usually supports Putin, gained 105 seats in the Duma in 2016.

Literature Review

The literature review explored the five subjects discussed below. These subject areas were chosen because, taken together, they help explain much of the success and failure of Russian sanctions during the period of the study.

1. Issue Saliency
2. Theoretical View of Sanctions
3. Effect of Sanctions on Russia
4. Effect of Sanctions on the United States
5. Public Opinion Polls

Issue Saliency

In the economic literature the term “sender state” refers to the country or countries imposing sanctions, and the term “target state” refers to the country or countries being sanctioned. Sanctions are typically a result of disputed issues between sender and target states. “The conventional wisdom appears to be that sanctions are ineffective and failed policy instruments in the vast number of cases.” (Ang and Peksen 2007, p. 136)

Daoudi and Dajani (1983), Baldwin (1985), and Baldwin and Pape (1998) have argued that compliance ought not to be the sole criterion for judging the success or failure of sanctions. (From Ang and Peksen 2007)

Ang and Peksen analyzed the effectiveness of sanctions by accounting for the saliency of issues. Sender states and target states may not attach the same importance (saliency) to the same issue. For example, the U.S. government viewed the Russian annexation of Crimea as an act of Russian aggression, while the Russian government viewed the annexation as correcting an administrative error and allowing the residents of Crimea to decide whether they wanted to become citizens of the Ukraine or of Russia.

Ang and Peksen found that the sender state’s perception of the saliency of an issue in dispute is significant and has a dramatic effect on sanction outcomes. (Ang and Peksen 2007, p. 143)

Theoretical View of Sanctions

Classical realists believe that states are inherently aggressive and that territorial expansion is constrained only by opposing powers. Others, known as

1 offensive/defensive realists, believe that states are obsessed with the security
2 and continuation of the state's existence. (Mearsheimer 2001, pp. 25-26)

3 Classical realists provide an explanation of the existence of sanctions. In
4 the case of Russian sanctions, the United States and other countries believed
5 that Russia was engaging in territorial expansion when it annexed Crimea. An
6 offensive/defensive realist would view the Russian annexation of Crimea as
7 driven by Russia's security concerns and its desire to continue the existence of
8 the state.

9 Neorealism (or structural realism) is a form of realism advanced by
10 Kenneth Waltz. (Waltz 1979). Waltz contends that the effect of structure must
11 be considered in explaining state behavior. For instance, any disagreement
12 between states derives from the lack of a common power (central authority)
13 that can enforce rules and maintain them constantly. The lack of a common
14 power is referred to as an anarchic system of international relations. Waltz also
15 challenges traditional realism's emphasis on military power, instead
16 characterizing power in terms of the combined capabilities of the state, which
17 includes both military and economic power.

18 According to structural realism, there are two major effects of an anarchic
19 system: (1) individual states use strong weapons such as economic sanctions in
20 order to guarantee the survival of the state; and (2) more powerful states have a
21 tendency to further increase their influence by employing weapons such as
22 economic sanctions. (Baylis and Smith 2004)

23 24 *Opponents of Sanctions*

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26 As mentioned previously, some opponents of sanctions argue that
27 sanctions are ineffective. Others oppose sanctions for moral or humanitarian
28 reasons. In 1996, the International Progress Organization opposed sanctions on
29 Iraq by the UN. The IPO argued that "Economic sanctions -- and in particular
30 comprehensive economic sanctions -- are a form of collective punishment that
31 is in total contradiction to the basic principles of justice and human rights."
32 (International Progress Organization 1996).

33 The IPO argued that "The right to life, the right to adequate nourishment
34 and health care are inalienable rights that form part of the *jus cogens* of general
35 international law. Those rights are the basis of international legality and of the
36 legitimacy of the United Nations Charter as well." (International Progress
37 Organization 1996)

38 39 *Effect of Sanctions on Russia*

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41 The National Interest has argued that the sanctions were supposed to
42 punish Moscow's elite, but instead they've spurred economic development and
43 patriotism. (Twigg 2019) Twigg points out that the current sanctions caused
44 import substitution effects that have resulted in Russia becoming the world's
45 top wheat exporter as of 2016.

46 Engle (2015) predicted that "until Russia transforms itself into a rule of
47 law state, we can expect continued suboptimal economic performance, lack of
48 industrialization, and further eclipse of Russia by China." (Engle 2015, p. 173)

1 According to Engle, “the Russian economy performs sub-optimally due to a
2 lack of foreign investment and now outright sanctions. Since Russia’s illegal
3 annexation of Crimea, the Russian stock market has fallen drastically as
4 foreigners have further disinvested.” (Engle 2015, p. 124)

5 Engle’s predictions are not supported by the economic and financial data.
6 The paper provides a discussion of Russian GDP, Russian foreign direct invest-
7 ment, and returns on the Russian stock market below.

8 The National Interest explained that “Russia felt the whole spectrum of
9 sanctions in three immediate ways: increased volatility on foreign exchange
10 markets, leading to significant depreciation of the ruble and resulting
11 inflationary pressures; restricted access to financial markets; and depressed
12 consumption and investment.” (Twigg 2018)

13 Although Twigg accurately lists the immediate effects, the 2016-2018
14 effects were somewhat different, as shown in Table 8.

15 16 Russian GDP

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18 Russian GDP fell by 2.62% from 2014 Q4 to 2016 Q2. For the period
19 2016 Q2 through 2018 Q3, Russian GDP rose by 3.65%. According to TRT
20 World, the Russian economy is strongly affected by crude oil prices. TRT
21 World points out that “Russia is the second biggest oil exporter in the world,
22 making its economy vastly dependent on the global oil market. Oil and gas
23 exports constitute 40 percent of the total federal budget revenue of Russia. A
24 dip in oil prices between 2014 and 2016 caused big losses to the Russian
25 economy.” (Tekingunduz 2018)

26 West Texas Intermediate spot crude oil prices per barrel fell from \$59.29
27 in 2014 Q4 to \$48.76 in 2016 Q2, and then rose to \$70.23 by 2018 Q3.
28 (Federal Reserve Economic Data 2019) Thus, it was the decline in crude oil
29 prices that caused a decline in Russian GDP from 2014 to 2016.

30 31 Foreign Direct Investment

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33 In 2014 Q4, foreign direct investment (FDI) in Russia declined by \$1.443
34 billion. This was caused by the U.S. and European sanctions imposed on
35 Russia beginning in March 2014. Russian FDI quickly recovered and has
36 increased by \$72.209 billion for the period 2014 Q4 to 2018 Q3. (Trading
37 Economics 2019)¹

38 39 The Russian Stock Market

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41 The Russian stock market index (MOEX) increased in value from 1721.8
42 on May 5, 2015 to 2554.5 on May 15, 2019, an increase of 48.4%. The MOEX
43 index reached its all-time high on April 23, 2019 at 2599.1. (Trading
44 Economics 2019) In comparison, the U.S. Dow Jones Industrial Average has
45 increased by 42.90% over the same time period.²

¹ Trading Economics is a subscription service.

² Calculated by author.

Effect of Sanctions on the United States

The U.S. Congressional Research Service explained that “When the sanctions were announced in 2014, U.S. business groups raised concerns that sanctions harm American manufacturers, jeopardize American jobs, and cede business opportunities to firms from other countries. When the sanctions were rolled out in 2014, news reports cited a number of U.S. firms that were adversely affected by U.S. sanctions on Russia and Russia’s retaliatory measures.” (Nelson 2017, Summary)

However, the sanctions have not caused a decline in U.S. imports of Russian goods after 2015. U.S. imports of Russian goods rose from \$945 million in December 2015 to \$1.607 billion in December 2018, an increase of 77.63%. (Federal Reserve Economic Data 2019)

Public Opinion Polls

Support for Sanctions

The paper reviewed public opinion polls in the United States and Europe from 2015 to 2018. The polls indicate that sanctions enjoy strong support in the United States but are opposed by the vast majority of European countries. The poll results are given in Tables 1-5 below.

Table 1. Public Opinion Polls on Russian Sanctions (2015-2018)

Poll	Date(s)	Support	Oppose
Gallup (Ray and Esipova 2016)	Summer 2015	See Tables 2-5	See Tables 2-5
Quinnipac ³ (Quinnipac University 2017)	Jan. 5-9, 2017	53%	34%
Morning Consult/Politico ⁴ (Easley 2017)	June 21, 2017	62%	20%
Der Spiegel ⁵ (RT 2017)	July 7-11, 2017	6%	83%
Levada Analytical Center ⁶ (Smeltz 2018)	Dec. 1-5, 2017	28%	68%
Washington Post/ ABC News (Rodack 2018) ⁷	April 8-11, 2018	68%	21%
Rasmussen ⁸ (Rasmussen Reports 2018)	July 11-12, 2018	46%	45%

³ Poll of U.S. registered voters on additional Russian Sanctions because of Russian hacking of the 2016 U.S. presidential election.

⁴ Poll of U.S. likely voters on additional Russian Sanctions.

⁵ Poll of German citizens over 18 on additional Russian Sanctions by the United States.

⁶ Poll of Russian citizens concerning the effect of sanctions on Russia. Russians were unconcerned about the sanctions by a 68% to 19% margin, felt that Russia’s position on the Ukraine did not leave it internationally isolated (66%-29%), and only 15% felt that the sanctions are a critical threat to Russia.

⁷ Poll of U.S. voters who were asked whether they supported additional sanctions on Russia.

Poll	Date(s)	Support	Oppose
Average		43.80%	45.20%

Table 2 provides the results of a 2015 poll conducted by Gallup concerning the effect of the Russian sanctions on individual countries and groups of countries. The Commonwealth of Independent States (CIS) is a regional intergovernmental organization of 10 post-Soviet republics in Eurasia formed following the dissolution of the Soviet Union. The CIS is composed of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Table 2. Economic Effect of Russian Sanctions

Country/Region	Positive	Negative
EU countries in Eastern Europe	7%	48%
Non-EU countries in Eastern Europe	8%	31%
CIS countries excluding Russia	12%	36%
Russia	22%	43%
Average	12.25%	39.50%

Tables 3-5 provide the results of a 2015 poll conducted by Gallup concerning whether residents of specific countries support or oppose the anti-Russian sanctions. Of the 27 countries listed below, sanctions were supported by over 50% of residents in only five countries. These countries are Poland, Romania, Albania, Kosovo, and Ukraine.

Table 3. Support of Sanctions in Eastern European EU Countries

Country	Support
Poland	70%
Romania	52%
Croatia	50%
Estonia	49%
Lithuania	45%
Latvia	38%
Czech Republic	35%
Hungary	29%
Slovakia	25%
Bulgaria	23%
Greece	11%
Average	39%

Table 4. Support of Sanctions in Eastern European Non-EU Countries

Country	Support
Albania	60%
Kosovo	57%
Bosnia and Herzegovina	24%

⁸ Poll of U.S. voters who were asked whether they think that U.S. economic sanctions on Russia have been effective in changing Russian policies that the United States does not approve of. A plurality of respondents (46%) believed that the sanctions have been effective compared to 45% who believed that the sanctions have been ineffective.

Country	Support
Macedonia	19%
Montenegro	10%
Serbia	5%
Average	29%

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Table 5. Support of Sanctions in CIS Countries

Country	Support
Ukraine	62%
Georgia	48%
Moldova	32%
Azerbaijan	29%
Kazakhstan	12%
Kyrgyzstan	12%
Armenia	11%
Belarus	9%
Tajikistan	8%
Uzbekistan	2%
Russia	5%
Average	23%

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Russian Election Results

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Although Putin ran as an Independent in 2018, Putin is usually supported by the United Russia Party (URP). In the 2016 elections, the URP won 343 seats out of 450 seats in the Duma. In 2011, the URP won 238 seats. It appears that the sanctions effectively increased support for Putin and the URP. As shown in Table 5, only 5% of Russian voters support the sanctions. The URP is closely identified with Putin; and the sanctions sought to weaken the Putin government. Thus, it is reasonable to assume that opponents of sanctions tended to disproportionately support the URP.

The anti-Russian sanctions appear to have had no negative effect on Russian voters' support of Putin, and may have helped Putin increase his margin of victory in 2018. Putin received 76% of the vote in the March 2018 elections, up from 65% in 2012. (Stewart and Ward 2018) Four election debates were scheduled, but neither Putin nor his representatives participated. Voter turnout rose from 65% in 2012 to 67% in 2018. Thus, Putin was able to achieve one of his major goals in 2018: increasing voter turnout.

However, there were significant problems with the Russian election. According to the Associated Press, there were widespread reports of ballot-box stuffing and forced voting. Putin's most visible opponent — anti-corruption campaigner Alexei Navalny — wasn't even on the ballot. Navalny was barred from running because he was convicted of fraud in a case that was widely considered to be politically motivated.

The Associated Press may have overstated popular support for Navalny. The Levada Center conducted a survey of all Russian voters released on April 6, 2017, which found that Navalny's name recognition was 55%; that only 2% of voters would definitely vote for him; and that an additional 7% would

perhaps vote for him in the presidential election. (Levada Center 2017) Ksenia Sobchak (an ally of Navalny) received 1.68% of the vote nationwide. (Interfax 2018)

Putin's election results were consistent with the last public opinion poll conducted before the election. The poll, conducted by FOM, found that Putin had the support of 64.9% of the voters with 20.1% undecided. Thus, Putin had the support of 81.2%, 5.2% less than the actual election results. The presidential election results were generally consistent with exit polls conducted after the election.

Methodology

Data was collected on eleven variables of interest using publicly available seasonally adjusted monthly data. Additionally, I created a dummy variable (sanctions), set to 0 before the sanctions were imposed in March 2014 and to 1 afterward. Data was collected from the United States Federal Reserve Board of St. Louis and Trading Economics. A description of the data is provided in Table 6.

Table 6. *Data Used in Regression Analyses*

Variable	Description
Bond	Yield on the 10-year Russian government bond.
Cons	Private consumption in billions of Rubles.
Debt	Russian central government debt in billions of rubles.
Exports	Exports in millions of U.S. dollars
FDI	Change in Foreign direct investment in millions of U.S. dollars.
GDP	Gross domestic product in billions chained 2000 national currency units (rubles)
Gov	Russian government spending in billions of rubles.
Imports	Imports in millions of U.S. dollars.
Inflation	The percent annual inflation rate for each month.. This is calculated by dividing the inflation index for a given month by the inflation index twelve months previous.
Ruble	The Russian Ruble/U.S. Dollar exchange rate in rubles per dollar.
Unem	The Russian unemployment rate as a percentage of the labor force.

A regression equation was performed for each of the eleven variables described in Table 6, and regression coefficients were estimated using a first order Auto Regressive Moving Average (ARMA) regression model for the variables mentioned above. Because changes to macroeconomic variables are affected by factors other than the imposition of sanctions, the paper used an Autoregressive AR(1) term and a moving average term MA(1) as proxies for

all non-sanctions factors, and a dummy variable (B) to account for the effect of the sanctions.⁹

The regression equations¹⁰ are $V = \alpha + \beta_1 S + \beta_2 A + \beta_3 M$
where:

A is an AR(1) term.

M is a MA(1) term.

S is a dummy variable set equal to 0 before March 2014 and set equal to 1 thereafter.

V is one of the variables described in Table 6.

α is the constant term.

β_1 , β_2 , and β_3 , are the estimated coefficients.

Results

The model results for each variable are given in Table 7 below. A probability of 0.05 indicates that you are 95% confident that the true coefficient is not zero. A probability of 0 indicates that you are at least 99% confident that the true coefficient is not 0. Consistent with standard econometric practice, the paper assumes that the true coefficient is 0 if the estimated probability is greater than 0.05.

Table 7. Macroeconomic Model Results

Variable	Coefficient	Probability
Consumption (billions of rubles)	208.09	.2802
Debt (billions of rubles)	□40.52	.9963
Exports (millions of U.S. dollars)	□340.58	.1383
FDI (millions of U.S. dollars)	□□□□□□□□ □	.0942
GDP (billions of rubles)	□□□□□□	.6415
Government spending (billions of rubles)	30.56	.9827
Imports (millions of U.S. dollars)	□□□□□□□□ □	.0000
Inflation (%)	□7.88	.9914
Interest Rate (%)	0.48	.8841
Ruble (rubles per U.S. dollar)	□1.02	.3089
Unemployment rate (%)	0.13%	.2750

⁹ In some cases, either the AR(1) or the MA(1) term was omitted in order to account for the effect of serially correlated residuals on the regression results.

¹⁰ A first difference model was used in situations where the AR(1) process was non-stationary or to adjust for serially correlated residuals.

The model results show that sanctions had a significant effect on only one macroeconomic variable, imports. This can be attributed to Putin's having imposed countersanctions five months after sanctions were imposed. The combination of sanctions and countersanctions decreased imports and made the Russian agricultural sector virtually self-sufficient. As mentioned previously, "A dip in oil prices between 2014 and 2016 caused big losses to the Russian economy." (Tekingunduz 2018) Table 8 provides the actual change in the macroeconomic variables listed in Table 7 from the fourth quarter of 2015 (2015 Q4) to the fourth quarter of 2018 (2018 Q4).

Table 8. *Change in Macroeconomic Variables from 2015 Q4 to 2018 Q4*

Variable	2015	2018	Change (%)
Consumption (billions of rubles)	11,034	13,166	19.32%
Debt (billions of rubles)	10,951	12,591	14.98%
Exports (millions of U.S. dollars)	28,708	40,567	41.31%
FDI (millions of U.S. dollars)	-469	2,375	506.40%
GDP (billions of rubles)	21,365	24,554	14.93%
Government spending (billions of rubles)	2,699	4,067	50.69%
Imports (millions of U.S. dollars)	17,505	22,347	27.66%
Inflation (%)	12.90%	3.80%	-9.10%
Interest Rate (%)	10.22%	7.75%	-2.47%
Ruble (rubles per U.S. dollar)	61.02	62.50	-2.43%
Unemployment rate (%)	5.36%	4.70%	-0.66%

Table 8 shows that the Russian economy has improved significantly since 2015 Q4. All of the economic variables have improved with the exception of the value of the ruble, which has declined by 2.43%. As predicted by economic theory, changes in the value of the ruble seem to be driven by a decline in interest rates. Economic theory predicts that a decrease in interest rates will cause a country's currency to decline as investors move money to countries that pay a higher yield on government bonds.

Conclusion

The paper analyzes the effect of American and European sanctions on Russia for the period 2014-2019; reviews books and academic literature; and makes conclusions concerning the success and failure of the anti-Russian sanctions.

The paper hypothesized that American and European sanctions imposed on Russia have been ineffective. This hypothesis is tested empirically by analyzing the effect of sanctions on Russian political and macroeconomic variables such as election results, exchange rates, trade, unemployment rates, and economic growth.

The paper found that Putin and the URP increased their level of electoral support and that the sanctions have had no significant impact on the Russian economy other than reducing Russian imports; thereby increasing net exports and GDP.

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