

ECONOMIC SANCTIONS AS POLITICAL INSTRUMENT IN INTERNATIONAL RELATIONS: THE CASE OF THE RUSSIAN FEDERATION¹

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The main goal of this paper is to evaluate the impact of the application of economic sanctions against the Russian Federation, taking as reference a broader frame of analysis arisen from: the negotiations under way between the United States of America (USA) and Iran on the suspension of the economic sanctions applied against Iran; and between the USA and Cuba, in order to reestablish diplomatic relations between both countries. The intention was to analyze the meaning of economic sanctions, how they are understood and the economic, financial and social costs implied as well as their effectiveness, especially viewed from the maintenance of piece in a world perspective.

The general conclusions are that the application of economic sanctions against Iran and Cuba, even with different goals, produced sufficient impact during the long time of their application, resulting in economic losses, great people's suffering and relative isolation of both countries. However, it did not achieve the intended goals previously defined as basis for their application. In the case of the Russian Federation, the sanctions continue to be applied, but within negotiations on the subject, that constitutes de justification for their application, the civil war in Ukraine. The basis of negotiation are the so-called the Minsk Protocols I and II (appendix to the article), signed by representatives of the Russian Federation, Ukraine, the Ukrainian republics in conflict with the Ukrainian government – Donetsk and Lugansk – and the OSCE. In all three cases, diplomacy and negotiations were confirmed as the best way to solve conflicts.

Keywords: international relations; economic sanctions; Russian Federation; Iran; Cuba.

SANÇÕES ECONÔMICAS COMO INSTRUMENTO POLÍTICO NAS RELAÇÕES INTERNACIONAIS: O CASO DA FEDERAÇÃO RUSSA

O objetivo central deste artigo é o de discutir a aplicação das sanções econômicas contra a Federação da Rússia, em um quadro de abrangência mais amplo surgido com as negociações realizadas quase que concomitantemente entre os Estados Unidos e o Irã para a suspensão das sanções econômicas aplicadas ao país; e entre os Estados Unidos e Cuba, para o restabelecimento de relações diplomáticas e uma futura suspensão do embargo econômico aplicados ao país. A maior abrangência refere-se, também, à própria percepção do sentido das sanções econômicas, como são entendidas, qual papel desempenham nas relações internacionais e, finalmente, quais são os custos de sua aplicação, frente aos resultados alcançados.

As conclusões gerais registradas no texto são as de que as sanções econômicas contra Irã e Cuba produziram suficiente impacto durante o longo período de sua aplicação, resultando em prejuízos econômicos, na piora das condições de vida da população e em um relativo isolamento de ambos os países; mas sem alcançar os propósitos previamente definidos com a sua aplicação. No caso da Federação da Rússia, as sanções continuam sendo aplicadas, mas as razões que justificariam

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a sua aplicação estavam sendo objeto de negociações, com base nos tratados de Minsk I e II, assinados por representantes da Federação Russa, da Ucrânia, das repúblicas ucranianas de Donetsk e Lugansk e da OSCE. O artigo traz anexo dos referidos tratados. Em todos os três casos, a diplomacia mostrou-se como o melhor caminho para a solução dos conflitos.

Palavras-chave: relações internacionais; sanções econômicas; Federação da Rússia; Irã; Cuba.

SANCIONES ECONÓMICAS COMO INSTRUMENTO POLÍTICO EN LAS RELACIONES INTERNACIONALES: EL CASO DE LA FEDERACIÓN RUSA

El objetivo de este texto es evaluar el impacto de la aplicación de sanciones económicas contra la Federación Rusa, en el marco más amplio de referencias que proporciona las negociaciones entre los Estados Unidos y Irán sobre la suspensión de las sanciones económicas aplicadas contra Irán y entre los Estados Unidos y Cuba, para reanudar las relaciones diplomáticas entre los dos países. La intención fue analizar el sentido de las sanciones económicas, como son entendidas, los costos económicos, financieros y sociales resultantes, además de su eficiencia desde el punto de vista de la manutención de la paz en el mundo.

Las conclusiones generales presentadas en relación a Irán y Cuba son que hubo impacto suficiente durante su aplicación, tal como prejuicios económicos considerables, sufrimiento de sus poblaciones y relativo aislamiento político de los dos países. Pero sin alcanzar resultados en cuanto a los objetivos previamente definidos. En el caso de la Federación Rusa, las sanciones continúan a ser aplicadas, pero en medio a negociaciones sobre la razón evocada como justificación para su aplicación, la guerra civil en Ucrania. Las bases de tales negociaciones son los llamados Protocolos de Minsk I e II (en anexo al artículo), firmados por representantes de la Federación Rusa, Ucrania, las repúblicas en conflicto con el gobierno de Ucrania – Donetsk e Lugansk – y el OSCE. En todos los tres casos, la diplomacia y las negociaciones se confirmaron como el mejor camino para la solución de los conflictos.

Palabras-clave: relaciones internacionales; sanciones económicas; Federación Rusa; Irán; Cuba.

JEL: F50; F51.

1 INTRODUCTION

International economic sanctions constitute a lively issue on contemporary international relations. Negotiations are nowadays being conducted to eliminate the economic sanctions enacted against Iran and, even not so clearly, against the economic embargo imposed on Cuba. At the same time, economic and financial sanctions are being applied to Russia.

The objectives of the sanctions, in these three cases are different one to another, as well as their treatments and the results obtained. It seems to be so in general with the application of sanctions in international relations, according to researchers of the subject: though economic sanctions have been increasingly used as a political instrument along the 20th century, especially after the 1970's, the cases of countries that have been subjected to them are so diversified, that it is difficult to come to

general conclusions or to elaborate theories.³ Nevertheless, international economic sanctions continue to be a relevant issue, due to the goals they intent to achieve, the economic, financial and social costs implied and their effectiveness, especially viewed from the maintenance of peace in a world perspective. As so, they merit a reflection, looking at the cases referred above.

The central intention of this paper is to reflect on the ongoing application of economic sanctions against the Russian Federation, for this country is the main subject of research of the author. But it will also examine the cases of Iran and Cuba, to serve as a means of comparison. These reflections are made after an introduction on some theoretical aspects related to international economic sanctions, their meaning, how they are understood and what role they are called to play in international relations. So, the theoretical aspects are dealt in the first chapter. The cases of Iran and Cuba occupy chapter two. The case of the Russian Federation occupies chapter three. To finalize, conclusions will be presented.

2 THE INTERNATIONAL ECONOMIC SANCTIONS AS POLITICAL INSTRUMENT IN INTERNACIONAL RELATIONS

International economic sanctions are treated as an instrument of international policy or as a judicial tool utilized to combat acts that are considered incompatible with the prescriptions of international law. International economic sanctions are indicated as a half-way between peace and war, strength and tolerance, armed conflict and diplomatic pending.⁴ Hufbauer and Schott define economic sanctions to mean the deliberate government-inspired withdrawal, or threat of withdrawal, of customary trade or financial relations, by customary meaning the level that would probably have occurred in the absence of sanctions.⁵ When used to achieve foreign political goals, the same authors define foreign policy goals to encompass changes actually and purportedly sought by the country that impose sanctions (sender) in the behavior of the state on which sanctions are imposed (target).^{6,7} Considering the fact that the sanctions are usually imposed by more than one country or by an international institution aggregating various countries, the definition may be modified to “changes actually and purportedly sought by a number of countries or by institutions congregating various senders countries in the behavior of the target country”.⁸

3. (Hufbauer and Schott, 1985).

4. See in: Valério, 2013.

5. Hufbauer and Schott, 1985.

6. *Ibidem*.

7. Sender and target countries are nominations introduced by these authors.

8. There is a considerable literature on the theoretical aspects of international economic sanctions. As these aspects are not the main objective of this paper, the choice was made to use a classical reference on the subject (Hufbauer and Schott) and a Brazilian author (Valério). Both are mainly used to supply the concepts for the case analysis.

These definitions pose some questions that are relevant to the discussion of the objectives, the costs and the effectiveness of the imposition of sanctions.

First, the question of international policy. Besides the definition of who formulates international policy, there is also, when associated with the above definition of foreign political goals, the need to understand the current international economic and political configuration. The real world, after the demise of the Soviet Union and the break of the so called socialist field, is shaped by the globalization of economic and political relations and the conflicting interests of its actors, demanding them a compatible behavior to defend these interests, in a multilateral political system. Alliances are established to do it, be they – or not – institutionalized in pacts or/and associations, in this case usually on regional bases. What is at play then, is not a single international policy, but a policy of geopolitical interests, which has at its centre the fight for the political hegemony or leadership in international affairs. It is exactly this fight that defines the arena where international economic sanctions are applied, unilaterally – by one country – or multilaterally – by a group of allied countries.

The second question concerns the application of sanctions to countries that violate the international law. Theoretically, according to Valério⁹, the power to establish these sanctions lies on the fact that judicial norms define the rights and duties of the international subjects, destined to assure harmony in the international society and the pacific resolutions of international conflicts. The international subject that fails to comply with the fulfillment of these objectives will be subjected to a sanction, because the international system recognizes them as duty of the international actors.

But a problem came first: who define these judicial norms or these rights and duties of the international actors? There is no actor that can play the role of a universal state, capable to establish a uniform international law and to apply sanctions for its violation.¹⁰ Historically, the League of Nations represented a tentative in this direction. After World War II, the Organization of the United Nations (UN) is trying to fulfill this role. The UN Charter defines as its main objective the maintenance of the world peace and the rules of a pacific international relationship. It also defines its structure and means to accomplish this mission; and has an especial chapter dedicated to the application of economic sanctions. Its structure is composed by: *i*) a General Assembly, formed by all state members and where anyone of them are equally represented; *ii*) a Security Council, formed

9. (Valério, 2013).

10. The following arguments, as well as the data information concerning the United Nations (UN) are based mainly in Valério (op. cit.).

by 15 members, 5 of them as permanent representatives with veto right,¹¹ and the remaining 10 as rotative members, elected for a period mandate of 2 years; *iii*) the Council of Economic and Social Affairs, formed by 54 member states representatives, for a 3 year overlapping mandate period;¹² *iv*) the International Court of Justice, formed by 15 judges, elected for a 9 year mandate; *v*) the Secretariat, with a General Secretary elected for a 5 years mandate, renewable.¹³ It must be underlined that the Security Council has an especial importance in relation to the application of international economic sanctions, because the veto right of its members can be used to deter it, according to their geopolitical interests.

Economic sanctions are dealt in Chapter VII of the Charter, in the form of rules and actions concerning threats to peace, peace break and aggression acts. The existence of such threats/acts must be recognized by the Security Council and, in case they exist, it has also to make recommendations or decide what measures shall be taken to restore international peace and security (article 39). The economic and other measures that do not involve the use of armed forces to be applied are object of article 41 and the Security Council may call upon the members of the UN to apply them.¹⁴ But the decisions taken are political, not judicial.¹⁵ In these circumstances, missing legal power to act and not being a government above governments, the UN cannot establish a universal legal system regulating the behavior of international subjects and enforce it. The implementation of the decisions taken by the UN different organs, though legitimate, depends on the good will and cooperation of its member states. This explains why most of the international economic sanctions are not taken by the UN, but by individual or group of individual countries, being the United States the most prominent.¹⁶ It also explains why a relative number of sanctions have not been successful in attaining the goals envisaged.

Internacional economic sanctions are contemporarily applied within a wide range of situations, not only the ones concerning peace or break of it. These situations are an expression of the changes taking place in the international arena more recently, that involve: *i*) political consequences of the circumstances

11. The member states of the Security Council are: China, France, Russia, United Kingdom and United States.

12. The member states have a number of seats in the Council, distributed according to a geographic criteria: 14 for African states, 11 for Asian states, 6 for East Europe states, 10 for Latin American and Caribbean states and 13 for West Europe countries and the United States.

13. The Charter included a Tutelage Council, formed by the five member states of the Security Council, responsible for the territories under UN tutelage. It was extinguished in November 1994, after the independency of Palau, an ensemble of islands in the West Pacific that were part of the UN Protectorate of the Pacific Island.

14. (Charter of the United Nations, 1945).

15. (Kelsen, 1951; *in* Valério, 2013).

16. According to the historical review done in 103 cases documented in the XXth Century until 1983, Hufbauer and Schott found out that the United States, alone or with its allies, has deployed sanctions 68 times. Hufbauer and Schott (*op. cit.*, p. 7). See also: Seixas; Peixoto and Oliveira (2003).

of nation-building in ex-colonies, usually rich in natural or strategic resources; these consequences are expressed mainly in internal fighting, dictatorship and open violation of human rights of the population; *ii*) spread of terrorist actions, the real cause of which has yet to be profoundly studied and not simply be understood as a “clash of civilizations”;¹⁷ *iii*) geopolitical interests. The economic sanctions are then applied as instruments of the political goals against the target countries, implied in each of the described situations.

The wide range of the economic sanctions imposed, that includes commercial as well as financial restrictions, the growing use of their application, as well as their different results, demand that attention be paid to the efficiency of this tool in international relations. This has been a constant object of preoccupation, given mainly the social costs incurred, especially when the economic sanctions are complemented by diplomatic restrictions and/or military action in major or minor scale. In this paper, this type of analysis will be based in the cases of Iran and Cuba as comparative references for an examination of international sanctions in the case of Russia.

3 THE CASES OF IRAN AND CUBA

3.1 The case of Iran

3.1.1 The sanctions

Iran has been subjected to economic sanctions for a very long time, beginning in 1979 with events that may be linked to the fall of Shah Reza Pahlevi, the eclosion of the Islamic Revolution and the foundation of the Islamic Republic of Iran. In that year, identifying the old strait ties between the USA and the old regime with the role the country played in the defense of the American interests in the Persian Gulf Region,¹⁸ Iranian students stormed the American embassy in Teheran and took diplomats as hostages. On November 14, 1979, President Jimmy Carter declared an emergency and ordered a freeze on all Iranian assets which were or became subject to the jurisdiction of the USA.¹⁹ New sanctions followed, initially in 1984, when Iran was implicated in the bombing of the US Marine base in Beirut, Lebanon. Iran was included by the USA in the list of countries that support terrorism, thus banning US foreign aid to Teheran and imposing export controls on dual-use items.²⁰

17. The clash of civilizations idea was amply diffused by Samuel P. Huntington in his notorious book *The clash of civilizations and the remaking of the world order*, published in 1996.

18. Valério (op. cit., p. 125-130).

19. (Bruno, 2012).

20. *Ibidem*.

In Bruno's long reference to the measured increases of the sanctions applied by the United States and latter added by the sanctions applied by the EU and the UN, it can be seen that the main goal pursued was to impede the development of Iran's oil industry and the reduction of its main source of export earnings, thus – so goes the argument – impeding Iranian funding of terrorist activities.²¹ This last aim was strengthened after the terrorist attacks in New York and Washington in September 2001, when an executive order signed by President Bush, freezing the assets of entities supporting international terrorism, included dozens of individuals, organizations and financial institutions in Iran. In June 2005 he signed the Iran-Syria, North Korea Non Proliferation Act and another executive order; and, in 2011, the US government amplified the list of individuals contemplated with sanctions in the executive order signed after September 2001 terrorist attacks.

The Security Council of the UN added efforts to prevent the development of Iran's nuclear program,²² imposing four sets of sanctions between 2006 and June 2010. The first (December, 2006) covered sensitive nuclear materials and froze assets of Iranian individuals and companies linked with the nuclear program. It gave Iran 60 days to suspend uranium enrichment, a deadline ignored by Iran. The second (March, 2007) extended an asset freeze to 28 more groups, companies and individuals supporting sensitive nuclear work or the development of ballistic missiles, including firms controlled by the Revolutionary Guards. The third (March, 2008) increased travel and financial curbs on individuals and companies. In September 2008, a resolution adopted by the Security Council ordered Iran to halt enrichment, but it was ignored by Iran. The fourth set of sanctions (June, 2009) called for measures against new Iranian banks abroad if a connection to the nuclear or missile programs was suspected, as well as vigilance over transactions with any Iranian bank, including the Central Bank. It expanded the arms embargo against Iran and called for setting up a cargo inspection regime.²³

3.1.2 Results

The economic results of the sanctions are difficult to measure, mainly because of two circumstances. One of them, is the fact that export of oil, the main economic product of the country, due to fluctuations in its price in international markets,

21. (Schott, 2012).

22. The Iranian nuclear program until 2014 developed in four main directions: *i)* to create in the future, until 23 nuclear blocs of nuclear electric stations, and currently exploit Bushehr, the single electro station in the country, under strong control of Russia and the IAEA-International Atomic Energy Agency; *ii)* to supply the scientific research Teheran's reactor with 20% of nuclear fuel, which Iran decided to enrich itself at that level; *iii)* to form systematically Teheran's complete nuclear cycle, initiating by the creation of the industrial infrastructure necessary to enrich uranium; in these years, Iran built 27 nuclear objects; *iv)* to implement the plutonium programs, building the capacity to process plutonium, which, with uranium, could be used for nuclear charge. V.T. SAGIN. *Eshsho raz ob iranskoj iadernoj probleme* (once again on Iranian's nuclear problem). Institutut Blijnevo Bostoka RA (Institut of the Near East of the Russian Academy of Sciences). Available at: <www.iimeds.ru.>, posted by IIMEDS. On 25 Apr. 2014.

23. All information concerning the UN resolutions are from Reuters (2011).

acted as countervail to the effects of sanctions. This allowed Iran to grow until more recently, when these prices fell to a very low level and are so maintained. The second circumstance is that, since the institution of the Islamic Republic, Iran had different governments, which confronted the economic sanctions with different economic policies. After a severe decline of the economy, nearly one-third of GDP, between 1978 and 1987, and 8 years of war with Iraq, Iran initiated a series of economic reforms, under the presidency of Hashemi Rafsanjani (1989-1996).²⁴ These reforms included some of IMF recommendations for privatization, deregulation and exchange rate unifications and were the subject of political struggle between their supporters and opponents. This lack of consensus continued during the second presidency of the country, of Mohammad Khatami, (1997-2005), that tried to follow the path of the referred recommendations, until the Parliament, in the final years of this presidency, blocked many of its economic policy proposals. With the assumption of Mahmoud Ahmadinejad to the presidency, in the beginning of 2006, economic policy suffered a radical change, following a path of active state direction of the economy. He tried to freeze privatization, the resources of which fell in the first two years of his mandate, so deterring foreign investments. The resources of privatization sales fell dramatically until early 2007, when, with Ayatollah Khamenei's intervention, the privatization program was accelerated. Under Ahmadinejad's rule, the monetary and fiscal policies were changed, with reduction of state controlled interest rates and the increase of budget expenditures; and measures were taken to redistribute income in favor of the lower strata of the population. Inflation was so inevitable, declining the purchasing power of the population. So, according to Prof. Habibi,²⁵ the role of economic policy must also be considered when evaluating the impact of economic sanctions.

In a general approach, studies were done to measure the impact of US economic and financial sanctions on Iran. Torbat,²⁶ of the California State University, in his study examined the whole row of US sanctions applied – trade (import, export), financial (foreign borrowing, financing oil projects) – coming to the approximate cost, in welfare loss, of the effects of trade sanctions and measuring the adverse effect of the financial sanctions, as excess-finance charges Iran has been forced to pay as a result of the sanctions. Then he compared these results with the ones obtained by other scholars, using different methodologies.²⁷ The results are quite different, as can be seen in table 1, varying between

24. (Habibi, 2008, n. 31).

25. Habibi (op. cit.).

26. (Torbat, 2005).

27. The differences in methodology consist in emphasising trade and non-trade sanctions costs. Of the Author's references, E.Praag's estimates are entirely done by judgmental observation of the trade and financial flow between the US and Iran; Askari, A. et al have used a gravity model of bilateral

the Institute of International Economics – \$ 750 million/year – and Ernest H. Breeg’s – \$ 1,500 – 2,600 million/year – total costs estimates; and between 1.0% and 2.1% – 3.6% of Iran’s year 2000 GDP, respectively by the same authors.

Measured in more topic data, this impact was also considerable. After July 2012, when, in retaliation to the retake of the country’s nuclear program, the EU banned the purchase and the transport of Iranian oil that represented 20% of oil exports of the country, the reduction of oil exports fell to the lowest level since 1986, during the war Iran-Iraq; the RIAL, Iranian monetary unit, has also fallen, with a record fall against the US dollar. The IMF, for the first time in two decades indicated that the country was in economic recession.²⁸ The situation was really difficult, further worsening with the economic policy measures taken – the cut of subsidies conceded to agriculture and fuel and the introduction of a monthly benefit to the poor to compensate these cuts and stimulate consumption. These cuts, though, increased the prices of food and energy: the price increase of *sangak*, the Iranian bread, increased family costs of its consumption from US\$ 3,78 in 2007 to US\$ 7,14 in 2013. Meanwhile the minimum wage, due to inflation, fell in real terms, from the equivalent of US\$ 275 to US\$ 134, in the same period. Unemployment was higher than 10%, being the double among women and young people. Another consequences for the people are described by two physician, living in the US, specifically on the healthcare conditions of the population:²⁹ for the 40% of the population estimated to live in poverty, the cost of healthcare could be prohibitively expensive; the 20% of the population that were unemployed, had lost the access to healthcare coverage, as this access is linked to employment; half of the Iranians reported by 2013 being unable to afford adequate food or shelter for their families and four out of five reported that the sanctions had already “personally hurt their livelihood”. Social costs were high.

This situation led to the election, with more than 50% votes in the first turn, of Hassan Rouhani, that promised to embrace reforms and to withdraw the country of isolation and economic crises. Rouhani, according to Suzanne Maloney, of the Brookings Institution,³⁰ is a centrist cleric, who has been close to Iran’s apex of power since the 1979 revolution. He is a blunt pragmatist, with plenty of experience maneuvering within Iran’s theocratic system and, as a cleric, he assuages the fears of the Islamic Republic’s class, by assuming the system’s principle of the primacy of the Supreme Leader.

As soon as he assumed, he initiated conversations to eliminate the sanctions, understanding this step to be the main condition for the fulfilling

28. Trade supplemented with observed values of non-trade-related factors; the Institute for International Economics (IIE) applied the concept of welfare loss, emphasizing trade-related costs by using sanctions multipliers. See Torbat (op. cit, p. 425-427, plus table 3, p. 426). (BBC Noticias, 2013).

29. (Almashat and Shirazi, 2013).

30. (Foreign Affairs, 2013).

of his campaign promises. So, in November 2013, Iran and the Group of Six (5 plus 1: France, United Kingdom, United States, Russia and China, plus Germany,) countries signed, in Geneva, a deal on the restrictions of Iran's nuclear program, the so called Common Actions Plan.³¹ In this deal, Iran compromised to not enrich uranium at a level above 5%, eliminate all stocks of 20% uranium, suspend the construction of the heavy-water Arak reactor, not develop new centrifuges for uranium enrichment and allow an amplified number of inspections by the International Atomic Energy Agency (IAEA) in its nuclear units. The Group of Six countries expressed their disposition to defreeze \$ 4,2 billion and mitigate the sanctions applied. So it was. In January 20, the EU lifted the economic sanctions on Iran, after a report of the IAEA informing that Iran has lifted the production of uranium enrichment of 20%.³² It was accorded that this intermediary deal would act from January 20 until July 20, period during which the text of a final and complete and ample accord on Iran's nuclear program should be prepared. To get the fulfillment of this goal, Iran and the Group of Six meet in February, March and April 2014.³³

In November 22, 2014, Iran and Russia signed in Moscow a series of documents concerning the increase of cooperation between them in the field of atomic energy for peaceful ends, including the construction of eight new blocks of atomic energy stations. It was assumed that, during the whole acting cycle of the eight new stations, the fuel for atomic energy stations would be produced by the Russian part and that the processed fuel would be returned to Russia for reprocessing and guard. The whole project, including equipment and nuclear fuel, would be assured by the IAEA. One week before, the New York Times noticed that part of the nuclear fuel for the atomic energy stations could be produced from Iranian enriched uranium and that Russia agreed to assume its recycling.³⁴

Being all the parts interested in the accord, even with some mistrust of the USA, finally it was signed in July 14, 2015. Iran accepted a dramatic reduction of its nuclear capacity. It will have the right to enrich uranium to a level up to 3,5% for 15 years and only at the Natanz plant. Around 5,000 centrifuges will have the permission to work there during 10 years and Iran will have the right to progressively increase its production; but the uranium enrichment will have to be processed only at the level considered its use for civil use. Up to this time, the excess centrifuges will be stocked and sealed by the IAEA. During 15 years, the country will be forbidden to stock more than 300 kg of enriched uranium. The Fordo plant will be transformed into a center of nuclear and physics technology. 1,000 centrifuges will be maintained there, of which approximately 350 will be used for the production

31. Sagin, (op.cit.).

32. Revista Exame. Disponível em: www.exame.abril.com.br/mundo/noticias

33. Sagin, (op.cit.).

34. RIA NOVOSTI, Moscou. Disponível em: [<goo.gl/krUYda>](http://goo.gl/krUYda).

of scientific isotopes for medical use, in cooperation with Moscow. Iran is forbidden to build any new reactor during 15 years. Iran has also accepted complete inspections by IAEA in all its units. The arms embargo will begin to be lifted only after IAEA assures that there exist no risks, and will be implemented in a period of at least 5 years. The lifting of the missile embargo will have to wait 8 years.³⁵

As seen, the terms of the accord are pretty harsh. But the accord represents “the victory of negotiations and diplomacy over pressure and oppression”, as affirmed by Rouhani the day before its signature. And, it was Rouhani who affirmed that “it is the end of the acts of tyranny against our Nation and the beginning of the cooperation with the world. It is a reciprocal deal. If they will carry it out, we shall also do it”.³⁶

This end, even limited, can be used to show the political results obtained of the application of sanctions. Iran Islamic Republic (IIR) resisted for decades the consequences of the economic, financial and political sanctions and their end was commemorated in the streets, as a victory of its people, aligned around their leader. Some immediate economic reactions to the deal can be seen, including the running of multinational enterprises for investment opportunities opened with the elimination of restrictions that existed and the progressive liberalization of the \$ 100 billion frozen in Western financial institutions and their return to Iran. A retake of sustainable economic growth opens the way for the reinforcement of the IIR, which can regain its geopolitical importance in the region.

3.1.3 Conclusions

The immense literature on economic sanctions defends its application as a better resource to obtain defined objectives than the resort to military actions. There can be no objections to this reasoning; and the main research that is carried on is directed to find solutions to get better results than the usually obtained ones. In the case of Iran, the lessons that can be derived are different. They teach that the application of economic sanctions to attend geopolitical interests, besides resulting in failure to obtain the intended goal and in backlash action against the sender country, can cause immense damage to a country and its people; and suggest that diplomatic means in negotiations can better contribute to attain the desired goals than the pressure of sanctions. This pressure contradicts the need to accommodate the conflicting interests arising in a globalized and multilateral world, in a peaceful and satisfactory way for all nation-actors.

35. O Estado de São Paulo, 2015.

36. Folha de São Paulo, 2015.

TABLE 1
Iran – total sanctions costs estimates according to different methodologies
 (Per year, in millions of dollars)¹

Authors	Methodology used	Losses estimated	Total costs as % of GPD. Year 2000	Per capita costs (64 million pop.; year 2000)
Ernest H. Breeg	Judgmental	1,500 - 2,600	2.1 - 3.6	23.4 - 40.5
A. Askari et All	Gravity Model/judgmental	1,187 - 1,348	1.6 - 1.9	18.5 - 21.1
Institute of Internacional Economics (IEE)	Welfare loss	750	1.0	11.7
A.E. Torbat	Welfare loss, price leadership model, judgmental	777	1.1	12.1

Source: Torbat, A.E. *Impacts of US Trade and Financial Sanctions on Iran*.

Note: ¹ Estimates are annual averages for the latest year available.

Nd are round.

3.2 The case of Cuba

3.2.1 The sanctions

The application of American economic sanctions against Cuba, followed almost the same path seen in the Iranian case. With some visible differences, this can be observed in the survey of the laws approved during the various US presidential administrations and their implementation, done by Lamrani.³⁷ The sanctions had the same objective of changing the government that assumed after the revolutions that took place in both countries, Iran and Cuba; both are situated in regions with particular, though different, strategic interest of the USA. But, even continuously increasing along the time, their implementation in Cuba, during the various presidential terms in this country, showed periods of high pressure and of some release.

The Cuban revolution of 1958, that gave rise to the installation of the Cuban new government, did not initially pursue socialist ends or anti-American goals. According to Lamrani, the first provisional government was composed by rather conservative members of civil society; and even the Central Intelligence Agency (CIA) has rejected the accusation of anti-Americanism attributed to Fidel Castro, its leader: the sharp criticisms against Washington were the result of US long assistance given to the Batista regime.³⁸ What have changed concerning american interests, were the reforms introduced, mainly: *i)* the nationalization of multinationals; *ii)* the indemnification terms that were refused by the American government; and *iii)* the agrarian reform of May 1959.

37. (Lamrani, 2013).

38. Lamrani (op. cit., p. 18).

Looking at the legislation used as base for the application of sanctions,³⁹ the observations that can be made are the followings: *i)* according to their **objective**, the main goal was to isolate the country in economic terms, thus providing discontent in the country that could conduce to a change of regime. For this purpose, besides being applied domestically in the US, the sanctions gained principles of extraterritoriality, involving other countries that violate the rules imposed by American laws and resolutions, in their trading and/or investment relations with Cuba. These sanctions comprised exclusion of U.S. Agency for International Development programs (Usaid), suspension of economic aid packages, the prohibition of ships having commercial relations with Cuba, regardless the country of their origin, to dock in US ports; *ii)* according to the **economic sectors** involved, the sanctions envisaged the strangling of the Cuban economy; so they were initially directed to the products that constituted the main exports of Cuba: sugar and nickel; and to the main products Cuba imported, as oil. It should be noted that sugar accounted for 80% of all exports to the US and employed almost 25% of the population.⁴⁰ In 1962, during the Kennedy administration, a total embargo on trade with the island was approved, including primary foodstuffs and medicines. This embargo, later in 1962, was extended to all products that contained Cuban materials, including those manufactured in other countries; and in 1964 the embargo was also **object** of a resolution of the Organization of American States (OAS), that exempted only primary foodstuffs and medicines; *iii)* according to the **arguments to justify the sanctions**, first they were only related to the overthrow of the Batista government;⁴¹ in 1981, Cuba was included on the US lists of terrorist nations, expanding the sanctions to the travel of their citizens to the island; the violations of human rights in Cuba; and, practically during the whole period since the 1960's to the beginning of the 1990's, the justification of the economic sanctions was the Cuba-USSR alliance.

The application of economic sanctions was not uniform along the different American presidential administrations, due to the different international policy approaches of the parties in power, as well as to the development of the international political environment. So, some remarkable international events that took place in the period, for example, can be used to explain, at least to a certain point, the harsh measures taken by the J.F.Kennedy and the Bill Clinton administrations: *i)* the missile incident during the Kennedy administration, after the defeat of the tentative to overthrow Castro's government, through the Bay of Pigs invasion

39. The Trading with the Enemy Act of 1917, the Foreign Assistance Act of 1961, The Cuban Assets Control Regulations of 1963, the Trade Sanction Reform and Export Enhancement Act of 2000, and the US Commission for Assistance to a Free Cuba, of 2004 and 2006 (Lamrani [op. cit.], p. 13-14).

40. Lamrani (op. cit., p. 4).

41. Lamrani refers to a meeting of the National Security Council, held on December 1958, a few days after General Batista fled the country, in which, among others, he refers to Christian Herter, Undersecretary of State, as noting that "the rejection of a regime dominated by Castro appeared to be unanimous" Lamrani (op. cit., p. 17).

(also known as *invasion of the Bahía de los Cochinos* or *Batalla de Girón*); this invasion was carried out by Cuban exiles, organized and supported by the US, in 1961, less than three months after President Kennedy took over the Presidency. The missile crisis broke out, in October 1962, when the USA diffused a picture showing the presence of nuclear missiles in Cuba, installed by the USSR in response to the installation of American nuclear missiles in Turkey. After tense negotiations, Nikita Khrushchev – then general secretary of the Communist Party of the USSR (CPSU) – and Kennedy came to the deal concerning the withdraw of the nuclear missiles both of Turkey and Cuba;⁴² *ii*) a plane belonging to the Brothers of the Rescue organization was shot down on February 1996 by the Cuban army after repeatedly violating Cuban airspace to drop leaflets urging the population to insurrection.⁴³ This event gave place for the approval of the Helms-Burton Act on March the same year.⁴⁴ In the same way, the international environment more favorable to Cuba, which had began to emerge from its isolation, influenced the behavior of President Ford, which took measures to ease the sanctions. Thus, besides the decision of the OAS in July 1975 to cancel the sanctions against Cuba, the Ford administration issued special licenses for a group of American businessmen to travel to Cuba, allowed certain commercial transactions as well as payment to Cuba of fees arising from the landing of US planes on its territory.⁴⁵ This good will continued during the President Jimmy Carter's administration, who decided to establish a dialogue with Cuba. Among the actions taken, he decided to amend the legislation concerning the prohibition of US subsidiaries to trade with the island, authorizing them to do it; beginning in March 1977, US citizens were allowed to make trips to Cuba and the sale of food and medicines was authorized; Cubans living in the US were authorized to send financial aid to their families living in Cuba. Bilateral trade transactions were also authorized in telecommunications in August 1980.⁴⁶

Unfortunately, the following period was marked by harsh measures taken by the Presidents Reagan and both George Bush father and son administrations.⁴⁷ President Reagan reversed most of the reforms undertaken during the Jimmy Carter administration, included Cuba within the terrorist nations, increased the control over imports of the countries that maintained trade relations with Cuba and restricted the categories of persons authorized to travel to the island. In 1992, the Torricelli Act was signed, that prohibited the subsidiaries of US companies

42. This crisis showed the danger to humanity of the use of nuclear armaments. In 1963, the USSR and Great Britain signed a treaty forbidding nuclear tests; and in 1968, 60 countries signed the Treaty of Non-Proliferation of Nuclear Arms, still working nowadays.

43. Lamrani (op. cit, p. 33).

44. Lamrani (op. cit. p. 33).

45. Lamrani (op. cit. p. 28)

46. Lamrani (op. cit, p. 29).

47. Lamrani (op. cit., p. 30-43).

established in third countries to trade with Cuba and established penalties for countries that granted assistance to Cuba. Following came the Helms-Burton Act, on March 1996, that elevated to the rank of law the whole arsenal of measures against Cuba approved in the past and penalized foreign investors, that have once invested in Cuba, preventing them from operation in the US. After the passage of several devastating hurricanes, and pressed by the agricultural lobbies, the Congress adopted the Trade Sanctions Reform and Enhancement Act, on the base of which food could be exported to Cuba; for humanitarian reasons, but under extreme harsh conditions: full payment in advance and in a currency other than the dollar. Finishing the list of sanctions, came the ones included in two reports, respectively of 2004 and 2006, that established the row of restrictions regarding the envoy of financial aid to members of the families of US Cuban exiles, approved a budget of spending of \$ 80million for 2007 and 2008 to finance opponents of the Cuban regime and announced the creation of a Working Group for the Implementation of Sanctions against Cuba.

The Obama administration changed this picture, trying to seek a new approach to the relations with Cuba, though maintaining some sanctions. Its analysis, being linked to the current negotiations and deals between the administrations of both countries, will be left to the following item.

3.2.2 Results

It is not an easy task to assess the results of the application of economic sanctions in Cuba. It involves, first, the accomplishment of the goal pursued, the overthrow of Castro's regime and the instauration of a capitalist one. Looking at this goal in a simple manner, it can be said that the goal was not obtained: Cuba, under the presidency of Raul Castro, continues to be directed by members of the Communist Party and to maintain the principles "for which the people of Cuba has fought under the historical leadership of Fidel Castro... Cuba will continue to work on the improvement of its social and economic model, with the aim to build a prosperous and sustainable socialism, to put ahead the development of the country and to consolidate the Revolution's conquests".⁴⁸ But, so goes the discussion among sympathizers and opponents of the regime, the improvement of its model contemplates the introduction of market mechanisms and the reduction of the prior prevailing social equality, eroding its socialist bases. The political regime has not changed, though some measures were taken to liberalize it.

Second, the impact of the application of economic sanctions involves not only the costs in financial terms to the Cuban as well as to the American economy and to the economy of the other countries that were penalized by the restrictions

48. Declaração do Governo Revolucionário, 2015.

imposed on them by the nature and the extraterritoriality of the American legislation; and this would demand an special effort, that goes beyond the limits of this text. It involves also the human and social costs inflicted on the Cuban population.

These human costs could be even worse if, first, Cuba would not have gained the support of the USSR, during the first period of the application of sanctions and of Venezuela, after the disintegration of the USSR, in the years after 1991; second, measures would not had been taken to support the population, like the institution of food rationing cards, in 1963. The support of the USRR, expressed in subsidized exchange of oil for sugar had been considered one of the causes for the maintenance of economic sanctions; and Venezuela, considered a pariah country by the US, has contributed with oil at subsidizes prices and with the payment in dollars for the work of Cuban specialists in other countries, so contributing to ease the absence of the country's international exchange needed to pay for imports. In any case, especially if considerations are made on the effectiveness of economic sanctions, this support was essential for Cuba to resist them. So, notwithstanding all harshness and troubles, an Economic Commission for Latin America and the Caribbean (Eclac) report, in 2013, included Cuba among the countries with an average annual growth of the *per capita* GDP of 1% – 2%. This increase was negative during the so called *Período Especial* (Special Period) of the 1990's, when it has fallen 27,8%, from an average *per capita* GNP of \$ 3,793 observed between 1980-1989 to \$ 2,776 between 1990-1999 (dollars at constant 2005 prices).⁴⁹

Since the beginning of Raul Castro's administration, economic reforms have been gradually introduced and their implementation is being conducted by an especial commission, directly subordinated to the president of the State Council and to the Council of Ministries. A legal division working within this Commission is responsible for the elaboration of the legislation needed to perform the decisions taken. The directions of the reforms are similar to Soviet *perestroika*, but should not be compared to it; the economic measures are not so radical, and the political ones consist only in some liberalization, thus resulting in a model more similar to the Vietnam reforms.⁵⁰

During his first presidential campaign, Barack Obama expressed his willingness to seek a new approach to the American-Cuban relations and in April 2009 announced the lifting of restrictions that had been imposed in 2004 by the Bush administration: Cuban-Americans could visit the country as many times as they liked for an unlimited period and make uncapped remittances for their families; the range of products that could be sent to Cuba was expanded to include the previous forbidden – clothing, hygiene and fishing equipments; allowance for

49. (Eclac, 2013).

50. (Kuba, 2011).

American companies to provide telecommunications services to Cuba.⁵¹ And, on December 2014 he announced the first measures that would be taken to finish the embargo on Cuba: the renewal of diplomatic relations, with the opening of embassies in both countries, increase the limits of Cuban-American remittances to their family members in Cuba, end of the bureaucratic procedures aiming to facilitate American tourism to Cuba, authorization to legal trade Cuban cigars, investments in technology and communication, Cuba exclusion from the lists of countries that support terrorism and the exchange of prisoners.⁵²

The negotiations between both countries began in January 2015, after some conditions imposed were accepted. They exacted the measures previously announced by President Obama and formulated rules that will allow American exports of telecommunication equipment, agricultural products and construction and allow also some sorts of banking relations. They will ease American companies' exports of mobile phones and software besides providing Internet services to the Island. Some restrictions still remain, and some questions need yet to be discussed and accorded, like the steps and the time schedule to finish the economic embargo, the closing of the Guantanamo base, among others. These negotiations finished by the end of June and the resolutions taken were announced by both countries on July 1, 2015. The Embassies of both countries were officially opened in the first week of July.

This positive change in the relations between Cuba and the USA was a result of increasing domestic and international pressure as well as of the changing of the international situation. In the USA, Presidents Carter and Clinton advocated the lifting of sanctions and a new approach to the American-Cuban relations; in the House of Representatives a bill introduced by Senator Richard Lugar in favor of lifting the travel restrictions on US citizens, got the approval of 178 vs 38 votes; the AFL-CIO adopted a resolution, in September 2009, that urged Congress to lift the sanctions; the US Chamber of Commerce expressed its opposition to the status quo, and the Lexington Institute advocated a radical change of policy.⁵³ A new generation of Cuban exiles is also not interested in the change of regime in Cuba and is against the limitations imposed on travel and relations with their family members in the island.⁵⁴ Internationally, two are the pressures to be mentioned: the General Assemblies of the UN, that condemned, for more than 20 years, the ostracism imposed to Cuba⁵⁵ and the Pope Francisco's role in encouraging the negotiations to lift the embargo.⁵⁶

51. Lamrani (op. cit., p. 43-44).

52. (Moll, 2014).

53. Lamrani (op. cit., p. 67-71).

54. (Revista Brasileira de Política Internacional, 2010).

55. Lamrani (op. cit., p. 74).

56. (Yardley; Pianigiani, 2014).

3.2.3 Conclusions

The analysis of the application of economic sanctions against Cuba showed that: *i)* they are not an effective instrument to attain strategic goals, like a change of regime. In the globalization world there will always be countries with economic interests to trade and/or invest in the target country and thus, do not obey the legislation of the sender country, in this case, the USA, even subject to penalties for doing so. With more reason, this behavior was shown by the USSR and Venezuela, countries with similar ideological principles as Cuba. The international institutional environment, so, reduces the impact of the sanctions; *ii)* the economic and social costs involved cause an enormous damage to the population and its standard of living, but not sufficient to induce it to reject the regime; *iii)* in different danger situations, a deal can be achieved to bypass the conflict, in negotiations that avoid military solutions. The dangers they represent are alone already an instrument of pressure; *iv)* the difference in the social and economic orders do not constitute an obstacle to the maintenance of advantageous relations among countries, if based on respect and common interests.

4 THE CASE OF THE RUSSIAN FEDERATION

There are some specific aspects that differentiate the analysis of the Russian case, when compared to the cases of Iran and Cuba, seen above. First, though being considered a medium developed country, Russia is a regional power and detains considerable regional influence. Besides, Russia is a permanent member of the UN Security Council, with veto right. Second, it is an active actor in the international arena, not only in international forums, but also in conflict resolving cases, Iran nuclear program restriction and Syria chemical arsenal elimination being the more recent and conspicuous examples. Third, it is a nuclear power and has a powerful military force. Four, and this seems to be the more relevant factor to the analysis of the application of economic sanctions, is the fact that, since the arrival of Putin to the presidency of the country, the US-Russia relations assumed a marked divergent character,⁵⁷ given, on one side, the idea that, under Putin, Russia would be challenging the US led world order; and, on another side, the assertive Russian policy to safeguard the former Soviet area of influence as a zone of its “privileged interests”.⁵⁸ This divergence expresses different strategic geopolitical interests, that manifest themselves in political actions by both sides.

In this sense, for purposes of the discussion on the application of Western sanctions on Russia, the utilization of North Atlantic Treaty Organization (Nato) as a

57. (Trenin, 2014).

58. (Graham, 2014).

tool to implement US goals toward Russia, must be underlined. The expansion of its bases to the East, almost surrounding Russia – notwithstanding former compromises not to do that – and their upgrading militarization represent a continuous and increasing pressure over that country. The expansion of its bases began immediately after the dissolution of the USSR and the Warsaw Pact and continued until 2004, as can be observed in the accession schedule of the countries involved: through the Partnership Program for Peace, all countries of the former and new countries of the Community of Independent States – former USSR republics –, in 1994; Hungary, Poland and the Czech Republic, in 1999; plus Bulgaria, Slovenia, Slovakia, Estonia, Latvia, Lithuania and Romania, in 2004;⁵⁹ and what concerns pressure, by the establishment of military forces and strategic equipment in the territory of some of them, following the institution's strategies, the most recent defined after September 11, 2001 terrorist attacks in New York and Washington. This strategy is envisaged to implement Nato's defined mission as "extending peace through the strategic projection of security", that needs, to confront the continuous increase of national conflicts, "to apply remedies that combine military might, diplomacy and post-conflict stabilization".⁶⁰ The question that arises, and that was also formulated by President Putin, in his speech in Munich in February 2007, during the International Conference on the Security Policy, is why this strategy is directed against Russia.⁶¹ It must be noted that, in May 2002, a Nato-Russia Council was created as a forum for consultations in current security issues and to direct practical cooperation in a wide range of areas;⁶² and that Russia is participating in the efforts against terrorism, as well as in conflict solving.⁶³ Last but not least, a specific item to be considered in the analysis of the application of economic sanctions against Russia, is the fact that this country has not only already approved economic sanctions in the Security Council of the UN against other countries, but also, as an individual country, is currently applying counter sanctions as well as sanctions properly, recent examples being Ukraine and Turkey. Russia is, so, a sender as well as a target country.

4.1 The sanctions

The US sanctions in action against Russia have as its declared objective, to penalize individuals and entities responsible for violating the sovereignty and territorial integrity of Ukraine, accusing the Russian government, in two executive orders under the National Emergency Act, of undermining democratic processes and institutions in Ukraine, threatening its peace, security, stability, and territorial

59. Available at: <goo.gl/Ceehf>.

60. *Ibidem*.

61. Revista de Política Externa, 2007.

62. Available at: <goo.gl/Ceehf>.

63. The NATO-RUSSIA Council has suspended its activities between August 2008 and Spring 2009, after the Georgia short war in Georgia. And is now suspended after the events in Ukraine in 2014.

integrity – including through the deployment of Russian military forces in the Crimea region of Ukraine.⁶⁴ The same objective is assumed by the European Union, in a decision taken on 17 March 2014, to adopt restrictive measures against persons responsible for actions that undermine or threaten the territorial integrity, sovereignty and independence of Ukraine, as well as persons and entities associated with them. On 21 March 2014, after the European Council meeting of 20 March, condemning the considered illegal annexation of Crimea and Sebastopol to the Russian Federation, the EU strengthened its sanctions with additional measures.⁶⁵

These are the declared objectives of the sender countries. But they must be seen in a broader frame of reference, that implies considering the multiple conflicting geopolitical interests that characterize the global world. It goes beyond the limits of this text, to discuss the Ukrainian crisis, its origins and causes, including the annexation of the Crimea region to Russia itself. But it is necessary, though, to consider Russia's interests to understand its actions and define the Ukrainian crisis – base for the application of sanctions – as a geopolitical dispute between different actors, over the command of an area considered strategic for both field of adversaries. This point deserves consideration, given: *i*) the specificity of Russia's political role in the international arena, especially its cooperation with the US in solving difficult questions in other geographic areas, as in Iran, Syria and Afghanistan; and its participation in the Group of Four countries, that is working to intermediate solutions for the Israel-Palestinian conflict; as well as its trade and political relations with European countries, especially with Germany; *ii*) the strategic military importance of Sebastopol port and Crimea for Russia, due to the maintenance there of its Navy Mediterranean Fleet, on a lease base until 2042, before annexation to Russia. These two points indicate, to a certain measure, the possibilities and limits of eventual negotiations that could substitute for the application of sanctions, be they not as effective as predicted to obtain the desired goals, including the political stability in Ukraine.

The sanctions applied were initially directed at persons and business, the so called “smart sanctions”, that supposedly would have a lesser damage effect on the population. After the annexation of Crimea, they implied in diplomatic and political sanctions to isolate the country. Among them, two can be mentioned as the most significant: the holding of the G8 Summit on 4-5 June in Brussels, instead of Sochi, eliminating Russia of the Group, that returned to its previous format of G7; and the boycott of the commemorations of the 70th Anniversary of the victory in World War II, so denying the Russian (then Soviet) role in this victory and the toll it paid in human lives. Only Chancellor Angela Merkel went

64. (US Department of State, 2014).

65. (Fact Sheet, 2015).

to Moscow, in the following day of the celebration, to pay reverence to these fallen lives. But individual diplomatic penalties were also applied, through more than hundred visa bans to persons and entities, forbidden them to entry the US and the EU countries. The economic sanctions were not introduced at once, but in gradual steps, during 2014, according to the evolution of events in Ukraine. Executive Orders were signed in the US, in different data during March and December 2014 and the lists of sanctions and other remarks concerning them were released during the whole year of 2014.⁶⁶ The EU prolonged the validity of the sanctions on 13 March 2015.⁶⁷ Individual financial accounts of people close to president Putin and more broadly to individuals on positions of political and economic decision making, located in US and EU member states were frozen and enterprises in strategic sectors of the Russian economy were affected by trade and financial restrictions. The sectors affected: energy, defense, high tech, banking and finance. The sanctions include: restrictions on any high technology export of dual use to Russia,⁶⁸ that could contribute to its military capabilities, as well as arms exports; exports of certain energy-related equipment and technology to Russia are subject to prior authorization by competent authorities of the EU member-states and licenses denied if products are destined for deep water oil exploration and production, arctic oil exploration or production and shale oil projects; services needed in this last case should not be provided; prohibition for European Union (EU) nationals and companies to provide loans to five major Russian state banks, or to buy or sell them new bonds, equity or similar financial instruments with maturity longer than one month.⁶⁹ In December 2015, during the European Summit, EU sanctions against Russia were extended for six months more, without much discussion; but with certain restrictions from some participants, divided “over how long to press a major trading partner.”⁷⁰ The reason behind the decision of the member-states was “incomplete implementation of the Minsk agreements”,⁷¹ though it depends, as is known, not only on Russia.

4.2 Results

Russia reacted with different measures, involving: *i*) counter sanctions as the ban of imports of food and agricultural products – fruit, vegetables, meat, fish, milk and dairy – from US, EU, Australia, Canada and Norway since August 6/2014. At the same time, the government has stimulated domestic producers

66. (US Department of State, 2014).

67. (Fact Sheet, 2014-2015, p. 11).

68. Dual use category includes tractors, cranes, excavators and mechanical parts that are needed to repair cars and trucks. See also: Johnsons Russia List, 2014, p. 245-2015.

69. Fact Sheet. *EU-Ukraine Relations* (op. cit., Annex: EU restrictive measures).

70. Johnsons Russia List, 2014, 2015, p. 247.

71. See Appendixes.

to implement their production, taken advantage of the suppression of import competitive goods; *ii*) measures in the financial market to confront the short term consequences of the restrictions imposed; *iii*) announcement of the adoption of a import substitution program in the military industrial complex and other sectors of the economy. External measures had also been adopted: *i*) the break of the previous agreements with the US, concerning the supply of motors for missile launching, the removal of the Russian territory of Global Positioning System (GPS) stations and the withdrawal of the International Spacial Station (ISS) project. These were immediate measures, that did not impede Russian cooperation in the Iranian and Syrian questions latter; *ii*) the broadening of trade relations with countries outside the US and the EU, through several trips done by president Putin in order not only to replace part or the whole of the banned goods, but also to avoid political isolation. Within this mark was the change of the Russian political pivot to East,⁷² beginning with an strategic agreement with China, the focus of which was the signature of a contract between Gazprom and China National Petroleum Corporation (CNPC) for the annual supply of 30 million cubic meters of Russian gas to China, for a period of 30 years. The agreement included also the assumption of double responsibility for the development of the infrastructure necessary for the implementation of the gas supply and mutual investments for the development of the Siberian area of the Russian territory. A commercial agreement was established to increase trade between the two partners to the level of \$ 200 billion up to 2020 and, with the aim to develop bilateral trade, Russia created a special economic zone at Vladivostok. Russia and China also agreed to develop, in partnership, the aircraft industry, looking at competition with Airbus and Boeing.⁷³ A new agreement on innovation cooperation has recently been announced by the Russian Ministry of Economic Development.⁷⁴

The application of sanctions had different consequences domestically and internationally. The domestic consequences are difficult to assess, due to the fact that the sanctions are accompanied by the fall of oil international prices: from a peak price of Brent \$/barrel of \$ 111,67 in 2012 to \$ 08,66 in 2013, \$ 8,95 in 2014⁷⁵ and finally to \$ 36,59 in the end of 2015.⁷⁶ Disposable Urals crude price statistics show a fall from an average price of \$ 97.6/barrel in 2014 to \$ 42.50/barrel in November 2015.⁷⁷ This fall strongly affected the Russian economy,

72. This goal has been reinforced recently with the Russian entrance in the Syrian conflict, as seen Further.

73. (Pomeranz, 2014).

74. The implementation of the announced measures depends, though, on the evolution of the economic performance of the Chinese economy, with problems in the beginning of 2016.

75. End of periods. British Petroleum Statistics. 2014 Annual Report. June 2015

76. Trading Economics. www.tradingeconomics.com/commodity/brent-crude-oil

77. BOFIT – Bank of Finland Russia Statistics. Given the fall in the Brent price in December, a new fall of Urals may be assumed, to a level below \$ 40/barrel.

because of its high dependency on crude oil and gas – fuel energy products represented 64,04% of total exports in January-October 2015.⁷⁸ Since 2008, when a Conception of the Long Term Social and Economic Development Plan of the Russian economy to 2020 was published, the country states as a goal the diversification of the Russian economic structure and the reduction of the referred dependence on exports of energy.⁷⁹ But this goal has not been fully obtained until now and the dependence continues, despite the significant results already obtained with the import substitution strategy in production as well as the financial measures taken to counteract the sanctions.⁸⁰ This dependency propelled Putin's trip to Saudi Arabia, in July 2015, for conversations that, as a matter of fact, extrapolated the oil question and went on to the signature of a deal that included \$ 21 billion Saudi investments in Russia and the break of the arms embargo – Russia will supply Saudi Arabia with Iskander air defense systems.⁸¹

The prospects of the oil market look dim for various reasons:⁸² the difficult economic situation in Europe, the main importer of Russian gas and oil; the increase of environmental policies; the decision taken in the last December 2015 Vienna meeting of the ministries of the Opec countries to maintain the level of their oil supply, even considering the oversupply in the international market – world oil production grew by 2.4 mb/day in 2014, while demand in this same year was only 1.1 mb/day;⁸³ Iran's probable entry into the international oil market and the uncertainty over the behavior of the producers of alternative, more costly shale and sand oil production, in an eventual price increase; the volatility of the international prices of oil, that were still falling in December 2015 to a very low level, as shown above. To this picture, the recent conflict on the first days of January 2016, between Saudi Arabia and its allies – one side – and Iran – other side, must be added to increase the complexities of the present oil market performance.

But, the continuity of the drop in oil prices now observed, bellow the Russian budget equilibrium level, constitutes according to the Central Bank December Report (footnote 75), the main risk for the recovery of the Russian economy.⁸⁴

The Central Bank analysis of the performance of the Russian economy done in the mentioned report considers that the pick of its drop was over in August-October 2015, with the reduction of the drop levels of major economic indexes and a tenuous increase in another ones; but considers also that it is premature

78. GKS (Agência Central de Estatística da Rússia). Disponível em: <www.gks.gu>.

79. (Pomeranz, 2009).

80. See: Central Bank of Russia, 2015.

81. Russia Direct, 2015.

82. (Dale, 2015). See also: Opec's World Oil Outlook, 2015.

83. Opec's World Oil Outlook, 2015.

84. Central Bank Report on the Credit and Financial Policy, op. cit.

to assume an economic recovery. The analysis indicates that the adaptation of the Russian economy to the negative external conditions demands not less than one year, time during which could occur the redistribution of capital and labor resulting from the development strategy designed to counter economic sanctions; that is, to the sectors that have potential for import-substitution production or are competitive in world markets.

When examining the prospects of the future development of the Russian economy for the period 2016-2018, the report indicates three scenarios, distinguished one from another by the dynamic of the international oil prices: in the basic scenario, the Urals oil price in 2016-2018 stabilizes around \$ 50/barrel; in the optimistic scenario, an increase in this price to \$ 75/barrel is assumed to the end of 2017; and in the risk scenario, a fall is assumed in this price to \$ 35/barrel in 2016 and its maintenance in this low level in the three year period.

The basic scenario departs from the assumption that a certain recovery of the current oil prices will occur, due to a gradual increase of oil demand resulting from growth in the world economy and from a reduction of oil extraction resulting from a significant drop of investments in the sector. At the same time, the costs increase of oil extraction from traditional sources will limit the drop of prices, while the supply of Iran's oil after 2016 and the increase of supply by oil extraction from non traditional sources will contribute to maintain them low. The departure from the basic scenario is assumed to be resultant of the dynamics of the world economy and the consequent dynamics of the external economic activities, marked by high uncertainty. Within this frame of reference and considering the changes observed in the international market of fuel energy products, the risks of the drop of oil prices is considered to increase and so, increase the probabilities of the risk scenario to happen. The forecasts given by the basic and the risk scenarios are shown in table 2.

These forecasts constitute the basis for the definition of the Central Bank monetary and credit policy and its adjustments according to the international commercial and financial conjuncture, marked by the imposed on Russia economic sanctions.

The measures taken by the Russian government against them, as seen above has given some results, but most of them demand a certain time for maturity and the economic situation of the country is difficult and will probably continue so for some time. The main sanctions that matter, according to Chris Weafer, director of Macro Advisory, a consultancy advising macro hedge funds and foreign companies in Russia,⁸⁵ are those related to the financial sector, through the ban on Russian banks and some state companies to access new Western debts and credits. This ban

85. (Weafer, 2015).

represented an almost total ban by all Western banks and trade organizations on any Russian risk and the impossibility to get foreign credits to compensate for the fall of oil prices, causing a volatile backdrop of the ruble. In a more recent interview to CNBC, he has predicted that the economy will likely stay in recession until at least the middle of 2016 and the growth after that point would depend, among other factors, on whether Western sanctions on the country's financial sector are eased.⁸⁶

Other forecasts for the 2016 GDP growth were made by different sources of analysis of the Russian economy: Fitch = 0.5%; S&P = 0.3%; Ministry of Economic Development = 0.7%; Opec = 0.3%; IMF = (-) 0.6; World Bank = (-) 0.6.⁸⁷ These forecasts seem to confirm the assessment done by Russian economic authorities, that the fall of the economy has been exhausted by mid 2015 and it varies around its low bar; this fact meaning and adaptation of the economy to the new conditions of operation, with the gradual normalization of the situation with interest rates and with credit as a whole.⁸⁸ It must be added that a floating ruble exchange has been introduced, as an important instrument for the performance of foreign trade.

In any case, the sanctions continue and the reasons arrogated to apply them do not seem to come to an end. The situation in Ukraine has been overshadowed by the Russian involvement in the Syrian crisis and its derivation in a crisis in Russian-Turkey relations, after the shoot down of a Russian military aircraft in the Turkey-Syrian border on November 24, 2015. This situation, though, is very difficult.

The human casualties are high. In the civil war, the number of deaths varies depending on the source of information: according to the DNR – Donetsk Popular Republic and LNR – Lugansk Popular Republic statistics, since the beginning of the conflict 3,684 civilians have been killed in both of them; UN data statistics indicate there were 6,417 deaths in the Ukrainian conflict from mid April 2014 to May 30 2015, with an estimate of 15,962 people wounded and 1.2 million refugees. President of Ukraine, Petro Poroshenko estimates around 9,000 deaths, of which 1,800 servicemen and 7,000 civilians. The damages caused to the urban infrastructure are also considerable, with destruction of hospitals, schools, factories, mines, power stations and waterways.⁸⁹ The economic situation does not look better: according to World Bank Ukraine Macroeconomic Update, published on October 5, real GDP of the country was estimated to fall 12% in 2015, after a fall of 6.8 % in 2014; and could show a small recovery of 1%, depending on the implementation of reforms, especially the tax reform, and on the escalation of the conflict. Inflation was

86. CNBC, 2015.

87. (Kuchma, 2015).

88. See foot note 76.

89. Ukraine: self-proclaimed Donbass republics call for UN war crimes probe. www.rt.com. Johnsons Russia List 134-2015, July 8, 2015.

estimated at 44% in 2015, higher than its level observed in 2014 – 24.9%.⁹⁰ Ukraine is set to receive approximately \$ 9 billion in rescue cash in 2016, including \$ 4.5 billion from the IMF, \$ 1.5 billion from the EU and \$ 1 billion in loans guarantees from the United States of America; and will start to gradually lift capital controls as it begins to receive disbursements of bail out cash from international lenders. A strict follow up of the application of this money has to be accomplished, due to the level corruption has assumed in the country: to the point that it has become one of the main political subjects in discussion and is used, together with the failures of the economic policies adopted, to demand the substitution of the Prime Minister.⁹¹ Ukraine has a dispute with Russia on the payment of \$ 3 billion, for the delivery of Russian gas; and will be subjected to an embargo of Russian foods imports, after a free zone between Ukraine and the EU will start operating on January 1st, 2016 and Ukraine's participation in the CIS Free Trade Zone, established three years ago, will end. This will constitute a blow to the trade relations between both countries, estimated at \$ 40 billion a year before the government change in February 2014. Trade turnover between Russia and Ukraine decreased by 80% in 2015; besides, in Russia's overall export, Ukraine accounted for several percentages, while in Ukraine's exports Russia's share was as large as 45%, and most of them were high-tech products.⁹²

The reaction of the Western Ukrainian population is of different feelings, but mostly of disappointment and frustration for the results of their Maidan expectations. This feelings have been utilized by radical right forces to organize demonstrations, one of them in favor of a "Maidan II Revolution" to overthrow the elected Poroshenko government⁹³ and a second, against the autonomy for the eastern regions, a commitment of the Ukrainian government with the Minsk 2 Agreement.⁹⁴

The situation was evolving to reach a deal in the conflict. The continued meetings and agreements obtained between Ukraine and the members of Western countries and the representatives of Organization for the Security and Cooperation in Europe (OSCE), have shown concessions from both sides and the positive action from the Russian side to reach a deal. Agreements were achieved in disarmament of the near frontier lines, the approval of constitutional amendments that could assure the realization of local elections and a certain degree of autonomy for regional localities. There are still unsolved questions, like the legal definition of the special status for the two Eastern DNR and LNR republics, the Amnesty Law and the

90. (Mehreen, 2015).

91. In a December meeting of the Parliament, M. Saakashvili, named Governor of the Odessa region, accused Interior Minister A. Avakov as thief. Saakashvili is considered to be one of the most popular political leaders in Ukraine and is being considered as an eventual substitute for Prime Minister A. Yatseniuk (Marples, 2015) (Zharikhin, 2015).

92. (Zharikhin, 2015).

93. (Anderson, 2015).

94. Marples (op. cit.).

exchange of prisoners; and especially the main question of the Crimea annexation to Russia. This is not an easy one, due to sabotage – like the energy blockade of the peninsula⁹⁵ – and a certain degree of misunderstanding of what Crimea represents for Russia, besides its strategic interest.⁹⁶

As was said above, Russia's military participation in the Syrian civil war, pursuing its strategic interests – to fight in proposed coordination action with Western allies against terrorist organizations, especially Islamic State; to show its role in international affairs as independent actor and valuable partner; to assure a diplomatic, sustainable and democratic solution for the Syrian civil war, with a new Constitution and elections after peace implementation – has overshadowed the Ukrainian conflict. A new, recent conflict with Turkey, as derived from the downing of a Russian military air fighter in the Syrian war, as well as the current conflict that opposes Iran – a Russian partner in the anti terrorist operation – against Saudi Arabia and its allies – with dubious positions in this operation –, introduces new complexities to the Russian action, and again diverts attention from the Ukrainian front. According to Sehiry Taruta, ex-governor of the Donetsk Region and Ukrainian People's deputy, the Ukrainian conflict has been left in a frozen situation.⁹⁷ But the recent appointment of Boris Gryzlov as the plenipotentiary Russian representative in the Contact Group for the settlement of the situation in Ukraine, shows Russia's intention to reach a settlement in 2016, proceeding from the need for complete and faithful adherence to the Minsk Agreements.⁹⁸ This is probably the way to confront the need to eliminate the economic sanctions to which the Russia is subjected.

4.3 Conclusion

The main lesson to get from the analysis of the Russian case is that, notwithstanding the enormous damages caused by the application of sanctions to the Russian economy and to its people, as well as to the sender countries; and the Russian efforts spent to overcome the difficulties and the attempts to isolate the country internationally, the situation in Ukraine – the declared reason for the adoption of the sanctions – has not been solved. Which is tantamount to saying that sanctions have not acted as expected. Nevertheless, diplomatic negotiations have taken place among the conflicting parts with the participation of EU countries in different formats and a process to follow up the implementation of the decisions taken was built, under the responsibility

95. On November 22, 2015, Ukrainian nationalists and Tatar activist sabotage four power lines feeding Crimea with electricity from Ukraine, leaving the whole peninsula in darkness for over a month. Conditions eased somewhat after Ukraine restored one of the power lines and after the first of several underwater electricity cables from Russia went into service (energy bridge). AP 28/12/2015. Crimeans enter 2016 struggling but optimistic (Kenarov, 2015).

96. "Crimea is more than just a territory for Russia... it is a place that was once known as the garden of the empire". Kenarov (op. cit.).

97. Gazeta, 2015.

98. Novosti, 2015.

of members appointed by OSCE. Agreements have been reached, expressed in the Minsk Accords, that contemplate the interests of both side contenders, the Kiev government and the insurgent republics. Their implementation has been troubled by the Ukraine domestic political situation and currently also by the diversion of Russia's international policy into different goals in Middle East affairs – though some of them linked to the efforts to get the end of sanctions. This end constitutes a priority for Russia and to reach it, a new, well experienced plenipotentiary representative of the country in the Contact Group to the settlement of the situation in Ukraine has been appointed. One question subsists and looks like the only nonnegotiable issue for Russia, for its different strategic, historical, political significance for the country and the population's desire in a special referendum: the Crimea annexation to Russia.

TABLE 2
Russia. Basic parameters of the scenario forecasts for 2016-2018
 (% to the previous year)

Parameters	Years		
	2016	2017	2018
Basic scenario			
Urals prices (annual average) \$/barrel	50	50	50
Inflation (% year on year)	5.5-6.5	4.0	4.0
GDP	(-)1.0-0.5	0.0-1.0	2.0-3.0
Risk scenario			
Urals prices, \$/barrel	35	-	-
Inflation (% year on year)	7.0	-	-
GDP	(-)2.0-3.0	-	-

Source: CBR, 2015.

5 GENERAL CONCLUSIONS

The case of application of economic [and political] sanctions against Russia is quite different from the cases of Iran and Cuba. In the Iranian case, the objective was initially a reaction against the Islamic revolution; latter it took a different path, focusing in nuclear non proliferation; in this path, the US was not alone, receiving the endorsement of the UE and the UN. In Cuba, the objective was clearly to overthrow the Cuban regime. In both cases, the changes against which the sanctions were directed, affected, although in diverse sense, strategic interests and the international order under which the rules of the US hegemonic international relations are established. Military incursions were not necessary and the sanctions produced a great impact during the long time of their application, resulting in economic losses and relative political isolation of both countries, Iran and Cuba.

Nevertheless, they resisted and, with economic reforms introduced by a new government in Iran and with the goal to improve the economic performance in

Cuba, deals have been signed with the US, to lift economic sanctions on Iran and the economic and political embargo on Cuba. The implementation of these deals is to be gradual and dependent of the conditions agreed and assumed by the two countries to do I; but the international media has testified the population's satisfaction on the streets over these first results, showing the effectiveness of political negotiations in solving different political interests among countries.

In the case of Russia, the lifting of sanctions are still depending on the mistrust existing between the US and its Western allies in relation to Russia and on the Russian strong defense of its geopolitical interests. These attitudes result, in the first case, from the Russian support to the Eastern Ukraine fighters in the ongoing civil war and the annexation of Crimea, done after a referendum which defined the inhabitants desire to join Russia.⁹⁹ In the second case, Russia is confirming its position to accept Nato's expansion to the East, even claiming that it involves an area of its particular interests, but puts a red line on what concerns Georgia and Ukraine, both having direct frontiers with the country. It must be added that the Russian Navy Mediterranean Fleet is stationed in Crimea, proportioning Russia the single access to the warm waters of the Mediterranean Sea. Nevertheless, at the same time, Russia is cooperative with the allies of US on the confrontation of international threats –now in the Syrian civil war and anti terrorist operation –, attitude that not only reflects the existence of common international interests, but has also increased the chances of a deal to solve the Ukrainian crisis and the lifting of sanctions.

These chances must have a real implementation and the results already achieved in the diplomatic meetings promoted by the countries of the Normandy Format¹⁰⁰ confirm that diplomacy is still the best way to solve conflicts.

99. It must be observed that one of the reasons for the Eastern resistance to the central government was one of the first decrees signed by the new government after the fall of President Yanukovitch, that contemplated the prohibition to use the Russian as official language besides the Ukrainian one. The decree was immediately cancelled, but the political damage had already been done and must be considered when evaluating Crimea's population decision.

100. Ukraine, Russia, Germany and France.

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APPENDIX A

Minsk Protocol 1

Signed on September 4, by Ukraine, Russia, and representatives of the Republics of Donetsk and Lugansk and of the OSCE. The text of the protocol consists of twelve points.

- 1) To ensure an immediate bilateral ceasefire.
- 2) To ensure the monitoring and verification of the ceasefire by the OSCE.
- 3) Decentralization of power, including through the adoption of the Ukrainian law “On temporary Order of Local Self-Governance in Particular Districts of Donetsk and Lugansk Oblasts”.
- 4) To ensure the permanent monitoring of the Ukrainian-Russian border and verification by the OSCE with the creation of security zones in the border regions of Ukraine and the Russian Federation.
- 5) Immediate release of all hostages and illegally detained persons.
- 6) A law preventing the prosecution and punishment of persons in connection with the events that have taken place in some areas of Donetsk and Lugansk Oblasts.
- 7) To continue the inclusive national dialogue.
- 8) To take measures to improve the humanitarian situation in Donbass.
- 9) To ensure early local elections in accordance with the Ukrainian law “On temporary Order of Local Self-Governance in Particular Districts of Donetsk and Lugansk Oblasts”.
- 10) To withdraw illegal armed groups and military equipment as well as fighters and mercenaries from Ukraine.
- 11) To adopt a program of economic recovery and reconstruction for the Donbass region.
- 12) To provide personal security for participants in the consultations.

Follow-up memorandum

In the two weeks after the Minsk Protocol was signed, there were frequent violations of the ceasefire by both parties to the conflict. Talks continued in Minsk, and a follow-up to the Minsk Protocol was agreed to on 19 September 2014. This memorandum clarified the implementation of the Protocol. Amongst some of the peacemaking measures agreed to were:

- To pull heavy weaponry 15 kms (9.3 mi) back on each side of the line of contact, creating a 30-kms (19 mi) buffer zone
- To ban offensive operations
- To ban flights by combat aircraft over the security zone
- To withdraw all foreign mercenaries from the conflict zone
- To set up an OSCE mission to monitor implementation of Minsk Protocol

APPENDIX B

Minsk Protocol II

Signed on February 15, 2015 by Germany, France, Russia, Ukraine and representatives of the Donetsk e Lugansk Republics.

- Immediate and full ceasefire in particular districts of Donetsk and Luhansk Oblasts of Ukraine and its strict fulfilment as of 00.00 midnight (Kiev time) on Feb. 15, 2015.
- Pull-out of all heavy weapons by both sides to equal distance with the aim of creation of a security zone on minimum 50 kilometres apart for artillery of 100mm calibre or more, and a security zone of 70km for MLRS and 140 kilometres for MLRS Tornado-S, Uragan, Smerch and tactical missile systems Tochka U.
 - for Ukrainian troops, from actual line of contact;
 - for armed formations of particular districts of Donetsk and Luhansk Oblasts of Ukraine, from the contact line in accordance with the Minsk memorandum as of Sept. 19, 2014
- The pullout of the above mentioned heavy weapons has to start no later than the second day after the ceasefire and finish within 14 days.
- This process will be assisted by OSCE with the support of the Trilateral Contact Group.
- Effective monitoring and verification of ceasefire regime and pullout of heavy weapons by OSCE will be provided from the first day of pullout, using all necessary technical means such as satellites, drones, radio-location systems etc.
- On the first day after the pullout a dialogue is to start on modalities of conducting local elections in accordance with the Ukrainian legislation and the Law of Ukraine “On temporary Order of Local Self-Governance in Particular Districts of Donetsk and Luhansk Oblasts,” and also about the future of these districts based on the above mentioned law.
- Without delays, but no later than 30 days from the date of signing of this document, a resolution has to be approved by the Verkhovna Rada of Ukraine, indicating the territory which falls under the special regime in accordance with the law “On temporary Order of Local Self-Governance in Particular Districts of Donetsk and Luhansk Oblasts,” based in the line set up by the Minsk Memorandum as of Sept. 19, 2014.

- Provide pardon and amnesty by way of enacting a law that forbids persecution and punishment of persons in relation to events that took place in particular departments of Donetsk and Lugansk Oblasts of Ukraine.
- Provide release and exchange of all hostages and illegally held persons, based on the principle of “all for all”. This process has to end – at the latest – on the fifth day after the pullout (of weapons).
- Provide safe access, delivery, storage and distribution of humanitarian aid to the needy, based on an international mechanism.
- Define the modalities of a full restoration of social and economic connections, including social transfers, such as payments of pensions and other payments (income and revenue, timely payment of communal bills, restoration of tax payments within the framework of Ukrainian legal field)
- With this aim, Ukraine will restore management over the segment of its banking system in the districts affected by the conflict, and possibly, an international mechanism will be established to ease such transactions.
- Restore full control over the state border by Ukrainian government in the whole conflict -zone, which has to start on the first day after the local election and end after the full political regulation (local elections in particular districts of Donetsk and Luhansk Oblasts based on the law of Ukraine and Constitutional reform) by the end of 2015, on the condition of fulfillment of Point 11 – in consultations and in agreement with representatives of particular districts of Donetsk and Lugansk Oblasts within the framework of the Trilateral Contact Group.
- Pullout of all foreign armed formations, military equipment, and also mercenaries from the territory of Ukraine under OSCE supervision. Disarmament of all illegal groups.
- Constitutional reform in Ukraine, with the new Constitution to come into effect by the end of 2015, the key element of which is decentralisation (taking into account peculiarities of particular districts of Donetsk and Luhansk Oblasts, agreed with representatives of these districts), and also approval of permanent legislation on special status of particular districts of Donetsk and Luhansk Oblasts in accordance with the measures spelt out in the footnotes, by the end of 2015.