

Richard Connolly, **Russia's Response to Sanctions: How Western Economic Statecraft Is Reshaping the Political Economy in Russia**. London and New York: Cambridge University Press, 2018. 228 pages. ISBN 9781108227346

The year 2014 marked a turning point in relations between the West and the Russian Federation. After Russia's aggression against Ukraine, the United States, the European Union, and their allies imposed sanctions against Russian individuals and companies who were believed to be responsible for violations of international law. Their goal was to increase the cost that the Russian Federation would have to pay for its illegal activities and thus force the country to de-escalate the conflict. Sanctions were first imposed after Russia's annexation of Crimea. They were followed by another round of sanctions after Russia intervened in Eastern Ukraine. These sanctions targeted entire sectors of Russia's economy. Their scope was expanded and in the year 2015, the lifting of the sanctions was linked to implementation of the Minsk accords, which were intended to stop the war in Donbas. However, given that Russia has continued to violate the accords, the end of the sanction regimes is not yet in sight.

This book by Richard Connolly, a British professor who teaches at Birmingham University and is the director of the Centre for Russian, European and Eurasian Studies (CREES), deals with the topic of anti-Russian sanctions. It offers an analysis of the Russian government's reaction to them, and how it has tried to mitigate their impact. The aim of the book is to explain the mechanisms that the Russian government has used for that purpose and assess whether they were successful. Connolly focuses his analysis on three main sectors of Russia's economy: energy, defense, and finance. The book does not assess whether the Western sanctions have been successful, but it can and should be the basis for further research of the issue, which the author says is his intent. A detailed analysis of the three sectors of Russia's economy is preceded by chapters that summarize the theory of economic sanctions, introduce the Russian system of political economy, and explain the anti-Russian sanctions imposed by the West.

In the first chapter, the author discusses different academic approaches to analyzing sanctions. He notes a lack of consensus about how to assess the success of sanctions and presents the reader with two competing views of the issue. The first approach deems sanctions to be successful only if they manage to fully achieve a given goal without resort to any other instrument of coercion. The second approach considers sanctions to be successful if they force the targeted country to react to them in any way, even a small one. From the first point of view, sanctions are almost always unsuccessful. Sanctions more often tend to be seen as successful when the goal is incremental change. The author also stresses an important distinction between the impact of sanctions and the effectiveness of sanctions. Impact is measurable influence that sanctions have on the targeted state, while effective sanctions accomplish the goal of the states imposing them. Connolly follows up with an explanation of the different goals sanctions can have and an overview of the main factors that increase their impact and limit the ability of a state to effectively cope with them. In that way, the author clarifies his main theoretical concepts, which makes it easier

to understand the rest of the book. The author states that the academic literature lacks an extensive, “monograph-length” analysis of states’ reactions to sanctions imposed upon them, which hinders research in the area (p. 28).

The second chapter of the book describes the Russian system of political economy. The author defines Russia as a limited access system, which means that organizations, both state and non-state, limit entry into its market and competition within it in order that they may accrue rents for themselves. This type of political economy is the opposite of an open-access system, which is characterized by open competition and fair access to the market (p. 23). In Russia’s case, the state has the leading position in the market and distributes rents from globally competitive industries to less competitive ones. Therefore, the state stands atop the Russian political economy (p. 30). The book’s second chapter builds upon the previous one. The leading role of the Russian government in the system of political economy is shown to be one of the factors that enables the state to deal effectively with the impact of sanctions. Connolly connects the theoretical concepts presented in the first chapter with their use in practice.

In his analysis of Russia’s political economy, Connolly identifies four of its main components and discusses the relationships between them. The first component is the rent-producing sector, which is comprised of big Russian companies that are competitive on the international market. These enterprises operate primarily in the natural resources sector of the economy. The rent-dependent sector is comprised of companies that are not competitive on the global market and that trade only inside of Russia. They are often subsidized by the state. The third main sector is smaller than the previous two but is more dynamic. It is characterized by private ownership and free competition. Finally, the author identifies the financial sector as an important part of the Russian political economy. That sector is heavily dominated by the state and allocates financial resources to the places where the state deems it necessary. Connolly emphasizes the extent of the influence that the state has over the economy throughout the chapter. Although he finds that the state’s influence helps Russia to cope with sanctions, he believes it has a negative effect on the overall economy, which is overly dependent on natural resources and is not competitive on the global market.

In the third chapter, Connolly identifies the main steps the Russian government has taken to mitigate the impact of the sanctions. The state ensures the security of the strategic areas of the economy and subsidizes the imports they need. It has also cultivated closer economic relations with non-western countries (p. 68). The overall goal has been reducing the economy’s dependence on Western markets and technologies (diversification) and making Russia more self-reliant (Russification) (p. 79).

The third chapter also analyzes the makeup of Western sanctions. Connolly identifies poor coordination as the main problem that reduces their effectiveness. Giving specific examples, he shows how differences in the U.S. and EU sanctions regimes lessen their overall impact. One example is the forced termination by the U.S. government of all contracts between American and Russian enterprises in targeted sectors, while the EU sanctions did not force European enterprises to cancel any contracts concluded before

sanctions were imposed (p. 67). The author proceeds to give an overview of the Western sanctions and then identifies three economic sectors for further analysis.

The three sectors discussed in the following chapters are the energy industry, the defense industry, and the financial system. In each case, Connolly recounts the history of the sector and the role it plays in the Russian and global economies. He then describes the specific sanctions the West has imposed on the sector and the Russian response to them. Finally, he assesses the overall impact of sanctions on the sector. The author devotes only limited space to analysis of the Russian response, but he nevertheless lists most of the specific steps the Russian government has taken, with a few exceptions. The book explores the parallels in the experiences of the different sectors. After assessing the impact of the sanctions in each chapter, Connolly arrives at the conclusion that the Russian response has been effective in most cases, and that any truly disastrous impact has been averted. It is important to note here, however, that the author does not consider the quality of substitute products and technologies, such as non-Western technology imported for the use of the energy industry (p. 111). The long-term impacts of the sanctions are not yet known, and the author does not try to answer that question.

Connolly ends the book with an overall assessment of the effectiveness of the steps that the Russian government has taken to mitigate the effects of the sanctions. He compares the results of his analysis with the prevailing theoretical assumptions. All in all, according to Connolly, the Western sanctions have had a great effect on Russia, but not in the way Western policymakers imagined (p. 191). The sanctions have not brought about a severe economic crisis, although they have greatly affected the political economy. Russia has been able to deal with the direct impact of the sanctions relatively quickly. One of the main reasons that was possible is the state's leading role in the system of the political economy. In a "normal" environment, that system would impede economic growth and hinder the development of competitiveness and innovation. In a crisis, however, it has proved itself capable of mitigating the effects of the sanctions. This result, Connolly says, is in line with that part of the theory of sanctions that says an authoritarian state will have an easier time dealing with them than a democracy. He adds that the measures the Russian government has taken in response to sanctions have cemented in place the current shape of the Russian economy. Although the economy has avoided devastating effects from the sanctions, in the future it may be even less competitive and innovative than it is now (p. 196).

According to the author, assessing the impact of sanctions on Russia is difficult because there was a massive drop in the price of oil at the same time sanctions were imposed. The decline in the price of oil has probably had greater effects in the Russian economy than the sanctions. The policies implemented by the state responded not only to sanctions, but also to the fall in oil prices.

The book offers a relatively complex overview of the Russian reaction to the sanctions and lists the main steps taken by the Russian state in reaction to them. The book is not overflowing with jargon, dates, and definitions and thus will serve readers who are not well-versed in the topic. In general, Connolly does not speculate about the long-term

effects of Russian efforts to neutralize the impact of sanctions. However, the issue of the quality of available substitutes for goods and services affected by the sanctions, especially in the energy sector, would be worth mentioning. The substitutes, be they from Russia or from elsewhere, will not likely be as good as those imported from the West, and in the long term Russia's ability to exploit new hydrocarbon deposits will be limited. The overall message of the book is rather optimistic for Russia, but it may be too early to reach such a conclusion.

Connolly's book has the potential to bring not only academic readers but also the general public closer to the internal decision-making processes that drove Russia's response to sanctions after 2014. It can serve as a starting point for further research aimed at determining the ultimate effectiveness of sanctions against Russia. The book can also help us to better understand the tools that states have at hand for dealing with economic sanctions. Connolly expresses the hope that other efforts to impose sanctions will be analyzed in a similar way, which will then help to further improve our understanding of their impact and effectiveness.

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