

HOT AIR

Russia: We May Make Sanctions Compliance Illegal

Taylor Millard

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Russia is confirming comments made by *The Washington Post*'s Carol Leonnig to Rachel Maddow saying U.S. isn't planning to enact any more sanctions. That, however, doesn't mean they're exactly standing pat. Via TASS:

“A source within the Russian Foreign Ministry has verified the facts from an article in *The Washington Post* that cited the position of the administration of US President Donald Trump on sanctions against Russia.

‘I confirm the newspaper’s story,’ the source said.

Earlier, *The Washington Post* reported that the Trump administration had notified the Russian Embassy in Washington about the absence of plans to slap new sanctions on Russia.”

Russia had actually leaked the news earlier in the day to TASS on the phone call.

“The United States has notified Russia through its Embassy in Washington that it will not impose fresh sanctions against Russia for the time being, a source in the Russian Foreign Ministry informed TASS on Wednesday.

‘I can confirm that the US has notified the Russian embassy that there will be no new sanctions for some time,’ he said.”

It's pretty amusing TASS cited “sources” since they're owned and operated by the Russia government. It wouldn't be surprising if the “source” was either Sergei Lavrov or Vladimir Putin himself. My rubles are on the former.

Both AP and Karen have looked at the issue through the lens of Trump's relationship with UN Ambassador Nikki Haley along with the rest of his staff, but a larger discussion should take place on whether sanctions actually work in getting countries to change their ways and policies. Emma Ashford wrote for Cato Institute a few years ago the sanctions placed on Russia after their annexation of Crimea ended up hurting the West more than Russia.

“The brunt is being borne by Europe, where the European Commission has estimated that the sanctions cut growth by 0.3 percent of gdp in 2015. According to the Austrian Institute of Economic Research, continuing the sanctions on Russia could cost over 90 billion euros in export revenue and more than two million jobs over the next few years. The sanctions are proving especially painful for countries with strong trade ties to Russia. Germany, Russia’s largest European partner, stands to lose almost 400,000 jobs. Meanwhile, a number of European banks, including Société Générale in France and Raiffeisen Zentralbank in Austria, have made large loans to Russian companies, raising the worrying possibility that the banks may become unstable, or even require bailouts if the borrowers default.

In the United States, banks are taking much of the impact. U.S. financial institutions have been required by law to freeze and manage tens of millions of dollars in assets of sanctioned individuals. As a result, the banks have had to hire additional legal and technical staff to not only monitor their own accounts but also review any financing arrangements with Russian entities. Failure to comply with the sanctions can be extremely costly: just one error, such as processing a single payment from an interdicted individual, can carry a penalty of up to \$250,000, and the penalties can quickly multiply. In 2010, the Dutch bank abn amro was fined \$500 million for violating U.S. sanctions against Cuba, Iran, Libya, and Sudan.”

Ashford also pointed out issues for American energy companies, like Exxon-Mobil, who had to cancel projects in Russia due to the threat of fines, and the European Union sanctions on Russia would end up hurting the EU’s economy because it’s pretty dependent on Russia oil. It’s the rule of unintended consequences. What is supposed hurt a rogue nation ends up either pushing them into more totalitarianism or into the arms of other countries which don’t exactly have the highest opinion of America. The best example of this is Cuba which stayed communist and in the hands of the Castro brothers because of the trade embargo. Their economy never really flourished and dictators Fidel and Raul stayed in power. Autocrats gonna autocrat and directed economies will end up failing eventually.

Ashford later wrote at *Foreign Affairs* the restrictions really hadn’t done anything to change any policies, and opined it was possible they’d end up causing the U.S. to lose more allies.

“The Nord Stream II pipeline between Russia and Germany, in particular, could face serious barriers to obtaining future funding under the new sanctions. Senior German politicians such as Foreign Ministry Spokesman Martin Schaefer have even questioned whether the congressional sanctions are in fact a tool of “U.S. industrial policy,” aiming to increase U.S. energy exports to Europe by limiting Russian supplies...

(It’s hard to see when and how the United States will end these sanctions, leaving little incentive for the Kremlin to change its behavior. The sanctions may even be beneficial for Russian President Vladimir Putin, allowing him to portray his country’s economic problems as Western-imposed rather than the result of his own poor mismanagement. Putin is facing a presidential election in March, and although no one expects that it will

be free or fair, sanctions may boost his popularity and reduce the perception that the election is rigged.”

Want another example of how sanctions could hurt non-Russian businesses? Russia may move towards making it illegal to carry out said sanctions on their soil, meaning private businesses could be drawn into a court battle with the Kremlin. Via TASS:

“Speaker of the State Duma (the lower house of Russia’s parliament) Vyacheslav Volodin is pressing for the introduction of a ban on carrying out US sanctions on Russian soil and did not rule out criminal liability for its breach.

At a Friday meeting with business representatives and expert circles during the discussion of a bill on countermeasures to fight US sanctions against Russia, the speaker ‘advocated introducing a ban on enforcing US sanctions on the territory of Russia,’ the Duma’s press office reported.

As the Duma speaker explained, ‘it would be right to introduce liability for those who will be guided by anti-Russian decisions of foreign states in their activity on the territory of Russia.’

The lower house speaker also did not rule out ‘criminal liability’ for that.

‘In Russia, we must live according to Russian laws,’ Volodin stressed.”

This is a big problem and again shows how sanctions negatively affect everyone, not just those they claim to target. People here know I believe free markets and free trade are the best way to introduce a populace to the notion of freedom, liberty and a smaller, weaker government. This belief requires people to be patient and willing to wait for sometimes decades to see any actual progress happen in liberating a populace from tyrannical rule, sometimes through small steps. It’s certainly a good thing no new sanctions are coming, but there’s still going to be an economic fallout on other industries and people.