

Economic Sanctions Against Russia Flop. They Hit the EU Much More than Russia

According to The First Comprehensive Study of Anti-Russia Sanctions

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Region: [Europe](#), [Russia and FSU](#), [USA](#)

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Did U.S. President Barack Obama create the anti-Russia sanctions in order to weaken the EU in its competition against America? If so, the policy has been a huge success — it has enormously damaged the EU's economy. But, if Russia was the actual target — as Obama claimed — then it's been a total flop: It has produced \$100 billion loss to the EU, thus far — almost twice as much as the \$55 billion total hit to Russia, and the hit to Russia might be even less than that, maybe even zero, because the harms to Russia included the harms from the plunging oil-prices, which weren't at all due to the sanctions. Furthermore, the sanctions strongly helped Russia's economy, in ways that don't yet show up in the economic data but that constitute long-delayed reforms whose pay-offs will start only during the years to come. Washington's economic sanctions against Russia could thus end up producing a net plus for Russia, on a long-term basis.

The deal that U.S. Secretary of State John Kerry culminated with King Saud on [11 September 2014](#) (after his having started those negotiations on [27 June 2014](#)) to flood the market with oil to bring the oil price down and so harm Russia, which is a giant oil&gas-exporter, has hit Russia very hard, costing the Russian economy perhaps all of the \$55 billion hit to Russia's economy, measured thus far.

These figures come from the first-ever comprehensive study of the effects of the sanctions, a study which also estimates the negative effects upon human rights (this Special Reporteur's chief mandate), but the cost-figures cited here, are entirely economic, not about "rights" at all (which are separately dealt with in the same report).

The study was issued, on September 13th, by the staff of Algeria's, [Idriss Jazairy](#), who is the U.N.'s Special Rapporteur on the Negative Impact of the Unilateral Coercive Measures. His mandate recognizes economic sanctions as being pre-invasion acts of war, and so as being threats to world peace, an up-ramp toward physical warfare. Mr. Jazairy has Masters degrees from both Oxford and Harvard, and is personally grounded in a democratic national legal tradition: [Algeria's Constitution](#) explicitly is democratic: Its Article 6 is titled "Popular Sovereignty" and unambiguously states, in its Sovereignty Clause, which is the most important clause in any nation's Constitution: "(1) The People are the source of any power. (2) The national sovereignty belongs exclusively to the People."

However, the findings by Jazairy's team have nonetheless produced criticisms against him and his team (not against the methodology or the economic statistics upon which the study was based) by [neoconservatives](#) such as Israel's "U.N. Watch." The U.S. Government's "Radio Free Europe," [then cited](#) "U.N. Watch" as an authority against "Russia's state-controlled Sputnik news agency" for Sputnik's having reported the findings. U.S. (and its

allies') 'news'media had been silent about the findings, until Jazairy issued a response on September 15th to those neoconservatives' objections, by headlining ["UN Special Rapporteur rejects accusations of Russian influence on sanctions findings"](#).

At the time of the report's release, on September 13th, there were only two news-reports about it, both from Russia: one on Sputnik radio, and another (the only report that was accessible to Western audiences), which appeared at rt-dot-com, which headlined ["Anti-Russian sanctions cost Europe \\$100bn – UN Special Rapporteur"](#). Other than that news-story at RT, there was no coverage of this U.N. report, at all, in the West.

It should be noted that the U.N.'s own press-operation does everything possible to block the public from having access to the U.N's reports, so that even when Mr. Jazairy's office issued that press-release responding to the neoconservatives' criticisms, and he wrote there "I stand ready to address any questions regarding the legal or factual findings in [my report](#)," that crucial link was to something inaccessible, instead of to [the publicly accessible online link to his report](#).

Until the present moment, there has been no press-report anywhere that links to the publicly accessible web-page, or that quotes more than just a few words from Jazairy's report; and, so, here that is — the core of his team's findings (and **boldfacing** the passages that I consider to be the most important, so that the boldfaced parts constitute a summary of the study's findings):

<http://www.refworld.org/pdfid/59ba95824.pdf>

<https://documents-dds-ny.un.org/doc/UNDOC/GEN/G17/225/95/PDF/G1722595.pdf?OpenElement>

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Report of the Special Rapporteur on the negative impact of unilateral coercive measures on the enjoyment of human rights, on his mission to the Russian Federation ...

49. Most of the cases of unilateral coercive measures investigated by the Special Rapporteur since the mandate was created have involved measures imposed on developing countries. This is the first time that the mandate has addressed unilateral coercive measures targeting such a powerful and strategically important player of the international community. The high level of integration of the Russian Federation in the global economy and the capacity of its economy to react immediately to a changing reality makes this a truly unique case. ...

Impact of measures taken

51. Application of the unilateral coercive measures began at the start of 2014, a time when the price of oil fell substantially. Thus, two shocks occurred simultaneously: the “oil shock” and the “sanctions shock”. In view of the complexity of the mix of those causes, it is difficult to determine the discrete impact of the sanctions shock. According to some unofficial estimates provided to the Special Rapporteur in Moscow, they may have caused at most an average reduction of 1 per cent of the gross domestic product (GDP) of the Russian Federation between 2014 and 2016. It remains that **the main adverse impact of the reversal of economic fortunes was attributable to the drop in oil prices.**

52. The following evolution of general living standards has been observed on the basis of the data provided by the Federal State Statistics Service; part of the evolution can clearly be ascribed to the “sanctions shock”, though it is impossible to quantify precisely to what extent:

(a) The trend of overall personal income of the population, which had been increasing at a rate of 4.6 per cent in 2012 and 4 per cent in 2013, was reversed thereafter, falling successively by 0.7, 3.2 and 5.9 per cent for the following years up to and including the first quarter of 2016;

(b) The number of people living below the poverty line (defined to be 10,000 roubles), which had been falling since 1992 with very few exceptions, rose from 15.5 million in 2013 to 19.8 million in 2016, or 13.5 per cent of the total population;

(c) Of those living under the poverty line, some of the most vulnerable population groups — the 7-16 age group, women of working age and pensioners — were reported to have been most affected.

53. In terms of macroeconomic analysis, the combined impact of the two shocks reduced growth from 1.3 per cent in 2013 to 0.7 per cent in 2014 and to - 2.8 per cent in 2015. As a result of adaptation to the post-shock situation, there was a turnaround in economic activity already in the first quarter of 2016, with a negative growth rate of - 0.02 per cent, despite the fact that oil prices remained low. That rate moved back into positive territory in 2017 without any lifting of unilateral coercive measures. Over the past 12 months, the rouble appreciated by 15 per cent against the dollar. This is evidence of a successful adjustment. ...

54. While the unemployment rate overall remained around 5.5 to 5.6 per cent, small and medium-sized enterprises lost over 15 per cent of their employees over that period and were incited to reduce investment by the climate of unpredictability resulting from the sanctions.

55. The reasons why the impact of economic sanctions on the enjoyment of human rights was not more severe in the country seem related to the following facts:

(a) The Government applied very effectively a counter-cyclical policy by letting the rouble float and by increasing the share of the State sector to substitute for the sanction-imposed ban on foreign funding for the corporate sector beyond 30 days, by reducing considerably the rate of inflation through conservative management of the economy and by ex-post compensation of inflation losses incurred by pensioners;

(b) The economy demonstrated great resilience and a capacity to adapt to new circumstances through Government-assisted restructuring to promote local funding of projects formerly funded by external sources;

- (c) The diversification of the economy away from oil was given new impetus;
- (d) Emphasis on research was increased, returning to an earlier stage when, in many sectors, including space technology, the Russian Federation was at the forefront (it should be noted that, according to Russian officials, cooperation with the United States in advanced space technology was maintained, including for the supply of engines for spacecraft, despite the ban on the export of advanced drilling technology by the United States); this enabled the Russian Federation to enhance its oil production in the Arctic by developing its own capacities for horizontal drilling and its production of shale oil, for which it had previously relied on foreign partners;
- (e) Effective import substitution technologies were put in place, in particular in agriculture, to dispense with imports from the European Union that were the subject of retaliatory measures;
- (f) A policy was quickly introduced to pivot towards other partners in Asia and other regions.

56. As in many other countries targeted by sanctions, there was a “rally around the flag” reaction, which led the population to accept the inconveniences caused by the unilateral coercive measures. ...

64. The rough estimate of the adverse impact of the sanctions on the Russian Federation, if disentangled from the oil shock, is an average loss of 1 per cent of GDP. That seems to be a reasonable figure since, after “digesting” the oil shock, the difference between actual and potential GDP for 2017 is of about 0.80 per cent according to the International Monetary Fund.²⁴ That output gap would amount to a direct loss therefore of some \$15 billion per annum for the Russian Federation or a total of \$55 billion so far.

65. The resulting overall income loss of \$155 billion is shared by source and target countries. Although both source and target countries can internalize those losses, it is not clear that any partner is cowed by them or indeed that any rights holder, least of all European smallholder farmers, benefits from them. Meanwhile, business opportunities are forgone, curtailing the right to development of trading partners. Even if direct losses to the Russian Federation from unilateral coercive measures were twice as high as provided in the above estimate, source countries are having to suffer equally or more from the sanctions than the country they target. They may also be more vulnerable as, unlike the Russian Federation, they do not all have a consistent international trade surplus or such high foreign exchange reserves, which, in the case of the Russian Federation, remained consistently above \$300 billion since sanctions were applied.²⁵ So, while the sanctions were more political than economic, they have led in the process to a regrettable deterioration of the standard of living of the most vulnerable population groups in the Russian Federation and have also adversely affected smallholder farmers in Europe.

Investigative historian Eric Zuesse is the author, most recently, of [They're Not Even Close: The Democratic vs. Republican Economic Records, 1910-2010](#), and of [CHRIST'S VENTRILOQUISTS: The Event that Created Christianity](#).

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