

The Case for Keeping Sanctions against Russia's Defense Sector

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Aug 12, 2016

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Articles & Testimony

Lifting EU sanctions would undermine the effectiveness of U.S. sanctions and confirm to Putin that intransigence and defiance reap rewards.

September 12 will mark the two-year anniversary of the European Union's [sanctions \(http://www.bbc.com/news/world-europe-28400218\)](http://www.bbc.com/news/world-europe-28400218) against Russia for its military aggression in eastern Ukraine, an augmentation of what it had already applied six months earlier following Russian President [Vladimir Putin \(http://www.forbes.com/profile/vladimir-putin/\)](http://www.forbes.com/profile/vladimir-putin/)'s annexation of Crimea.

The September 2014 sanctions targeted Russia's military. For instance, the sanctions set up export-control provisions that deny military and certain dual-use technologies to any Russian company engaged in defense work. They also prevented certain Russian defense industry companies from buying EU-made technologies or accessing EU-based financial services.

Russia is the EU's third largest trading partner, but despite losses in certain sectors, the European Parliament [concluded \(http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/569020/EPRS_BRI\(2015\)569020_EN.pdf\)](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/569020/EPRS_BRI(2015)569020_EN.pdf) in October 2015 that the "overall impact on the EU economy has been rather limited." And while much talk about the sanctions tends to focus on the damage to the European economy, too often lost in the discussion is that sanctions against Russia's defense sector have been effective. But in order for them to continue to be effective, both EU and U.S. sanctions have to remain in place.

Why Dual-Use Imports Matter

Commercially available technologies such as microelectronics and quantum have increasingly important modern military applications. Certain dual-use high-technology exports are particularly important for Russia. For example, [according to \(http://www.ewdn.com/2014/07/07/russia-wants-no-more-reliance-on-foreign-high-tech/\)](http://www.ewdn.com/2014/07/07/russia-wants-no-more-reliance-on-foreign-high-tech/) Russia's deputy Prime Minister Dmitry Rogozin, "all the chipsets and receiving modules for GLONASS [Russia's version of GPS] are produced outside of Russia."

The Russian military declined sharply upon the break-up of the Soviet Union: successor states inherited production facilities hampering supply chain problems. Following the 2008 invasion of Georgia, the Russian military embarked on major reforms to remedy difficulties encountered even against a much smaller opponent. Russia began to purchase military items it could not produce independently, which, in hindsight, made Russia vulnerable to sanctions. An October 2015 NATO report noted the effectiveness of focusing on dual-use technologies. "The Russian electronics industry imports 25 to 30% of its components," it observed. "Unlike the purchase of arms, Russia's efforts to modernize its defence industrial plants will likely be significantly affected by sanctions, since the domestic machine-tool industry is largely unable to produce the advanced equipment these plants require for production."

Response to Sanctions: Ineffective Import Substitution

In response to the Western sanctions package, Russian officials have said that the sanctions will only encourage Russia to augment its own high-tech military technology. They also announced a turn to [Asia \(http://www.forbes.com/asia/#7cdce9f36b76\)](http://www.forbes.com/asia/#7cdce9f36b76) for some electronics. Still, top-level Russian officials also talked openly about the damaging effects of the sanctions.

Thus, Rogozin complained in July 2016 that sanctions [hinder \(https://rg.ru/2016/07/13/reg-urfo/sankcii-meshaiut-razvivat-otnosheniia-s-kr.html\)](https://rg.ru/2016/07/13/reg-urfo/sankcii-meshaiut-razvivat-otnosheniia-s-kr.html) developing technology trade with China. Putin himself [said \(http://xn--h1akeme.ru-an.info/%D0%BD%D0%BE%D0%B2%D0%BE%D1%81%D1%82%D0%B8%D0%B2%D0%BB%D0%B0%D0%B4%D0%B8%D0%BC%D0%B8%D1%80-%D0%BF%D1%83%D1%82%D0%B8%D0%BD-%D0%BF%D1%80%D0%BE%D0%B2%D1%91%D0%BB-%D1%81%D0%BE%D0%B2%D0%B5%D1%89%D0%B0%D0%BD%D0%B8%D0%B5-%D0%BF%D0%BE-%D0%B2%D0%BE%D0%BF%D1%80%D0%BE%D1%81%D1%83-%D1%80%D0%B0%D0%B7%D0%B2%D0%B8%D1%82%D0%B8%D1%8F-](http://xn--h1akeme.ru-an.info/%D0%BD%D0%BE%D0%B2%D0%BE%D1%81%D1%82%D0%B8%D0%B2%D0%BB%D0%B0%D0%B4%D0%B8%D0%BC%D0%B8%D1%80-%D0%BF%D1%83%D1%82%D0%B8%D0%BD-%D0%BF%D1%80%D0%BE%D0%B2%D1%91%D0%BB-%D1%81%D0%BE%D0%B2%D0%B5%D1%89%D0%B0%D0%BD%D0%B8%D0%B5-%D0%BF%D0%BE-%D0%B2%D0%BE%D0%BF%D1%80%D0%BE%D1%81%D1%83-%D1%80%D0%B0%D0%B7%D0%B2%D0%B8%D1%82%D0%B8%D1%8F-)

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in September 2015 at a meeting in Novoye Ogaryovo on microelectronics development, "Some of our foreign partners in recent years threaten the reliability of the supply of components and equipment from abroad."

Domestically, Russia resorted to import substitution but has so far been unable to create a viable alternative to Western technology. A recent [IHS \(http://www.forbes.com/companies/ihc-inc/\)](#) Jane's report ([http://www.janes.com/article/62063/indian-navy-reports-problems-with-russian-carrier-aircraft](#)) noted a number of problems with the Mikoyan MiG-29K/KUB aircraft Russia sold to India, first and foremost of which has been Russia's inability to deliver complete aircraft due to sanctions.

According to a report ([http://carnegie.ru/publications/?fa=64118](#)) by the Carnegie Moscow Center, Russia showcased an MC-21 plane at the Farnborough air show in July of this year, but the planes are not selling abroad. "European and American sanctions have been a nightmare for the MC-21 project," it explained, largely because the project has more than 20 foreign partners.

In February 2016, four Russian satellites turned out to be too heavy for launch vehicles due to import substitution in electronics, [according \(http://www.interfax.ru/russia/495385\)](#) to Interfax.

One Russian analyst [wrote \(http://vpk-news.ru/articles/29967\)](#) for Russia's *Voyenno-Promyshlenny Kurier* (Military-Industrial Courier) in March 2016 that hopes for China to substitute Western technologies have not borne fruit, as their sample products have proved of lower quality. "Two exits are left out of the crisis situation," he wrote, "wait for the earliest lifting of sanctions or re-create microelectronic production." But while Russia has taken certain steps toward the latter, the near future at least, he concludes, remains bleak, as a number of large projects have died out. The problem, he explains, is "neither the state nor private sector can ensure the demand for ECB [electronic component base] to such an extent that serious production would be run in Russia. Roscosmos enterprises will buy dozens, perhaps hundreds of microchips, to the development of which billions of rubles can be spent, and then there would be no one to offer them to."

Sanctions Could Indirectly Help in Syria

For Putin, Ukraine and Syria are in some respects part of the same theater. Putin has consistently dangled the prospect of Syria cooperation to entice Western leaders to lift the sanctions, never mind that the Russian military has not actually targeted the Islamic State with any consistency and may actually have strengthened it by [bombing \(https://www.bellingcat.com/news/mena/2016/06/21/al-tanf-bombing-russia-assisted-isis-attacking-us-backed-fsa-group-cluster-bombs/\)](#) its rivals in the opposition.

In private, some Western officials express doubt that the EU will renew sanctions in January 2017. To lift EU sanctions will be to undermine the effectiveness of U.S. sanctions and confirm to Putin that intransigence and defiance reap rewards.

The implications of lifting EU sanctions go deeper, however. Much equipment Russia deployed to Syria -- Italian Iveco vehicles, for example -- it acquired before the imposition of sanctions. To lift sanctions might enable Russia to upgrade its forces not only in Syria, but also those pitted against vulnerable NATO allies in Eastern Europe. It's time to recognize that Putin cares more about dividing and defeating the West than cooperating with it.

Anna Borshchevskaya is the Ira Weiner Fellow at The Washington Institute. ❖

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