



How Russia Thrived Despite Unprecedented Sanctions

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Glenn Greenwald (GG): Professor Siegel, thank you so much for taking the time to be with us tonight. It's great to have you.

Prof. David Siegel (DS): Thanks for having me, Glenn.

GG: Sure. So we just went through this kind of, you know, several decade old body of research about how sanctions often fail to achieve their stated outcome and at the same time impose all kinds of harms on the countries that we're targeting without any sort of benefit geographically in the United States. If I know about all this, and you're doing work and you're able to constantly warn that Russian sanctions on Russia would be unlikely to change their behaviour, clearly a lot of people in Washington know that as well. So what is the rationale for this ongoing imposition of sanctions on so many countries, including this new round today or this week on Russia?

DS: It's hard to say, to be honest. I mean, a lot of it, some people would say, it's purely symbolic. Because most people know that the sanctions don't really work and are not going to work. I think there's an important distinction to be made. You're making it implicitly and others make it implicitly, but there's a distinction between the political effects of sanctions and the economic effects of sanctions. When we say that they don't work, what we mean – it's not just me, there's a huge academic literature on this, there's a consensus that, politically speaking, they don't work. They don't cause the target state to change its behaviour. Economically, they tend to be devastating. But the economic devastation is not supposed to be the goal. The economic pressure is supposed to produce a political outcome, and that political outcome seems never to materialise in all the cases that you just mentioned. I mean, there have been sanctions on Cuba since the 1950s. Cuba, Iraq, Venezuela, Iran, North Korea, and the list goes on. I had actually argued that the sanctions on Russia not only were not working politically, but they were counterproductive and were causing Russia to become more antagonistic. This I wrote, actually, before the Russian invasion of Ukraine. I think it's important to note that the U.S. sanctions on Russia did not begin two years ago. That's the common framing now in the media. The sanctions on Russia started in 2014 under Barack

Obama, and they were continued under Donald Trump. And they've now obviously ratcheted up significantly after 2022, after the full scale invasion of Ukraine. But the U.S. sanctions on Russia began after Russia annexed Crimea in March 2014. So we're nearing the ten year anniversary. At the time, this was seen as a radical kind of U.S. move, and it was pretty clear after a few years that they were not changing Russian behaviour. The stated objective at that time was to get Russia to withdraw from Crimea and give up its territorial ambitions there. Obviously, Russia did not do that.

In 2018, former Ambassador Daniel Fried, who was an architect of these sanctions under the Obama administration, was taking questions at a Senate hearing and defended the sanctions as working based on the logic that even though Russia was not withdrawing from Crimea, it was preventing Russia from taking more aggressive measures that it otherwise would take if sanctions were not in place. And he specifically said that if we had not imposed sanctions on Russia, they would have invaded Ukraine and conquered all of Ukrainian territory. That was in 2018. What's happened? Sanctions were continued under the Trump administration. It clearly did not prevent Russia from invading Ukraine in 2022. Now the United States has ratcheted up those sanctions. There's enormous sanctions on Russia at this point. And as you said, it seems to be having not only is it having no political effect, but I think actually what's really interesting and novel is that they're also having no economic impact. That's different from other cases of sanctions. Russia has been able to, very skilfully navigate through these sanctions, building new trade alliances with China and India, Iran, basically the BRICs countries. It's getting off the dollar. It's separating itself from the U.S. financial system, and it's still able to survive. Its oil revenue remains the same. Its economy, as you noted, the IMF actually predicts that Russia's economy is going to grow by 2.6% in 2024. That would make it the leading country in all of Europe. And when the sanctions were first imposed in 2022, after the full scale invasion of Ukraine, we were told that the Russian economy was going to collapse. A lot of those same people are now saying, Oh, yeah, Russia's economy is growing, but the only reason it's growing is because it's spending so much on the military. And the rationale of the sanctions was precisely so that Russia was not going to be able to spend money on the military. It's like the logic of the experts is constantly being rewritten. And it's pretty clear, actually, what all of this means is that the United States is losing its economic influence and is not able to shape the events at a global level, as it has been able to do since the end of the Cold War. The United States really started relying heavily on sanctions after the collapse of the Soviet Union, because it was a very easy way to go around the world and sort of exert its strength. But here it's pretty clear, it's like, not having very much influence at all.

GG: So I do want to ask you about and explore that question of whether there's kind of multi-polarity is really here, whether the BRICs alliance is actually providing now a formidable alternative to a lot of these countries who I think are driven by a lot of resentment over the idea that the United States can just dictate to the world who can trade with them and who can't, whenever the United States feels displeased with some of their actions. There's a lot of resentment driving the emergence of this alternative coalition. But just to make, I guess, the best case for the sanctions regime that I can or to hear your argument against it, I think the

argument is that even if it doesn't dislodge the government from power, that what it ends up doing is it ends up significantly impeding the lives of the people who wield the most amount of power in those countries; the wealthiest people, the elites, the oligarchs. Just this week, for example, Brazil, as kind of an illustrative example, the Russian foreign minister, Sergey Lavrov, was visiting Brazil, and he originally went to Rio de Janeiro for a G20 meeting, where he happened to be in the same room with, Secretary of State Blinken, where they didn't talk, but they were one of a very few number of officials in the same room with the mayor of Rio de Janeiro. And when the Russian foreign minister was scheduled to then travel to Brasilia to meet with President Lula da Silva, he couldn't get gasoline for his plane, for the Russian plane, because the providers of aircraft fuel in Brazil are all tied to the U.S. economy and we're concerned about the ramifications that they sold fuel to the Russians. And so Lula dispatched a government plane, a military plane, to take Lavrov to Brasilia. But it's kind of an example of how a lot of the people in Russia, the political officials, the elites, the kind of oligarchs who used to travel to Western Europe and now have had their assets seized or have had their lives impeded, that that kind of pressure is supposed to foster behavioural change. That was what you addressed in your article. Why doesn't that work? I mean, there does seem like those impediments are real, at least in some instances.

DS: Right. Logically, it seems like those sanctions should have worked. And by that I mean, if you go back to 2014, the sanctions that the United States first imposed on Russia are what are called targeted sanctions. They weren't intended to affect the broader Russian economy. They were really designed to target Putin's closest allies and officials in the Russian government to make them bear a personal cost in the ways that you've just described, by freezing assets or making it very difficult to access their wealth that they have stored in European and American banks. And the logic is that these are the people that Putin relies on to stay in power. I think that's actually true; that underlying truth that that's correct. Putin does rely on these very wealthy oligarchs to stay in power. And Putin is supposed to understand the politics of those people having serious grievances. You know, he's supposed to therefore change Russian policy to appease them, but it simply has not had that effect. Putin was able to do various kinds of things by using the levers of the state and using credits and subsidies and tax policies, and incentivising a lot of oligarchs to bring their money back into Russian banks.

One of the paradoxical effects of those sanctions, those targeted sanctions in 2014, is that Russia had a huge inflow of capital. I mean, oligarchs are moving all of their money out of European and American banks, and are recapitalising the Russian banking system. Russia's banks actually, just as another piece of evidence of how badly these sanctions work economically, Russian banks just posted their largest ever profits this year. The money of the oligarchs is now basically being protected by the Russian state. And I would say there is more of an alliance between the Russian oligarchs and Vladimir Putin than there was before the sanctions started. So they're having a counterproductive effect. I mean, there was an article in Bloomberg that stated this very bluntly, it was from 2017 or 2018, that said the sanctions are bringing Russia's oligarchs right into Putin's arms. They're consolidating the state elite there. And I think before this, a lot of Russian oligarchs, I mean, they were

internationalists, they were bringing their money all over the world. They had incentives not to keep it in Russia, of course, because the rule of law is not very strong there. And now the opposite is true. I think they feel vulnerable to European and American power, and they have an incentive to work more with the Russian state and keep their assets inside Russia.

GG: There were Russian oligarchs, like the brothers who founded the encrypted app Telegram, who then also founded kind of the Russian Facebook, who kind of got driven out of Russia for not turning over data. And they had their wealth trifled with. I mean, they're certainly doing perfectly fine, but there have been other instances of billionaires, Russian billionaires being expelled or having their wealth seized. So there did seem to be an incentive that has now backfired, as you said. But beyond that, a kind of economic component that you just very adeptly laid out: I think one of the things that has alarmed people or left a lot of people confused and I may even count myself among them, is the fact that we spend almost \$1 trillion a year on our military, and we have done everything possible to try and get artillery into the hands of the Ukrainians and not just us, but all of our NATO allies, everyone in Europe has done the same and somehow, under this supposedly very intensive sanctions regime that we were told we're going to make the Russian run out of bullets, I remember being told that in April and May and June of 2022, the Russians have wildly out produced all of the NATO, including the United States, when it comes just to the mere production of artillery, a major reason that they're winning the war, along with drones and other things. How have they been able to do that? How have they been able to manufacture and produce so much more military equipment than even the wealthiest and most militarised country in history, which is the United States?

DS: Well, first of all, Russia has a huge arms industry. So I mean, they're quite good at making weapons. The problem is that the sanctions were supposed to restrict their ability to get imports into their weapons manufacturing. And they've been able to get around this quite easily, actually. They've just started importing all of those products from China, for one. I mean, that's basically why the sanctions are not working. China is basically providing Russia with everything that it needs. Russian imports from China have skyrocketed. Its imports from Europe and the United States have plummeted, and China's made up most of the difference. In addition, Russia has worked a lot with the states of Central Asia and the Caucasus to a slightly lesser extent, Turkey. And has basically found buyers in those states to import these goods from both Europe and the United States. So, for example, they'll be imported into Kyrgyzstan and then Kyrgyz's businesses will export them to Russia, completely skirting the restrictions. So in other words, Russia actually is still able to get a lot of inputs from the West. I actually read a report – I don't know if, you know, it's almost anecdotal, but the Russian weapons that have been recovered on the battlefield, like 98% of the components, are still from Western sources. I also read a report recently, you know, British exports to Russia plummeted by 75% after the sanctions, after 2022, but its exports to Uzbekistan went up by the same amount. And whose back exports to Russia went up?! So it's like all of the product is just moving through other places. And honestly, Russia's been politically and diplomatically adept at navigating through this. China and India are huge counterweights to the United States.

And this is why I do think this marks, I mean, you know, I hate to make such bold statements, really, but it potentially marks a huge change in geopolitics where you do see this transformation happening, where the economic power of China and India and the BRICs as a bloc really does seem to be undermining the power of the United States and Europe. Again, politically, the sanctions probably would have never worked anyway. But economically even, Russia's basically able to get around them. There's almost no discernible impact of the sanctions economically in Russia, like in the case of Venezuela or Iran, as you described earlier, you just don't see that in Russia; stores are full, people have consumer products. I mean, there's some inflation. The economy does have like every other economy, there are problems. I just spoke to somebody in Moscow today, and there's no discernible change in everyday life in the economy there.

GG: One of the obvious specialties that you have as a scholar, an academic is the former Soviet state, which of course includes Ukraine. So I just want to ask you, there's of course, a protracted debate in the United States about what caused the invasion in 2022 of Russian troops into Ukrainian territory. Obviously, there's been a raging civil war of Russian backed separatists in eastern Ukraine against the central government in Kiev and the like, but obviously a big escalation when Russian troops in this number invade Ukraine. And obviously some people say, well, it's because Putin, just out of the blue, became a bad man, sort of like a Hilarion figure. I don't think it's a very serious theory, but a lot of people are convinced that in the United States. Others say that he suddenly has territorial ambitions to conquer all of Ukraine. And then, of course, others say that it was, at least in part, a defensive act against provocative acts by NATO and the United States to threaten this very sensitive part of the Russian border with NATO expansion and other kinds of interference in Ukraine. What is your view on that overall question of what finally led Putin and the Russians to invade on this level in February 2022?

DS: Yeah, that's a great question. I won't claim that I know the answer. And I think one of the reasons why I think that this happened is because there are so many reasons for Russia to do it. So, there's probably some truth to all of the different causes that have been discussed. But I happen to put a lot of weight on Russia's concerns about NATO expansion. And the reason for that is there's a pretty long and well-documented history of Russia speaking out against NATO expansion explained very, very clearly and I'd say even politely in its diplomacy over the course of 20 years that it finds NATO expansion to be threatening, that it would prefer that there wasn't NATO expansion, that it would like to work closer with NATO. And then, of course, most famously in 2008, when George W Bush opened the door to Ukraine and Georgia, I mean, what had Putin said at the time?! This is a red line. This is a major threat to Russian security. The other possible causes, let's say that heightened Russian ethno-nationalism and its desire to reunite with the ethnic Russian people of Ukraine or protect ethnic Russians in eastern Ukraine, there's something to those; I mean, that's real. And certainly the Russian public, I think, there's an emotional appeal to the Russian public for those reasons. And those reasons are quite real. But you don't see decades long insistence by the Russian leaders that this is very important, you know. And to me, that helps break out from like the news cycle context. And if you just think about it historically and pay attention

to what Russia's been saying, it seems like NATO expansion is a huge part of it. If not, you know, again, in my view, I know you had John Mearsheimer on the show many times and I mostly agree with him on this issue.

GG: So let me ask you a little bit about internal Russian politics, which is something I think we learn very little about in the West because it's so much propaganda. And it's hard to discern truth from propaganda. In 2008, there was this memo written by the current CIA director, Bill Burns to Condoleezza Rice and other Bush officials who were kind of proponents of NATO expansion, in which he basically said what you just said, which is that not only for Putin, but essentially everybody in Moscow, including Putin's liberal opponents and critics, the idea of NATO expansion into Ukraine is a red line. It's not just for Putin, it's for pretty much the entire political class in Russia, including Putin's political opposition. This week, of course, there was a ton of attention paid to the death of Alexei Navalny. I think a lot of people ended up being surprised to learn that, at least in his past, if not his present, he had a kind of political ideology that to the Western and American ears sounds very, I guess you could say fascist, you know, very kind of shocking statements about how he views Muslims and other non-white people in Russia; as being subhuman, the need to exterminate them, some of these ads that he did. There are people in 2019, 2020, 2021 describing Navalny as kind of more extremist or more nationalist or more to what we would, if you want to impose the left-right framework on Russia, more to the right, the far right, certainly than Putin is. And I think a lot of Americans want to believe that there's this Russian opposition that's just very liberal, very pro-Western, very similar libertarian rising up against Putin. What do you make as best you can of the nature of Russia's internal politics, the extent and nature of whatever opposition there is to Putin's rule?

DS: Yeah, that's a great question. The simple answer is that what we would call liberalism, let's say pro-Western, pro-democratic forces in Russia have simply been decimated and a large reason for that is a legacy of the 1990s. The liberal parties of Russia basically were – the parties that led the path towards the post-Soviet transition were in power under Yeltsin by the transition to capitalism, the transition to democracy and the policies of the 1990s were absolutely disastrous for ordinary Russian people. I mean, it's just undeniable. And as a result, the liberal parties of Russia have just lost. I mean, they've just lost power. They're just not popular. I mean, the devastation of the 1990s really undermined the liberal movement and liberal parties of Russia. And they were never that popular to begin with.

GG: But if I could just interrupt there, because it's not intuitively obvious why that would be true. You know, I guess the narrative is that what ended up happening with the United States and Yeltsin there was kind of this austerity and this neoliberalism imposed on Russia. There was a lot of corrupt privatisation that made a ton of people very, very rich at the expense of pretty much everybody else. Why would those events cause a decline in popularity for the liberal parties, which oftentimes benefit when people are angry about austerity and neoliberalism and like?

DS: Well, they were the parties that were carrying out these exact policies. So when I say liberal parties, I mean these were the parties carrying out the privatisation, very rapid

privatisation, and these were the parties sponsoring the loan for shares and basically the theft of state property. At the same time, you know, ordinary people didn't have savings because the Soviet economy was basically a non money economy and people lost their pensions. There were serious hardships. There's almost a generation of people that really had a significantly reduced standard of living. And honestly, it's really under Putin that – one of the reasons that Putin became popular is he really led Russia out of this era and sort of re-established some semblance of a more normal standard of living.

In the context of Russian politics, the reality is, there just isn't a strong liberal opposition. There was Boris Nemtsov before – again he was a pretty popular figure, but he was not... It's still fairly marginal. I mean, Putin is extremely popular even right now. Even if they had free and fair elections, there's a very good chance he would win. Now, of course, there's been a very, very heavy hand against other opposition leaders. But Alexei Navalny was even at the height of his popularity, you know, he was relatively popular among urban, mostly younger people, educated people, urban people who were better off. He had very, very little following in Russia's rural areas, which are dominant. You know, Vladimir Putin carries the rural regions of Russia, the less educated population. But even Alexei Navalny, as you started to indicate, he's not really a liberal in the sense that we would understand in the West. And he was an ethno-nationalist. In the 2008 war between Russia and Georgia, Alexei Navalny went far more extreme than Vladimir Putin did at the time. At the time, this was one of the first Russian wars, where the West, people in the West, were outraged that Russia was invading another country. Alexei Navalny at the time, if I remember, actually called for the expulsion of Georgian citizens from the Russian Federation. And Vladimir Putin is, by comparison, much more of a pluralist, especially at that time, I think he's less so now. And I don't mean to, I certainly don't want to sound like I'm defending Vladimir Putin, but I think within the context of Russian politics, the liberal parties or the pro-Western parties have done a lot to undermine themselves. I will say, you know, I do want to add, just for the sake of some balance here, I mean, Alexei Navalny, I think he was not the kind of hero that he's made out to be in the West, but I do think the guy had a lot of guts.

GG: Absolutely. Oh for sure. I mean, he went back to Russia knowing what his fate was likely to be. There's no taking that away from him.

DS: Yeah, absolutely. So I don't want to...

GG: No, no, for sure, for sure. I just wanted to get... You know, I think everyone can recognise that. And I think it, you know, it is impressive. I think when people sacrifice for a cause independent of what you think of their cause, you have to admire that, just like on a kind of personal level. That level of physical and moral courage, I think, is rare. But I also think it's important to distinguish propaganda from reality. I mean, just in general, that's a good thing to do. Well, let me ask you one last question. I could ask questions for a lot longer than that and well, we'd love to have you back on. Obviously, Russia is a very important country, more so than ever to the United States, because of how much focus there is on it, at the attempt to blame it. Let me ask you about the last couple of decades of the U.S. or the Russian-Western relationship, the Russian-U.S. relationship. Putin loves to emphasise and he

did so again in this recent interview that he did with Tucker Carlson, that there was part of the history between the U.S. and Russia where he thought that the Russians could actually integrate into the West, almost to the point of even joining NATO. Maybe that wasn't really a serious proposal, kind of just more symbolic, but certainly if you listen to the statements of U.S. presidents, starting with Clinton going to Bush, he famously said he looked into the eyes and the soul of Vladimir Putin and think he's a good person. Obama talked a lot about how he didn't want to confront Russia. He thought there were ways that the U.S. and the Russians could work together in places like Syria, where they had common enemies and in facilitating the Iran deal. He certainly didn't want to confront Putin over Ukraine or Syria. He didn't think it was worth it. Obviously, Trump ran on a platform of better relations with Russia. How much of an opportunity was there, really, that has been just squandered by whichever side you want to assign the most blame to? But how much of an opportunity was there really, from the perspective of Putin, the willingness and inclination of Putin to have much more constructive relationships with the United States and the West than Russia ended up having?

DS: Yeah, that's a great question. And there's plenty of blame to go around. I think one very important episode that is not well appreciated, understood in the United States is that after September 11th – Russia and the United States had entered a rocky patch in the late 1990s with the NATO bombing of Serbia, which was a Russian ally. And of course, the fact that that bombing was carried out by NATO, which Russia saw as an anti-Russian force in an offensive military campaign, made Russia very unhappy. But after September 11th, Vladimir Putin was the first foreign leader to call George W Bush. And they had already had a very good relationship and that they, from many accounts – there's a book by Peter Baker that documents a lot of this – they really were like looking toward cooperating in this post 9/11 world, because Russia had all these concerns about terrorism in Chechnya, and now the United States was going to be focusing on Afghanistan and there is a lot in common, a lot of security interests in common. And Vladimir Putin was talking about the U.S. Soviet alliance during World War Two. That's sort of like what some of the thinking was. And he actually offered George W Bush, he offered to help him establish U.S. military bases in Central Asia, which was a part of the Soviet Union. I'm talking about post-Soviet Central Asia and East Pakistan and Kyrgyzstan, areas where the United States basically had no relations at all, almost no influence. They had only been independent for a decade at that point. And the U.S. turned him down, actually.

And I think the reason for that had a lot to do with the Cold War era mindset among the leaders of the American government at that time. The George W Bush cabinet was made up of a lot of Cold War hawks. They told Vladimir Putin, we will establish military bases there, we don't need your cooperation. Like, we don't want you to think that we have to rely on you to do it. This is quite almost explicitly what they said. And, really pushed him to the side and made a very forceful effort to sort of establish bases there without Putin's approval or support. This was on top of, at that time, the United States advancing its missile defence program, which meant eliminating the Anti-Ballistic Missile Treaty, which the United States basically tore up unilaterally, I think in the same year, 2001, and all these other measures that really were very difficult for the Russians to accept, I mean, on top of NATO expansion happening

simultaneously. So I don't know that I could explain why the United States took these positions other than some combination of Cold War era hawkishness among the foreign policy establishment and also a neoconservative sort of – there was that famous idea of the unipolar moment that because Russia was kind of down, the United States had this opportunity to remake the entire world and establish itself as the only significant power while it had the opportunity to do so. And I really think the United States bears more of the responsibility, for no other reason that it was the more powerful actor and could have made concessions to Russia, in the interest of having a more fruitful partnership; and real obviously is not gone in that direction. Stephen Cohen, the famous historian, well, he's passed away now, but he was saying even I think as early as 2008 that there was a new Cold War. And that was very prescient. I think that's very clearly the case now. I think nobody would disagree with that.

GG: Absolutely. And unfortunately, there's no denying that.

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