This article explores the economic context behind Germany’s decision to impose sanctions on Russia in 2014 in response to the Ukraine crisis, through the lens of energy and natural gas. It does so by comparing 2014 with another moment in German-Russian relations when questions of energy, economics, sanctions, and transatlantic politics converged—the Yamal natural gas pipeline in 1982. Then, West Germany had little economic latitude to disrupt trade with Russia because of its high unemployment rate, its balance of payments problems, and the large investments major German corporations had made in Yamal. Consequently, Bonn broke with the United States over the question of sanctions. In 2014, by contrast, Germany’s strong economy, robust balance of payments, and the absence of a united business front opposing sanctions gave Berlin the space to pursue a non-economic agenda and support the United States in imposing sanctions. The article concludes that these cases illustrate how Germany should not be characterized as a “geo-economic power,” insofar as Berlin still has the space to prioritize goals such as the advancement of democracy and human rights over its need to promote exports and secure imports of raw materials.
In this article, we examine Russia’s geo-economy under the economic sanctions imposed by the EU, the USA and many other states since spring 2014, including restrictions on economic cooperation in areas such as trade, certain types of energy technology, access to credit, trade in arms, travel bans and asset freezing. They impede the industry’s middle- to long-term prospects while some Russians perceive new opportunities for its domestically induced modernisation. Along the financial dimension, low oil prices since mid-2014 shape existing fossil fuels trade more than the sanctions, which have no impact on Russia’s arms exports. The combined effect of low oil prices and sanctions on Russia’s state budget, the financial sector and the rouble is severe.