EUROPEAN UNION’S SANCTION PACKAGES AGAINST RUSSIA: CONTENTS AND IMPLICATIONS

Zhuldyz KANAPIYANOVA ¹

¹ Khoja Akhmet Yassawi International Turkish-Kazakh University, 050004, Almaty, Kazakhstan
juldyz777@hotmail.com
ORCID: 0000-0002-2992-7390

ABSTRACT

With Russia’s attack on Ukraine on February 24, 2022, the European Union began to impose a series of sanctions on the Moscow government. The history of sanctions began with the 2014 annexation of Crimea and is now being expanded to target various industries and individuals. In this context, in the study, the contents of the sanctions implemented and their effects on Russia are discussed. Based on the evaluation of experts in different regions and statistics, it was assumed that the sanctions did not have much effect on stopping the war but were effective in slowing down the country’s economy and influencing different sectors.

Keywords: Sanctions, Russia, Ukraine, War, European Union.

Received: 01.07.2023
Accepted: 27.07.2023
INTRODUCTION

Sanctions are understood as prohibitions that one country imposes on another country, specific people, or companies. But this is only one of the varieties of sanctions. Sanctions are punishments for non-compliance with agreements or rules of work. They can be listed as criminal, administrative, disciplinary, property, and international sanctions. International sanctions are collective or unilateral coercive measures (sanctions) applied by states or international organizations to a state that has violated the norms of international law. In other words, an international sanction is a foreign policy measure the purpose of which is to support the maintenance or restoration of peace, international security, democracy, or the rule of law, the observance of human rights or international law, or the achievement of other goals provided for by the Charter of the United Nations (UN) or the common foreign policy and European Union (EU) security policy (Un.org, no date).

The purpose of imposing international sanctions in a narrower sense is to compel third countries or persons subject to sanctions to comply with the norms and principles of international law, make the continuation of the sanctioned activity as costly and inconvenient as possible, or prevent unacceptable actions by the target of the sanctions. International sanctions are imposed against a state, regime, organization, institution, unit, and individual, or in connection with condemned actions (Doxey, 1983; Biersteker and Bergeijk, 2015). International sanctions are imposed by a resolution of the UN Security Council (based on Article 41 of Chapter VII of the UN Charter) (Un.org), a decision and regulation of the Council of the European Union (based on Article 29 of the Treaty of the European Union) (Eur-lex.europa.eu) or by a state.

States prefer different foreign policy tools to use the available and most appropriate options to achieve their goals in international politics. In this context, economic sanctions appear as a frequently preferred foreign policy tool. Moreover, considering the fact that a military effort cannot be made regarding every international relations problem, economic sanction is a useful tool that ensures continuity in the impact on the target country (Sadiroglu, 2022). In terms of approach in the literature, some studies discuss success and failure, the reasons for failure, and the effectiveness of economic sanctions (Tsobelis, 1990; Allen, 2008). According to the experts mentioned, economic sanctions may not always be successful in achieving the intended purpose, but it is a good political tool to punish unlawful behavior, and it is a perfect intimidation for other actors not to act in the same manner.

The main question of the study is what the EU sanctions applied to Russia since 2014 involve and what kind of results they have. In this context, in this study, the contents of the EU sanctions packages applied against Russia, which violate international norms and rules, and their effects on Russia and the Russian economy will be analyzed with the assumptions of various experts and statistical data. The main thesis of the study is that the sanctions imposed on Russia by the EU to stop Russia’s war activities in Ukraine continue today, expanding more comprehensively and negatively affecting different sectors of Moscow. While the imposed sanctions are weak in stopping Russia’s war activities, on the other hand, they cause serious damage to some sectors of the country such as automobile production and defense, and slow down the development of its economy, making war activities in Ukraine difficult.
The reason for choosing the subject of study is that the EU’s sanctions against Russia are a current and important issue, and the contents of each sanction package have been developed and continued to be implemented since 2014. In this context, the study will gain importance in terms of learning how it has affected Russia by analyzing the content of the sanctions packages since 2014 and will contribute to the readers.

CONTENTS OF THE EU SANCTIONS PACKAGES

Since the date Russia declared war on Ukraine, the European Union has announced 11 packages of sanctions against the Moscow administration (see Table 1). The first of the EU’s sanctions against Russia began to be implemented in March 2014 (Tass.ru, 2022). The decision of the European Union to apply pressure measures to Russia “if there is no softening in Crimea” was taken at the emergency EU summit held on March 6, 2014. At the same time, negotiations on a visa-free regime and a new basic cooperation agreement were suspended. Subsequently, the EU introduced three sanctions packages against Russia, personal, sectoral, and the Crimean sanctions package. The EU summit in March 2015 decided that restrictions on Russia should remain in effect until the implementation of the Minsk agreements. Sanctions have been extended and expanded periodically. It is worth mentioning that the Minsk agreements were adopted in 2014 and 2015. The text fixed the main measures to resolve the situation in the Donbas and was signed by the Trilateral Contact Group which included representatives of Ukraine, Russia, and the OSCE (Osce.org, 2015).

Table 1. The EU’s Package of Sanctions against Russia

<table>
<thead>
<tr>
<th>Date of the Sanctions</th>
<th>Contents of the Sanctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 6, 2014</td>
<td>Personal, sectoral, and Crimean sanctions package, negotiations on a visa-free regime, and a new basic cooperation agreement were suspended</td>
</tr>
<tr>
<td>February 25, 2022</td>
<td>27 individual and legal persons, including banks and organizations that finance Russia’s operations in Donbas, have been blacklisted</td>
</tr>
<tr>
<td>February 28, 2022</td>
<td>The assets of the Central Bank of the Russian Federation were frozen. 26 people, including Russian President’s press secretary Dmitri Peskov, CEO Igor Sechin, Transneft’s chairman Nikolai Tokarev, and insurance company Sogaz, came under the sanctions</td>
</tr>
<tr>
<td>March 15, 2022</td>
<td>15 individuals and 9 legal persons, including Roman Abramovich, Chelsea Football Club owner and the director of Channel One, Konstantin Ernst, and organizations such as Rosneft-aero and Rosoboronexport came under the sanctions</td>
</tr>
<tr>
<td>April 8, 2022</td>
<td>Imports of coal and other solid fossil fuels from Russia, participation of Russian Federation companies in public procurement in the EU, and transactions with some major Russian banks are prohibited</td>
</tr>
<tr>
<td>June 3, 2022</td>
<td>An embargo on oil for six months and oil products for eight months supplied by sea from Russia</td>
</tr>
<tr>
<td>July 21, 2022</td>
<td>A ban on direct and indirect imports purchases or transfers if originating in or exported from the Russian Federation</td>
</tr>
<tr>
<td>October 5, 2022</td>
<td>Setting a cap price for Russian oil supplies to third countries, export and import restrictions, as well as the provision of information technology and legal services to Russian entities, a ban on crypto wallets for Russians, and dozens of Russians were included in the sanctions list</td>
</tr>
<tr>
<td>December 16, 2022</td>
<td>New investment in the mining sector and the supply of drones and other equipment to Russia that can be used by its military forces</td>
</tr>
<tr>
<td>February 23, 2023</td>
<td>The anniversary package of sanctions targets those “who play an important role in the continuation of this brutal war”</td>
</tr>
<tr>
<td>June 23, 2023</td>
<td>A ban on the transportation of Russian oil through the northern branch of the Druzhba oil pipeline, a restriction on the entry of Russian-registered trucks into the EU, as well as measures against circumventing previously introduced restrictions</td>
</tr>
</tbody>
</table>

In response, Putin imposed restrictions on apples, dairy products, and other goods from Western countries and the government tried to massively reorganize the economy to reduce dependence on imports. He supported tax policies and built the country’s sovereign wealth fund into one of the largest in the world. Such a step can help the production of goods such as food. For example, cheese producers not only created an alternative to Italian parmesan cheese but also received very high marks from experts in the field (Eckel, 2022). In this case, it is sometimes possible to see that sanctions can bring benefits to the country rather than harm. The country started to produce the products it imported in its country before the sanctions, and it was able to reach the capacity to respond quickly to the sanctions. But this does not apply to all sectors. For example, since Russia does not produce computer chips for the IT and high-tech industry, it needs the programs and codes of the West. Therefore, the lack of such products seriously affects these sectors (Popova, 2023).

In February 2022, the European Union began to impose sanctions in connection with Russia’s recognition of the independence of the Lugansk and Donetsk People’s Republics (Lugansk and Donetsk declared independence in April 2014) and Russia’s attack on Ukraine. On February 23, 2022, the EU imposed sanctions on 351 deputies of the State Duma of the Russian Federation who voted for the independence of Donbas (they were banned from entering the EU, and their assets were frozen). In addition, 27 individuals and legal persons, including banks and organizations that finance Russia’s operations in Donbas, have been blacklisted. The European Union has also restricted access to the community’s capital and financial markets by banning European companies from doing business with Lugansk and Donetsk and imposing sanctions on Russia’s public debt (Concilium.europa.eu, 2022).

In connection with the start of the war in Ukraine on February 25, 2022, the EU has agreed on a second package of measures. 78 people including Russian President Vladimir Putin and Foreign Minister Sergei Lavrov (who are not banned from entering the EU but their assets can be frozen if found in EU banks), along with Prime Minister Mikhail Mishustin, State Duma deputies supporting the war in Ukraine and members of the Security Council of the Russian Federation, were included in the sanctions list. The EU prohibited state financing of trade with Russia and investment in the Russian Federation. 64 key structures of the Russian Federation have come under financial and technological sectoral constraints. Moreover, the EU has decided to limit the access of the Russian government, the Central Bank of Russia, Alfa-Bank, Otkritie, Rossiya Bank, and Promsvyazbank to the European capital market from April 12, 2022. The supply of products and technologies for oil refining is also prohibited. The sanctions have also affected the visa policy. On February 26, 2022, a ban on new deliveries, maintenance, and insurance of aircraft and a return order for leased aircraft were added to this package of sanctions (Tass.ru, 2022).

On February 28, 2022, the third sanctions package started to be implemented, and the assets of the Central Bank of the Russian Federation were frozen. 26 people, including Russian President’s press secretary Dmitri Peskov, CEO Igor Sechin, Transneft’s chairman Nikolai Tokarev and insurance company Sogaz, came under the sanctions. On March 2, 2022, the EU removed VTB, Rossiya, Otkritie, Novikombank, Promsvyazbank, Sovcombank, and VEB from the SWIFT international interbank payment system. The decision entered into force on March 12, 2022. On the same day, the EU banned the sale, supply, and export
of euro-denominated banknotes to Russia and investing in projects co-financed by the Russian Direct Investment Fund, banning the broadcasts of Sputnik and RT/Russia Today in the EU. On March 9, 2022, the new statement included 14 businessmen and their family members, as well as 146 parliamentarians who “voted for the approval of the Treaty of Friendship, Cooperation, and Mutual Assistance between the People’s Republics of Donetsk and Lugansk”. The EU has also imposed restrictions on the export of navigation and maritime radio communication technologies to the Russian Federation (Consilium.europa.eu, 2022).

The new sanctions have both immediate effects (mainly in the financial sector and air traffic, disruption of supply chains) and serious pending problems associated with the need to upgrade and repair high-tech equipment used in many production processes and infrastructure. Refusal to supply semiconductors can seriously affect the production of automobiles, the aerospace industry, and telecommunications equipment. For the population, this will mean another round of narrowing the available range of goods and services, a new round of inflation. For the economy, there is a threat of growing technological backwardness and risks of failure of the most important technological systems (if no analogs are found). An important consequence is that Russia finds itself in ever greater international isolation, while its dependence on China is growing (Zaicev, 2022).

On March 15, 2022, the EU started to implement the fourth package of restrictive measures. The list of sanctions has been expanded to include 15 individuals and 9 legal persons, including Roman Abramovich, Chelsea Football Club owner and the director of Channel One, Konstantin Ernst, and organizations such as Rosneft-aero and Rosoboronexport. The EU has also banned from doing business with 12 Russian companies in which state participation is more than 50%. Among them are the industrial company “Oboronprom”, Rosteh, “Gazpromneft” and “KAMAZ”. However, the ban did not include operations strictly necessary for the purchase, import, or transport of fossil fuels, in particular the transport of coal, oil, and natural gas, as well as titanium, aluminum, copper, nickel, palladium, and iron ore from or through Russia to the European Union. At the same time, the EU imposed restrictions on iron and steel products trade with Russia. Delivery of luxury goods, premium perfumes, alcohol, household appliances, and clothing (more than 300 euros per unit) to Russia is also prohibited (Tass.ru, 2022). With this decision, the bloc bans imports of about €3.3 billion ($3.6 billion) of Russian steel products and investments in the Russian energy sector. Meanwhile, imports and exports of luxury products like caviar and wine were not on the list of sanctioned goods (Szucs, 2022).

On April 8, 2022, the European Council approved the fifth package of sanctions against Russia. Imports of coal and other solid fossil fuels from Russia, participation of Russian Federation companies in public procurement in the EU, and transactions with some major Russian banks are prohibited. The export of semiconductors, machinery, and transport equipment to the Russian Federation, the entry of Russian ships into EU ports, and the activities of shipping companies in the EU are prohibited. Restrictions were also imposed on some individuals (Consilium.europa.eu, 2022). This ban affects 25% of all Russian coal exports, which is about €8 billion. A few days earlier, on April 5, 2022, the head of the European Commission, Ursula von der Leyen, announced that the EU would ban coal imports from Russia for half the amount or €4 billion per year (Rbc.ru, 2022a).
On June 3, 2022, the EU adopted the sixth package, which includes an embargo on oil for six months and oil products for eight months supplied by sea from Russia. Temporary exemptions from the embargo are provided for imports via pipelines for EU countries that are heavily dependent on the Russian Federation and have no alternative, like Hungary and Slovakia, as well as Bulgaria and Croatia. The provision of services to Russian companies in the oil industry is prohibited. In addition, Sberbank, Rosselkhozbank, and Moscow Credit Bank were disconnected from SWIFT (from 14 June 2022), and the broadcasting of Russian state television channels Rossiya-24, RTR-Planeta, and TV-Center was prohibited. The European Union added 65 citizens of Russia and Ukraine and 18 legal entities to the sanctions list (Tass.ru, 2022). The discussion between the EU countries on the sixth package of sanctions lasted almost a month. During the debate, the oil embargo originally proposed by the European Commission was seriously blurred. Oil deliveries through the pipeline were excluded from it, several benefits were given for sea deliveries for individual countries, and the ban on oil transportation from Russia by tankers under the flags of the EU countries was abandoned.

On July 21, 2022, the European Council approved the seventh package of sanctions against Russia, including a ban on direct and indirect imports, purchases, or transfers if originating in or exported from the Russian Federation (Kneppelhout.com, 2022). At the same time, the EU has lifted certain bans on the supply of certain goods to the Russian Federation, such as food and fertilizers, and aviation services. 54 individuals and 10 legal persons are blacklisted, including Rosсотрудничество, Russian World Foundation, Gorchakov Foundation for the Promotion of Public Diplomacy (first-time restrictions on cultural and public diplomacy institutions), Sberbank, First Deputy Prime Minister of the Russian Federation Andrey Belousov, Moscow Mayor Sergey Sobyanin. In addition to expanding the EU blacklist, the new sanctions imply a ban on the export of gold from Russia. In 2021, Russia ranked second among the largest producers. The share of the leader - China - is 9% of the total volume of world production. 90% of the gold mined in Russia was exported. In 2021, Russia sold 23.3 tons of gold worth $1.2 billion to Belarus, Moldova, Kazakhstan, India, Turkey, China (Hong Kong), UAE, and Armenia. In 2022, Switzerland, Germany, and Poland, worth $0.7 billion and 12.8 tons, and Great Britain, worth $15.4 billion and 266.1 tons abandoned Russian gold (Tass.ru, 2022a).

On October 5, 2022, EU countries agreed on the eighth package of sanctions against the Russian Federation in response to the annexation of the DPR, LPR, Zaporizhzhia, and Kherson regions. The list of sanctions included setting a cap price for Russian oil supplies to third countries, export and import restrictions, as well as the provision of information technology and legal services to Russian entities, a ban on crypto wallets for Russians, and dozens of Russians were included in the sanctions list (Ec.europa.eu, 2022). The European Union introduced into its legislative system regulation aimed at the actual establishment of marginal prices for Russian oil and oil products for third countries. The design of this restriction is as follows: In general, European companies and organizations are prohibited from providing sea transportation services, as well as technical assistance, mediation, financing, or insurance (reinsurance) in relation to the purchase of Russian oil by third countries. Such a clause (with the dates of entry into force from December 2022 for oil and from February 2023 for oil products) was introduced back in June as part of the sixth package of sanctions. However,
now an exception will be made from it: such services will be allowed if oil or oil products are purchased at a price equal to or below the marginal one.

Experts and market participants had many questions about this mechanism. Since the industry does not have a clear understanding of how it will work. A common place is the fear that the cap price may, on the contrary, lead to an increase in world oil prices.

The EU extended the embargo on imports of goods from Russia, banning more steel products, as well as imports of wood pulp, paper, cigarettes, plastics, cosmetics, and jewelry items (including some precious stones and metals, except for gold, the import of which the EU banned earlier). According to the European Commission, in total, the new bans will affect supplies from Russia worth €7 billion (according to data for 2021) (Rbc.ru, 2022). The EU closed its market for Russian ferrous metals and some products from them for an amount of approximately €3.3 billion per year, but then the embargo affected finished steel products from Russia, while semi-products (slabs, steel billets) were not affected. Now the sanctions are being extended to semi-finished products, although there will be a three-month transition period during which these products can still be supplied to European customers. In July 2022, the supply of iron and steel from Russia to the European Union dropped to $243 million (from $522 million in June and $770-790 million per month last spring) (Rbc.ru, 2022).

In 2021, EU countries imported wood pulp from Russia (including pulp) worth $158 million, paper and cardboard - $645 million. Significant damage may also be caused to the supply of Russian plastics. In 2021, the EU purchased over $1.5 billion worth of plastics and products from them. These products continued to be imported into the EU in 2022, although in smaller volumes: in July, European imports of plastics from Russia amounted to about $57 million (Rbc.ru, 2022).

On December 16, 2022, the EU published the ninth package of sanctions against Russia, which limits new investment in the mining sector and the supply of drones and other equipment to Russia that can be used by the military. Three Russian banks, such as the Moscow Credit Bank, the All-Russian Regional Development Bank, and the Far East Bank, were hit by sanctions (Ec.europa.eu, 2022). European citizens are prohibited from holding senior positions in Russian companies that are controlled by the state, as well as from investing in the energy and mining sectors of Russia, except for activities related to critical raw materials.

On February 25, 2023, the European Union Council announced the 10th package of sanctions against Russia (Ec.europa.eu, 2022), where restrictions would affect the banking sector, advanced technologies, as well as the private military company “Wagner”. The anniversary package of sanctions targets those “who play an important role in the continuation of this brutal war”.

The latest 11th package of sanctions came into force on June 23, 2023, which included a ban on the transportation of Russian oil through the northern branch of the Druzhba oil pipeline, a restriction on the entry of Russian-registered trucks into the EU, as well as measures against circumventing previously introduced restrictions (Ec.europa.eu, 2023a). The sanctions imposed on the branch of the Druzhba oil pipeline will affect oil supplies to Poland and Germany. As noted by the media, this decision is largely symbolic. The two countries could receive oil through the northern section of the pipeline as an exception and with EU per-
mission but have already stopped receiving crude oil, fulfilling promises made last year. It is worth remembering that the Druzhba oil pipeline, with a length of about 4 thousand kilometers, has been used since Soviet times to supply raw materials to five countries that are members of the EU. Russian oil enters the Belarusian Mozyr, where the refinery is located, and then is divided into two branches - northern and southern (through Ukraine, Slovakia, the Czech Republic, and Hungary).

The Russian finance and banking sector has come to the fore as one of the key areas targeted by Western countries with sanctions. As of February 24, 2022, the Central Bank of Russia had a significant portion of its reserves of $640 billion in Western countries, and due to sanctions, the bank’s access to about half of these reserves was frozen. After this step, which Putin described as “theft and robbery”, the Russian ruble rapidly depreciated against the U.S. dollar. While the Central Bank of Russia tried to rein in the Russian ruble, which rose from 70 to 130 against the U.S. dollar, it started to implement harsh capital controls due to the currency crisis. Subsequently, the ruble recouped its losses against the U.S. dollar, falling below the 60 level and trading at 67 as of December 27, 2022 (Abay, 2022). Today, the U.S. dollar, which is traded around 70-80, continues to maintain its position again by reaching the pre-war level.

The Consequences of the Sanctions

With all these sanctions imposed on Russia, the Moscow administration was excluded from most of the world, not only economically, but also in political, cultural and sports fields. Dan Baer, European Program Director of the Carnegie Endowment for International Peace, states that the threat of sanctions did not stop Russian President Vladimir Putin, but that their actual implementation could help end the war. On the other hand, he says that although optimistic thinkers expect that the sanctions will increase discontent within Russia and that the pressure it will create will cause Putin to reverse the course, this is not very likely (Rumer, 2022).

In addition to the statement above, it would be useful to provide below some excerpts from interviews conducted by Carnegie Europe writer Judy Dempsey (Dempsey, 2022) with some experts and officials in order to obtain a more comprehensive understanding of the implications of the sanctions against Russia.

Krzysztof Bledowski, Council Director and Senior Economist at the Manufacturers Association for Efficiency and Innovation says the scope and depth of the sanctions, as well as the ongoing private outflow of capital, trade restrictions, and diplomatic exclusion, probably surprised the Kremlin. According to the expert, the cost of failing to overthrow the Kyiv government and subjugate the Ukrainian people would be greater than the weight of Western sanctions.

According to Robert Cooper, a Member of the European Council on Foreign Relations, sanctions will be effective, but sanctions are not the only element necessary for success. According to Martin Ehlechief, Chief Commentator of the Czech newspaper Hospodářské Noviny, these are the most comprehensive sanctions ever faced by a superpower or a large, developed country since 1945. So, it can be expected that it will work. However, as history has shown us, sanctions alone are not enough to win the war.

According to Theresa Fallon, Director of the Center for Russian, European, and Asian Studies, such sanctions do not end the war. It may create difficulties for
the Russian people, but historically Russians are used to difficulties and official Russian propaganda will blame the sanctions directly on the West. According to the expert, the sanctions will make Russia even more dependent on trade with China and will make Russia increasingly a junior partner in the Sino-Russian alliance. This will give China greater access to Russia’s enormous natural resources, thereby fueling China’s economic growth and military buildup.

According to the US Ambassador to Germany, John C. Kornblum, sanctions alone do not work. Sanctions are tools that can substitute for more difficult options but have limited effect. The same was true in 2014 with Russia’s annexation of Crimea. There were sanctions against Serbia in 1996 and 1997. Ultimately, it was NATO bombing, not sanctions, that forced Slobodan Milosevic to withdraw. However, NATO’s cooperation in sanctions was the basis for the alliance’s recourse to the military option.

According to Stefan Meisterhead, the International Order and Democracy Program of the German Council of Foreign Relations, the most comprehensive sanctions imposed on Russia by Western countries have seriously hit the Russian state, society, and economy. After these sanctions, Russia will not be the same as before. It is cutting the country off from the global economy while changing the way of life of the Russian people. But the sanctions, although important, will not deter Putin from fighting Ukraine. Putin is on a historic mission to take back Ukraine. It had been preparing for this war for years: it developed repressive devices to suppress all kinds of internal opposition, fortified the country’s economy to resist all kinds of sanctions, and placed it under the full security umbrella of the Russian state.

To summarize, most experts argue that sanctions alone should not be capable of stopping the war. However, the imposition of sanctions is a warning to intimidate other actors and a reminder that acting in breach of international law has a penalty and a cost. Because, even if the comprehensive sanctions package does not stop Russia’s activities in Ukraine, it can be assumed that it is effective in slowing down and weakening some sectors of the country.

**Effects of Sanctions on Russia**

These measures target the Russian political elite and impose direct costs on Russia for its war of aggression, as well as damaging Russia’s industrial and economic ability to wage war, produce more weapons, and repair existing weapons systems. The sanctions deprive the Russian army and its suppliers of goods and equipment needed to wage war on the sovereign territory of Ukraine.

The sanctions have had a significant impact on the Russian economy. But the economy of the country was able to readjust. New markets were found for the export of products, new logistics supply chains were built, and parallel imports were launched to import the necessary goods through third countries. The introduced restrictions stimulated import substitution.

Mainly due to the problems experienced in logistics, some types of paints, plumbing and electrical materials, and foreign goods produced by European companies in general, had a deficit. Building materials from Europe were replaced by analogs from India, Türkiye, and China, which stabilized their prices. By the beginning of 2023, logistics had improved (Tikhonov et al., 2023).

Before agreeing on the ninth package of sanctions against Russia, the leadership...
of the European Union assessed the consequences of the restrictions already imposed on the European economy. It follows that the negative impact of the sanctions was limited to only a few sectors of the economy. EU countries spent €525.5 billion ($554 billion) to compensate for this damage from sanctions. According to an assessment prepared by the executive body of the European Union, imports of wood and precious metals sank most of all from the sanctions against Russia. However, the European economy has suffered much more from changing market trends and retaliatory restrictions from Russia. Due to retaliatory steps, for example, imports of rare gases, such as neon and xenon, which are necessary for the production of chips, have fallen (Nardelli, 2022).

The document notes that imports from Russia to EU countries fell to about 9% of total trade from 40-45% before the outbreak of hostilities. At the same time, the main imports were replaced by supplies from Türkiye, Brazil, South Korea, and India. The blow to a critically important raw material for the EU economy has so far been insignificant. Thus, the assessment showed that imports of aluminum, nickel, and titanium, on the contrary, increased, while supplies of palladium and copper decreased slightly.

It follows from the analysis that one of the most vulnerable places has become the dependence of the European Union on Russian railways and corridors for freight traffic from China. The paper notes that this problem will further increase transport costs (Commersant.ru, 2022).

According to Hungarian Foreign Minister Peter Szijjarto, the EU gave the worst response to the Russian aggression launched in Ukraine. After the restrictions led the European economy into recession, the normal reaction of European leaders would be their resignation. The fact that, by imposing sanctions, the EU did not achieve what it expected, was repeatedly reported in the Western media. The impact of the restrictions turned out to be not catastrophic, at the same time, sanctions cost European citizens much more than originally thought, wrote, in particular, the Italian newspaper Il Fatto Quotidiano. As the newspaper reported, the goals of the sanctions were quite clearly voiced by US President Joe Biden. The West wanted to achieve an economic crisis in Russia of such magnitude that it would lead to a change in political power, as well as the weakening of banking institutions, including the Central Bank, which would provoke an outflow of capital and the destruction of the national currency. However, nothing catastrophic happened, as a result, the inflation rate in Russia turned out to be quite stable, and the ruble remained stable (Reid, 2023).

According to the speaker of the Ukrainian Foreign Ministry, Oleg Nikolenko, the introduction of anti-Russian sanctions forced the Russian economy to roll back 30 years. In particular, referring to the data of the World Bank, the IMF, and the Council of Europe, he noted such consequences of sanctions for Russia as a fall in GDP from 5 to 9%, a decrease in the turnover of trade in goods and services in the country by 30–35%, a reduction in oil exports to countries EU by 90% by the end of 2022, inflation at 22%, as well as the impossibility of importing technologies and components (Ukrinform, 2022).

As a recent New York Post article noted, sanctions imposed by the US and the EU were supposed to destroy the Russian economy, but backfired, weakening the West and strengthening the ruble. At the same time, it is assumed that the sanctions did not work because of the sharply increased energy prices. Russia’s main exports are oil and gas, so the country made more money than the previ-
ous year. Russia’s GDP in the third quarter of 2022, according to preliminary estimates of Rosstat, decreased by 4% in annual terms. In the first quarter of this year, the Russian economy grew by 3.5%, in the second quarter it decreased by 4.1%. According to the forecast of the Ministry of Economic Development, by the end of this year, GDP will decrease by 2.9%, the forecast of the Bank of Russia is minus 3-3.5%. Even the International Monetary Fund (IMF) has improved its forecast for Russia’s GDP for 2022. According to the fund, the fall of the Russian economy will be 3.4%, not 6%, as expected in July (Reuters.com, 2022).

According to the rating compiled by the RIA Novosti agency, Russia ranked 45th in the world in terms of annual inflation (13.7%). On the European continent, the highest inflation in September was recorded in Moldova - 34%. The second place is occupied by Ukraine - 24.6%, and the third - by Lithuania, which with 24.1% was the leader in price growth among the EU countries (Hse.ru, 2022).

As for the decline in oil exports to the EU countries, according to the results of the first three quarters of this year, it is not as strong as expected. Russian oil exports have so far proven resilient to sanctions, import embargoes, and buyer boycotts, reducing total oil exports to 7.7 million bbl/d in October 2022, just 400 kb/d below pre-war levels. Russia’s crude oil exports in October remained largely unchanged at 4.97 mb/d compared to pre-war levels. Crude oil exports to EU member states were reduced by 1 mb/d to 1.5 mb/d. The decline in shipments to the EU was offset by increases to India, China, and Turkey. By October, crude oil exports to India increased by 965 kb/d to 1.1 mb/d; China 225 kbps to 1.9 mb/d; and Turkey between 320 kb/d and 540 kb/d. Shipments to unknown or as yet undetermined destinations have also increased, due to the increased use of “dark” tankers and higher volumes of oil on the water.

It is seen that Russia has sharply reduced its natural gas supply to the European Union since it invaded Ukraine. For example, transfers via the YAMAL-Europe pipeline were cut completely in May 2022, while flows over the Nord Stream pipeline were gradually reduced and stopped completely in early September 2022. Pipeline deliveries to Estonia, Finland, Latvia, and Lithuania were halted altogether, while Russian pipeline deliveries via Ukraine in October 2022 were 80% lower than last year’s levels (Iea.org, 2022).

Revenues from oil and gas-related taxes and export tariffs accounted for 45% of Russia’s federal budget in January 2022. Considering current market prices, the export value of Russian pipe gas to the EU alone amounts to USD 400 million per day. Total export revenues for crude oil and refined products stood at around $690 million per day in the first two months of the year, while it currently stands at around $560 million per day (Iea.org, 2022).

Automobile production is among the sectors facing difficulties. About 600 thousand people work in this field in Russia. Until now, AvtoVAZ, which was controlled by the French company Renault Group, laid off people in some places. In March 2022 Volkswagen Group announced that it would stop production at two assembly plants in Russia. Even some companies in the field of defense in Russia faced difficulties in production. Manufacturers of military equipment buy some equipment from abroad. “Uralvagonzavod” and the Chelyabinsk tractor plant, engaged in tank production and repair, were forced to stop their work due to the lack of foreign parts. In this context, markets such as China and India, which have refused to sign Western sanctions, try to fill the gap from the West. In addition, large online marketplaces such as Yandex, Wildberries, and Ozon
started to find new ways for parallel import. They replaced retail players who had to leave the country (Eckel, 2022).

In world history, international sanctions have not always led only to negative consequences, but have been ineffective or even beneficial for the country. So the positive effect of the sanctions on Russia was the development of a domestic transaction instead of some canceled transactions in the country. For example, the departure of all brands from the country has been a major reason for the development of domestic production (Vedomosti.ru, 2023). Also, the termination of Visa and Mastercard with some Russian banks in 2014 spurred the emergence of the Russian payment system Mir. In 2022, after Visa and Mastercard cards were blocked outside the Russian Federation, Russian banks began issuing cards with the UnionPay payment system.

**CONCLUSION**

Since 2014, the West has employed these sanctions to target various sectors with the aim of inducing an economic crisis that could bring about a shift in political power and a reduction in the strength of banking institutions in Russia. However, none of these happened. As a result, the inflation rate in Russia has been fairly stable and the ruble has held its worth. At the same time, it is assumed that sanctions do not work due to sharply rising energy prices. In this context, it should be noted that since Russia’s main export is oil and gas, the country earned more income compared to the previous year. According to the latest statistics and forecasts, the real state of the Russian economy is far from “collapse”. While the effects of the restrictions did not bring a disastrous result, it can be said that the sanctions are also difficult for energy-dependent Europe.

Considering the EU’s dependence on Russian energy resources and Russia’s strong position in energy in the world, it’s possible to say that EU sanctions were not effective in stopping the war in general, but were successful in slowing down the Russian economy and bringing difficulties. It is clear that even if the restrictions brought about some slowdowns in the economy, they did not have an effect that would cause turmoil in the country. For this reason, it can be suggested that the EU should not only impose sanctions that harm its economy but also solve the problem completely by choosing the way of negotiation while imposing sanctions. Because Russia’s attacks on Ukraine resulted from Ukraine’s rapprochement with the West. Accordingly, the EU can come to a table with Russia and conduct negotiations through diplomacy.

It is not possible to say for certain when the war will end, but it is an assumption that the parties can come together and resolve with an agreement at a negotiating table. The strength and weight of the sanctions, and their apparent negative impact on the Russian economy, will likely encourage Putin to seek an earlier solution and can be used as leverage against Russia’s toughest demands. But to put it bluntly, sanctions will not lead to a good deal anytime soon. However, this will be no worse than the agreement reached without sanctions. In addition, although sanctions do not end this war, they are important in terms of both being the first urgent steps to be taken to ensure credibility and deter other actors who may take similar initiatives in the future.
REFERENCES


European Union’s Sanction Packages Against Russia: Contents and Implications


