

Western sanctions against Russia on the first anniversary of the Ukraine invasion

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On 25 February, the European Union adopted its tenth package of sanctions against Russia (and Iran), consisting of:

- export restrictions worth over €11 billion covering more technologies and goods, especially those that can be used by the Russian arms industry, including rare earth metals, electronic integrated circuits, thermal cameras, jet engines and parts for them, as well as construction materials and equipment such as cranes;
- the addition of 96 entities to the list of direct supporters of the Russian military-industrial complex, including the Skolkovo Institute of Science and Technology and seven Iranian companies involved in drone manufacturing;
- a ban on the transit through Russia of EU exports of dual-use goods and technology supplied to third countries;
- import restrictions totalling €1.3 billion that include items such as asphalt and synthetic rubber (with import quotas);
- a ban on Russian nationals holding any positions in the governing bodies of critical infrastructure companies in the EU; in addition, Russian entities will not have access to gas storage capacity in the EU (excluding some LNG facilities);
- the suspension of the broadcasting licences of RT Arabic and Sputnik Arabic as part of the fight against disinformation and propaganda;
- enhanced reporting obligations for frozen Russian assets, including those belonging to the Central Bank of Russia;
- the addition of 87 persons, including commanders of the Wagner private military company and ombudsman Tatyana Moskalkova, as well as 33 legal entities, including three Russian private banks (Tinkoff Bank, Alfa Bank and Rosbank), to the individual sanctions lists.

At the same time, the non-EU G7 countries and Australia also expanded sanctions on Russia. Similarly to the EU, they largely focused on further restrictions on the supply of goods that can be used by Russia's arms industry and its military, and on the fight against the circumvention of sanctions. They also increased the number of entities subject to individual restrictions. The package of sanctions announced by the United States on 24

February included the imposition of restrictions on more than 30 non-Russian entities that had been helping circumvent the existing sanctions and the announcement that tariffs on aluminium imported from Russia would increase by 200% from 10 March.

Commentary

- The expansion of sanctions by the coalition of Western countries on the first anniversary of the Russian invasion was primarily a symbolic step and a gesture of solidarity with Ukraine. These restrictions, together with the financial aid and military supplies streaming into Kyiv, demonstrate the West's enduring unity and readiness to continue supporting the Ukrainian state. This is a signal sent to the Kremlin, which has long hoped that Western fatigue and a gradual reduction in Western aid to Kyiv would allow it to succeed in the war.
- However, the tenth package of sanctions will only have a limited impact on the Russian economy. On the one hand, the previous packages have already imposed restrictions that have hit Russia hard. On the other hand, it is becoming increasingly difficult to achieve consensus within the EU and to get member states to accept increased costs to the EU economy. Consequently, there are no sanctions targeting Russia's nuclear power industry. As for Russian synthetic rubber, the amount that the EU has exempted from the restrictions is higher than its actual imports in recent years: 560,000 tonnes can be imported from Russia over the next 15 months until the end of June 2024, whereas the EU bought 310,000 tonnes last year. Without doubt, the imposition of EU sanctions on three more banks (ranked in the top 20 in terms of assets held), including a cut-off from SWIFT, will severely hamper their operations. Nevertheless, the Western restrictions targeting the banking sector are fairly selective.
- The US's decision to impose prohibitive tariffs on aluminium is also unlikely to generate major problems for the Russian industry and the global market. Russia accounted for only 3% of US imports of this in 2022; supplies from the Russian Federation were 70% lower than in 2017. The decline followed America's imposition of individual sanctions on Russia's largest exporter, the Rusal company controlled by Oleg Deripaska, in 2018. This led to a surge in aluminium prices; consequently, the US rolled back its restrictions, settling for a formal reduction of the oligarch's stake in the company.
- An important aspect of the new EU restrictions is that they are aimed at making it more difficult to circumvent the ones already in place. Indeed, journalistic investigations published in recent months have revealed that the Russian entities are highly adept at dealing with sanctions. With the introduction of enhanced reporting, control over Russian assets frozen in the EU will be strengthened. Back in autumn 2022, the Council of the EU included the circumvention of the restrictions imposed on Russia in the list of criminal offences, but work is still underway on a directive to define the offences and specify the relevant penalties. Last December, the EU appointed David O'Sullivan as its special envoy for the implementation of its restrictions by third countries. Furthermore, in February this year, the Netherlands, supported by a large number of member states, proposed the creation of a centralised EU body to combat sanctions evasion, which would monitor their implementation, analyse the process and respond to cases of circumvention. These steps may indicate that member states are changing their attitudes, which will help to realistically reduce the options for Russian actors to evade restrictions, including on the

European market.