

# **SANCTIONS AGAINST RUSSIA**

**CURRENT STATUS, PROSPECTS, SUCCESSES  
AND GAPS IN THE MULTILATERAL  
INTERNATIONAL SANCTIONS REGIME  
AGAINST THE RUSSIAN FEDERATION**



**KYIV-2019**

**Sanctions against Russia**  
**Current status, prospects, successes and gaps in the multilateral international sanctions regime against the Russian Federation**

The study was developed thanks to several non-governmental institutions, including experts of the International Center for Policy Studies Mykola Kapitonenko, Anastacia Galoushka, Yegor Kiyan, Maxim Stepanenko; Ilia Kusa, Igor Tyshkevich, Viktor Andrusiv of the Ukrainian Institute of the Future; Anna Talimonchuk from the Sanctions 2020 Initiative; experts from the World Policy Institute and a number of other think tanks.

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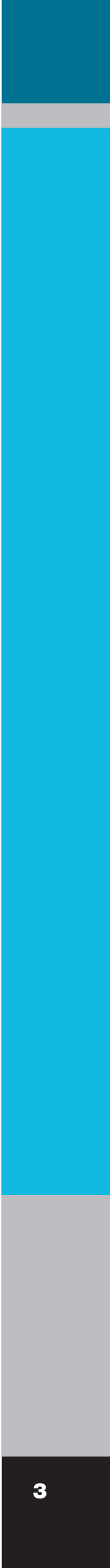
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# EXECUTIVE SUMMARY

This paper constitutes an in-depth study of the current sanctions mechanism of the EU and the USA against the Russian Federation. It offers a general overview of what sanctions are, why they are useful, how they are currently being used and what their effect is. The general goal of this paper is to establish where sanctions are lacking and how their application can be improved in order to optimize the results.

The first chapter offers a theoretical analysis of the sanctions system and explains the differing sorts of sanctions, as well as their possible repercussions. This is followed up by an in-depth assessment of the status quo sanctions regime of the West against the Russian Federation, with a specific focus on the sanctions that were introduced in response to Russia's aggression in Ukraine. The obvious problem of the current situation lies in the fact that, neither the EU, nor the USA is coordinating their decisions in a consistent and systematic manner with their allies. This leads to a patchwork of European, American and other sanctions, with inconsistency in individual targeting.

Chapter three further discusses the effect these sanctions have on Russia. Despite Putin's unaltered foreign policy and further reluctance to comply with international norms, it would be incorrect to assume that the — albeit flawed — sanctions mechanisms aren't having any effect at all. Nevertheless, it's important for the West to adapt its sanctioning regime accordingly and change the procedural and organisation aspects in the process, such as restoring the position of a coordinator of sanctions policy in the State Department or creating a new post with similar authority.

The fourth chapter discusses the flaws in the current sanctions regime, focussing mostly on the list of targeted individuals and the surprising names which — for some reason — are yet to be included. The Sanctions 2020 initiative, together with the ICPS, compiled a list of individuals whose involvement in and influence on the Kremlin's aggressive foreign policy shouldn't be underestimated. The following people are included: Sergey Roldugin, Ruslan Rostovtsev, Ivan Savvidi, God Nisanov, Zarakh Iliyev, Valeriy Gerasimov, Sergey Shoygu, Igor Shuvalov, Sergey Ivanov junior, Igor Chayka, Yuriy Chayka, Yuriy Trutnyev and Sergey Sobyenin. All those people have, directly or indirectly, contributed to actions aimed at violating Ukraine's territorial integrity and sovereignty and the destabilisation of international security in the Europe region. The International Investment Bank, also incorporated in this list, serves as an example of a legal entity which has also managed to escape the West's sanctions.

Now that the question of relaxing or even completely lifting sanctions against Russia has become a topic of discussion in the international diplomatic arena, it's necessary to establish a systematic benchmarking mechanism. The fifth chapter elaborates on the conditions which would allow for any alterations in the current sanctions mechanism against Russia, as it should be an integral part of the general regime.





It's clear that any loosening of sanctions should be directly linked to specific steps undertaken by Russia towards compensation of the damage it caused to international security. Weakening or lifting the sanctions without a «quid pro quo»-demand would send the wrong signal to future perpetrators. In the situation where weakening of sanctions is justified, it's best to start with diplomatic sanctions before altering the economic ones, to ensure further pressuring tools for future discourse with Russia and keep destabilization limited. Any alteration of sanctions that do not concern Crimea should be directly linked to the progress made in the framework of the Minsk Protocol. As these sanctions are a way to improve Ukraine's negotiating positions in the asymmetrical conflict with Russia, they should remain unaltered until Moscow makes concessions.

Most importantly, though, **only full restoration of de jure and de facto control** by Kyiv over the territory of the ORDLO can be a prerequisite for the beginning of gradual weakening of sanctions against the Russian Federation, and only **complete restoration of control over Crimea** and compensation for the damage done to Ukraine can be a **condition to permanently terminate** the multilateral anti-Russian sanctions regime.

In absence of progress on Russia's part, sanctions can and should be strengthened. It'll be important to systematise the already existing sanctions; amplify the signals sent by them; improve ways of interacting with allies so to take into account their in-

terests and maintain the unity. Well-founded threats to impose new sanctions should also be used in diplomatic spheres, when justified by a surge in aggressive behaviour from Russia. This should be complemented with the imposition of secondary restrictions — intimidate and warn third parties that continue to cooperate with Russia in areas which have already been covered by existing sanctions.

Sanctions, as a tool «between wars and worlds», remain a unique way to exert pressure on the external policy of Russia while restricting its destructive potential for international security. The strength of the sanctions mechanism lies in its flexibility and scope. Its critical weakness, however, is the little influence it exerts on the decision-making powers in Moscow.

Taking into account over five years of experience in applying sanctions against Russia by more than forty countries, as well as all the theoretical nuances of sanctions regimes' application in international practice for the past thirty years, we offer the following recommendations in the sixth and final chapter:

1. Setting the augmentation of the price for violating international norms as the primary goal of today's sanctions regime against Russia.
2. Using threats and sanctions in a more active and wide-spread manner.
3. Determining the optimal characteristics of the sanction regime.
4. Including sanctions in long-term planning and paying more attention to possible geopolitical implications.
5. Maintaining a meaningful dialogue between allied countries, including Ukraine.
6. Keeping sanctions diverse and extending them periodically.
7. Expanding the list of persons subjected to personal sanctions.
8. Conveying the message to the Russian population that sanctions are more effective than they seem and that Russian counter-sanctions are damaging to the Russian population itself.
9. The application of sanctions — a complex, sometimes contradictory and costly, tool, taking into account the asymmetry of Ukrainian-Russian relations — should be a synergy of two strategies: settling the conflict in Eastern Ukraine and determining the format of relations with Russia. The balance of power, the overall context of regional security, international regimes and the degree of interdependence are the factors that will be of the utmost significance in addressing both tasks.

# INTRODUCTION

Concerns regarding the future regime of anti-Russian sanctions have been triggered by recent developments; renewal of the bumpy negotiation process with Russia to resolve the conflict in Eastern Ukraine, warming up of relations between some western leaders and Russia, return of the Russian delegation to the Parliamentary Assembly of the Council of Europe, and even calls to renew Russia's membership in the Big Seven create conducive atmosphere for softening of sanctions against the state which attacked its neighbour in 2014, illegally annexed Crimea, supported separatists militants in Donbas and is the one to blame for more than 13 deaths and millions of displaced persons, not even to speak about destruction of international law and post-Cold War security architecture. To date, sanctions remain a key instrument in pressuring the aggressor state to adhere to the international rules and enforcing respect for Ukraine's independence and sovereignty. Here are the questions we need to answer: what is the strategy of Ukraine, the USA and the EU, as well as other countries, in further maintaining sanctions against Russia? How long will the current multilateral coalition of countries continue their support for sanctions and what are the conditions for their modification, mitigation and reinforcement? What are the conditions and indicators for the review of sanctions — in one direction or another — in context of the Minsk Agreements? These and other questions need clear answers in order to achieve peace in the region and to restore adherence to the rules of international law.

Economic, diplomatic and other sanctions have become a standard foreign policy tool. Sender countries use them as a tool to change or redirect the geopolitical decision-making of the receiving country's government. In 2014, such sanctions were imposed on Russia by the United States of America, the European Union, Canada, Australia and a variety of other countries, as a reaction to Russia's actions in Crimea and East-Ukraine. It's safe to assume that Russia is, so far, the largest and most integrated country to ever have been subjected to such intense sanctions. Despite its significant position on an international level, the USA and the EU have stated that these sanctions won't be lifted unless Russia complies with the Minsk Agreements and enables peaceful settlement of the conflict in Donbas, as well as returns the annexed Crimean peninsula to Ukraine.

A lot can be said about the effect that these sanctions have on the Russian economy, yet it's much more difficult to establish the effectiveness of said sanctions on an economic and political level. Yet efficiency is key — as sanctions are, inherently, a means to achieve an end. When looking at the reason why these sanctions were imposed in the first place — Russia's aggression towards Ukraine — it can be stated that the sanctions did little to instil changes in Russia's robust foreign policy. Yet does this mean that the sanction system towards Russia has been completely useless?

Not necessarily, as these sanctions might not affect Russia's behaviour, but they have an effect nevertheless. The negative impact on Russia's economy since 2014,



for example, is something that has been noted world-wide. Yet the damage it causes is obviously insufficient to instigate a change in Russia's policy towards Ukraine. One could argue that the sanctions against Russia simply haven't reached its full potential yet because of numerous reasons, such as: an inconsistent and schizophrenic approach to Russia from the West, overestimation of sheer symbolical sanctions (such as persona non grata declarations) and insufficient targeting of the Russian economy. But what's next: tightening sanctions, maintaining the status quo, or gradually easing them? And under which conditions will this happen?

In this paper, the authors attempt to answer these and other questions. This paper will therefore offer a theoretical background to the international political sanctioning tool and draw the general lines of the status quo on EU and USA imposed sanctions on Russia. Particular attention is paid to the gaps in the current sanctioning system and methods of improving the effectiveness of individual, diplomatic and economic sanctions. The document offers clear guidance when it is possible and necessary to relax sanctions against Russia in response to compliance with international laws and standards.

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# INTERNATIONAL SANCTIONS: BETWEEN WAR AND WORDS

The modern world is built on a system of international law that aims to regulate the relationship between states through legal instruments that countries can use to defend their own national interests. This system was introduced in order to replace the traditional «argument of kings» — war — as using military force to promote national interests has proven itself to be quite risky and costly, even for the leading powers of the world.

The Second World War's devastating effects on humanity led to the need to establish the «rules of the game», which became the embodiment of the system of international law. Its task is to create regulations for interstate relations, preventing the use of violence as a means to achieve political ends.

To guarantee the effective functioning of international law, it must be accompanied by enforcement tools. Formally, countries are subjected to «pacta sunt servanda», implying that they voluntarily comply to the provisions of the international treaties they are a party to. However, practice provides us with numerous instances of violations of international law which have led to the need to develop a set of remedies that can be used to coerce the offender back into the international legal field or provide punishment for the violation.

The most common remedy is sanctions, also called «countermeasures». The Oxford Dictionary defines sanctions as «an official order restricting trade, contacts, etc. with a particular country to force it to do something, for example, to comply with international law.» The Ukrainian Diplomatic Encyclopedia defines international sanctions as legitimate coercive measures applied by subjects of international law to terminate an international offense, restore violated rights and fulfill the offender's obligations in the area of international legal responsibility. Consequently, sanctions are, by definition, a coercive tool that uses different levers to influence a sanctioned entity.

International law usually distinguishes three types of sanctions:

- ✓ Diplomatic sanctions — the reduction of diplomatic presence or the termination of diplomatic relations.
- ✓ Economic sanctions — partial restriction or complete termination of trade relations with the country.
- ✓ Military sanctions — the use of military force on the territory of the offending country (military intervention).

The broad interpretation of the term «sanctions» primarily includes economic sanctions. The use of economic sanctions, as the most widespread mechanism of pun-

ishment for violations of international law, poses a threat to more countries than only those against whom they have been invoked. Even the country that applies them may end up suffering severe economic losses because of the sanctions they imposed upon another party. In addition, third parties — countries that aren't acting in violation of international law but have close economic ties to the aggressor — may also end up suffering the negative effects of economic sanctions policies. Because of their far-reaching impact, the application of economic sanctions must be weighed against all possible risks. It must be kept in mind that the main goal is to cause tangible loss for the offending country and minimize external collateral damage. Even though it's impossible to completely safeguard third parties in the application of economic sanctions, it's all about finding the optimal variant that would have a greater negative effect on the aggressor state than on third countries.

Restrictions on technological cooperation between states are often used in the application of economic sanctions. Access to advanced technological tools for production and extraction of minerals is essential for countries with significant natural resources, but they often lack the advanced technologies that would improve the efficiency of extracting and processing these raw materials. Artificial technological backlog is therefore an effective but long-term method of influence. Another common method is the restriction of access to financial resources. It's almost impossible to implement global economic projects without proper access to the markets. A poignant example of this would be the «Nord Stream — 2» project, which Russia is trying to implement despite fervent opposition from the United States.

The problem of applying economic sanctions is the complexity of measuring their effectiveness. The complexity of transnational economic processes creates a large number of factors that can have both positive and negative effects for a country under economic sanctions. This situation allows us to manipulate the topic of the effectiveness of economic sanctions, which often happens in the political field. In particular, Russia is trying to convince the world that the sanctions that have been imposed on it are even beneficial to it through its so-called «import substitution» policy. It is also widespread among Russians that countries that apply sanctions against them suffer more from them than the Russian Federation itself. But the simple argument that testifies to the effectiveness of the regime against the Russian Federation is the efforts made by Russia to bring about their removal.

The application of economic restrictions is often accompanied by political sanctions. These may include diplomatic restrictions, termination or suspension of joint international treaties, exclusion from international organizations or even complete termination of diplomatic relations between countries. The effectiveness of political sanctions is difficult to compare with economic ones, but the combination of the two gives for a more comprehensive policy towards the aggressor country.

Sanctions can be applied by both states (individually) and international organizations. However, it's common practice for states to adhere only to those sanctions regimes which are being imposed by international organizations, such as the United Nations. The reasons, scope, duration and forms of sanctions vary depending on their pur-

pose, the disparity between forces, and the specific characteristics of the sanctioned state. Sanctions are divided into two groups, according to the degree and scope of their application:

- ✓ «Comprehensive» sanctions: a set of restrictions which are imposed on the entire country;
- ✓ «Targeted» sanctions: restrictions imposed on certain individuals, government officials, specific sectors of the economy, etc.

Practice shows that, even though comprehensive sanctions work on a large scale and generally manage to affect the entire population, their relevance and effectiveness remains very little. This is because those in power usually manage to safeguard themselves and their assets, avoiding the sanctions' negative effects, and therefore remaining unmotivated to correct the behavior of the dominant regime. Comprehensive sanctions can therefore have grave consequences on a humanitarian level, while obtaining little results in altering the country's decision making process.

Targeted or «smart» sanctions, on the other hand, reduce negative impact on the general population and draw a clear line between the innocent people and decision makers. Moreover, targeted sanctions can both narrow and extend their scope, depending on the groups of individuals that have to be targeted, the most efficient sectors through which they can be affected, etc. Sectoral sanctions against key sectors of the economy create similar effects as comprehensive sanctions because they affect the entire society in one way or another.

Sanctions have cemented their reputation as a set of measures «between war and words». It's worth noticing that the use of sanctions is now more popular than it has ever been in the past century. Of the 26 sanction programs currently active in the United States, 12 have been initiated in the last 10 years. Before the end of the Cold War, the United Nations had imposed sanctions only twice — against Southern Rhodesia and South Africa, whereas it's imposed more than 20 different sanction regimes since 1991.

An increase in the quantity of sanctions indicates a weakening of international legal norms and international regimes, since sanctions are more often than not used as a subsidiary to the international «rules of the game». Sanctions serve as a form of punishment, but are also meant to increase the price of violating international agreements. The imposition of sanctions entails a much lower risk than alternative — more violent — forms of pressure. Still, the excessive use of sanctions in recent years is an indication of the unreliability of global governance institutions and international norms of regulation. In other words: the severe increase of sanctions is a sign of a crisis in the field of international security.

It's important to keep in mind that sanctions are a means to an end, not an independent goal in itself. They're meant as precautionary and restrictive measures that allow the international community to respond adequately to political challenges and events that are contrary to the international goals and values of freedom and democracy. The EU defines the following key objectives in its sanctioning regime: ensuring the val-

ues, fundamental interests and security of the EU; peacekeeping; strengthening and supporting democracy, the rule of law, human rights and the principles of international law; conflict prevention and strengthening international security. It's clear that sanctions are applied in the pursuit of a wide array of interests and goals. Although the overwhelming priority of sanctions is to influence the decision-making process by increasing the cost of undesirable alternatives, nuances can still play an important role in their scope and nature.

Sanctions can be aimed at pushing against the development of a nuclear program, the use of military force against neighbors or the threat of genocide. They can also be used as a weapon or an instrument of persuasion in a trade war or other non-violent disputes. The sanction mechanism takes into account its own influence on the targeted country's decision-making process and proceeds accordingly. However, the assumption that sanctions increase the cost of undesirable behaviour and make the choice in its favour less likely, yet — for all its simplicity and seemingly persuasive logic — this rarely works in practice. The reason why is discussed more vigorously in the chapters below.

Sanctions are — de facto — used as punishment for actions already taken, yet sometimes sanctions are applied in response to decisions that can't be undone retroactively, meaning no amount of sanctions will achieve the rectification of a wrong. In such cases, sanctions serve as a warning for others and exemplifies the price to be paid for violations of international law. When it seems unlikely that the targeted state will be enticed to change its behaviour, another desirable outcome of sanctions would be to prevent further deterioration of the situation and discourage further harmful actions. After all, sanctions are aimed at destabilizing the aggressor country, possibly even attempting to change its internal regime.

Sanctions against Russia, for Ukraine, constitute a solution «between war and words», since the considerable asymmetry in power between the two states indicates a significant risk if one would be enticed to turn to violent force. Western nations unapologetically use sanctions to weaken the Kremlin's potential for further destabilization, whereas Ukraine's main goal is to reclaim lost territories and minimize the possibility of suffering further aggression from Russia. It's practically impossible to achieve these objectives through sanctions alone, which is why sanctions from the Ukrainian arsenal should take into account numerous nuances, be complemented with other tools of international law and be incorporated in a broader Donbas conflict management strategy, as well as in the general relations towards Russia.

Two tendencies can be observed when looking at anti-Russian sanctions from a goal-oriented the vantage point: firstly, the simultaneous application of a wide variety of sanctions and, secondly, the internal divergence in purposes of these sanctions. The purposes vary, depending from each country's personal stake and interests in the matter. Sanctions have been introduced in order to weaken the Kremlin, to encourage the internal collapse of Russia's ruling forces, to curb their military capabilities, to enforce the return of Crimea or to curtail the presence of Russian troops in the Donbas region. Sometimes the goal of the sanctions is to discourage other countries



to follow into Russia's footsteps by showing the high cost of being ostracized. Each of these goals is achieved through a differing application of sanctions, rhetoric, and their scope. Some of these goals cannot be achieved through sanctions at all.

It's paramount for Ukraine to remain in constant dialogue with its partners and find out what their interests are in the application of sanctions. The — naive — conviction that sanctions are imposed and maintained solely for the sake of Ukraine's support is unlikely to be a good basis for a joint long-term strategy. Sanctions are a way to further the national interests of the participating states and it's important to remain informed on the scope and nature of these interests. Moreover, they may differ significantly, depending on the country: some countries desire to punish Russia for undermining the world order, whereas others desire to weaken it, so as not to fall victim to the Kremlin's revisionism. However, it's dangerous to abuse sanctions as a tool of pressure — there's always a price to pay. Excessive use of sanctions or lack of appropriate strategy entails certain risks, such as:

- 1) The discrepancy between sanctions and the collateral damage they cause may increase tensions between the USA and the EU. The CAATSA, for example, was imposed unilaterally by the USA and enabled the imposition of secondary sanctions. Since European companies are more exposed to Russia than American companies, this made them especially vulnerable to U.S. penalties. This, in turn, can give cause to diplomatic tensions and actively undermines the maintenance of a joint front of the West against the Russian Federation.
- 2) Sanctions against Russian oligarchs and companies make them more dependent on the Kremlin. This, in turn, will fortify their support for Putin, as their survival will depend on him.
- 3) Another risk is the fact that overusing sanctions eventually wears down their effectiveness, as Russia and its partners actively search for alternative options and mechanism to bypass the imposed obstacles. There's a paradigm shift already taking place, where Russia and China are working to minimize their exposure to and dependency on the American financial market.
- 4) In continuation of the previous risk, it's necessary to point out that sanctions seem to become an inherent part of the USA's and EU's routine foreign policy. This is dangerous, as the idea of their continuous inevitability actually discourages Russia to search for a way out of the confrontation which caused the imposition of sanctions in the first place. In this case, the West will lose its leverage. With the CAATSA, the USA transferred substantial power to lift and impose sanctions from the president to the Congress, making a swift end to the sanction system an even more unlikely outcome.

In order to be able to talk about an effective sanction regime, it will be necessary to not only evaluate the status quo and the lacunae in the current policy towards Russia, but also to actually voice which specific — small and large — gestures from the Kremlin would lead to the possible abolition or, at least, decrease in intensity of sanctions.

# THE CURRENT INTERNATIONAL MULTILATERAL SANCTION REGIME AGAINST THE RUSSIAN FEDERATION

The sanctioning regime against Russia is currently in its fifth year. It was introduced as the international community's response to Russia's violation of the territorial integrity of Ukraine, as well as the infringement of human rights in the annexed Crimea and in the Donetsk and Luhansk regions.

The following sanctioning instruments have been used by the EU and the US:

- ☑ diplomatic measures (exclusion of Russia from the G8, depriving the Russian delegation of their voting rights in the PACE, suspension of EU-Russia summits, suspension of practical NATO-Russia cooperation, etc.);
- ☑ individual sanctions (asset freezes and travel restrictions for individuals and entities included in the sanction list);
- ☑ restriction of economic relations with Crimea and Sevastopol (prohibition of investment and transfer of technologies to separate entities);
- ☑ restriction of economic cooperation with Russia (specifically: restrictions on operation of certain critical infrastructure sectors, in particular when implementing large infrastructure-based energy projects, or limiting the operation of large entities in these sectors).

The sanctions were imposed in stages, ranging from visa sanctions and asset freezes for a specific list of individuals to sectoral economic sanctions. Sanctions were usually tightened after every significant breach of international law by Russia or after further escalation of the conflict.

After introducing the first stage of sanctions in March 2014 (visa restrictions and asset freezes), following the violation of Ukraine's territorial integrity, the subsequent tightening of sanctions by the EU and US only followed at the end of July 2014 (in response to Russia shooting down the Malaysian passenger plane MH17) by imposing sectoral economic sanctions and restrictions on trade in military and dual-use items. The sanctions imposed restrictions to access the capital markets for Russian banks and companies, as well as prohibited investments in Russian energy projects and thwarted exportation of high-tech equipment to Russia.

Later, the EU and the US only strengthened, refined and expanded the list of companies subjected to sanctions. By late 2014 and 2015, sanctions were imposed on

several entities in the Russian energy sector, such as «Rosneft», «Transneft», «Gazprom Neft», «Gazprom», «Lukoil» and «Surgutnaftogaz». In 2016, the United States expanded sanctions by adding Kerch Bridge-based construction companies and Gazprom subsidiaries to the sanctions list.

In 2017 (due to Russia’s interference in US elections), US President Donald Trump signed a law that provided additional sanctions against Russia (as well as Iran and the Democratic People’s Republic of Korea). The idea was to introduce penalties, for both American and European companies, which cooperate with Russia’s Gazprom in the construction of the Nord Stream-2 gas pipeline. Later that same year, both the EU and the US extended sanctions against companies and individuals involved in the illegal importation of gas turbines from the German company Siemens to Russia’s annexed Crimea.

Throughout 2018 and 2019, the sanctions regime did not intensify. The EU and the US have only clarified the list of targeted individuals and extended the previously imposed sanctions. Notably, another escalation of the situation by Russian force — the seizure of Ukrainian warships in the Kerch Strait in November 2018 — didn’t lead to the expected response of strengthening the sanctions regime. The EU and US’ joint response was only to further specify which targeted individuals were subjected to visa restrictions and asset freezes.

**Table 1. Timeline of US and EU sanctions against Russia<sup>1</sup>**

Date	Country	Type of sanctions	Description
March 3, 2014	USA	Economic, financial	The United States suspended trade and investment talks with Russia, as well as military cooperation.
March 17, 2014	EU	Personal	The EU imposed visa restrictions and asset freezes on 21 Russian and Ukrainian/Crimean officials.
March 17, 2014	USA	Personal	The United States imposed visa restrictions and asset freezes on 11 Russian officials, including Federal Council Speaker Valentina Matvienko, Deputy Prime Minister Dmitry Rogozin and president’s assistant Vladislav Surkov.
March 20, 2014	EU	Diplomatic	EU-Russia summit canceled.
March 20, 2014	RF	Personal	Moscow banned nine U.S. officials from entering Russia in response to American sanctions on itself and Crimea, including former House Speaker John Boehner, Senate Majority Leader Harry Reid, and Senator John McCain.
March 20, 2014	USA	Corporate, personal	The US Treasury imposed sanctions against sixteen Russian officials and the Bank of Russia
March 21, 2014	EU	Personal	Twelve individuals added to the EU sanctions list: the speaker of the Federation Council, Valentina Matviyenko; presidential adviser Sergei Glazyev; Deputy Prime Minister Dmitry Rogozin; State Duma speaker Sergei Naryshkin; the head of the Rossiya Segodnya news agency Dmitry Kiselyov, Deputy-Commander of the Black Sea Fleet, Rear Admiral Aleksandr Nosatov; Deputy-Commander of the Black Sea Fleet, Rear Admiral Valery Kulikov; presidential aide Vladislav Surkov; Crimea Electoral Commission Chair Mikhail Malyshev; Sevastopol Electoral Commission Chair Valery Medvedev; the commander of Russian forces in Crimea, Lieutenant General Igor Turchenyuk; and State Duma deputy Yelena Mizulina.

<sup>1</sup> <https://www.rferl.org/a/russia-sanctions-timeline/29477179.html>

Date	Country	Type of sanctions	Description
March 25, 2014	EU	Diplomatic	The EU embassies in Russia ordered not to issue visas to residents of Crimea.
March 27, 2014	USA	Economic	The US banned licenses for exporting defense goods and services to Russia.
March 28, 2014	RF	Personal	The Russian Federation banned most US and EU officials from entering in response to visa restrictions and the freezing of Russian officials' assets. It didn't disclose the names of sanctioned individuals or their total number.
March 28, 2014	USA	Diplomatic	The bilateral US-Russian presidential commission was suspended.
April 11, 2014	USA	Corporate, personal	The US Treasury added seven Crimean officials and the Crimean oil company Chornomornaftogaz to the sanctions list.
April 28, 2014	EU	Personal	The EU imposed sanctions against 15 people, including Chief of the General Staff of the Armed Forces of Russia Valeriy Gerasimov.
April 28, 2014	USA	Corporate, economic, personal	The US imposed sanctions against 7 people and 17 companies affiliated with President Vladimir Putin. It also restricted Russia's import of U.S. goods deemed to contribute to its military capabilities.
May 12, 2014	EU	Corporate, personal	Thirteen individuals, as well as two Crimean energy companies that were expropriated by the de facto authorities on the peninsula, Chernomorneftegaz and Feodosia, were added to the EU sanctions list. This brings the total number of Russian and Ukrainian citizens targeted with EU asset freezes and visa bans to 61.
June 20, 2014	USA	Personal	The US Treasury imposed sanctions against seven separatists, including a notorious military commander Igor Strelkov.
July 12, 2014	EU	Personal	The EU imposed sanctions against 11 more individuals.
July 16, 2014	USA	Corporate, economic, personal	The US Treasury imposed sanctions against two major banks (Gazprombank and VEB) and energy companies (Novatek and Rosneft), eight arms companies including the Kalashnikov concern, and several officials and separatists.
July 18, 2014	EU	Financial	The European Investment Bank suspended funding for projects in Russia.
July 26, 2014	EU	Corporate, personal	The EU added 15 individuals and 18 entities to sanctions list, bringing the total to 87 individuals and 20 organizations. Individuals added in this round included Chechen leader Ramzan Kadyrov and the director of Russia's FSB security service, Aleksandr Bortnikov.
July 29, 2014	USA	Corporate, financial	The US imposed sanctions against sectors of Russian economy, including defense, energy and finance. These include VTB, the Bank of Moscow and the Russian Agricultural Bank.
July 29, 2014	EU	Corporate, financial	The EU restricted access to capital markets for Russian state-owned banks, imposed an embargo on trade in arms, and restricted exports of dual-use goods and sensitive technologies, especially in the oil sector.
July 29, 2014	EU	Corporate, financial, economic, personal	Eight individuals and three entities added to the EU sanctions list, including the Russian National Commercial Bank, defense manufacturer Almaz-Antey, and Dobrolet, a subsidiary of Aeroflot. A partial ban is also imposed on investment in Crimea.
July 31, 2014	EU	Corporate, financial	The EU added Arkady Rotenberg, Yury Kovalchuk, and Nikolai Shamalov, three Putin "cronies," as well as Putin's first deputy chief of staff, Aleksei Gromov, and Bank Ros-sia to the sanctions blacklist.



Date	Country	Type of sanctions	Description
August 6, 2014	USA	Economic	The United States restricted the export of various oil and gas technologies to Russia.
August 6, 2014	RF	Economic	Russia banned the import of most foodstuffs from the United States, the EU, and other countries that imposed sanctions on it.
September 12, 2014	EU	Corporate, financial, economic, personal	Financing of Rosneft, Transneft, and Gazpromneft banned. Loans to five Russian state banks restricted. Financing of Uralvagonzavod, Oboronprom, and United Aircraft Corporation (defense manufacturers) banned. Nine Russian defense concerns and 24 individuals added to sanctions list.
September 12, 2014	USA	Corporate, economic	The US Treasury banned American companies from supplying goods and technologies to Gazprom, Lukoil, Transneft, Gazprom Neft, Surgutneftegaz, Novatek, and Rosneft. Assets of five Russian defense companies frozen, including Almaz-Antey. Capital market restrictions imposed on six Russian banks: Sberbank, Bank of Moscow, Gazprombank, Russian Agricultural Bank, VTB, and Vneshekonombank.
December 19, 2014	EU	Financial	Export of goods and services to Crimea banned; imports from Crimea banned.
December 20, 2014	USA	Financial	Export of goods and services to Crimea banned, imports from Crimea banned.
February 16, 2015	EU	Corporate, financial	Nineteen individuals and nine entities added to the EU sanctions list, including the Sparta, Somali, Zarya, Oplot, Kalmius, and Smert' separatist battalions, as well as Russian singer and lawmaker Iosif Kobzon.
March 4, 2015	USA	Continuation	All US sanctions against Russia in 2014 had been extended for one more year.
March 11, 2015	USA	Corporate, financial, personal	The United States imposed sanctions against 14 individuals, the Russian National Commercial Bank and the Eurasian Youth Union.
March 14, 2015	EU	Continuation	The EU sanctions against 151 individuals and 37 entities extended until September 15, 2015.
June 22, 2015	EU	Continuation	The EU economic sanctions against Russia extended to January 31, 2016.
June 24, 2015	USA	Economic	Law allowing punishments for foreign banks doing business with sanctioned Russian individuals and entities came into force.
June 24, 2015	RF	Continuation	Russia extended food import ban until August 6, 2016 in response to the EU extension.
July 30, 2015	USA	Corporate, personal	The US Treasury sanctioned 11 individuals and 15 entities.
August 7, 2015	USA	Economic	The US imposed sanctions against the Yuzhno-Kirinskoye oil field.
September 14, 2015	EU	Continuation	The EU visa bans and asset freezes against 149 individuals and 37 entities had been extended until March 15, 2016.
December 21, 2015	EU	Continuation	The EU economic sanctions against Russia had been extended until July 31, 2016

Date	Country	Type of sanctions	Description
December 22, 2015	USA	Corporate, personal	The US Treasury added 34 individuals and legal entities to the sanctions list.
March 2, 2016	USA	Continuation	The US extended economic sanctions against Russia for one year.
March 10, 2016	EU	Continuation	The EU sanctions against 146 individuals and 37 entities extended until September 15, 2016.
June 17, 2016	EU	Continuation	The EU extended economic sanctions until January 31, 2017.
August 6, 2016	RF	Continuation	Russia extended food import ban to December 31, 2017.
September 1, 2016	USA	Corporate, personal	The US designated 17 individuals and a number of entities for sanctions, mostly local subsidiaries of Gazprom.
September 6, 2016	USA	Corporate	The US added 11 entities to its sanctions list. The list included 81 entities in total.
November 9, 2016	EU	Personal	The EU imposed visa bans and asset freezes on 6 Duma lawmakers from Crimea.
November 15, 2016	USA	Personal	The US imposed sanctions against six Duma lawmakers from Crimea.
December 19, 2016	EU	Continuation	The EU extended economic sanctions until July 31, 2017.
December 20, 2016	USA	Corporate, personal	The US imposed visa bans and asset freezes on 7 individuals and a number of companies involved in construction and logistics in Crimea.
December 23, 2016	USA	Corporate	The US sanctioned 23 Russian companies.
January 13, 2017	USA	Continuation	The US economic sanctions have been extended for one year.
March 15, 2017	EU	Continuation	The EU sanctions against 150 individuals and 37 entities extended for six months.
June 19, 2017	EU	Continuation	The EU sanctions on Crimea extended until June 23, 2018.
June 20, 2017	USA	Corporate, personal	The US imposed sanctions against 38 individuals and entities, including the military company PMC Wagner.
June 29, 2017	EU	Continuation	Economic sanctions extended to January 31, 2018.
July 5, 2017	RF	Continuation	Russia extended food import ban to end of 2018.

Date	Country	Type of sanctions	Description
August 4, 2017	EU	Corporate, personal	The EU designated three Russian citizens and three companies for sanctions in connection with the delivery of Siemens gas turbines to Crimea.
September 14, 2017	EU	Continuation	Sanctions against 149 individuals and 38 entities extended to March 15, 2018.
November 21, 2017	EU	Personal	The EU imposed sanctions against Dmitry Ovsyannikov, the Russia-installed governor of Sevastopol.
December 22, 2017	EU	Continuation	The EU extended economic sanctions against Russia to July 31, 2018.
January 26, 2018	USA	Corporate, personal	The US imposed sanctions against 21 individuals and nine companies.
January 30, 2018	USA		The US published the “Kremlin dossier,” a list of 210 people close to Vladimir Putin who might be designated for sanctions. The list included all members of the Russian government, members of the presidential administration, heads of state firms, former and current state-security officers and oligarchs.
March 2, 2018	USA	Continuation	The US economic sanctions extended for one year.
March 12, 2018	EU	Continuation	The EU sanctions against 150 individuals and 38 organizations extended to 15 September 2018.
March 14, 2018	EU	Diplomatic	The UK ordered 23 Russian diplomats, who Theresa May said were identified as “undeclared intelligence officers,” to leave the country after accusing Moscow of using a nerve agent in the attempted murder of former Russian spy Sergei Skripal on British soil..
March 15, 2018	USA	Corporate, personal	The US made first use of CATSAA law to impose sanctions on 19 Russians, including 13 indicted in Robert Mueller’s investigation into Moscow’s alleged meddling in the 2016 presidential election and Internet Research LLC.
March 17, 2018	RF	Diplomatic	Russia declared 23 British diplomats personae non-gratae.
March 26, 2018	USA	Diplomatic	More than 20 Western states ordered dozens of Russian diplomats expelled, including 60 from the United States, which also ordered Russia to close its consulate in Seattle.
March 29, 2018	RF	Diplomatic	Russia ordered 60 U.S. diplomats to leave the country.
March 30, 2018	RF	Diplomatic	Russia ordered diplomats from 16 EU countries out.
April 6, 2018	USA	Personal	The US designated 38 Russian businessmen for visa bans and asset freezes to punish Russian “malign activity” worldwide.
May 14, 2018	EU	Personal	The EU imposed visa bans and asset freezes on 5 individuals linked to Russian presidential elections in Crimea.
June 18, 2018	EU	Continuation	The EU sanctions on Crimea extended to June 23, 2019.

Date	Country	Type of sanctions	Description
July 5, 2018	RF	Continuation	Russia extended food import ban to end of 2019.
July 9, 2018	EU	Continuation	The EU economic sanctions on Russia extended to January 31, 2019.
July 31, 2018	EU	Corporate	The EU added 6 companies involved in the construction of a bridge in the Kerch Strait to the sanction list.
August 27, 2018	USA	Financial	The US imposed a ban on arms sales, arms-sales financing, U.S. government credit or other financial assistance, exports of national-security-sensitive goods, and most foreign assistance to Russia under the terms of the Chemical and Biological Weapons Control and Elimination Act.
September 13, 2018	EU	Continuation	The EU individual and corporate sanctions extended until March 15, 2019.
November 9, 2018	USA	Personal	The US added individuals and nine entities to the sanctions list.
December 10, 2018	EU	Personal	The EU imposed sanctions against 9 individuals responsible for organizing "elections" in the so-called DPR/LPR.
December 19, 2018	USA	Personal	The US sanctioned 15 GRU workers for their involvement in a wide range of criminal activities, including attempts to interfere in the 2016 US election.
December 21, 2018	EU	Continuation	The EU extended economic sanctions against Russia until July 31, 2019.
January 21, 2019	EU	Personal, corporate	The EU foreign ministers sanctioned four Russians, five Syrians and one Syrian company for using chemical weapons under a new sanctions regime.
January 28, 2019	USA	Exemptions from the sanction list	The US Treasury announced it was lifting sanctions against "Rusal", "En+" and "Eurosibenergo" companies linked to Russian oligarch Oleg Deripaska.
March 4, 2019	USA	Continuation	The US extended sanctions against Russia for a year.
March 5, 2019	EU	Personal, removal	The EU extended sanctions against Viktor Yanukovich and 11 of his associates yet lifted the sanctions against Andrei Klyuyev.
March 15, 2019	EU	Personal	The EU Council imposed individual sanctions against eight Russian citizens due to the "Kerch aggression".
March 15, 2019	EU	Continuation	The EU Council extended individual sanctions against Russia for half a year.
March 15, 2019	USA	Personal, corporate	The US Treasury imposed sanctions against six Russian citizens and eight entities in response to Russia's ongoing aggression in Ukraine.
May 17, 2019	USA	Personal	SOBR's special unit "Terek" and five Russian citizens included in the US sanctions list under the Magnitsky Law.
May 22, 2019	USA	Corporate	The US extended sanctions against several enterprises, including the Moscow Avangard plant, which produces missiles for the C-300 and C-400 anti-aircraft missile systems.
May 31, 2019	RF	Personal	Russia expanded its sanctions list to include more EU representatives and institutions.



Date	Country	Type of sanctions	Description
June 20, 2019	EU	Continuation	The EU Council extended "Crimean sanctions" for another year.
June 24, 2019	RF	Continuation	Russian President Vladimir Putin extended economic sanctions on EU products for another year.
June 24, 2019	EU	Removal of diplomatic sanctions	The Parliamentary Assembly of the Council of Europe adopted a resolution allowing Russia to return to PACE without fulfilling its international obligations.
June 27, 2019	EU	Continuation	The EU extended economic sanctions against Russia until January 31, 2020.
August 3, 2019	USA	Financial	The second package of US sanctions against Russia over the poisoning of ex-spy Sergiy Skripal in Britain. Banning US banks from participating in the primary sale of a sovereign debt in any other currency but rubles.
September 12, 2019	EU	Continuation	The EU extended sanctions until March 15, 2020

Of all types of sanctions, economic sanctions have proven to be the most effective so far. Their impact can be established by analyzing Russia’s economic development from 2014 onward.

Thanks to the coordinated actions and concentrated efforts of the European Union and the United States of America, Russian currency suffered heavily, access to financial markets was restricted for Russian companies, and trade shocks were induced.

The first round of sanctions included travel bans and freezing of US assets of the targeted individuals. Later on, bans on conducting business operations with Russian officials and companies were introduced. Subsequently, sanctions were able to affect entire sectors of in the Russian economy, including the banking (financial), oil and gas, defense and space industries. Indirectly, the sanctions also ended up targeting Russia’s national food sector. As time progressed, the list of individuals and legal entities subjected to sanctions in the EU and the US was expanded. As a result, 5 Russian state-owned banks, 3 energy companies, 3 defense companies and subsidiaries acting on their behalf or under their direction were subjected to sanctions.

A number of sanctions were also applied to the annexed Crimean Peninsula. This included the ban on tourism services, investments, technical assistance, construction and engineering services related to infrastructure, as well as restrictions on the import of goods originating in Crimea or Sevastopol (unless they have Ukrainian certificates), products, technology, telecommunications and energy industries.

The economic sanctions Russia suffered can be divided into the following categories:

- ✓ asset freezes of legal entities and individuals;
- ✓ limitation of access to financial resources;
- ✓ prohibition of activity of legal and natural persons in the territory of other countries;
- ✓ influence on sectors of the Russian economy and limiting their development opportunities;
- ✓ export-import restrictions.

The imposition of sanctions had a serious impact on the macroeconomic situation in Russia. Russia's domestic and foreign debt growth, inability to access sources of external borrowing, and falling oil prices led to the collapse of the Russian ruble in 2014. The result was the rapid withdrawal of capital from Russia in 2014. Throughout 2014, a total of 151,5 billion USD was withdrawn — over 90 billion USD more than in 2013.

In August 2014, the Russian government decided to respond to the situation by extending the moratorium on transferring pension savings to non-state funds until January 1, 2016. This effectively destroyed the principle of the funded pension system and transformed Russia's pension system into a financial pyramid. On April 27th 2015, at a meeting of the Legislative Council in St. Petersburg, President Vladimir Putin stated that the Russian economy had lost out on 160 billion USD because of sanctions.

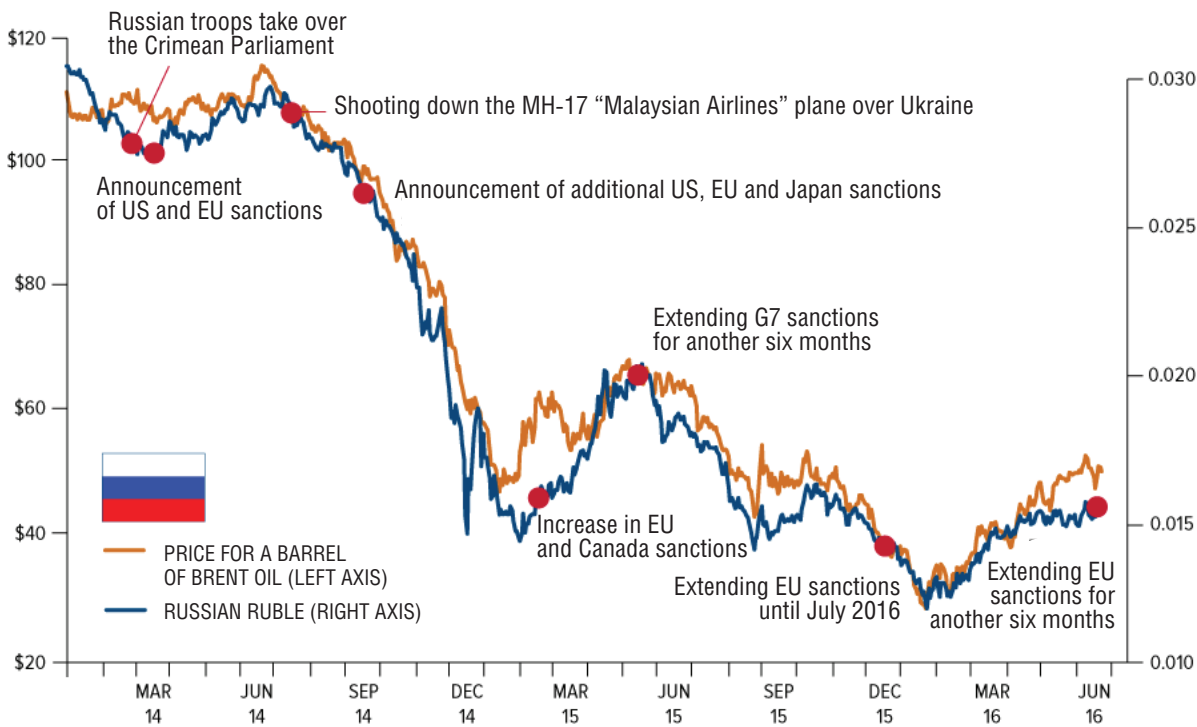
The incapability to borrow externally has also led to a rapid expansion of Russia's domestic debt. By 2017 numbers, this debt increased by 18.8 % (up to 7 trillion 247.1 billion rubles). The result was a sharp acceleration of inflation, a depreciation of the ruble and an increase in mortgage rates.

In February 2018, Russia liquidated the reserve fund because it had been exhausted to cover the state budget deficit in previous years. Its balances were combined with the National Welfare Fund, which also declined by 14 % at the beginning of 2018, amounting to RUR3 752.94 billion (USD65.15 billion).

A Bloomberg Economics study estimates the Russian economy's losses throughout the duration of the sanctions (2014—2018) at 6 % in comparison to indicators of what the economic growth could've been like without restrictive measures. Yet the findings also show that, although the sanctions did have an impact on Russia's economy, they didn't cause the shock that might have been expected. Russia's macroeconomic situation had been exacerbated and was heading towards a general decline in the incomes of business entities and the living standards of ordinary Russian citizens, yet Russia's behavior in the international arena didn't change. Neither did it change Russia's policy towards Ukraine, which means the continuation of enforcing peace on Russia's terms, through the usage of hybrid instruments.

It is difficult to evaluate the effectiveness of sanctions completely accurately, because they are rarely ever applied separately from other pressure mechanisms, such as threats, negotiations, appeals to courts, third party mediation, etc. It's technically impossible to separate the impact of sanctions from these additional factors. For example, the estimated impact of a set of factors on the Russian economy during 2014—2017 can be summed up by two indicators: a fall in nominal GNP by 25—35 % and a devaluation of the national currency — the ruble — of nearly 50 %. However, it must be kept in mind that sectoral sanctions were only one of the many factors which contributed to the overall recession in Russia's economy and the drastic fall of energy prices. Then again, the dynamic of the ruble exchange rate is more closely correlated with changes in oil prices, meaning a possible more significant impact of the latter factor instead of the sanctions. The last round of US sanctions led to a rapid drop in the RTS index by 11 %, but almost half of this decline has already regained. Thus it remains quite difficult to correctly assess the impact of imposed sanctions.

WHAT AFFECTED THE RUSSIAN RUBLE MORE? OIL PRICES OR SANCTIONS?



As the situation is yet to actively improve, the EU’s travel bans and asset freezes against 170 Russian individuals and 44 legal entities have been extended until 15 March 2020. In addition, a number of other economic sanctions targeting specific Russian economic sectors will be in place until January 31st, 2020.

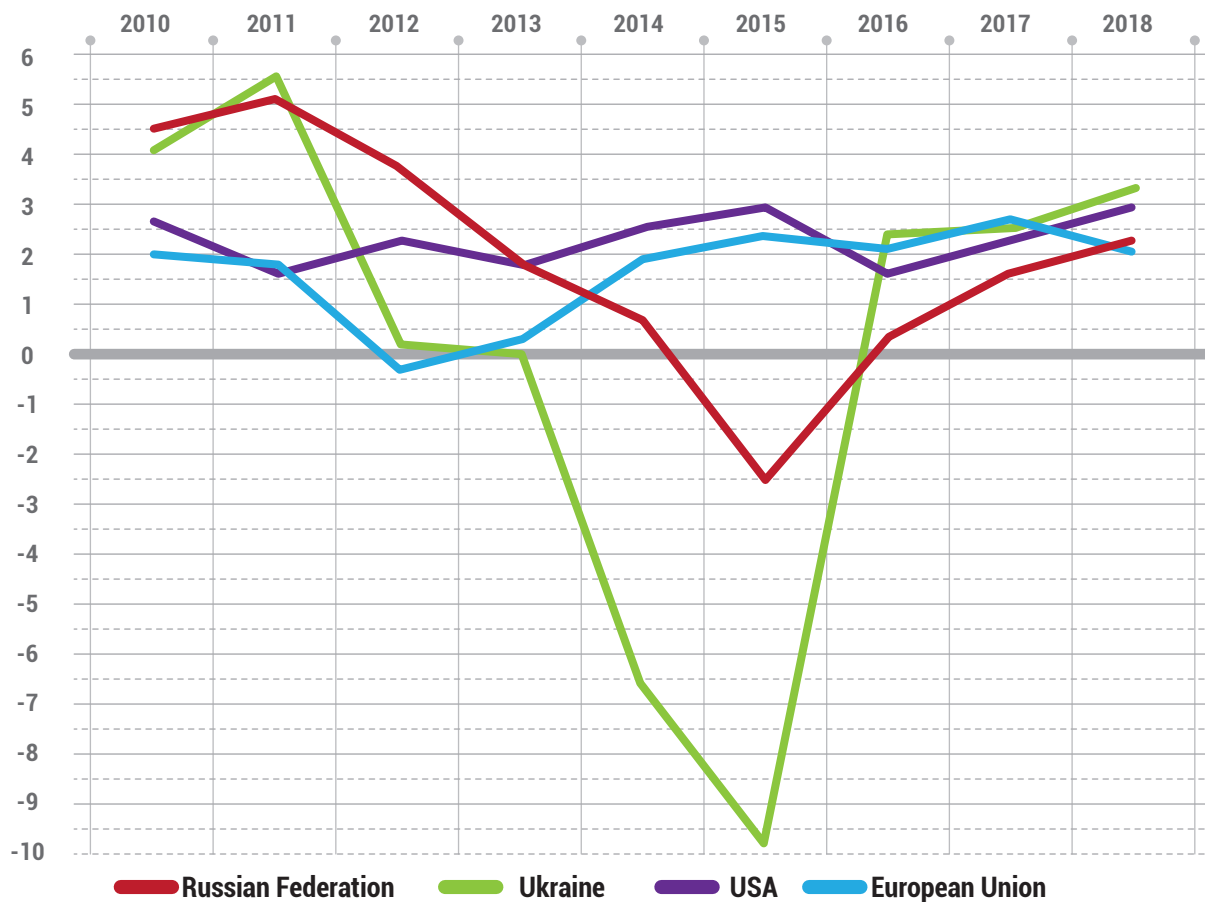
Economic sanctions stick to their traditional course. This, however, has allowed for Russia’s economy to adjust to the sanctions and even show growth in both its internal economy and in its export.

RUSSIA’S EXPORT DYNAMICS, IN MLN. USD<sup>2</sup>



<sup>2</sup> <https://tradingeconomics.com/russia/exports>

## REAL GDP GROWTH IN RUSSIA, EU, USA AND UKRAINE, ANNUAL CHANGE IN %<sup>3</sup>



Considering these trends, the following conclusions can be made:

- ✓ Economic sanctions in their current form don't trigger enough pressure and are incapable of causing a major blow to the Russian economy in today's context. This allows for the Russian economy to develop itself almost more dynamically than in some European countries.
- ✓ The sanctions aren't dynamic, meaning that there's no change or adaptability in objects and sectors to exercise pressure. This lack of dynamic and, subsequently, variety allows for the Russian Federation to better navigate the situation and adjust its economy.
- ✓ Sanctions don't take into account the current changing global trends and specific situations in other countries. This enables a situation where the Russian economy prospers and other countries suffer losses because of sanctions aimed only at the Russian Federation (remember the aforementioned oil prices).
- ✓ Sanctions aren't supposed to become a permanent phenomenon, but must rather remain an element of political will and influence. The mere fact that sanctions may or may not be extended allows for Russia to exercise pressure

<sup>3</sup> [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/USA/EU/UKR/RUS](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/USA/EU/UKR/RUS)



in the diplomatic arena and reduce the likelihood of their continuation. This is fortified by the fact that sanctions have become an element of mutual bargaining and compromise, instead of an effective pressure tool.

- ✓ Sanctions aren't global in nature, allowing the Russian economy to refocus on other markets and other partners.
- ✓ Sanctions target sectors that have a significant impact on the production of key goods and resources. These sectors are valuable, depend on a variety of factors and are a convergence of many differing interests. It's therefore logical that sanctions affect the interests of all countries involved, not just the sanctioned country, and therefore aren't naturally supported by a unified front.
- ✓ Although sanctions initially had a significant impact on the Russian economy, their consequences are now being carried by ordinary Russian citizens and end up affecting them more than the authorities against whom they were directed.
- ✓ The Russian Federation has mechanisms for compensation of sanction shocks and there's room to maneuver at the expense of interest rates and foreign exchange reserves.
- ✓ Unfortunately, sanctions lists are relative and lack a systematic approach, which allows certain companies and individuals to avoid being listed. Sanctions also risk to be used as a means to exert pressure or a way to manipulate other companies, benefiting other competitors on the markets.

Considering flaws in the current regime of economic sanctions against the Russian Federation, the following can be concluded:

- 1) Sanctions should be strengthened and their enforcement should be ensured with the development of the global economy kept in mind. The use of «traditional» sanctions is yet to reach the desired effect, as the current sanctions packages don't prevent further development – even growth - of the Russian economy. It's paramount to continue the search for and limitation of additional factors causing economic prosperity in the Russian Federation. It may even be necessary to consider the most rigid measures, such as the complete exclusion of the Russian Federation from certain sectors of international economic cooperation. Russia's access to investment and international financial markets should also be restricted. The option of disconnecting Russian banks from SWIFT, international payment systems and means for settlements abroad, in particular with the help of Visa and MasterCard, remains one to consider. However, as the latter step doesn't only strike the Russian Federation but also impacts other countries, it must only be used as a sanctioning mechanism in a worst case scenario.
- 2) The goals and intentions of sanctions must be clearly defined. Simply harming the Russian economy doesn't suffice. There must be a targeted approach, consistent application and thought-out conditions to either strengthen or weaken sanctions

on the basis of adherence to international agreements. This would minimize the risk of manipulation by the Russian side and other Kremlin sympathizers, which might actually lead to a positive result.

- 3) Serious efforts must be invested in the improvement of the common sanctioning policy against Russia, by both Ukraine and other allied countries, as well as the control and monitoring mechanisms for the implementation, continuation and alteration of sanctions. There must be a more active culture of consultation between partners on the conditions attached to possible revision of the sanction policy against the Russian Federation, in order to ensure continuity and consistency, and to avoid a clash of conflicts between these partner countries. Active monitoring should also prevent sanctions to have a minimal, merely formal or even beneficial impact on targeted individuals.

It's clear that economic sanctions must go hand in hand with other types of sanctions, particularly personal sanctions. Otherwise, the unity and consistency of sanctioning policies will suffer, causing little harm to the sanctioned state.

To avoid frustrations, it's important to keep in mind that sanctions rarely work on the basis of logic and simple action-reaction schemes. The hypothesis that the imposition of sanctions would be so frightening to the authorities of the aggressor state, that it promptly changes its destructive foreign policy to a constructive one is an unrealistic scenario in the real world. Even though targeted sanctions are designed to influence the decision-making process, their impact is built up very gradually.

The statistics of the last decades indicate that only once in every fourth case economic sanctions led to significant changes in the behavior of the state against which they were imposed. More often, in every third case, sanctions have helped to prevent the illicit use of weapons.

Ukraine's experience deviates from the norm, though: on the one hand, the introduction of the first sanctions on March 6, 2014, accompanied by threats of possible additional measures, didn't stop Russia's occupation of Crimea and the organisation of a so-called «referendum». On the other hand, the sanctions are likely to have weakened Russia's ability to take drastic measures in order to further destabilize both Ukraine and regional security in general.

When applied in order to destabilize the political regime, sanctions appear to have a 50% effectiveness rate. Yet even here we note significant caveats: authoritarian and totalitarian regimes are much more difficult to destabilize, and external sanctions can, as already stated, be a factor in the consolidation of society around the ruling authorities.

The unexpected and contradictory effects of sanctions should always be borne in mind. They can fuel sanctioned countries to find alternatives that will prove more successful over time – such as finding new markets or developing alternative technologies – causing indirect and unintentional benefits. Sometimes, sanctions have dual effects. Sectoral sanctions related to the supply of oil production equipment to Russia, for example, could lead to a reduction in the expected production of oil, which in turn could lead to an increase in the price of oil. Such growth could enable Russia to counteract

the economic effect of sanctions. US President Donald Trump's sanctions against Iran and Venezuela have led to increased demand for Russian crude oil and therefore increased its export revenues. Subsequently, Russian oil companies have received at least 905 million USD in additional revenue between November 2018 and July 2019, and the value of the Russian Urals barrel has reached a higher level than Brent.

There are three main ways to minimize or avoid the devastating effect of economic sanctions: finding alternative markets or sources of supply; the use of counter-strategies such as smuggling, import substitution or accumulation; or divide sanctions-related economic problems between different groups of the population.

The application of sanctions against the Russian Federation over a long period of time forces or stimulates business entities to adapt themselves in order to avoid these restrictions and suffer too many losses. The case of third parties supplying equipment of German manufacturer «Siemens» to the occupied Crimea became a rather well-known example. This was one of the first cases to demonstrate that transnational businesses are always looking for opportunities to make money and are not ready to fully suffer losses because of political semantics.

It is also worth noting the resistance of the individuals against whom personal sanctions were declared. In March 2019 the EU removed the head of the Presidential Administration during the time of Viktor Yanukovych, Andriy Klyuyev, from the sanction list. Officially, this was done because in adherence to a decision of the European Court of Justice. There have been claims, however, that this judgement was the fault of Ukrainian law enforcement officers, who allegedly failed to justify the imposed sanctions against him by accurately summing up Klyuyev's crimes. This was one of the first occasions where it was pointed out that the sanctions regime against Russia would also call upon Ukrainian law enforcement agencies to prove the involvement of the sanctioned individual in criminal activity. Hoping that the sanctions regime, on its own, will save anything is a common misconception in Ukraine's political establishment.

US sanctions against the companies of Russian oligarch Oleg Deripaska are another good example of this. The imposition of sanctions on the aluminum giant «Rusal», its holding company «En+» and the energy firm «Eurosibenergo» in April 2018 was considered, by some political observers, to be a «demonstrative execution» of Deripaska, a close friend of Vladimir Putin. However, these sanctions lasted only a year and were lifted in early 2019. The US Treasury's official explanation was that the goal of these sanctions had been achieved, as Deripaska supposedly had lost the majority stakes in these companies. According to The New York Times, however, Oleg Deripaska was able to secure an amicable settlement with the US government, while maintaining full control over the group's key assets. Prior to this, The New York Times had reported that Oleg Deripaska was seeking to lift US sanctions on himself and his companies with the help of Great-Britain's ex-prime minister David Cameron, Lord Gregory Barker, and other lobbyists.

The targeted individuals' refusal to simply submit themselves to the imposed sanctions doesn't necessarily mean that they are therefore de facto useless, but it does



constitute a warning for the West that constant scrutiny and vigilance are necessary to ensure the continuation of the sanctions' effectiveness.

The abovementioned cases indicate that maintaining the status quo in the sanctioning policy against the Russian Federation cannot be considered the most effective way to force Russia's compliance to international law. The support for the current sanctions regime is partly countered by resistance from the targeted individuals, as well as those who refuse to put political necessity over business opportunities and therefore ignore sanction-induced restrictions. It's even more discouraging to assess the reaction of the Russian Federation as a state. Russia's foreign policy remains one of waging a global geopolitical war, where it pursues redistribution of influence and power. To obey the demands of Western countries de facto instils a feeling of failure in the Russian mind-set, meaning its outcome will be very difficult to obtain.



# RUSSIA'S REACTION

The Russian government's reaction to the current sanctions regime signifies that Russia is not planning to comply with international law, nor does it plan to eliminate the reasons why the sanctions had been imposed in the first place. The EU and the US state that «Crimean sanctions» will remain in force until Russia returns Crimea to Ukraine. Russian representatives, at the same time, assert that the Crimean question is not up for negotiation. Their official position on sanctions is that the Russian Federation cannot be forced into any unwanted actions. Nevertheless, the state's communication strategy on sanctions has undergone a certain evolution.

As many authoritarian political regimes, the Russian Federation attempts to disguise its behavior with democratic principles and procedures, thus creating a fake image of «democratic» processes. The annexation of Crimea, for instance, was accompanied by the so-called «democratic referendum», which served as an illusion to seize the territory of a sovereign state. After Russia positioned the «referendum» as a democratic procedure that led to Crimea's «self-determination» as part of Russia, the Russian Federation now cannot stray from its general stance on the issue. The state employs a similar strategy with the so-called Donetsk and Luhansk People's Republics. Russia's officials keep insisting that there are no Russians in LPR/DPR, at the same time calling sanctions «confusing» and ungrounded.

Russia's rhetoric regarding sanctions highlights the country's unwillingness to change its line of behavior. The Kremlin actively propagates the idea that sanctions actually «benefit» Russia. To promote this message, Vladimir Putin has numerous times stated that the policy of import substitution industrialization in large decreases the negative effect sanctions may hold for the state. Putin has also tried to shape national public opinion by noting that Russians started to think clearly in light of the sanctions regime. At the same time, the Russian Federation stresses its confusion regarding the sanctions' reasoning, claiming it has been acting purely within international law. While the state's actions do not truly comply with the international law norms, Russia's rhetoric is likely aimed at underlining its unwavering geopolitical course. Moreover, similar statements help to mobilize Russians in light of the challenges provoked by the «unfair» sanctions regime. Such a communication strategy strengthens the «we are surrounded by enemies» theme, which is heavily promoted by the Kremlin among Russian citizens.

As of today, Russia actively communicates the message that the countries that impose sanctions lose more than Russia does. In June 2019, Vladimir Putin stated that Russia lost 50 billion dollars since 2014. The European Union, on the other hand, lost 240 billion dollars, Japan – 27, and the US – 17. While the credibility of these numbers appears rather questionable, the main point here is «you lose more than we do». Russia seeks to spread this message within the EU, thus starting a more advantageous discourse.

Except for the active information policies, the Russian Federation utilizes a series of «counter-measures» against the countries that sanction Russia. For instance, Russia imposes personal and economic sanctions against the US and the EU. With this, it intends to close the internal market for imported goods. In 2014, Russia banned the import of certain European and American food products.

The main indicator of Russia's true reaction to sanctions is a set of actions it implements to destabilize the EU's internal political life. Primarily, Russia is interested in the institutional weakening of the EU. Countering the sanctions is only a tool for strengthening the state's geopolitical positions. For instance, «Nord Stream 2», which is actively supported by Germany and opposed by the US, serves as a successful example of provoking disputes in Western society. Russia unofficially won this confrontation, as it was able to induce misunderstandings between the EU and US.

Continuing the existing sanctions regime will not effectively influence Russia's behavior in the international arena. Without productive alternations, the Russian Federation will find means to bypass current limitations. At the same time, the lack of results signifies the need to improve both the sanctions regime and a series of other complementary tools.

Despite lacking the economic potential, the Russian Federation had formally remained an influential global player throughout the 2000s. The increasing profit from oil production and the stabilization of Russia's internal political situation then enhanced the country's position. At the same time, the Western states continued their attempts to affect the post-Soviet countries. They implemented projects on Georgia and Ukraine support, as well as tried to expand into Central Asia, all the while limiting Russia's opportunities in Europe due to the Balkans' crisis and NATO expansion. Perceiving Russia as a counterweight to China and its allies, the Western countries were not keen on the idea of Russia's Western expansion. Thus, they softly influenced and directed the country to the East. Moscow, however, perceived an akin reaction as the encroachment on its area of interest.

Nevertheless, the Kremlin's inclusion in G8, NATO-Russia Council, and G20 marked the global understanding that Russia is an important international partner. At that point, the Russian Federation secured its status as one of the main natural resources suppliers to the European markets. The war in Georgia and gas conflicts with Ukraine allowed Moscow to ensure its influence on Russia's geopolitical periphery.

With this, from Russia's perspective, the state's aggression against Ukraine and the annexation of Crimea were tools in a wider strategy to secure its interests and the global player status. At that time, the US and EU believed it was necessary to achieve a compromise – at least in the post-Soviet region. This explains the world's ambiguous reaction to the annexation of Crimea and the beginning of the conflict in Eastern Ukraine. The further increase in pressure (largely provoked by the MH-17 tragedy) and an ineffective system of sanctions (the Russian Federation figured it could violate international law up until the annexation point) forced the Kremlin to raise the stakes, becoming active in different crisis areas.

At the same time, Russia utilized the difference in key states' interests, appealing to each one with a different compromise plan. With France, Russia used the development of joint programs, expansion to African markets, fighting terrorism in the Mediterranean Sea region and support in the Libyan conflict. To Germany, Russia offered the «Nord Stream 2» project, reinvention of a trade relationship and a solution to the refugee crisis.

With the US, the Russian Federation brought mutual concessions to the table (in Venezuela, Syria, Libya, Afghanistan, the Arctic, North Korea, and Iran).

Employing this approach, Russia aims to secure its role in the global world order and compensate for its technological weakness:

- ✓ In light of the global economic transformation, the suppliers of natural resources struggle to obtain new technologies and secure technical cooperation with leader-states;
- ✓ On the other hand, the state that supports the balance of power in a certain region may access the technologies it needs to fulfill this function. To counteract North Korea's expansion, one needs a technological upper hand. To stabilize Central Asia, the economy has to be strong and attractive to migrant workers from this region.

Thus, implementing the «stakes raised» policy and entering new crisis areas, the Russian Federation seeks to secure the best negotiation positions. Ideally, it strives to become an important stakeholder in a series of crisis areas, thus having separate appeals to different players.

At the same time, on the national level, Russia prepares for the lift of sanctions. Including economic transformations in various countries, the Russian Federation's government aims to create the most attractive conditions for potential investors (especially American, European, Japanese and Chinese ones). In particular, the Doing Business-2014 ranking (analyzing June 2012-June 2013 time-period) rated Russia 92nd, while Ukraine scored 112th. In comparison, Doing Business-2019 ranked Russia 31st and Ukraine 71st.

In the past 4 years, Russia adopted a series of industrial development programs. In particular:

- ✓ It revised the development strategy of the energy complex until 2035 (currently the development strategy until 2030 is in force);
- ✓ It approved the development strategy of the grain complex until 2035 (adopted on August 10, 2019);
- ✓ It redesigned the maritime development strategy until 2030;
- ✓ It adopted the engineering development strategy for food and processing industry until 2030 (2019);
- ✓ It adopted the mineral base development strategy until 2035 (December 2018);
- ✓ It approved the development strategy of transport engineering until 2030 (August 17, 2017);

- ✓ It developed and adopted the development strategy of agricultural engineering until 2030 (July 2017);
- ✓ It adopted the transportation development strategy until 2030 (approved in 2014).

All these documents indicate that the sanctions pose a primary challenge to Russia's technological development. All the aforementioned strategies include a couple of realization stages, with the first one always involving the simplification of Russia's legislation to make the investors' job easier and protect their interests. At the same time, each strategy notes that the influx of foreign investments cannot serve as a source for any industry's growth. The akin rule concerns entering foreign borrowing markets as well. The first stage is designed to maximize the use of national resources, such as subsidies, loans, national grants, etc.

In addition, all the documents list 2023-2025 as a timeframe for completing the first, preparatory stage. After 2025, the Russian government aims to increase foreign investments, an influx of technology and technological cooperation. Thus, one can conclude that Russia counts on the sanctions being lifted by then. It is obvious that Russia does not intend to return the Crimean peninsula to Ukraine. The Russian Federation is content with Pompeo's declaration regarding Crimea, in which he referred to the Welles declaration on the Baltic States. This policy focuses on not recognizing the annexation of Crimea yet not implementing any meaningful actions to change the situation. For instance, the Welles declaration allowed for the US-USSR cooperation, negotiations and even trade. Notably, it allowed shipments from the Baltic «Soviet Republics».

Russia counts on the Donbas compromise, potentially involving mutual concessions regarding the political influence in Ukraine, in exchange for abolishing the Crimean question. This strategy would keep the Crimean sanctions active, all the while lifting more important and effective economic limitations. While the sanctions were usually imposed or increased in response to the first stages of the Russian aggression, Russia's further actions – like the issuance of «local passports» and holding elections in the uncontrolled territories – did not provoke a new sanctions regime. They only expanded the current sanctions, such as visa limitations and EU asset freezes.

The chaotic reaction of Ukraine's international partners to the Russian Federation's new destructive actions illustrates the absence of a systematic approach regarding the sanctions regime. Interestingly, the same concerns Ukraine, the US, and the EU. Ukraine calls on its international partners to increase sanctions in response to Russia's every hostile move. The Ukrainian political society, at the same time, perceives the sanctions regime as a success criterion for the country's international strategy and countering Russia. As sanctions have a rather limited effect and do not change Russia's line of behavior, they grow progressively unpopular with some of the EU states.

Consequently, the sanctions regime against Russia requires a systematic reinvention and precise criteria of its effectiveness. It also needs to include a clear vision of both Russia's goals and future Russia-EU-US relations in case the Russian Federation ignores the requirements set for lifting the sanctions

# FLAWS IN THE CURRENT SANCTIONS REGIME

The USA, EU and other countries of the multilateral sanctions regime have been consistently imposing sanctions on Russia since 2014. However, Russian financial markets demonstrate an incredibly cold-blooded reaction to these economic threats and restrictions. Gradually, Russian assets are developing certain immunity to these sanctions. New restrictions with regard to business opportunities and the freedom of movement of Russian politicians and oligarchs will increase pressure on the Kremlin to stop Russian aggression against Ukraine and other countries. That's why the list of targeted individuals has to be updated with business partners and companies founded by relatives of Russian officials. Sanctions against the supporters of Vladimir Putin's regime should be extended and include asset freezes, reduction of possibilities for business development and conflicts' financing as well as prevention of obtaining visas for Western countries

To prevent weakening and eventual lifting of sanctions, public activism which aims to eliminate the flaws in the existing sanctions regime is useful. The international initiative Sanctions2020 is a noteworthy example. It's an international platform on which people share the names and available information of those involved in the annexation of Crimea or the armed conflict in Donbas, Syria, etc., forming an up-to-date sanction list of persons and companies who should be targeted. The purpose of the initiative is to identify the persons through whom Russia manages to avoid the already existing sanctions. Among such persons are Sergey Roldugin, Ivan Savvidi, God Nisanov, Zarakh Iliyev, Valeriy Gerasimov, Sergey Shoygu, Igor Shuvalov, Sergey Ivanov junior, Igor Chayka, Yuriy Chayka, Ruslan Rostovtsev, Yuriy Trutnyev and Sergey Sobyanin. All those people have, directly or indirectly, contributed to actions aimed at violating Ukraine's territorial integrity and sovereignty and the destabilisation of international security in the Europe region. The International Investment Bank, also incorporated in this list, serves as an example of a legal entity which has also managed to escape sanctions for some reason.

The importance and influence of all aforementioned individuals shouldn't be underestimated. Sanctions, appropriate to each person's role and involvement in the aggressive plans of the Kremlin, should be imposed.

**Sergey Roldugin** – is a childhood friend of Putin and godfather of his daughter Maria. Roldugin remains on the side-lines of politics and is known to be a mere musician, but his status as close friend of Putin makes him an influential person, nevertheless. He has contacts with many top officials and powerful people, such as Yuri Kovalchuk, Suleiman Kerimov, the Rothenberg brothers and many other. According to Putin himself, Roldugin also «dabbles in business». After the publication of the so-called «Paradise Papers» by OCCRP journalists, it became clear that Roldugin's «business» mostly consisted out of aiding Russia's most influential individuals to launder their dirty money, evade taxes and avoid personal sanctions.



In their attempt to find Putin's personal assets, Western journalists more often than not find themselves pointing at Roldugin, whose offshore firms are funding valuable purchases for Vladimir Putin. According to an OCCRP investigation, Vladimir Putin holds about 2 billion USD in a plenitude of offshore accounts in Panama.

The money appeared in the offshore accounts with the help of suspicious schemes, possibly even through direct theft from state-owned enterprises. For example, in 2010, «International Media Overseas», owned by Roldugin, was to enter into an agreement to buy «Rosneft»'s shares in another offshore entity, but the agreement was terminated because of breach of contract. Roldugin's firm immediately received 750 000 USD as compensation. The terms of the contract were stipulated in such a way that they provided large fines for alleged failure to comply. One can assume that no one was ever meant to actually fulfil the terms of the contract, but that «Rosneft» was expected to breach terms and keep paying the stipulated compensation. The total sum of these «fines» eventually added up to the staggering amount of 69 million USD, which was paid to «International Media Overseas». Most likely, this was simply a scheme to withdraw this amount of money and whiten it through Roldugin's extensive business conglomerations.

Other steady sources of money into Putin's offshore accounts are «donations» from Russian businessmen. Sergei Kolesnikov, a businessman close to the Kremlin, has previously provided information on this scheme. He explained that Russian oligarchs make generous donations to close friends of the Russian President, and that 35% of these gifts are deposited directly into offshore accounts. The OCCRP was able to trace such «donations», finding transfers to Putin's offshore funds from structures which are connected to steel magnate Alexei Mordashov (Putin's judo partner), oligarch Arkady Rothenberg, and businessman and Senator Suleiman Kerimov. Interestingly, Roldugin's offshore received the largest gift, for a grand total of 259 million USD, from Kerimov himself. Given the fact that Kerimov has been under US sanctions since 2018, such a «gift» was most likely meant to whitewash Suleiman Kerimov's personal funds.

«Sandalwood Continental», another of Roldugin's companies, also attracts quite some attention. Investigative reports show that this company is de facto run by an old friend of Vladimir Putin, Yuri Kovalchuk. Much of Putin's offshore operations are related specifically to Kovalchuk's assets, including «Video International», Ski Resort «Igor's» Ski Resort (where Putin's daughter celebrated her wedding), and the hotel «Dacha Winter» (referred to in the media as «Putin's Cottage»). Yuriy Kovalchuk has some media assets which are important to Putin, but as his funds are tied he collects the money to fund them by calling upon other oligarchs. This happened for NTCS, STS, Channel 5 and a number of other assets.

One starts to wonder to which extent Vladimir Putin is personally involved in these operations. Although his direct engagement can't be deduced from the documents of Roldugin's offshore companies, it seems unlikely that the largest oil and metal producers eagerly donate their money to Kovalchuk's media assets without the explicit and personal endorsement of the Russian president. It is also highly unlikely that the

dodgy schemes which are pumping funds from «Rosnafta» and «VTB» to Roldugin's offshore were put into place without the knowledge of Vladimir Putin.

Taking into account all aforementioned schemes, Sergei Roldugin should be included in the list of persons subject to EU and US personal sanctions, as he forms an important link in the laundering enterprises of many sanctioned Russian officials.



Russian businessman **Ruslan Rostovtsev**, also known as the «Coal King», is a known name in the coal industry and the number two in illegal export of Donbass coal. The case of Rostovtsev deserves a separate – elaborate – reconstruction in order to pinpoint the illegality of his activities, as well as their outreach to Western countries. He was introduced to the coal industry in Donbass by Sergei Trubnikov, the official in charge of the export of DPR minerals and steel to Russia in the office of Vladimir Ustinov, the presidential plenipotentiary envoy to the Southern Federal District. The latter is said to control most of the operational agenda related to DPR and LPR, controlling all matters related to exports of mineral resources and steel from DPR to Russia. Russian businessmen, who want to trade with the DPR and with Ruslan Borisovich Rostovtsev, deal directly with Ustinov's office.

Rostovtsev is responsible for a third – around 700.000 tons per year – of the coal production in the Donbass region. His export of Donbass coal is protected by the Kremlin and enables him to funnel money back into the separatist controlled DPR and LPR. His activities support the legitimacy of these territories, which in turn favours the Kremlin's interests. His operations are therefore under the patronage of Boris Gryzlov, Putin's high representative on the Contact Group formed by Germany, France, Russia and Ukraine to resolve the conflict in Eastern Ukraine and the main Russian negotiator in the Minsk peace process. He's also the former Minister of internal affairs, speaker of the Duma (lower house of parliament) and chairman of United Russia.

This coal is transported to Russia, where it's repackaged, relabelled and sent to Europe under a Russian label. The coal is then bought by European buyers, who are unknowingly and illegally funding the separatist republics and, according to reports, funding the purchase of weapons for separatist fighters. To avoid scrutiny, the coal is bought by Coliner Limited, Rostovtsev's company registered in Cyprus, which signs contracts with RP Donbassuglerestrukturizaya (DUR), a public corporation in DPR authorised to sign coal export contracts on behalf of the DPR Ministry of Coal and Energy. Coal for these contracts is delivered by two mining companies managed by DUR: PAO Shakhtoupravlenie Donbas and GP Shakhta Komsomolets. Most of these coal deliveries are transported by railways to the border station of Uspenka – on the border between DPR and the Rostov region in Russia. The coal is re-designated through sale purchase agreements between Coliner Limited and one of the three companies controlled by Rostovtsev: Anthracite Trade, PIF or Iridium. These companies are on Trubnikov's list of authorized companies to conduct trade with the DPR. Payments on these contracts are made

by RBR's companies to Coliner Limited's account in Estonia at Tallinn Business Bank Limited. Simultaneously, Kaproben signs contracts for the corresponding coal volumes with one of the three companies and makes settlement payments for those contracts from its accounts at Tallinn Business Bank Limited and at Emirates NDB in Dubai to Rostovtsev's three companies' accounts at the main Rostov regional branch of Sberbank. Kaproben – in this story – can be seen as the intermediary and as the main source of Rostovtsev's profit.

The coal is then transported by Russian Railways as Kaproben's cargo to the Coal Export Terminal of Rostov Merchant Port, where it is received in accordance with sale purchase agreements between Kaproben and the Kemerovo-based owner of SDS Group, Mikhail Fedyaev, whose Swiss company MIR Trade AG – part of the SDS Group – is predominantly active in the coal market. Kaproben's cargo is then mixed with MIR Trade's coal, which is designated for export to Europe. Interestingly, SDS Group owner Fedyaev is described as a close friend and business partner of Gryzlov's former adviser Umar Kremlev.

Trading documents show that the Cyprus-based company Carbo One Limited – owned by Andrei Bokarev and Iskander Makhmudov – receives coal export shipments from OOO Taldinskaya (TGK/TTK) in Kemerovo and its mines – which are under Rostovtsev's control – and also trades through Kaproben Handels AG.

Since early November 2018 UGMK Holding and Carbo One Ltd, on direct orders from Iskander Makhmudov as president of UGMK, have been executing a project to transform the group's coal export operations. The project was set up as a hedge against possible sectoral and personal sanctions. From 15 October 2018 a directive from UGMK commercial director Igor Kudriashkin has been in place, instructing the firm to re-route all significant KRU export shipments to Denmark, Netherlands, Italy, Turkey, Slovenia, France, Ukraine, Spain and Brazil via OOO TGK/TTK, in which UGMK and its principals do not hold a beneficial interest. For these shipments the CEO of TTK, Elena Stebeneva, signs domestic coal purchase agreements between TTK and KRU. Then TTK supplies product origin paperwork for these shipments showing that the coal is not from UGMK/KRU but was produced at TTK's AO Shakhtoupravlenie Taldinskoe-Kyrgaiskoe. The coal is then shipped via Maritime Port Ust-Luga and Vysotskiy Maritime Port to Carbo One, Kaproben Handels AG and in some cases directly to end customers. Kudriashkin's directive specifically states that any UGMK coal deliveries to EU-based power firms and EU traders must be routed only via TTK and that its UGMK origin must be concealed. These deliveries go to inter alia Alholmens Kraft AB, Fortum Power and Heat Oy and Teollisuuden Voima Oyj in Finland, Enercity AG and Stadtwerke Flensburg in Germany, Orsted Bioenergy in Denmark, Jera Trading in the UK.

Rostovtsev's black market coal enterprise has laundered millions of dollars throughout Europe. Loan agreements between foreign companies, owned by Rostovtsev to launder money, reveal that between April and July 2015 alone \$16

million was transferred offshore through an account at the Latvian ABLV bank. The Campaign Against Maladministration and European Corruption has accused Rostovtsev of using a UK-registered company, Grandwood Systems Ltd, along with multiple Sottish LPs to launder millions of dollars made by the coal from the Donbass.

Rostovtsev subsequently uses the money to set up bogus embassies for the DPR in Marseille and Turin in an attempt to solidify the DPR's legitimacy in international spheres. For his efforts, Rostovtsev received a personal award, claiming he helped «strengthen international relations and a positive image of the Republic within the international arena.»

Something undoubtedly must be done. He is not only a sympathiser and supporter of the breakaway republics, but he has actively helped finance them on the back of his illicit coal trade. Without the imposition of sanctions, this trade will continue, harming Ukraine and Western interests by legitimising the DPR and LPR while reinforcing the Kremlin's foreign policy in Ukraine.



**Ivan Savvidi** – a former member of the Russian parliament, or Duma, whose business empire extends throughout Russia and Greece. Savvidi tried to sabotage Macedonia's accession to the EU and NATO.

Savvidi isn't just infamous in the Balkans, but also built a reputation for himself in the Athos' clergy, particularly on the issue of an independent Ukrainian Orthodox Church. Savvidi is close to the «United Russia» party and has close ties with the closest associates of Vladimir Putin. Savvidi also maintains close relations with the leadership of the Greek Orthodox Church. He finances some of their projects, builds churches and enjoys his influence there. Blogger Oleksandr Ponomar claims that, ever since it became clear that Bartholomew decided to grant the Ukrainian Orthodox Church autocephaly, Ivan Savvidi, on behalf of Moscow, started working actively with the bishops of the Greek Orthodox Church, urging them to refuse to support Bartholomew.

Savvidi has also successfully created a channel to smuggle goods subjected to excise tax from the Montenegro ports to the Middle East. These goods include tobacco products that have been illegally manufactured in Montenegro under the Greek brand «Brooks» – a brand that has been out of production for over ten years. In this well-established smuggling scheme, trustees – sometimes Ukrainian citizens – are chartering Ukrainian registered ships with crews that are not aware of the nature of the cargo and are plying the route from Bar (Montenegro) to Lebanon. Organised Russian criminal groups, controlled by Savvidi, oversee the smuggling operations on these routes.



These criminal groups come from Sevastopol and tightly cooperate with Russian special services, which get a percentage from the turnover as a reward. Because of Ivan Savvidi, 6 citizens of Ukraine – crew members of the Ukrainian vessel «RS-97» – spent over one and a half years in a prison in Greece. They were released only in June 2018. However, despite the fact that Savvidi's activities are well-known; his name doesn't appear on the list of active sanctions, which allows him to continue illegal operations in favor of Kremlin's policy.

**God Nisanov and Zarakh Iliyev** – according to Western and Russian journalists, they have made billions of dollars through illegal operations with regard to the sale of counterfeited goods of famous brands and money laundering. God Nisanov and Zarakh Iliyev were included in a so-called «Kremlin report» prepared by the US Department of the Treasury after their relations with the Rothenbergs were signalled in 2018. Appearing on the list did not mean the automatic imposing of sanctions, as this decision is made by Congress. However, appearing in the «Kremlin report» indicates their toxicity to US companies, including banks. Because of tight-knit economic relations, those enlisted by the USA should be perceived as possible risk by European companies as well. The fact that Nisanov and Iliyev were included in the report served as an argument for several European countries to refuse citizenship to the Russian billionaires. Their presence in that list can also be explained by them financing so-called humanitarian convoys to the occupied territories of Donetsk and Luhansk regions in Ukraine. According to Ukrainian Intelligence sources, food trucks filled with lethal weapons for the separatists were sent by the enterprises of Nisanov and Iliyev. Nisanov is also suspected to recruit fighters for the Donbas conflict.



**Valeriy Gerasimov** – Gerasimov is a general, responsible for the Russian armed forces since 2012. He developed and approved the plans for the annexation of Crimea in 2014, the support of the separatist mutiny in Eastern Ukraine, interference in the Syrian war and the interference in the US presidential elections in 2016. Hacking the e-mails of the National Committee of the Democratic Party is in line with his military strategy. Analysts have dubbed his actions the «Gerasimov Doctrine». The general writes that the main aim of the Doctrine is to wreak havoc in the hostile country, keeping it in a constant state of internal conflict and unrest.

The European Union, Canada, Australia, Switzerland and Lichtenstein imposed sanctions on Gerasimov as a response to the annexation of Crimea and Russia's continuous interference in Eastern Ukraine. However, for unclear reasons, the USA has yet to follow suit Gerasimov, who has also become known by being in command of the Russian military in response to the Second Chechen War.

**Sergei Shoygu** – as Russia's Minister of Defence, Shoygu has signed off on the tactics which are used in Russia's hybrid war, with which Gerasimov managed to seize Crimea in the spring of 2014. He also signed Gerasimov's plans to support Ukrainian separatists and approved Russia's military intervention in Syria. Shoygu used the conflicts in Ukraine and Syria to try out Russia's new military equipment and tactics.



The Syrian intervention was downright barbarous, with Russian regular airstrikes on non-military objects, including schools and hospitals, which have led to the deaths of hundreds of thousands of civilians. Apparently, Putin was so impressed by Shoygu's work that Russian news organisations announced the consideration of his candidature for the position of President of the RF after Putin's resignation in 2024.



**Igor Shuvalov** was a deputy to both Vladimir Putin and Dmitriy Medvedev during their respective times as Prime Ministers. He was a «lightning rod» for corruption scandals and general insensitive statements about the fate of ordinary Russians during the 2000s. Western journalists claim that Shuvalov accumulated hundreds of millions of dollars during his career, while also enjoying a government salary of 140 000 USD per year. He became the chairman of the Russian bank «Vneshekonombank» after resigning from his post as Vice Prime Minister in 2018. He managed to occupy the positions of board member and chairman in companies such as «Gazprom», «Rosatom», «Sovkomflot» and «United Aircraft Corporation».

Next on the list is **Sergey Ivanov Junior**. His father – Ivanov Senior – has been a friend of Putin since they were both working for the KGB in the 1980s'. Since Putin became president in 2000, Ivanov Sr. has held several administrative positions – Defence Minister, Deputy Prime Minister and Chief of Staff of the Presidential Administration. He left the latter to become the Minister of Environment in 2016. Using his father's famous name, Ivanov Jr. made fast strides in his career. At the age of 22, he became the Head of the Department of International Export at «Gazprom» and was appointed its vice-president at the age of 24. He became Chairman of the Board of «Sogaz» insurance company in 2011 and the Senior Vice President of «Sberbank» – the largest financial institution in Russia – in 2016. A year later, at the age of 36, he became president of the country's largest diamond mining company – «Alrosa». Russia's annexation of Crimea, its support for Eastern-Ukrainian separatists, interference in the Brexit referendum and the US presidential elections in 2016 should be enough motivation to prevent Western consumers from buying Russian diamonds. The higher the pressure on Russian businessmen and politicians; the more likely the possibility of the Kremlin changing its policy towards Ukraine.

**Igor Chayka** – the younger son of the Prosecutor General of Russia, Yuriy Chayka. Contrary to his brother Artyom, Igor has yet to be included in the sanctions lists. He has used his father's name to accumulate significant capital and thrives in the business world. He founded construction company LLC «PKB» in Crimea. The company is engaged not only in the construction of houses and hotels, but it also operates as a tour operator and excursion bureau (engaging in around 40 types of activities overall). Both sons of general prosecutor Yuriy Chayka have become the centre of attention in the public eye after the Anti-Corruption Fund of Alexey Navalny published its investigation on their Business Empire, the foreign real estate they hold and their connections with the infamous Tsapko criminal group. However, the scandal didn't prevent the brothers from continuing to prosper in their business endeavours. In August 2018 it became known that Igor Chayka, together with a politician Oleg

Mitvol, was planning on building a water desalination station in Iran. In October the government allowed the company of Igor Charyka to consolidate 75% of the biggest railroad manufacturer in Russia. It was about the sale of 25% of the shares of «Beletrans» (BET) – that belonged to OAO «RZHD» – to the «T-Industry» company, which is a part of Chayka's business structures. It is one of the examples of the «intra-family» circumvention of sanctions.

**Vladimir Romanov** – a citizen of Russia and Lithuania, who fled Lithuania five years ago to avoid being prosecuted for the appropriation of 35 millions USD from the bank which he headed. Russia offered him asylum, knowing fully well what he was accused of. His bank «Ukio» appeared in few money laundering scandals..

In March 2019 more than 20 members of the European Parliament called for sanctions against two bankers, whose banks were involved in money laundering schemes that have transferred billions of dollars from Russia to West. The demand was initiated by the Lithuanian deputy of the European Parliament Petras Aushtravičius and signed by 21 deputies of the Parliament from 14 different EU countries including Germany, United Kingdom, Belgium, Finland, Sweden and Poland. Apart from the sanctioning of bankers, the deputies proposed to set up a «supervisory authority against money laundering across the EU» as soon as possible. Ruben Vardanyan, a former president of Russian investment bank «Troika Dialog» and Vladimir Romanov, previous owner of the Lithuanian bank Ukio, drew the attention of the European Parliament deputies after the publication of the investigation by OCCRP and partners on «Triple Laundering» – a network of companies and accounts created by «Troika Dialog» and managed through the accounts of Ukio. These companies were used to launder money which was stolen from the Russian State Treasury – a sum of over 230 million USD – and other questionable funds. This was discovered by lawyer Sergey Magnitskiy, who died shortly after sharing this information.



**Sergey Sobyenin** – one of the key figures in Putin's regime. For many years Sobyenin held a variety of managing positions in the governing system. Since October 21, 2010 he's been the mayor of Moscow. Since 2001 he is a member of the Bureau of the High Council of the United Russia Party and is also in the committee of the honorary members of the Imperial Orthodox Palestinian Society. The main reasons why Sobyenin is included in this list is his complicity in aggressive revolutions, usurpation of power, destruction of democratic institutes, corruption and his avid cooperation in political repression. Throughout his career Sobyenin has remained an avid supporter of Putin's regime and assisted in the elimination of civil rights and freedoms in Russia, the destruction of independent media, the suppression of opposition and the monopolisation of power in the hands of Putin's entourage. During the presidential elections in 2008, Sobyenin headed the election campaign of candidate Dmitriy Medvedev. This way, he took part in the temporary transfer of power from Putin to Medvedev, opening up the way for Putin to become president again without having to change the Russian Constitution. After Medvedev's victory and the appointment of Vladimir Putin as Prime Minister, Sobyenin became Putin's Deputy Prime Minister.

**Yuriy Trutnyev** – in 2013 he was appointed Deputy Prime Minister of Russian Federation – a plenipotentiary representative of the President in Far Eastern Federal District. In 2018 he was included in the CAATSA list, formed by the US Treasury Department for Congress. According to the Russian news portal TACC, Trutnyev reacted quite positively to his inclusion in the list, stating that «*it would have been a pity not to be included in such company*»<sup>4</sup>. Despite his presence on the CAATSE list, Trutnyev was never targeted with specific sanctions.

The de facto Russian state-owned **International Investment Bank (IIB)** was founded in 1970 and originally used as a financing service for COMECON. It remained intact after the collapse of the Soviet Union. At the beginning of 2019 the IIB moved its headquarters from Moscow to Budapest. The IIB isn't subjected to financial or regulatory supervision or audits, nor does it have to apply audit standards or comply with authorisation or registration obligations. Its IFI status protected the bank from the financial sanctions which were imposed on Russia by the EU and the US from 2014 onwards. Among IIB's nine shareholders are former communist EU states including Hungary, Romania and Bulgaria, as well as Cuba and Vietnam, which continue to be governed by communist regimes. However, Russia remains the largest individual shareholder in the Bank.

It's clear, though, that the bank is still under Russian influence. As it's an international institution, it's exempt from EU banking supervision and it is used as a legal loophole to avoid economic sanctions imposed on Russia. It's paramount that all transactions which pass through the IIB are to be placed under scrutiny to ensure their legitimacy under international regulations.

<sup>4</sup> <https://tass.ru/politika/4913426>

# BENCHMARKING

The imposition of sanctions in 2014 aimed to destabilize Russia, improve the situation in Ukraine and send a message about the steep price to pay for further escalation. One could state that these goals were reached, albeit with varying degree of success. The sanction regime's trajectory was becoming more and more riddled with complications: the shooting down of the aircraft MH17 over Ukrainian occupied territory, Russia's actions in Syria, and Russia's attempts to interfere in the American elections — all these episodes widened and complicated the sanctions regime significantly. All the while, maintaining the unity of allies was a priority from the very beginning — it was a fundamental condition for the relative effectiveness of sanctions, imposed against one of the biggest economies in the world.

It was evident from the start that anti-Russian sanctions are only temporary instruments. It might work for a while, maybe a couple of decades, but its temporary character can't be denied. Whether Russian policies will change or not and, if so — to which extent — is a very interesting question. From the theoretical point of view, the regime of anti-Russian sanctions is a complicated one: it requires political unity of a few dozens of countries and aims to hit an authoritarian state with a big economic power. Everything points to the fact that it would be difficult to succeed, especially if «success» implies a change of Russia's policies.

The question of relaxing or even completely lifting sanctions against Russia now appears occasionally on the agenda of those countries who introduced the sanctions in the first place. It can be assumed that the popularity of this rhetoric will continue to grow. In some countries such calls enjoy more and more significant political support and public acceptance. This is especially the case in European countries, such as France, Italy, Hungary, Greece, where for various reasons sympathy towards Russia is stronger. Apart from sympathy, there are also common interests to be considered, for instance, in energy or trade spheres. The events surrounding the «Nord Stream-2» project indicate that the pragmatic considerations of individual states threaten the unified front of sanctions.

Bearing this in mind, it seems no more than logical that mechanisms to weaken sanctions should be an integral part of the overall sanctioning regime. A step in this direction would have a significant political, diplomatic and symbolical meaning that would signal, apart from other things, the formation of the new *status quo* in international politics. For that, the following contemplations are worth considering.

First of all, any loosening of sanctions should be directly linked to specific steps undertaken by Russia towards compensation of the damage it caused to international security. The ideology of sanctions is two-fold: punishment for the caused damage and minimizing further destabilisation. This ideology has to be maintained for the effectiveness of possible future sanctions. Given the lack of alternative, peaceful means to influence those who threaten regional security, simply questioning sanctions altogether would be too short-sighted. Weakening or lifting the sanctions without sufficient justification would send an unambiguous signal to all those who would wish to challenge the remnants of the world order in the future.

Secondly, the best strategy would be to weaken diplomatic sanctions before altering the economic ones. At the moment, there are four types of sanctions in place against Russia: trade, financial, personal/corporate and diplomatic. Parts of the sanctions concern the annexation of Crimea, whereas some of them are a result of Russia's actions in Eastern Ukraine — particularly with regard to Russia's non-compliance with the Minsk Protocol. After all, the mechanism of introduction of sanctions varies, depending on the imposing entities. The EU sanctions are extended every six months and, in most cases, their continuation is guaranteed by the lack of progress in the conflict in Eastern Ukraine. Even those who wish to loosen or lift sanctions against Russia recognize that the maintaining the unity of European states remains an utter priority. In the USA, anti-Russian sanctions have become part of a long-term policy towards Russia. The sanctions themselves are diverse, extensive and related to conduct that doesn't always necessarily include Ukraine. The mechanism for their implementation or change depends on the interactions between the White House and Congress. The package of diplomatic sanctions aims to reduce Russia's structural power and its influence on international politics, including via participation in global governance formats and international organisations. The weakening of these sanctions would allow for an extension of possibilities to engage in discourse with Russia, but would also keep potential further destabilisation limited. Accordingly, concessions in the financial sector should be made only at the very end of this long and tiring process, as these sanctions play a crucial role in strategically targeting Russia.

The softening of diplomatic sanctions concerns, among other things, the return of the Russian Federation to various international formats. This year saw the restoration of the Russian delegation's power in the Parliamentary Assembly of the Council of Europe. It was a move that drew sharp criticism from some countries, but was made nevertheless to counter Russia's diplomatic isolation, which could end up hurting the rest of the world more than Russia itself. This same logic will possibly be applied when the issue of Russia's return to the G8 will arise.

Thirdly, the alteration of sanctions that do not concern Crimea should be directly linked to the progress made in the framework of the Minsk Protocol. As these sanctions are a way to improve Ukraine's negotiating positions in the asymmetrical conflict with Russia, they should remain unaltered until Moscow makes concessions. In this context, two differing approaches can be proposed. A first approach would be the creation of a large-scaled «roadmap» that consistently links the conflict issues with specific sanctions. It should be clear to the Kremlin which sanctions will be weakened in return for the appropriate concessions and steps foreseen by the Minsk process. A more constructive stance on the exchange of the hostages or establishment of a sound truce could be rewarding. At the same time, steps made in the opposite direction, such as the distribution of Russian passports in the occupied territories, should be met with aggravation of sanctions.

Another approach lies in the assessment of the general process of the regulation in Eastern Ukraine. In this case, Moscow can, either alone or through negotiations with Kyiv, determine the volume and the sequence of the constructive steps. The key lies in the desired result — the withdrawal of troops from Ukrainian territory and the re-



gaining of border control by Ukraine. **Only full restoration of de jure and de facto control by Kyiv over the territory of the ORDLO can be a prerequisite for the beginning of gradual weakening of sanctions against the Russian Federation, and only complete restoration of control over Crimea and compensation for the damage done to Ukraine can be a condition to permanently terminate the multilateral anti-Russian sanctions regime.**

Sanctions, in case of absence of progress on Russia's part, can and should be strengthened. This concerns EU sanctions to a lesser extent, especially when taking into account the internal diverging positions of member-states and the lacking change in dynamic in the Eastern-Ukrainian conflict. US sanctions, on the other hand, have more potential and can be strengthened in several ways, including extending them to third parties that are eager to collaborate with Russia in sensitive or sanctions-affected spheres.

It would be expedient for Washington to systematise the already existing sanctions; amplify the signals sent by them; improve ways of interacting with allies so to take into account their interests and maintain the unity. Well-founded threats to impose new sanctions should also be used in diplomatic spheres, when justified by a surge in aggressive behaviour from Russia.

In this context, it's important to improve the existing sanctioning mechanism and compartmentalize the usage of sanctions according to its strength. In this regard, civic activism — like the Sanctions2020 campaign — is an important and reliable source of information and critique to which governments should adhere, incorporating them in their foreign policy. It must be underlined that individual sanctions only have a chance at effectiveness if they're imposed sternly and consistently, thoroughly targeting every involved individual. The 2018 U.S. sanctions which targeted solely 7 oligarchs and 17 state officials are, therefore — because of lacking coordination with other Western powers and the incredibly narrow scope and intensity of the sanctions — to be considered a weak attempt.

A promising measure to further strengthen the sanctioning mechanism is the imposition of secondary restrictions — intimidate and warn third parties that continue to cooperate with Russia in areas which have already been covered by existing sanctions. Targeted sanctions against Russian banking institutions, especially those that finance disruptive and aggressive activities or support sources of cyber-activity threats, should be strengthened. Apart from this, with regards to the escalation in the Black Sea and Azov Sea, a separate set of sectoral sanctions, directed against the Russian shipbuilding industry may have to be considered.

On the other hand, sanctions, related to the SWIFT system or the sovereign debt of the Russian Federation, have limited chances of success at this point. Russia has an insignificant government debt in relation to GNP and a significant trade surplus (more than 130 billion USD) as well as a stable source of foreign exchange earnings through energy exports.

Lastly, it's worth noting that sanctions can be made more effective by changing procedural and organisational aspects, such as restoring the position of a coordinator of sanctions policy in the State Department or creating a new post with similar authority.

# RECOMMENDATIONS

Sanctions, as a tool «between wars and worlds», remain a unique way to exert pressure on the external policy of Russia while restricting its destructive potential for international security. The strength of the sanctions mechanism lies in its flexibility and scope. Its critical weakness, however, is the little influence it exerts on the decision-making powers in Moscow. Taking into account over five years of experience in applying sanctions against Russia by more than forty countries, as well as all the theoretical nuances of sanctions regimes' application in international practice for the past thirty years, we offer the following recommendations:

## 1. SETTING THE AUGMENTATION OF THE PRICE FOR VIOLATING INTERNATIONAL NORMS AS THE PRIMARY GOAL OF TODAY'S SANCTIONS REGIME AGAINST RUSSIA.

Sanctions have a comprehensive impact and can simultaneously create various negative effects on the target country. However, the main function of these sanctions must be kept in mind at all times: punishment, change of behaviour, a warning for other possible perpetrators, etc. In the case of current anti-Russian sanctions, focusing on increasing the price of destabilising solutions looks like a goal with the most chance of success.

## 2. USING THREATS AND SANCTIONS IN A MORE ACTIVE AND WIDE-SPREAD MANNER.

Threats in international politics are often more effective than the actual use of coercive methods. In its time, Russia couldn't refrain from using direct force, violating the international order and paying for it with a deteriorating reputation, loss of soft power and a general weakening of its international position. In the future, Russia might take this experience into account. The use of threats by extending or strengthening sanctions can, after all, help retain some influence over the decision-making process. New sanctions should also still be introduced, so that further threats would be taken seriously.

## 3. DETERMINING THE OPTIMAL CHARACTERISTICS OF THE SANCTION REGIME.

For now, the main focus lies on targeted sanctions, personal sanctions in particular. This doesn't suffice. The scope of possible sanctions covers import and export restrictions, financial restrictions, tariffs, embargo, quotas, non-tariff barriers — all those measures should be on the agenda. Sanctions should also be flexible with regards to the period of their validity and allow themselves to be linked to Russia's specific steps. It's important and effective to combine sanctions with threats of subsequent sanctions and with other instruments of pressure as well.

The issue of the multilateral format of anti-Russian sanctions requires further investigation. On the one hand, the unity of as many countries as possible in the matter of anti-Russian sanctions makes their application less costly or risky for each state in particular. On the other hand, the maintenance of such unity requires much more effort, given the dynamics of political interests within each country. Finding the balance between engaging in a sanctions regime of a wide

range of countries and upholding the reliability and effectiveness of such a regime is one of the critical tasks in the context of anti-Russian sanctions strategy.

#### 4. INCLUDING SANCTIONS IN LONG-TERM PLANNING AND PAYING MORE ATTENTION TO POSSIBLE GEOPOLITICAL IMPLICATIONS.

Sanctions are a tool for long-term action and can have maximum political effect long after their introduction. This political effect is often different from what was initially planned, as it is dependent on a multitude of conditions. In the presence of a broad coalition of states that have imposed anti-Russian sanctions, there will likely be a gradual divergence of political goals and the states' vision of comprehensive policies concerning Russia. To what extent should Russia be weakened? At what point will dialogue with Russia, which is already heavily damaged by sanctions, be necessary? How can the policy of Russian containment be pursued so as not to provoke its alliance with China? What to do with Russia's influence on nuclear weapons, arms control and regional security? Over time, the answers to these and similar questions may differ significantly among those countries that have imposed anti-Russian sanctions.

To minimise such risks, it is necessary to agree on the key elements of strategic planning for a broader Russian policy for 5–10 years. It should be made clear that **only a full restoration of the de jure and de facto control of Kyiv over the not controlled territory can be a prerequisite for the beginning of gradual weakening of sanctions against the Russian Federation.** Only the full restoration of control over Crimea and compensation for the damage done to Ukraine can be a condition for the definitive termination of the multilateral regime of anti-Russian sanctions.

#### 5. MAINTAINING A MEANINGFUL DIALOGUE BETWEEN ALLIED COUNTRIES, INCLUDING UKRAINE.

The deeper the common understanding of each state's interests and conflicting positions on anti-Russian sanctions, the more productive and long-lasting the cooperation between the allied countries will be. On the other hand, Ukraine must refrain from wrongly identifying its needs in the interests of its partners. In this context, it's also important to note that, from the moment that Ukraine's desire to maintain anti-Russian sanctions in some specific form will begin to differ from the aspirations and vision of its partners, it will have to deal with lacking support. A more sober and pragmatic attitude towards anti-Russian sanctions will help to reap the most benefits for Ukraine and, at the same time, avoid to be taken by surprise if the sanctions are weakened or lifted. Western countries enjoy a far more favourable position regarding Russia. Sanctions are a tool to simply protect their interests, not their national and territorial sovereignty. Today, the Western agenda partly coincides with Ukraine, but this won't last.

#### 6. KEEPING SANCTIONS DIVERSE AND EXTENDING THEM PERIODICALLY.

Combining various types of sanctions would allow for more systematic influence on Russian politics, while their periodic extension would signalise their dependence on specific behavioural changes.

## 7. EXPANDING THE LIST OF PERSONS SUBJECTED TO PERSONAL SANCTIONS.

Personal sanctions are a type of restriction aimed at direct punishment of those involved in the decision-making process that has had destructive effects on international security. Even though the list of persons subjected to personal sanctions is continuously being expanded, there are currently at least 14 natural persons like Roldugin or Rostovtsev that have managed to avoid sanctions. US and EU governments should review these gaps in the sanctions and adapt their lists accordingly.

## 8. CONVEYING THE MESSAGE TO THE RUSSIAN POPULATION THAT SANCTIONS ARE MORE EFFECTIVE THAN THEY SEEM AND THAT RUSSIAN COUNTER-SANCTIONS ARE DAMAGING TO THE RUSSIAN POPULATION ITSELF.

It's important to prevent Russian authorities from turning these sanctions into a tool to strengthen the internal regime. This so-called «rally-around-the-flag»-effect will diminish the impact of sanctions on Russia's economy in every possible way. The effects of trade sanctions, in particular, can be severely damaged. Financial sanctions, however, will significantly impair Russia's long-term prospects and slow its development no matter what. These assessments should be clearly communicated to the Russian population. The fact that Russia is also being harmed by its own counter-measures — particularly the augmentation of prices by a reduction of competition on the food market — must be communicated as well. Not only the international, but also the domestic political cost of sanctions will be higher for the Kremlin with a more active, and even aggressive, spread of information about the sanction regime against Russia.

## 9. SANCTIONS

The application of sanctions — a complex, sometimes contradictory and costly, tool, taking into account the asymmetry of Ukrainian-Russian relations — should be a synergy of two strategies: settling the conflict in Eastern Ukraine and determining the format of relations with Russia. The balance of power, the overall context of regional security, international regimes and the degree of interdependence are the factors that will be of the utmost significance in addressing both tasks.

In strategic terms, conflict management in Eastern Ukraine should be aimed at evacuating Russian influence in all its forms, accompanied by resolving contradictions in the Ukrainian political space and paving the way for post-conflict settlement. In implementing such a strategy, sanctions can influence the calculation of opportunities and risks for Moscow. Their role will become more significant the closer we approach the equilibrium point, in which the benefit of maintaining Russia's presence in eastern Ukraine diminishes. This, in the Kremlin's eyes, will be approximately equal to political, reputational and economic losses. The ability to determine this moment and to modify sanctions depending on the decisions of the Russian leadership will be the main criterion for their success.



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