

Implications of EU Economic and Financial Sanctions against Russian Federation

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Abstract

In view of the annexation of Crimea by the Russian Federation and the provocation of the conflict in Donbas in 2014, the EU adopted and implemented Council Regulation (EU) No 833/2014 of 31 July 2014 in reaction to Russia's measures undermining Ukraine's territorial integrity as well as the sovereignty and independence of the country. This period is characterized by erosion of bilateral trade and economic relations between the EU and Russia. After the beginning of Russia's war against Ukraine in February 2022, the European Union adopted a new series of economic and financial sanctions towards Russia: restrictions on trade; a SWIFT ban for certain Russian banks; restrictions on Russia's access to the EU's capital and financial markets and services; a ban on transactions with the Russian Central Bank and others. In the autumn of 2022 the conflict further escalated with the so-called "partial mobilization" in Russia and the further unlawful referenda for annexation of Ukrainian territories. Two years later (February 2024), the war is still raging and the European Union continues its policy of adopting new packages of sanctions against Russia.

The aim of this paper is to analyze the effects of these sanctions on the Russian Federation as well as the implications of the contra-measures from the Russian Federation towards the European Union.

Keywords: economic and financial sanctions, European Union, Russian Federation, war in Ukraine

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Introduction

“Our sanctions are hitting the Kremlin hard and their effects on the Russian economy will increase further. We need strategic patience until Ukraine is able to recover its sovereignty in full” Josep Borell² (EEAS, 2022).

The annexation of Crimea by the Russian Federation and the conflict in Donbas in 2014 were aggressions considered as almost unthinkable in Europe after the Second World War. The European Union introduced sanctions towards the Russian Federation and some of its citizens and legal persons. The sanctions from 2014 were considered from the beginning as too soft with very little or no deterrent impact on Russian actions. The annexation of Crimea did not receive international recognition and there were some efforts to negotiate with the Russian president in relation to the then frozen conflict in Donbas.

These EU measures proved ineffective. They were not able to stop new and much more severe aggression from the Russian Federation towards the sovereignty and territorial integrity of Ukraine. At the end of February 2022, the Russian Federation started a war in Ukraine, called a “special military operation” in the Russian media. The Russian President Vladimir Putin declared that the aim of this operation was the “demilitarization and denazification of Ukraine.” Although there were problems in the frozen conflict in Donbas after 2014, it was clear that Kremlin only sought a pretext to attack Ukraine. The Russian president expected that the Ukrainian army will not resist and that the “operation” will not last for more than few weeks. This estimation was wrong, and the war in Ukraine since February 2022 has caused too many victims and displaced people, too much destruction and suffering. The conflict escalated with the so-called “partial mobilisation” in Russia and the organisation of unlawful referenda for the annexation of other Ukrainian territories in the autumn of 2022. These annexations have also not been recognised by the international community, including by some “close friends” of Russia such as Serbia.

The EU response was again to introduce sanctions. These sanctions were directed not only at the Russian Federation but also at Belarus who had assisted the Russian aggression. These sanctions were introduced much more rapidly, have greater scope and are expected to have more decisive impact than the sanctions from 2014. The main research objective of this paper is to analyze the impact of the EU sanctions towards the Russian Federation after the start of the war in February 2022. The relevance of the research object is determined by various factors. Some of the most important of them are the following:

- From an economic and political point of view, the relations between the EU and the Russian Federation will have a serious impact on the development of international foreign trade and politics.

² High Representative of the European Union for Foreign Affairs and Security Policy and Vice-President of the European Commission (2019-2024).

- In a positive or/and negative direction, the process of imposing bilateral sanctions between the Union and the Federation will have an impact on the economic and social development of both sides³.
- The development of bilateral relations is expected to have an indirect impact on the military actions in Ukraine.

For that reason, the paper is structured in the following research tasks. The first aims to examine in brief the EU sanctions that were introduced towards the Russian Federation and Belarus after the start of the war. A comparison is made with the sanctions from 2014. The second is to analyse the effect of those sanctions on the Russian Federation - their economic, financial and political implications. The third describes briefly the impact of the Russian Federation's counter measures towards the EU. The last section concludes what is the effectiveness of sanctions as a whole and how EU policies in the area will develop in the short term period.

This paper contains actual information as of the end of February 2024. The research combines both quantitative and qualitative research methods. The general logical methods of analysis and synthesis, as well as abstraction are used. A complex approach to the analysis of certain events is applied, presenting the causal relationships and the ensuing consequences. Mainly are used statistical instruments and normative analysis.

EU sanctions after the start of the war in February 2022

This document contains information up to the end of February 2024. Quantitative and qualitative methods were used in the research: sociological methods of analysis and synthesis, statistical tools and normative analysis, as well as abstraction. A complex approach to the analysis of certain events is applied, presenting the cause-and-effect relationships and the resulting consequences.

At the beginning of the present study, it is necessary to make one theoretical clarification. Sanctions are a type of restrictive measures that are a key tool of the common foreign and security policy and the common EU trade policy. Usually, together with the political dialogue and other softer instruments, they form the Union's integrated approach to solving different types of conflicts with third countries and achieving the set goals. They are developed and implemented in accordance with the principles of international law.⁴

After the start of the war in late February 2022, the EU introduced several packages of sanctions against the Russian Federation. Some of them were targeted also at Belarus who

³ Throughout the study, the European Union is perceived as a whole and a totality of its member states, which is why the author indicates it as one of the "parties," "sides" in the studied relations.

⁴ Rabochchiyska defines sanctions from a legal point of view as "actions taken by states at the suggestion or request of international organizations (or EU-type formations) directed against third countries with a view to resolving a crisis situation. They aim to put pressure on a state, an entity or individuals to comply with provisions contained in United Nations Security Council resolutions or EU acts, without requiring the use of armed force" (Rabochchiyska, 2019: 125).

had assisted the Russian aggression and Iran because of the manufacture and supply of drones. The first sanctions were introduced immediately after the start of the war using the legal acts that were already adopted and implemented back in 2014. Two years after the beginning of the war thirteen new legal packages⁵ of sanctions have been adopted by the Council of the EU. This section provides a list of the most important EU sanctions against the Russian Federation. The scale of the measures taken is presented in Figure 1.

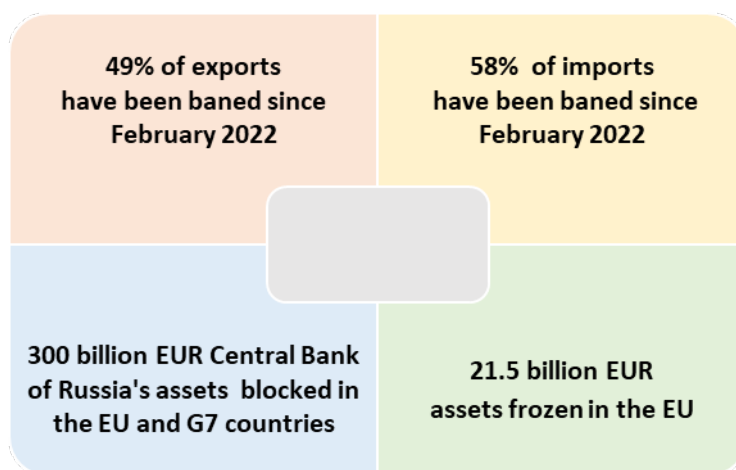


Figure 1. Dimensions of sanctions in numbers

Source: European Council (2024/a)

Evident from the data presented in Figure 1 the main restrictions towards Russia are trade-related. They have several aims and implications depending on the banning of goods, the trade measures and tariffs. There are two main types of trade restrictions: export restrictions and import restrictions. According to the statistical information processed by European Commission, since the beginning of the war, over €43.9 billion in goods (for export to Russia) and €91.2 billion in goods (for import from Russia) has been banned by the EU (see Chart 1). For this reason, the trade flow between the two sides has decreased significantly compared to the period before 2014 (European Council, 2024/a). Based on the presented statistical information, it can be concluded that in the period after the summer of 2023, the effect of sanctions from the point of view of bilateral trade becomes more and more visible.

⁵ According to the official information by Council of the EU and the European Council EU, restrictive measures reflects on nearly 2140 individuals and entities.

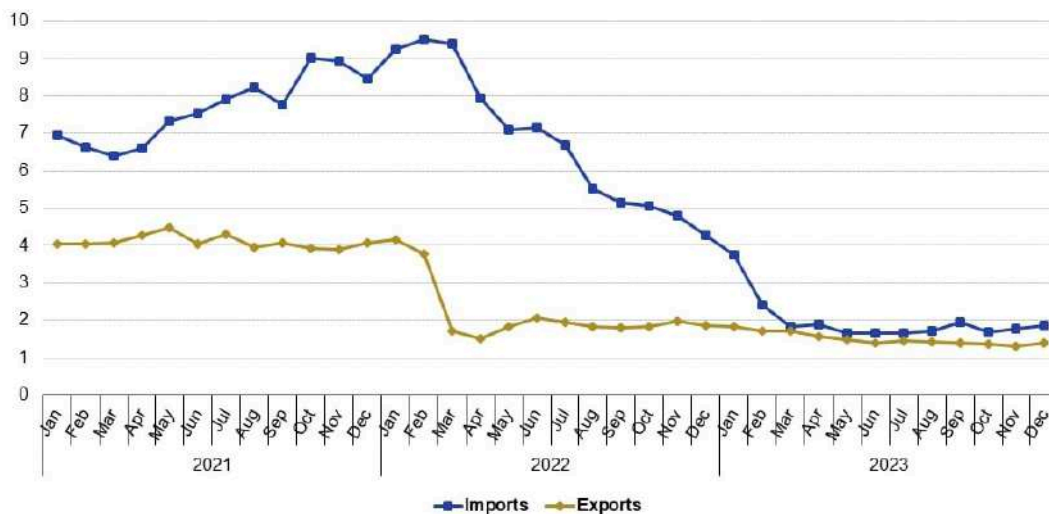


Chart 1. EU trade in goods with Russian Federation for the period January 2021- December 2023

Source: Eurostat (2024)

The export restrictions are bans on European legal entities selling (exporting) certain goods to the Russian Federation. Some of these goods relate to dual-use goods (i.e. goods that may be used for both civil and military goals); technology products and industrial goods; aviation and space industry technology, also drone engines, communication and maritime navigation goods, as well as some luxury goods.

The import restrictions include bans or limitation on the sale of Russian goods in the EU territory. These restrictions include crude oil and petroleum products, albeit with some exceptions and a phasing out period; coal and other fossil fuels (again with some phasing out periods); steel, iron, asphalt and synthetic rubber; gold and diamonds (including non-industrial natural and synthetic diamonds since 2024); some luxury food products, alcohol, etc.

It should be noted that the trade restrictions included in the 2022-2024 EU sanctions are considerably larger and more substantive than the 2014 trade restrictions (as can be seen in Chart 2). However, these restrictions are tailor made in order to minimize the impact on ordinary consumers. Therefore, the trade restrictions do not usually concern goods such as pharmaceutical products, ordinary food and agriculture products. Contrariwise, there is a trend towards expanding the scope of goods in order to increase pressure on the trade process and the Russian economy and industry.

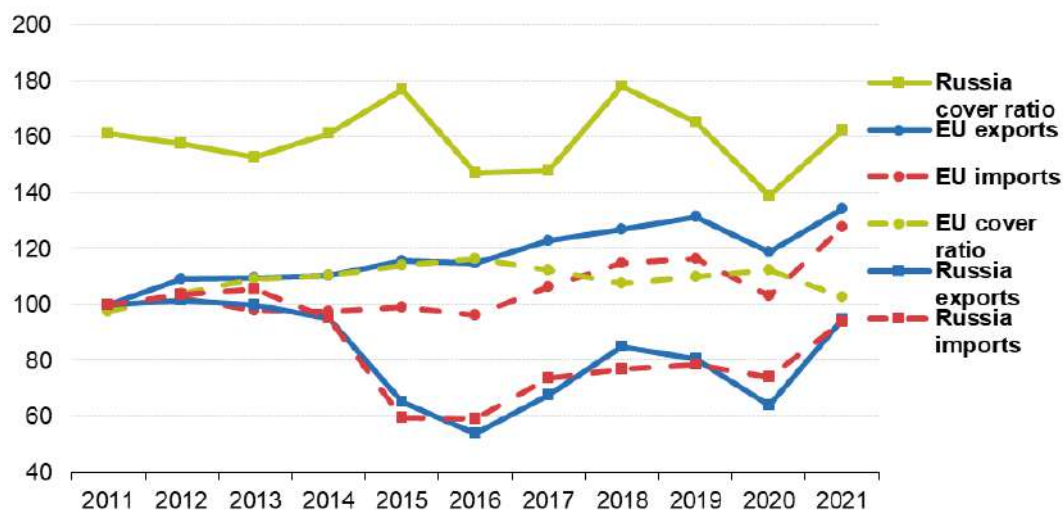


Chart 2. Trade in goods of the EU and Russia, 2011-2021

Source: Eurostat (2024)

Moreover, many European brands and companies, as well as brands and companies from the US and other leading economies, have stopped selling their original products and closed their shops or restaurants in Russia for an unknown period of time. Some of these brands are H&M, Ikea, Nestlé, Adidas, etc. These actions caused the closure of many businesses in Russia.

Specific attention should be paid to the bans on imports in the EU of Russian crude oil and certain petroleum products. These restrictions were applied gradually, taking into account many existing contracts as well as the specific geographic situation of some countries like Bulgaria and Croatia. These restrictions were introduced mainly in the sixth package of EU sanctions in June 2022 and slightly modified by the seventh package in July 2022 and the tenth package in February 2023. Although there are still many exceptions and phasing out periods, it can be said that by the beginning of 2023 EU import restrictions have affected about 90% of the Russian oil imports to Europe, thus limiting substantially the trade revenues of the Russian Federation (European Council, 2024). Moreover, by additionally prohibiting new investments in the Russian mining sector, the Union expanded the prohibition targeting investments in the Federation's energy sector (European Council, 2024/b).

Other significant EU sanctions were introduced in the aviation sector. These were some of the first sanctions that were introduced after the Russian invasion in Ukraine in early 2022. There are several aviation sanctions: A ban on Russian carriers landing at EU airports or flying over EU Member States; restrictions on maintenance services as well as technical assistance towards Russia (for more information see EASA, 2022).

The EU also introduced sanctions in the road transportation sector, comprising a ban on road transport operators from Russia and Belarus entering the European Union. This ban includes not only the transport of goods for export and import but also for transit. Some exemptions may be granted by EU Member States in relation to the transport of medical and pharmaceutical goods as well as for food and agriculture products. Some other derogations are also granted in the EU law.

Similar to the aviation and road sectors, the EU has introduced serious sanctions in the maritime sector. The European Union has restricted access to its ports by the Russian maritime fleet. The ban on Russian vessels arriving in EU ports has some exceptions similar to the ones granted in the aviation and road sectors. However, EU restrictions apply also to Russian vessels that try to evade sanctions by changing the Russian flag to a flag of another third country.

The EU has imposed a number of financial sanctions on the Russian Federation and Belarus. One of the most significant sanctions is the ban on several Russian and Belarussian banks to use SWIFT services. This ban seriously affects the international transactions of those banks, substantially limiting their opportunity to operate on cross-border terms.

Another financial sanction is the prohibition of the sale, supply as well as export and transport of Euro-dominated banknotes to Russia. This restriction, similar to restrictions by other leading economies and foreign currencies, aims to limit access by the Russian government to cash in Euros thus further limiting the ability of the Russian state to act in the economic and financial field.

Another significant financial sanction is the prohibition of transactions with the Central Bank of Russia as well as the freezing of its assets and prohibition on transactions with the Russian Regional Development Bank. These measures proved to have a serious effect on the Russian institutions and their ability to manage the economic and financial situation.

Further problems for the Russian financial system are related to the restrictions on capital markets and insurance contracts. EU law currently contains several restrictions on these sectors that also have implications for the economic and financial stability of Russia.

Since the annexation of Crimea and the conflict in Donbas in 2014 the European Union introduced sanctions on a list of individuals and entities. After the beginning of the war in Ukraine in 2022 this list was substantially enlarged. As stipulated by the European institutions, including the Council of the European Union, the aim of these individual sanctions is to affect people and entities that support, finance or implement actions which undermine the territorial integrity, sovereignty and independence of Ukraine or who benefit from these actions. Currently this list includes more than 1718 individuals and more than 419 entities.⁶

Another group of important sanctions are those related to broadcasting services. The EU has suspended the broadcasting activities of several state-owned broadcasting companies. These restrictions cover all distribution and transmission channels in the EU that include

⁶ The list of individuals and entities is published in the Official version of the EU website. See Council Regulation (2014/a) concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

satellite, cable, Internet Protocol TV, websites, platforms as well as other applications. The aim of these measures is to limit Russian disinformation and propaganda in the EU.

As already stipulated, these are not the only EU sanctions that apply to the Russian Federation, many of which apply also to Belarus. Some of the other EU sanctions include:

- Prohibition on providing public financing as well as financial assistance for trade with Russia. The same prohibition applies in relation to investment;
- Prohibition on acquiring new as well as extending existing participation in the energy sector of Russia;
- Prohibition on providing any financing, including loan, credit, equity capital to the energy sector in Russia;
- Prohibition on providing financial or technical assistance for many other activities in Russia;
- Other sanctions (European Council, 2024/a; see also European Commission, 2023; EEAS, 2023).

It is necessary to provide also some comparison between the first EU sanctions from 2014 and those introduced after the beginning of the war in the period 2022 - beginning of 2024. Such a comparison allows the following main conclusions:

- The 2022 EU sanctions are much more decisive and profound than the 2014 EU sanctions.
- The current sanctions were introduced much faster in the EU and there is a greater consensus among EU Member States for them.
- The main difference between the 2022-2024 EU sanctions and the ones introduced in 2014 is their scope. The current sanctions are much larger in scope and they affect many more policies and areas in the military, economic and financial fields in the Russian Federation.
- The current 2022-2024 sanctions have also a more direct and visible effect on the Russian Federation and Belarus, although they did not succeed so far to stop the war.
- These sanctions and the counter measures of the Russian Federation also have greater impact on the EU itself.
- The effect of these sanctions also affects EU Member States from Central and Eastern Europe. The CEE countries are closer geographically to the war and sometimes these countries had close economic and cultural links with Russia as well as strong dependency on Russian energy products.
- The current 2022-2024 sanctions have a specific “No Russia clause” that was introduced for the first time in December 2023. That rule affects EU exporters as banned re-exportation to the Federation of a number of goods, when selling, supplying, transferring or exporting to a third country.⁷

⁷ In this list of goods are dual-use goods; aviation goods and weapons; technology or products used in Russian military system.

However, the main impact of these sanctions is on the Russian Federation and they are directly targeted to affect its economy and financial sector. The ultimate goal is to limit the Russian potential to conduct the war and even to prevent the Russian army in the medium term to continue its aggression.

On the other hand, some of the EU measures have also had a direct effect on Russian citizens. This is the case of the suspension by the EU of the Visa Facilitation Agreement with Russia in September 2022. This makes the issuance of visas for Russian citizens by EU Member States slower and more costly and difficult. Some EU Member States introduced even harder measures for the entry into their territory of Russian citizens.

Impact of EU sanctions on the Russian Federation

Undoubtedly, the European Union sanctions against Russia and Belarus have direct and significant effects on both countries. This section will focus on some of the most important implications of EU sanctions against Russia.

According to the World Bank, the International Monetary Fund and the Organisation for Economic Cooperation and Development, one of the immediate effects of the war in Ukraine and EU sanctions is the substantial economic recession. This effect is expected to continue in 2024 in Russia. The World Bank projected in April 2022 that the recession will lead to a contraction of the Russian economy by 11.2% in 2022 (The World Bank, 2022). However, these projections and forecasts are still only preliminary as no one can predict how long the war will last with what consequences. As of February 2024, there are still no final data and no new, more up-to-date forecast has been prepared. More and more experts are suggesting that the war could drag on for years, with periods of more active hostilities. Furthermore, there might be many more EU sanctions against Russia introduced if the Russian aggression against Ukraine continues. These possible complementary sanctions will have additional effect on the Russian economy causing much deeper recession not only in 2024 but also in the years to come.

As EU sanctions aim to hit Russian trade, especially in certain types of goods and services, it is expected that trade will contract even further than the Russian economy. According to the available data by International Monetary Fund in 2022, Russian exports dropped by 8.7% and over the same period Russian imports dropped by 15.18%⁸ compared to the previous year. In 2023, according to the data by the World Bank, it is expected that imports compared to 2022 will increase by 4.1%, while exports will drop by 4.6%. However, these figures will be subject to further assessment depending on the potential effects on recent or new packages of EU sanctions against Russia. The same source shows that inflation in Russia reached 14% in the end of 2022 and predicts inflation rates between 5% and 7% in 2023 (European Union, 2023). Russia's gross domestic product dropped by 2.1% in 2022 and the country economy is expected to shrink in 2023 with GDP decline between 0.2% and 2.5% (Ibid.).

⁸ At the beginning of 2024, all the data for the previous year have not yet been processed and analysed, for this reason, the data for 2022 is also presented in a predictive version.

Another import implication of EU sanctions and of the decisions of many EU companies to stop their operations in Russia is the closure of many businesses and an increase of unemployment in the Federation. This leads to a further decrease in living standards as well as an aggravation of the economic situation of many Russian families and households. The closure of businesses is relevant not only in the sectors for selling goods but also in many services sectors, including hotels, restaurants and others.

The restrictions in the **aviation sector** will also have a direct effect on Russian transport services. Taking into account that the majority of the Russian aircrafts are produced in the EU, US and Canada, it is expected that Russia will suffer shortages for repairs and technical assistance for its civil aviation fleet even for domestic flights. This is in addition to the effect of the EU closing its airspace to Russian flight (European Council, 2024/a).

The **financial sanctions** also have serious implications on the Russian Federation. Although the exposures of EU banks to Russia and Ukraine account only to 0.3 percent of the books of EU banks, it comprises about 90 billion Euros (Brenton and Rosca, 2022). An important effect is from the freezing of assets of the Central Bank of Russia and the ban on conducting transactions with that institution. It is estimated that in February 2022 the Central Bank of Russia foreign reserves accounted for more than 579 billion Euro. More than half of these reserves have been frozen by the EU, US, UK and Canada after the beginning of the war (European Council, 2024/a).

The **capital markets** in Russia were closed for a while at the beginning of the war against Ukraine in late February 2022. The reason was the volatile and unstable situation of those markets as well as the unpredictable situation for the entire economy. After that, Russian capital markets continue to experience serious problems in their functioning, which can be traced by MOEX Russia Index. According to the data, the Index dropped from 3600 points (before beginning of the war) to 2200-2000 points by the end of 2022 (ESC, 2022).

Another significant effect with far reaching consequences is the **possible default on foreign debt**. Russia has experienced problems paying its debts since the start of the war. However, in July 2022 these problems developed into a foreign debt service problem, the first one in a century, the previous one being in 1918. Russia still claimed that it did not default on its foreign debt but the news spread across the globe. It is considered that these developments are proof that the EU and other sanctions towards Russia are working (WEF, 2022).

Impact on Russian counter measures on the EU

This section aims to analyze the impact of Russian counter measures on the European Union. For the purposes of the study, the impact of countermeasures on the EU's economy is examined in three main sectors – trade with goods, energy and finance. It should be noted that all the information presented in this part of the study is based on official Russian sources. For this reason, the reading and analysis should take into account the propaganda characteristic of the Russian regime.

In order to understand the Federation's approach in taking counter measures against the Union, several main characteristics in its economic and political development should be noted.

- an industrial-agrarian country with a transitional market economy and with medium income;
- state ownership in strategic areas such as energy and defence;
- a vast territory, with the World Bank estimating the total value of its natural resources between USD 75-80 trillion;
- an abundance of oil, natural gas and precious metals – a major share of Russian exports, making them dependent and unstable during crises;
- centralized government, high levels of corruption and a repressive state apparatus.

The mechanism of implementing the counter sanctions and the process of their functioning is in direct correlation with the unstable economic growth of the Federation and its former role as main energy supplier to the European continent. Moreover, it should be noted that the origin of the counter sanctions can be traced back to 2014 after the annexation of Crimea. As a response to EU measures several legislative acts were adopted in the Russian Federation, implementing sanctions against EU member states.

As indicated in the first parts of this study, immediately after the start of the Ukrainian war (February 2022), the EU implemented sanctions against the Russian aggression. The Russian Federation response was immediate, by imposing counter measures via Presidential Decrees, Government Directives and Federal Laws.

The paragraphs below provide a list of the Russian Federation's sanctions against the European Union (as process and function), classified in three main groups according to the implemented legislation. Almost all of these restrictions apply also to the USA, UK and other "unfriendly states" as they are called by the Russian Federation.

Financial sector

Adopted measures in this sector mainly aimed at protecting the national capital market, respectively the Russian currency (ruble). They have a negative impact on foreign direct investments and international transactions. Their implementation is an attempt at stabilizing the Russian financial system after the prohibition of transactions with the Central Bank of Russia as well as the freezing of its assets and the ban on several Russian banks use of SWIFT services. The retaliatory actions taken by the Federation include:

- In case of debts to non-Russian creditors, Russian debtors (citizens and companies as well as the state, its regions and municipalities) are allowed to pay them off in rouble (instead of otherwise applicable currency) according to the official exchange rate of the Bank of Russia (Executive order 95, 2022)⁹;

⁹ In the English language version of the official website of the President of Russia "executive order" stands for "presidential decree" although the latter is more often used in English language commentaries and analyses to refer to Russian President's orders.

- Transactions such as providing loans in roubles, transferring ownership of real estate or transferring ownership of securities from Russian residents to “specific foreign persons”¹⁰ or persons controlled by such foreigners are prohibited without prior clearance by the Government Commission for Control over Foreign Investments (Executive Order 81, 2022);
- For a certain period, nonresidents (companies or individuals) are not allowed to transfer money from their Russian accounts to accounts outside of the Federation (Executive Order 126, 2022; Bank of Russia, 2022);
- The implementation of a prohibition for unfriendly states’ companies from buying any non-rouble currency in Russia (Bank of Russia, 2022);
- Russian residents have to undertake a mandatory sale of 80 percent of the currency from foreign countries and of proceeds credited to their bank accounts in the Federation under their foreign trade contracts with non-residents (in relation to goods, services, works and IP) within three business days from the date the proceeds are credited (Executive Order 79, 2022; Nikitina and Logvinova, 2022);
- A prohibition on the export of cash in foreign currencies or monetary instruments in foreign currencies in the amount exceeding the equivalent of USD 10,000 (Executive Order 81, 2022);
- Russian residents are prohibited from transferring non-ruble currency to any nonresidents under loan agreements; or to deposit other currency than rouble into their accounts abroad (Executive Order 79, 2022);
- Professional brokers are prohibited from selling on behalf of any non-Russian companies or individuals;
- A prohibition on the issuance and trading of depositary receipts representing shares of Russian companies outside the Federation; Russian companies are obliged to terminate their respective agreements so that the depositary receipts are converted into underlying shares that can be traded only in the Federation (Ostroff and Webb, 2022);
- Russian residents cannot pay shares in any nonresident companies or make payments to any nonresidents under joint venture agreements, unless they obtain a permit from the Bank of Russia (Executive Order 126, 2022);
- A specific rule for companies with assets in the federation was adopted in the beginning of 2024 by a presidential decree that removed certain frozen assets of foreign companies located in the Federation from enforcement by private third

¹⁰ “Specific Foreign Persons” includes the following categories of persons: Non-Russian nationals and entities connected to relevant states which are acting in an “unfriendly” (as such term is used in the Decree) manner in relation to Russian companies and individuals, including any persons that are citizens of those states, or are registered in those states, or conduct their business primarily in those states, or realize profits primarily in those states.

Entities that are under the control of the above persons, irrespective of the place of their registration or the place where they primarily conduct their business (Executive Order 81, 2022).

parties. Practically in this way are created conditions for confiscation of these assets (Executive Order 8, 2024).

Energy sector

Energy is one of the main areas in which Russia has certain advantages over the EU member states due to the serious dependence of the latter on Russian resources. For this reason, the counter measures taken by the Federation in this area were used as a mechanism for the manipulation of some national governments, including CEECs EU Member States. The retaliatory actions taken by the Federation included:

- An obligation to pay for gas in Russian roubles when the buyers are from “unfriendly states” or when gas is supplied to such state. Non-compliance to this rule could lead to a halt in further supplies. In addition, a specific payment procedure was implemented (Executive Order 172, 2022) – “buyers have to open accounts in both Russian roubles and non-rouble currency at Gazprombank and initially pay for gas in non-rouble currency, which is then sold by Gazprombank on the Moscow Exchange against Russian rubles credited to the buyer’s rouble account and subsequently paid to the seller of gas” (Gibson Dunn, 2022);
- Another similar action happened in the end of February 2023 when supplies of Russian oil to Poland via the Druzhba pipeline were halted;
- In December the Russian Government signed a Directive to adopt roadmap for supporting exports of energy sector enterprises. In the document are included measures for implementing infrastructure projects and signing long-term agreements with “friendly states” (Government Decision, 2023).

Trade with goods

Several legislative acts (Russian President’s Decree No.100 of March 8, 2022; Russian Government’s Directive No.311 of 9 March 2022 and Russian Government’s Directive No.390 of 17 March 2022) have imposed a ban on exporting from, and/or importing of certain products and raw materials into the Federation. In the list there are products such as “pharmaceutical products, medical, optical, electrotechnical devices as well as devices and instruments of telecommunications, various industry production as well as hand tools and machines, nuclear reactors, fuel elements, pumps, boilers, turbines, motors, drives, industrial and laboratory furnaces, mining equipment, all manner of road, water, rail vehicles and aircraft and their accessories, agricultural and forestry technology, household and electrotechnology as well as plant, devices and equipment for all manner of industrial sectors, such as the paper and printing industry, food and beverage production, metalworking, wood and rubber processing, textile industry, semi-conductor production, or e.g. foundries” (Galandar, 2022).

Moreover, there is a special governmental decree allowing Russian companies and individuals to use inventions, utility models and industrial designs held by owners from “unfriendly countries” without their consent and without paying any compensation (Government Decision, 2022).

The protective measures that have been taken are mainly in the field of the country's economic and financial policy. In the short term, this policy helps to contain inflation as much as possible and strengthen the rouble in foreign exchange markets. In the longer term, however, this leads to increasing pressure on the cost of capital for Russian banks and firms. The deteriorating investment and tax environment (resulting from the EU sanctions and the war) increases the risk of "capital flight" from the Federation. Since the main factors influencing the behavior of the ruble are the capital flows needed to cover external debts and achieve monetary liquidity, the state has taken the legislative measures described above to limit "capital flight" from the Russian economy.

The economic and financial actions taken by the Russian Federation are both defensive and aggressive in nature. The suspension of the import of agricultural products, raw materials and food from the EU aims, on the one hand, to protect the Russian agricultural sector and stimulate local production. In this way, Russia should achieve a higher level of food security by starting to satisfy the domestic market with its own production. On the other hand, the implementation of these measures leads to serious losses for European agricultural producers and, respectively, for the European economy due to reduced export capacities as a result of loss of markets and reduced external orders. As a result of the countermeasures taken by the Russian Federation, as well as the rise in the prices of a number of products, an increase in inflationary pressure occurred throughout Europe.

Conclusions

European Union sanctions against Russia and Belarus are in response to Russian aggression and war against Ukraine. The main aim of this response is to limit the ability of Russia to conduct the military interventions and ultimately to stop the war. The 2022-2024 sanctions are much more decisive and with a larger scope towards the Russian state than the EU 2014 sanctions after the annexation of Crimea and the conflict in Donbas.

Furthermore, for sanctions to demonstrate their real effect and impact, more time is needed. As Josep Borell, the High Representative of the European Union for Foreign Affairs and Security Policy, pointed out: "sanctions require strategic patience because it may take a long time for them to have the desired effect" (EEAS, 2022). If we look at the economic, trade and financial statistics of Russia, we will see that EU sanctions are already having a real impact. Some military analysts explain that the Russian military attacks might lose their strength and be less vigilant. However, we shall admit that the EU and other sanctions are far from reaching their ultimate goal, mainly to stop the war and the aggression of Russia towards Ukraine as well as to guarantee the territorial integrity and sovereignty of Ukraine.

Despite this, it should be remembered that the EU sanctions and also the Russian counter measures have also affected the EU economy as well as on the economies of other countries. This process of imposing bilateral restrictions has a serious negative impact on the energy and financial sectors in the countries of Central and Eastern Europe. There is

also a trend of increased inflation and a significant slowdown in the development of the economy in these states.

Based on the research done, it can be concluded that sanctions are slow-acting “economic weapons” and their effect depends on the ability to sustain support for their implementation over a longer period of time and willingness to bear the potentially rising costs. Several years after the imposition of the restrictive measures after the Ukrainian crisis and almost two years after imposed sanctions as a reaction to Russia’s military actions in Ukraine, it is extremely difficult to give positive or negative assessments of their effect. It is difficult to fully separate the impact of sanctions from other factors. For example, the collapse in oil and natural gas prices on world markets in 2014 or the consequences of the COVID 19 pandemic. At the present moment, they still do not have a positive influence in the direction of ending the armed actions on the territory of Ukraine. Their strongest impact remains in the field of international trade and gradual transformation of the energy sector in the EU.

Notwithstanding the fact that there are some divergences of opinion in some Member States, the European Union remains united with its answer towards the Russian aggression. Further coordination with the US, UK, Canada, Australia and other global players also looks likely to continue.

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