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SANCTIONS ON RUSSIA AND ITS EFFECT

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ABOUT ARTICLE

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Abstract: In 2014 Europe Union and United States had implied Russia with sanction as a result of illegal annexation of Crimea. Those sanctions were just small wave and more sever sanctions had been added when Russia shooted down malaysian aircraft, after presense military operations in Donbass, and non-respect Minsk agreement. Even though restrictions were very serious and affected all sectors of Russian economy, sanctions had not brought any positive results. Huge mounts of banks and companies had suffered especially companies who had debt in dollars but had been earning in roubles in reason of depreciation of rouble. Russian economy had a serious hit after falling oil prices

In the end of summer in 2014 Russian implied a counter-sanctions against EU and US that meant Russia refused the exports from Western Europe and US. Counter sanctions included extension and agricultural products. Russia had not suffered too much, on other hand developed countries like Germany, UK and Polland had got a huge damage.

INTRODUCTION

People used to think economic sanctions as peaceful way to coerce into behaving. In reality, economic sanctions became a tool of a modern warfare. League of Nations named sanctions as an “economic weapon”.

Sanctions are method of warfare, that affects other countrie’s economy by not declaring any war. But are they really effective to coerce other countries change their intentions?

Literature view

In 2014, EU and US had implied a several sanctions against Russia as a result of illegal annexation of Crimea,like underestimating Ukraine territory. This sanctions were supported by a host of countries including Japan, Canada, Norway, Switzerland, Ukraine, Australia and etc.

First wave of sanctions were like a warning, not hurting. However instead of limitting itself to sanctions Russian pilot shooted down malaysian aircraft, presented military operation in Donbass, and non-respect at Minsk agreement. It became “clear” that warning was not enough. So EU and US implied then more serious sanctions on Russia.

Restrictions included:

 Freezing any stocks or assets

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- Visa bans for people responsible to invasion to Ukraine.
- European Bank suspended preferential economic development loans to Russia
- A ban on trading equity and brokering services product exceeds 30 days maturity period
- a ban on loans to five Russian state banks, including Sberbank.
- A prohibition to export dual-use items,and industrial goods,that can be used as a weapon, or to produce them
- Interdiction on exporting energy-related equipment to Russian innovative energy projects like Arctic, deep-water exploration,shale oil.

Sanctions affected sectors including finance, energy, ferrous metallurgy, mining, electronics, engineering and transport, and also its Central Bank, oil exports. Meanwhile, foreign countries had left from the Russian market as a result of “self-sanctioning” trend. Russian fiscal revenues have not suffered from sanctions sufficiently to reduce the length of the war.

Effective management of the Russian banks had quickly prevented financial disbalance and protected real economy. However, Russian economy had taken a serious hit as a falling of oil prices and depreciation of its currency “rouble”. After sanction GDP of Russia had a decline for 1-1,5%. Citibank analyzed that 90% of initial decline was observed by falling oil prices.

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Even though Russia itself occupied a dominant position at international forums, participates from Russia could not attend anymore. Hundreds of its diplomats had been expelled to Russia. Some countries ended all relations with Russia, meanwhile others just lowered them.

Counter sanctions

In August of 2014 Russian had implied counter-sanction against Western Europe and United States, that meant Russia refused the US and EU's export of food and agricultural products. Each EU country had suffered differently, with Germany had the most loss of exports. Relative losses were also large in UK, Poland, Hungary, and Greece. According to these trade losses ,EU had lost less than 0,2 % of its value-added and employment, because of sanctions.

If it comes to Russia, country had not suffered significantly. Since 2000's Russia had been improving domestic food and agricultural sector to be less dependent on other countrie's export, so we can say the mission had succesfully completed.

In addition, the reason of Russian resilience to sanctions in 2022 was an effort to rid its economy of dollars. Fresh call for China to reduce its relience on the dollar system have only furthered speculation about the American currency's status.

CONCLUSION

Overall, global trade decreased to 4,8 billions dollars per month after sanctions implied.

The overall negative effect inflow from 2014 to 2017 is astimated about 280 billion dollars while effect on net capital inflows is about 160-170 billion dollars.

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