

HOW TO MAKE ANTI-RUSSIAN SANCTIONS MORE EFFECTIVE



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INTRODUCTION

Sanctions have served as one of the international community's key answers to the Russian full-scale invasion of Ukraine. In fact, sanctions have been a working instrument against Russia since 2014 — and since that time the expert community has been discussing the ways to make the sanctions regime more effective.

Under the new circumstances of a full-scale war, the Armed Forces of Ukraine, as well as the military and financial assistance of Ukraine's international partners, play a key role in stopping Russian aggression. However, the analysis of all possible scenarios of the war indicates that the best outcome would involve internal changes within the Russian Federation, such as the fall of Vladimir Putin's regime, a so-called palace coup, large-scale protests, or the conspiracy of Russian political elites to change Putin's policy and stop the war, withdrawing all troops from Ukraine, punishing war criminals (including the political and military leadership of Russia), and paying reparations for all damages caused to Ukraine. In this regard, individual sanctions are effective as they are inflicting personal damage on Russian political elites.

With this, sanctions should play both a punitive and an incentivizing role. They must punish the individuals for their support to Putin regime while encourage them to promote and support radical changes. These changes should include both – support for political decisions of Russia to stop this criminal war as well as their personal choices, including the position on Russia's war against Ukraine and reconstruction of Ukraine.

To make the sanctions more effective, the international community should fill the gaps that allow for a selective designation of Russian oligarchs and politicians. It requires a systemic analysis and monitoring aimed at finding these gaps, then sanctioning the individuals who had avoided personal sanctions.

The International center for policy studies already published a research on efficiency of Western sanctions against Russia in 2019. Our report [“Sanctions against Russia: Current status, prospects, successes and gaps in the multilateral international sanctions regime against the Russian federation”](#) has been presented to EU and US governments and widely discussed in Ukraine and abroad. Now we present a new research on how to improve sanctions regime with a view of realities created by Russian invasion to Ukraine on 24.02.2022.

THE STATUS QUO

So far, the international community has adopted seven packages of sanctions against Russia since its full-scale invasion of Ukraine in 2022. Over 50 countries have in some form joined the sanctions regime. Some states, such as Israel and China, don't adopt sanctions but block potential ways for Russia to evade their effect. Mainly, it is the developing countries that don't implement the sanctions regime, while the collective West is decisive and united in its exploit of the tool.

Akin to 2014 and after, sanctions constitute a complex mechanism of selective action. They are not absolute but rather operate in different sectors and against particular individuals or legal entities. In addition to sectoral sanctions, diplomatic and visa restrictions are in place.

The financial and energy sectors are currently the most important in terms of sectoral sanctions. The ban on Russian aviation's entrance into the airspace of several countries, as well as other transport and cultural boycotts, are also noteworthy. Additionally, over a thousand companies withdrew from the Russian market.



THE IMPACT OF SANCTIONS

Given the vulnerability of the Russian economy in 2014, Western sanctions were able to contribute significantly to the stopping of Russian aggression against Ukraine. By 2022, however, Putin's leadership has prepared extensively for new sanctions. Contrary to expectations, this time, the harsh and unified sanctions imposed by the West did not lead to acute and immediate problems for the Russian economy. They also didn't change Moscow's current policies. With this, the steps taken by the Russian government stabilized the country's economic situation and hence limited the devastating effect of the sanctions during the first six months of the war.

The assessments of the sanctions' toll on the Russian economy vary. On the one hand, sanctions haven't forced Moscow to change its behavior. Moreover, several macroeconomic indicators, such as a record foreign trade surplus or the exchange rate of the national currency, make some pass on the judgment that "sanctions are not working." On the other hand, the effect that sanctions are supposed to have on the large economy is slow but inevitable in nature, eventually leading to imminent economic problems. This, according to many, is precisely what's happening with the aggressor state now.

Some Western experts indicate that the sanctions are likely to have a long-term effect, impacting the Russian economy gradually and slowly. A more skeptical view questions whether it is possible to cause serious damage to a large economy focused on the export of energy carriers in the modern world. After all, there are other countries — which haven't joined sanctions packages — that can buy energy carriers from Russia. With this, the states like China, India, and Turkey de facto own the golden share on the effectiveness of economic and financial sanctions. Without the introduction of secondary sanctions — punitive measures against third-country companies that conduct business with Russian companies — it will be difficult to increase the effectiveness of financial and economic sanctions.

As of now, the most tangible outcome of anti-Russian sanctions is the technological backwardness experienced by the aggressor country. Lack of access to technology, in turn, can significantly reduce industrial potential and the ability to extract natural resources.

In addition, sanctions create financial issues. According to data available, Russia lost up to 10% of its bank capital and up to 40% of its market capitalization. The disconnection of Russian banks from the SWIFT system has significantly reduced the number of financial instruments at their disposal.

The exit of Western companies from the Russian market creates a short-term increase in unemployment and the loss of investment, as well as leads to capital outflow.

However, the projected fall in GNP does not appear to be critical, declining by about 10% in 2022 and even less next year. The Central Bank of Russia managed to minimize the negative effect of losing 50% of the country's foreign exchange reserves and maintain the ruble exchange rate (mainly due to the combination of capital controls and falling imports).

The Putin regime continues to earn significant revenue from energy exports, which have greatly increased in price. In the future, this source of profits may decrease; as of now, however, it allows Moscow to reduce the negative effects of sanctions. In addition, Russia is searching for various schemes and loopholes to bypass sanctions.



SUGGESTED WAYS TO INCREASE THE EFFECTIVENESS OF SANCTIONS

After six months of unprecedentedly painful sanctions, it's become evident that the sanctions regime is unable to quickly weaken the aggressor or force Moscow to change its policy. What transpires on the battlefield proves decisive. The most effective sanctions to make Russia retreat are the ones that directly encourage Putin's weakening or political demise. Sanctions can and should foster the divide inside Russia's ruling elites, encouraging specific actions aimed at changing the regime and revising the Russian imperial policy toward Ukraine. Accordingly, sanctions must be comprehensive and devoid of gaps.

It's worth noting the following gaps:

- Failure to include some Russian oligarchs in the sanctions lists. One example is Alexander Lebedev, a Russian oligarch and resident of London who used to work for Russian intelligence. After the illegal annexation of Crimea, Lebedev continued his businesses in the occupied Crimea, publicly highlighting the priority of his investments in the peninsula. The oligarch's actions directly violate Ukrainian sovereignty and serve as a compelling reason for Lebedev's inclusion in the sanctions lists. In the UK, the oligarch established a network of high-profile contacts and sufficient influence to purchase several British media outlets and obtain a seat for his son in the British House of Lords.
- Exclusion or non-exclusion from sanctions lists based on lawsuits and legal cases. The classic example here is Dmitry Rybolovlev, a Russian oligarch who resides in Monaco and owns a local football club. As was detailed in books and articles of British journalist Luke Harding, Rybolovlev actively participated in Russian attempts to interfere in U.S. domestic political matters. Despite extensive evidence and businesses that actively promote Russian aggression, Rybolovlev is not included in any sanctions lists. Rybolovlev's friendship with European monarchs (similar to Lebedev's friendship with British politicians) may be helping him avoid the designation. In Rybolovlev's case, one should note the oligarch's masterful use of European and British legal mechanisms. Interestingly, Rybolovlev hired a Ukrainian, Tetiana Bersheda (daughter of the well-known Ukrainian diplomat Yevhen Bersheda), as his lawyer.

Russian war crimes in Ukraine didn't prevent Ms. Bersheda from representing the interests of Russian oligarchs in court. Moreover, it seems that solving the problems of Russian oligarchs in international courts has become her expertise. Legal victories in Monaco allowed Ms. Bersheda to create a "boutique law firm for ultra-top rich", as she described her firm in London and Lausanne, opening the doors to more individuals like Rybolovlev.

Of the top 100 richest Russians according to Forbes magazine in 2021, EU sanctions have been imposed on 26 people, US sanctions on 17 individuals, and the UK designated 32 Russians. As one can see, although the number of sanctions imposed has become unprecedented since February 2022 (in total, over 10,100 restrictions have been imposed against Russian citizens), less than a third of the top 100 richest Russians have been designated. Of the top 10, 5 are not on sanctions lists, namely Vladimir Lisin, Vladimir Potanin, Pavel Durov, Leonid Mikhelson, Andrei Melnichenko, and Vagit Alekperov.

The list of Russia's richest individuals who've avoided sanctions:

Name	Date of Birth	UK Sanctions	EU Sanctions	US Sanctions
Vladimir Lisin	7.05.1956			
Vladimir Potanin	3.01.1961	29.06.2022 Asset freeze, travel ban, aircraft-related technical assistance, transport sanctions		
Pavel Durov	10.10.1984			
Leonid Mikhelson	11.08.1955	5.04.2022 Asset freeze, travel ban, transport sanctions		
Alexei Mordashov	29.09.1965	15.03.2022 Asset freeze, travel ban		Yes
Alisher Usmanov	9.09.1953	3.03.2022 Asset freeze, travel ban	28.02.2022	Yes
Gennady Timchenko	9.11.1952	22.02.2022 Asset freeze, travel ban	28.20.2022	Yes
Andrey Melnichenko	8.03.1972	15.03.2022 Asset freeze, travel ban	9.03.2022	Yes

Name	Date of Birth	UK Sanctions	EU Sanctions	US Sanctions
Vagit Alekperov	9.01.1950	13.04.2022 Asset freeze, travel ban, transport sanctions		
Mikhail Prokhorov	3.05.1965			
Roman Abramovich	24.10.1966	10.03.2022 Asset freeze, travel ban, transport sanctions	15.03.2022	
Viktor Rashnikov	13.10.1948	15.03.2022 Asset freeze, travel ban	15.03.2022	Yes
Dmitry Rybolovlev	22.11.1966			
Alexander Abramov	20.02.1959			
Viktor Vekselberg	14.04.1957	15.03.2022 Asset freeze, travel ban		Yes
Leonid Fedun	5.04.1956			
Andrey Guryev	24.03.1960	6.04.2022 Asset freeze, travel ban, transport sanctions	9.03.2022	Yes
Leonid Boguslavsky	17.06.1951			
Andrei Skoch	30.01.1966	15.03.2022 Asset freeze, travel ban	23.02.2022	Yes
Viatcheslav Moshe Kantor	8.09.1953	6.04.2022 Asset freeze	8.04.2022	
Suleyman Kerimov	12.03.1966	15.03.2022 Asset freeze, travel ban	15.03.2022	Yes
Sergei Dmitriyev	11.03.1966			

Name	Date of Birth	UK Sanctions	EU Sanctions	US Sanctions
Iskander Makhmudov	5.12.1963			
Sergey Galitsky	14.08.1967			
Sergey Popov	12.08.1971			
Valentin Kipyatkov	5.06.1976			
Igor Kesaev	30.10.1966	13.04.2022 Asset freeze, travel ban	8.04.2022	
Timur Turlov	13.11.1987			
Matvey Yozhikov				
Aleksandr Frolov	17.05.1964			

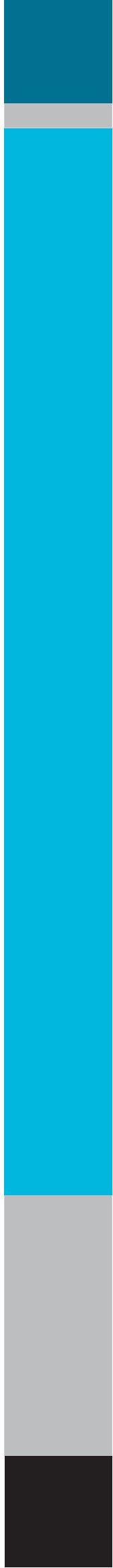
There are already precedents of lifting or circumventing important individual sanctions. The European Union has repeatedly discussed the rollback of sanctions against certain Russians based on supposedly weak legal grounds. Some EU member states are openly lobbying to exclude specific persons from the sanctions lists.

Hereafter, Ukraine must present its counterarguments and clarify its position: only an official change in the position of Russian oligarchs, public condemnation of the war against Ukraine and Vladimir Putin's regime, as well as public and financial support of Ukraine, can serve as a reason for the revision of the sanctions regime. Russian oligarchs are conducting their businesses mainly in energy, metallurgy, and finance — the economic sectors serving as a significant source of income for the Putin regime. With this, these individuals shouldn't avoid sanctions based on a Monaco residence or lordship.

As long as Russian oligarchs manage to continue conducting international economic activities established over the years, Putin's regime will pose a danger to the entire world. It is necessary to eradicate all loopholes used to bypass the existing restrictions, which have an extremely negative impact on the entire sanctions mechanism.

The purpose of individual sanctions is for the sponsors of war to lose economic opportunities, undergo punishment for the creation of Putin's criminal regime, and, most importantly, be motivated to change and revise the policy toward Ukraine. Anyone who supports or finances Putin's invasion of Ukraine should feel the pressure of sanctions. Given the number of people supporting the "war party" and Putin's associates, one of the chief rules is to prioritize sanctioning the individuals who can be affected most severely and most effectively. Therefore, the persons listed above should become candidates for inclusion in the next EU sanctions package, as well as in the sanctions lists of the United Kingdom and the United States.

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