

## II. ФИНАНСОВО-КРЕДИТНЫЕ ИНСТРУМЕНТЫ ПОВЫШЕНИЯ КАЧЕСТВА ЭКОНОМИЧЕСКОГО РОСТА

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### **Экономические санкции ЕС против России и их последствия**

***Аннотация:** В статье изложены суть экономических санкций, которые наложены на Россию западными странами ЕС, а также других стран союзниц. В этой статье приведены причины санкций, как они отразились на макро и микро экономике, и что ожидать в будущем. Главная цель проведенного исследования состоит в том, чтобы выявить риски и последствия экономических санкций ЕС против России, а также как они повлияют на страны СНГ. В статье представлен анализ последствий экономических санкций на весь сектор развития России, на рынки импорта и экспорта, на сектор финансов, инвестиций, туризма.*

***Ключевые слова:** ЕС, Россия, США, эмбарго, экономические санкции, ВВП.*

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## **European Economic sanctions against Russia and effects**

**Annotation:** *The article outlines the essence of the economic sanctions imposed on Russia by the Western EU countries, as well as other countries of the Allies. This article gives the reasons for the sanctions, how they have affected the macro and micro economy and what to expect in the future. The main purpose of the article was to identify the risks and consequences of EU economic sanctions against Russia, as well as how they will affect the CIS countries. The article presents analysis of the consequences of economic sanctions on the entire development sector of Russia, on import and export markets, on the sector of finance, investment, tourism.*

**Keywords:** *EU, USA, Russia, embargo, economic sanctions, GDP.*

In the beginning of 2014, Russia joined itself Crimea, which at that moment was the part of Ukraine. Russia annexed Crimea peninsula, by that move In early 2014, Russia joined Crimea, which at that time was part of Ukraine. Russia annexed the Crimean Peninsula, thus putting the entire Western bloc on its own negatively. After the annexation of Crimea, Western countries immediately put forward countermeasures on the issue, and declared the Kremlin's policy «overly aggressive» after which sanctions against the Russian Federation came. Sanctions were largely economic to create embargoes and strike at Russia's economic power. Russia has fully experienced sanctions and the balance of imports and exports to and from EU countries were broken.<sup>1</sup>

The embargo has blocked access to goods from the EU, which has had a critical impact on investment and finance. Trade between EU and Russian countries declined, all mutual trade agreements were suspended, the situation became difficult for Russia, but at the same time it also had a negative impact on EU countries. Relations between the countries got cold, which negatively affected all aspects of the state, from economy and finance to tourism and agriculture. Sanctions have brought hard times for Russia's economic system, and allied countries.

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<sup>1</sup> Susanne Oxenstrierna and Per Olsson. Pp. 13-15. Available at: [https://www.academia.edu/15298128/The\\_economic\\_sanctions\\_against\\_Russia.\\_Impact\\_and\\_prospects\\_of\\_success](https://www.academia.edu/15298128/The_economic_sanctions_against_Russia._Impact_and_prospects_of_success).

The oil industry, natural gas, financial, banking, and industrial complex declined as a result of sanctions imposed by the EU and the US. After these events, Russia continues to feel a lack of trade, as well as a lack of finance that could be obtained if there were no sanctions. The slowdown in all these areas has exacerbated Russia's problems, as oil prices have been lowered, and there has been a hole in finance.<sup>2</sup>

This contributed to the fact that over the years Russia's GDP growth has significantly decreased, the ruble has lost holdings on the stock exchange and many companies have lost interest in investments in the Russian market segment. Investments declined at times, exports-imports were unstable, and so the annual budget was lower than previous years. Large deficit in the budget negatively affected the development of the sectors of the oil industry, the gas sector and the production department.

Figure 1

**Economic sanctions against Russia <sup>3</sup>**

<b>Economy industry</b>	<b>List of sanctions</b>
Oil department	Sanctions against of some companies and subsidiaries, also bounded enterprises in other industries; Ban to export technologies of oil production and oil refining; Freezing existing projects and refusing to conclude new projects
Gas department	Sanctions against of some companies and subsidiaries, also bounded enterprises in other industries; Freezing existing projects and refusing to conclude new projects
Banking and Finance sphere	Freezing financial assets of Russian juridical firms and individuals; Disconnection of banking structures of Russia from international payment system; Restriction on placement of funds in western banks; Restriction of access to credit funds; Restriction of opportunities to implementation of activities
Military-industrial complex	Prohibition of operations of export and import of armament; Prohibition of export to Russia products of dual use, and any other technologies, which could be used for military purposes

<sup>2</sup> European Union and the Russian Federation. Avialable at: [https://eeas.europa.eu/headquarters/headquarters-homepage/35939/european-union-and-russian-federation\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/35939/european-union-and-russian-federation_en).

<sup>3</sup> Economicheskie sankcii protiv Rossii: Ojidanie I realnost'. Pp. 16-17.[Internet reference] <https://wne.fa.ru/jour/article/viewFile/78/79.pdf>.

Economy industry	List of sanctions
Others	Personal sanctions against individual companies and individuals of Russian Federation; Prohibition in investment projects, supplies of equipment and materials for infrastructure, transport, energy complex of the constituent entities of Russian Federation: Crimea and Sevastopol

Economic sanctions at the beginning of the twenty-first century remain an imperative tool for remote use. Limiting is one of the tools in the new world policy, as it is a safer solution for weakening countries. Anti-Russian sanctions are a series of restraining measures by the EU, the United States, and Western countries that have been coordinated against Russia, and its citizens. Sanctions are usually imposed in two cases: for the exhaustion of the Russian economy and for changes in Russia's position on large world issues.<sup>4</sup>

By the international law, it is possible to apply sanctions against any country, as it was with the approval of the UN Security Council, but the US and EU regularly abuses these rules. The main reason is geopolitics, which, is not beneficial to the US and the EU, and also poses a threat to the security of these countries. In turn, Russia has accepted counter-sanctions against Western countries; their sanctions are on goods that were imported into Russia.

Russia is the world's largest natural gas producer, most of which was exported to Europe, but after sanctions, Russia lost most part of finances. Situation is the same with oil. Russia has large reserves of oil products, which it supplied and exported to Western countries. Thereby to these factors, Russia has a negative shift, and now going through difficult times for itself. Consequently, Russia has had to lower oil prices, as well as switch to other less profitable markets than Europe.

The agro-industrial complex, and products that used to be imported, fell under Russian embargo, after markets began to feel shortages of raw materials and food, which, earlier, were imported by EU and US countries. This led to higher food prices, and affected Russian markets. For the people of Russia this

<sup>4</sup> Prichiny i posledstviya primeneniya ekonomicheskikh sankciy vo vneshnei politike gosudarstva. O. A. Smirnova., D. A. Tarankova., I. V. Molodan. [Internet reference] <https://cyberleninka.ru/article/n/prichiny-i-posledstviya-primeneniya-ekonomicheskikh-sanktsiy-vo-vneshney-politike-gosudarstva/viewer>.

was felt markedly by buying goods, prices were raised, and at the same time the lack of goods made the effect of a bubble.

After the decline in oil prices, Russia's GDP growth declined, and the ruble lost its position and reduced its value, pressure on the budget appeared. The prices of goods that were imported as well as exported began to rise, which immediately affected consumers who had to get used to the new prices. But there has also been a positive shift in the production of raw materials and food in the country.<sup>5</sup>

By implementing economic sanctions, countries force others to follow their policies, or lose economic development and well-being. This tool is effective if it is used with other aspects of influence.

These were characteristics of economic sanctions, which were used as an instrument of pressure on countries in international relations. In modern world, the role of sanctions is high; countries continue to use this tool to achieve their ambitions, or punish states that have a different vision or policy that harms another state.

In the sanctions against Russia, there are undoubtedly benchmarks against the oil and gas sector. Sanctions are primarily aimed at suspending its development. This is shown in measures to reduce investment, prohibition in import of equipment. Separately, it is worth noting that the process of imposing sanctions against Russia took place against the background of falling oil prices, which only intensified their effect. With continued sanctions and current oil prices, a significant failure of investment in the oil and gas sector is likely, and as a result, a loss of competitiveness in the long term.

Sanctions were imposed on other sectors of the economy, and there were examples of the positive impact of sanctions as well as negative ones. So, against the background of the decline in almost all industries, the food sector in the Russian industry has shown growth under the influence of the food embargo. However, this is more of an exception, and other industries suffer from a lack of investment and sanctions imposed on key enterprise industries.

Among the Russian sectors, the transport sector has suffered the most, as there is a high proportion of state-owned enterprises that are subject to sanctions – defense, because, it is a state-owned, and also because some countries have imposed an embargo on arms supplies from Russia. It is worth paying attention to the

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<sup>5</sup> Iikka Korhonen, Heli Simola and Laura Solanko. Sanctions, counter-sanctions and Russia? Effects on economy, trade and finance. Pp. 15–17. Available at: <https://helda.helsinki.fi/bof/bitstream/handle/123456789/15510/bpb0418.pdf?sequence=1>.

defense sector, as it is undoubtedly the key to Russia's economy, which holds a leading position in the world arms market along with the United States. Thanks to sanctions, trade turnover was reduced between Russia and consumer countries. Sanctions, on the defense sector, immediately affected arms exports from Russia, which significantly decreased in 2014, that is, sanctions, have reached the goal here. As Russia has a strong demand in the arms market, the sanctions immediately eroded demand and arms purchases from Russia.

After the EU and the US imposed sanctions on Russia, the Kremlin immediately reacted and imposed its retaliatory sanctions. The imposition of retaliatory sanctions has distanced countries among themselves, and has become an obstacle to economic growth. Russia added some goods to the embargo list that were banned. Starting in 2014, the import ban applies to agricultural products, food and raw materials. Russia has imposed its sanctions on imports with the EU and the US, as retaliation.

After the embargo on goods from the EU, the US and other Western countries that imposed their sanctions on Russia, the Russian agricultural industry increased its production, and growth within the country was visible. This affected the production level positively, the growth of domestic products increased. Agro industry increased production, but it took time to replace goods which, were under embargo. Production growth was mainly on food. Russia has reduced market dependence on imported products, which had a positive impact on the entire import sector. Local markets became more balanced, and increased trade turnover with domestic products. However, this was not so smooth, the goods that were under embargo were destroyed and there was no compensation for the suppliers. Many firms have financial hit as they have already paid for products, which have been simply banned by the state.<sup>6</sup>

Imports declined significantly, decline in food consumption estimated by the Financial Times was visible as more than 15%. Also, there was an increase in investments in the agro-industrial complex, foreign investors saw the potential of the Russian industrial base, and began to invest in it. Investments came on time as, budget shortages were felt strongly. This helped Russia strengthen its domestic markets, as well as increase the number of import-substitute goods.

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<sup>6</sup> Russia's and the EU's sanctions: economic and trade effects, compliance and the way forward. DIRECTORATE-GENERAL FOR EXTERNAL POLICIES POLICY DEPARTMENT. Pp. 36-37. Available at: [http://www.europarl.europa.eu/RegData/etudes/STUD/2017/603847/EXPO\\_STU\(2017\)603847\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/603847/EXPO_STU(2017)603847_EN.pdf).

After receiving investment, markets began to actively produce locally produced goods instead of imported goods.

During the work, we concluded that economic sanctions against Russia are more like a political-destabilization instrument of the power that influence the world. In such steps, the US and the EU are more interested in reducing Russia's not only economic power, but also its authority in world society, and exposing it as an «aggressor» and «destabilizer.» On the other hand, Russia said that everything goes by the rules, which are stipulated in the rules of politics. Of course, the negative consequences were observed under pressure from the EU and other Western countries. Sanctions have increased from time to time, and Russia has not stood under this pressure. They have adapted to the current situation, even if it has damaged the entire export system and trade partnership with the EU.

They faced problems courageously, and acted wisely, making new trade partnerships with eastern countries such as China and the East Asian bloc, after which, it paid them off. New agreements, new ways and sectors of joint production and business were reached. New opportunities were seen with Eastern partners, and this changed the direction of sanctions.<sup>7</sup> Russia no longer needed to provide production to European society, while, on the other hand, the EU suffered from a lack of production that came from Russia. It was a big flaw that was noticeable because, according to EU statistics, the EU lost more than Russia did from sanctions the other way around. Economic sanctions sometimes fail, and at the same time the EU and the US have tried to pressure Russia with such a move. Sanctions bring a lot of difficulties in the economy, GDP growth, social level, financial sector and other humanitarian sphere, which were under such measures. These sanctions lead to the decline of Russia's foreign affairs, and the entire Western Bloc. The question of the annexation of Crimea is acute, to this day.

The Russian side has given a clear attitude to this issue, and is not going to concede, while, the EU and the US are actively demanding the return of lands to Ukraine. Specific relations could be mentioned and nowadays, countermeasures were taken by both sides, and each side does not want to make compromises<sup>8</sup>.

<sup>7</sup> Dr. Rendall E Newnham. THE UKRAINIAN CRISIS AND WESTERN ECONOMIC SANCTIONS AGAINST RUSSIA: Pp. 17. Available at: [http://www.cicerofoundation.org/lectures/Newnham\\_Ukraine\\_Sanctions\\_Russia.pdf](http://www.cicerofoundation.org/lectures/Newnham_Ukraine_Sanctions_Russia.pdf).

<sup>8</sup> Tass.ru [Internet reference] :<https://tass.ru/ekonomika/6594145>.

The Kremlin has met such a policy without aggression, but with the determination that even such pressure cannot withdraw its view on Crimea.

Politics around the world has divided pro and con Russia, and the battle of debate is still ongoing. The world's most influential politicians gave their opinion on the current situation, and gave their expectations. Adapting to such measures against Russia was hard, and cost them a real loss of GDP growth, but this kind of pressure faced courageously also in the past, by which time the EU had rethought politics, it indicates that, they can be quite ineffective as an instrument of political pressure that, was initially.

Since the annexation of Crimea, quite a long time has passed, but relations have not improved in any way, and the forecast is that these relations will remain for years to come. In the past, we have already seen such a struggle in the world between the United States and the USSR, and those times were extremely difficult for the whole world. The conflict remains, and so far the parties have not reached mutual agreement, as was the case with Cuba. But there is a possibility that history may repeat itself, and will entail global change. At the moment, Russia is seeking to emerge from the onslaught of sanctions, through new trade routes. If we look at the situation in the long term, of course, Russia will suffer heavy losses, and will receive a shortage in the budget for several years ahead, and connected with this fact, the state is ready to cooperate with new actors.

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