



# The Bottom Line

APRIL 2023 | VOL. 160

## WORLD COORDINATES PUNITIVE MEASURES AGAINST RUSSIAN FEDERATION

### Summary

In a show of solidarity with Kyiv, Western nations have imposed additional sanctions against the Russian Federation to mark the anniversary of Putin's invasion of Ukraine.

### Background

On February 24, 2022, Russia invaded and occupied parts of Ukraine, ostensibly to support the Russian-sponsored breakaway republics of Donetsk and Luhansk.

The US, UK, and EU have all adopted sanctions designed to weaken Russia's economic base, depriving it of critical technologies and markets and significantly curtailing its ability to wage war. The first rounds targeted Russian officials and banks. Trade sanctions focused on the defense and technology sectors soon followed these actions.

On April 8, 2022, President Biden signed the Suspending Normal Trade Relations with Russia and Belarus Act. Section 3(a) of the Suspending NTR Act suspended nondiscriminatory tariff treatment for products of the Russian Federation and of the Republic of Belarus and imposed the rates of duty set forth in column 2 of the Harmonized Tariff Schedule of the United States

(HTSUS), effective as of April 9, 2022. Duty rates in column (2) are higher and required for those countries that do not have normal trade relations status with the United States. The order also included total prohibitions on some products of Russian origin, including crude oil, petroleum products, natural gas, coal products, seafood, alcoholic beverages, and non-industrial diamonds.

The EU, UK, Canada, France, Germany, Italy, and Japan announced similar measures.

Progressively, the scope of sanctions has been expanded, including more denied parties, higher duties, additional country participation, and broader coverage of markets. President Biden and other world leaders have agreed that the actions are warranted and consistent with foreign policy interests.

### Current Status

At the one-year mark of Russia's brutal invasion of Ukraine, the United States has announced new sanctions, including higher tariffs of up to 70% on Russian imports (including steel and aluminum). In addition, the US Treasury has sanctioned Russia's metals and mining sector, military suppliers, and individuals and identified targets involved in sanctions-evasion efforts.



# The Bottom Line

APRIL 2023 | VOL. 160

The EU has adopted its tenth package of sanctions against Russia. The latest sanctions feature additional export restrictions—including on Iranian drone manufacturers—import restrictions, sanctions on individuals, financial sanctions, and more.

Japan's government decided Friday to keep Russia stripped of its "most-favored-nation" trade status for another year beyond the end of March, with Moscow's aggression against Ukraine showing no signs of ending. In April 2022, Japan's parliament gave the green light to deprive Russia of a year of benefits such as low tariffs and few trade barriers as punitive economic sanctions following its invasion of its neighbor in February of that year. All imports from Russia will continue to be subject to higher duties until the end of March 2024.

At a meeting in the Estonian capital Tallinn, the G7 announced that they would set up a sanctions Enforcement Coordination Mechanism and committed to ramping up sanctions, for example, by banning more products that can be used by Russia's military and tightening the screw on its financial institutions.

## Impact

Economic warfare against Russia includes sanctions, disinvestment, asset seizures, oil price caps, and other measures designed to cripple Putin's economy and war machine. These have caused damage, along with the exit of many

multinational corporations and trade bans that have disabled Russian auto and technology manufacturing. However, sanctions may not be working as an effective deterrent.

Russians have found loopholes and devised workarounds to avoid sanctions with the help of Western "enablers" and other nation-states. For example, initial energy sanctions were counterproductive because they resulted in price spikes that delivered windfall profits. And most significantly, Russia is run by oligarchs whose expertise involves smuggling, money laundering, converting ill-gotten gains into cryptocurrencies, and hiding assets from law enforcement anywhere in the world.

Anti-corruption expert and founder of Transparency International Frank Vogl believes sanctions are a flop because the world's trade and financial systems are rigged. "So far, there is neither evidence that Western sanctions have influenced Putin's determination to crush Ukraine, nor is there evidence that the impact of economic sanctions has been so severe as to unleash domestic unrest in Russia, or challenges in the Kremlin to Putin himself."

## Resources:

- [Increased Column 2 Duties on Certain Articles from Russia](#) (CBP)
- [Proclamation on Increasing Duties on Certain Articles from the Russian Federation](#) (The White House)
- [Ukraine Says it Was Attacked Through Russian, Belarus and Crimea Borders](#) (CNN)
- [EU Response to Russia's Invasion of Ukraine](#) (Europa)
- [Russia's War on Ukraine: A Sanctions Timeline](#) (PIIE)
- [Are Sanctions Working?](#) (Yahoo)