European Union Sanctions Against Russia as Impact of Russia-Ukraine Conflict

Bartolomeus Prathama Putra Novianto

International Relations, Faculty of Social and Political Science, Universitas Pembangunan Nasional, Indonesia

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Abstract

Russia and Ukraine are countries that have close relations, because the two countries are part of the Soviet Union. Since November 2013, Russia and Ukraine began to have conflicts. Russia is a great power country while Ukraine is a super power, so Russia still has an important role for the sustainability of the Ukrainian economy. The research method used is a qualitative research method because it uses analysis. With this type of descriptive research and data collection techniques in the form of library research. Every country in the world must have good relations with other countries, as well as Russia and Ukraine. If EU sanctions work and Russia shows that it can stand on its own without Western support, the blow to the EU will be to make Russia a bigger country.

Keywords: European Union Sanctions; Response and Impact of Sanctions

Introduction

Russia and Ukraine are countries that have very close relations because both are countries that were broken up by the Soviet Union. Russia itself is the successor of the Soviet Union which inherited the Soviet Union dynasty. Meanwhile, Ukraine and Russia are culturally close. This indicates that the relationship between Russia and Ukraine is like a brother and sister relationship that cannot be separated, Russia depends on Ukraine, and vice versa. In general, Ukraine is inhabited by Russian citizens and even of Russian descent, in Russia the same thing also happens.

The conflict between Russia and Ukraine began when the President of Ukraine, Viktor Yanukovych announced that Ukraine was withdrawing from the EU Association Agreement in November 2013. This sparked massive protests by students in Kyiv that led to Yanukovych's removal from the post of President in February, 2014. After the fall of the President of Ukraine, Ukrainian power is divided into two influences, namely from the West (European Union and the United States) and from Russia. Crimean Prime Minister Sergei Aksenov asked Russia for help in resolving the conflict. This is because Sergei Aksenov is more inclined towards Russian influence than Western influence. At this request, Russia sent its troops to occupy Crimea (Hanifah, 2017, 165-195). This intervention by Russia gave rise to new tensions between Russia and Ukraine. Tensions between the two countries reached their peak when Ukraine declared itself to join the European Union.
For Russia, the expansion of the European Union to Eastern Europe (including the expansion to Ukraine) is a form of insult to Russian power. So, to keep its influence in eastern Europe alive, Russia must intervene in the Ukraine conflict. Russia also has other interests in its intervention in Ukraine. Ukraine has a strategically important position for Russia (Prasodjo, 2014). However, the issue is once more not one of law but rather one of Russian politics and national security. In a certain sense, Russia is a major power or perhaps a military superpower; its military prowess and prowess remain among the greatest in the world. In addition to being the greatest nuclear power, Russia does not act arbitrarily due to its strong political position as a permanent member of the UN Security Council.

Various countries also responded to Russian military intervention and the official announcement that Crimea became part of Russia in various ways. Ukraine was the first country that did not accept the liberation of Crimea by issuing a statement from the Interim Prime Minister of Ukraine Arseniy Yatsenyuk about Russia having robbed Crimea which actually belonged to Ukraine (Smith & Eshchenko, 2014). Even today, Ukraine is still expecting support from Western countries as well as countries that have criticized Russia's action against its invasion of Ukraine, which has yet to show positive results because the opponent facing Ukraine is the superpower Russian actually its "mother".

This incident becomes interesting to discuss, because as discussed in the previous paragraph, Russia is a great power second largest in the world after the United States. The consequence of Russia's intervention in Ukraine was the imposition of economic sanctions imposed by the European Union on Russia. However, one thing that needs to be underlined is that Russia is a great power. How far can the European Union survive without involving Russia in its economic activities, while the European Union relies heavily on oil and natural gas supplies from Russia which are flowed through an undersea pipeline and based in Ukraine.

Sanctions are instruments that are economic or diplomatic in nature and seek to change the attitude or policy of a country for violating international law or ignoring the rule of law or democratic principles. An arms weapons embargo, other particular or general trade limitations (import and export bans), monetary limits, entrance restrictions (can or travel bans), or other measures can all be considered as forms of sanctions. Sanctions are used to exert pressure on the target nation to modify its policies. The purpose of sanctions is to put pressure on the target country to change its policies. Economic sanctions are instruments that are widely used in international policy to signal to target countries that their behavior violates international norms (Oxenstierna, 2019).

The study of economic sanctions by Hufbauer, Schott, and Elliott (1990) shows that sanctions are successful in about a third of the time they are used. However, most economic sanctions analysts argue that sanctions are rarely effective in bringing about policy changes to target countries. The political institutions of the targeted nation have a significant influence on how sanctions are implemented.

Lektzian & Souva (2007) show that sanctions are unlikely to be successful if the target is a democratic country. To be successful, sanctions need to target the regime's winning coalition. Economic sanctions are more likely to result in policy changes if they are relatively broad and affect many groups in society. But paradoxically, when dealing with non-democratic countries, countries must avoid broad sanctions that will actually cause suffering for their citizens (Lektzian & Souva, 2007, 848-871).

If the previous paragraphs mentioned previous research on economic sanctions, this time the study of EU sanctions against Russia has also been carried out by many researchers. Bagheri & Akbarpour (2017), for example, reviews the sanctions imposed by the West against Russia. In this conflict, the European Union has imposed financial and commercial embargoes as well as severe penalties on people in an effort to alter Russia's behavior (Bagheri & Akbarpour, 2017, 89–95).
Research Methods

This research uses a qualitative approach to describe the problem and focus of the research. Qualitative methods are social research steps to obtain descriptive data in the form of words and pictures. This is in accordance with what was expressed by Lexy J. Moleong that the data collected in qualitative research are in the form of words, pictures, and not numbers (Moleong, 2007, 11). Meanwhile, according to Suahrsimi Arikunto also explained that the type of descriptive research is if the researcher wants to know the status of something and so on, then the research is descriptive, namely explaining events and things (Arikunto, 1992, 25).

This study uses a descriptive method that aims to describe how the impact felt by Russia due to sanctions imposed by the European Union related to the annexation of Crimea by Russia. In this study, researchers used library research, namely data collection by examining a number of literatures in the form of books, journals, documents, newspapers, papers and articles related to the problem.

Result and Discussion

History of the Russian-Ukrainian Conflict

The current case in Ukraine, the Ukrainian crisis began on November 21, 2013 President Viktor Yanukovych announced that the government had abandoned the instead of reaching a deal that would improve relations with the European Union, they pursued greater ties with Moscow. Not only that, President Yanukovych even decided to accept a debt from Russia of 15 billion US dollars. Russia gave the debt as a form of "compensation" for Ukraine's cancellation of a trade deal with the European Union. As a result of the cancellation of the agreement, the people of the western region wanted Ukraine closer to Western Europe and the nationalists.

November 21, 2013 – The Ukrainian government postpones talks on an Association Agreement with the European Union, in favor of building closer economic ties with Russia. The initial move angered pro-European opposition groups, who then planned to stage demonstrations.

February 18, 2014 - At least 26 people, including 10 policemen, are killed in street fighting, and hundreds more are hurt. Demonstrators tried to take up a constitutional reform post to limit the president's powers, but were rebuffed, so they attacked police lines and set fire to the building outside of parliament. This is when the violence started. The previous day's Russian offer to resume bailout payments added fuel to the opposition's claims that Yanukovych had made a deal with Moscow to repress protesters.

The overthrow of Victor Yanukovych's power by Anti-Russian demonstrators, so Victor Yanukovych fled and took refuge in Russia so that Russia through its President Vladimir Putin took action by sending its troops to the Russia-Ukraine border. As written by Mansur Juned, et al (2013), this can happen because of the dissatisfaction of the people who do not get what they need in life, so untrustworthy leaders can be forcibly removed (Juned et al., 2013, 75-76). After that, the Russian army entered the territory of East Ukraine, namely Crimea, which is located on the Crimean Peninsula and joined the pro-Russian militia from Ukraine, who made up the majority of the ethnic Russian population living in Crimea. Troops without insignia on their uniforms, but believed to be Russian soldiers, some in vehicles with Russian license plates, have invaded Crimea, a remote peninsula on the Black Sea where Russia's Black Sea Fleet is based. In the political turmoil in Ukraine when President Victor Yanukovych fled to Russia, Ukraine held elections to replace the old president and was elected a new Ukrainian president Petro Poroshenko in order to avoid a power vacuum. The new President Petro Poroshenko is more likely to increase Ukraine's cooperation with the European Union than with Russia. This made Russia very angry that its efforts to stop Ukraine had been unsuccessful. As Mansur Juned (2019) has...
written, the European Union's efforts to expand its influence have been welcomed by Ukraine's desire to join the European Union, even though it poses a huge and prolonged risk in the end (Juned, 2019, 313).

**Imposition of Sanctions by the European Union**

The EU's involvement in the conflict was when the European Union together with Ukraine declared that the referendum conducted by Crimea was an illegal and invalid referendum. Furthermore, the European Union protested this by putting pressure on Russia to stop intervening in the domestic conflict. The pressures given by the European Union include the imposition of sanctions on asset and visa freezes as well as an economic embargo on Russia. In addition, when the conflict took place, the European Union also provided financial assistance of 1.8 billion Euros to Ukraine. Another aid is the European Union has promised to help resolve the gas dispute between Ukraine and Russia (Wibisono, 2015). Through the IMF (International Monetary Fund), the European Union and 24 IMF member countries also agreed to provide $17.1 billion in financial assistance to Ukraine (VibizNews.com, 2014).

The annexation of Crimea by Russia on March 16, 2014 was the trigger that caused the European Union to provide six rounds of sanctions against Russia. Since early March 2014, the European Union has launched a number of diplomatic and economic sanctions against Russia to protest Russia's involvement in the violation of Ukraine's sovereign territorial integrity. The imposition of sanctions is a decision that has a dual perspective in the member states of the European Union. Since many EU nations enjoy positive trade relations with Russia, they are hesitant to give up their main trading partners. In essence, the EU's member states are split into two categories based on how they feel about anti-Russian sanctions. Countries like Denmark, Sweden, the United Kingdom, the Czech Republic, Poland, Estonia, Lithuania, and Latvia are included in the first group. To stop the escalation of the Russia-Ukraine conflict, these nations support the implementation of severe restrictive measures like trade and economic sanctions. Another set of nations, including Germany, France, Spain, Italy, Portugal, Greece, Cyprus, Bulgaria, Malta, Hungary, Luxembourg, and Austria, prefer to approach Russia “business as usual.”

During the annexation of Crimea until March 21, 2014, countries in Europe, America, Australia and parts of Asia launched economic sanctions in order to punish Russia for its military intervention in the sovereign territory of Ukraine. Sanctions against Russia took place in three waves, namely the first wave was a traveling ban for members of the parliament of the Republic of Crimea and members of the Council of the Russian Federation on March 17, 2014 by the European Union, Canada and the United States (European Council, 2015) and asset freezes on 20 businessmen. Russia invested in the United States on March 20 (Anggara, 2018, 995-1010). The second wave of sanctions was in the form of freezing of special assets of 17 business entities with close ties to Russian President Vladimir Putin on 28 April 2014. The third wave of sanctions was on 17 July after the armed conflict in eastern Ukraine, namely Donetsk and Luhansk.

**Forms of European Union Sanctions Against Russia**

As we have seen in the previous discussion that Russia's intervention in the Ukrainian internal conflict by annexing Crimea made the European Union feel compelled to intervene in its resolution. The European Union is using the sanctions route as a way to stop Russia's invasion of Ukraine. The sanctions imposed by the European Union include: economic sanctions and diplomatic sanctions. The following are the forms of sanctions imposed by the European Union on Russia which have illegally annexed Crimea and undermined the stability of Ukraine:

First, the European Union has imposed restrictions on the movement of parties, both individuals and entities who have taken part in the process of transferring Crimea to Russia. and what is happening in Eastern Ukraine. Two regions of the people's republic, Donetsk and Luhansk, are included in the sanctions list. The measures include travel bans and foreign asset freezes which are implemented in total to 150 persons and 37 entities, responsible for actions against the territorial integrity of Ukraine, persons
providing support to Russian decision makers and 13 entities in Crimea and Sevastopol or who benefited from the transfer of ownership contrary to Ukrainian law. Second, diplomatic action. The G8 and G7 summits, which were scheduled to take place in Sochi (Russian territory) in June 2014 but were instead held in Brussels, were not attended by Russia. The International Energy Agency and the OECD's (Organization for Economic Co-operation and Development) accession talks with Russia were also put on hold. Following the cancellation of the EU-Russia summit, EU members decided to discontinue holding recurring bilateral summits, negotiations between the EU and Russia. Third, restrictions on Crimea and Sevastopol. As the European Union does not recognize Crimea as having joined Russia, one of these restrictions is the cessation of economic ties with the disputed region. The EU forbids Europeans and EU companies from investing in the region, including the ability to buy real estate or businesses in Crimea and invest in specific regions of the region's economy. It also forbids the import of goods from Crimea, with the exception of those with Ukrainian certificates. This, the prohibition on offering travel services in Crimea and Sevastopol, the prohibition on exporting related products and technologies for the transportation, telecommunications, and energy sectors, as well as the prohibition on exploring for oil, gas, and mineral resources, and the ban on offering various types of technical assistance in the aforementioned fields. Fourth, specific measures against the targeted sector (economic sanctions). Financial sanctions were imposed on certain facets of the Russian economy, preventing people from purchasing European securities with maturities longer than 30 days that were issued by five significant state-owned banks. Sberbank, VTB Bank, Gazprombank, and Rosselkhozbank are all banks in Russia, the three largest Russian businesses (Gazprom Neft, Transneft, and Rosneft), as well as the three largest Russian defense firms (Oboronprom, United AirCraft Corporation and Uralvagonzavod) (Oxenstierna & Olsson, 2015) outside of the European Union, these companies' subsidiaries and other organizations that work for or under the direction of them. It is also forbidden to offer loans with maturities longer than 30 days or to assist European individuals or businesses with the issuance of financial instruments. An arms embargo encompassing all imports and exports of weapons and related materials as well as the import and export of all dual-use goods listed on the dual-use goods EU exploration and production of oil in waters deeper than 150 meters are also included in European sanctions. Fifth, measures regarding economic cooperation. The implementation of the EU-Russia bilateral and regional cooperation program has been suspended. However, Projects dealing with cross-border cooperation and civil society remain untouched.

**Russia's Response to European Union Sanctions**

In the face of the pressure of sanctions imposed by the European Union on Russia, the Russian government decided to take action in response to the European Union on August 6, 2014. Russian President, Vladimir Putin, announced to impose retaliatory sanctions by imposing an embargo imports of food stuffs from countries that impose sanctions on Russia. Then on 7 August 2014, through the decision of the Government of the Russian Federation number 778, the Russian Government issued a list of prohibited products, which includes various products from several groups as follows: (1) Vegetables and fruits: Except for ready-to-eat vegetables and fruits; (2) Dairy products: Milk, dairy products, and foods containing milk; (3) Meat: Any product containing meat. Russia's retaliatory embargo against the European Union caused enormous losses to the European Union. Then, to survive in the face of economic sanctions from the European Union, Russia implemented an import substitution strategy.

Import substitution is a trade strategy to increase economic sovereignty that supports the replacement of imported goods with domestically produced goods. This strategy is based on the assumption that countries must reduce their dependence on foreign countries by developing their domestic products. Russia's economic sovereignty has become fragile because of the country's heavy dependence on imports of the food sector. Through import substitution, it will reduce this dependence and increase economic sovereignty. Additionally, it is possible to use cutting-edge development models and strengthen the nation's economy's resilience. In the context of economic sanctions, specifically sanctions against the financial and industrial sectors, including a ban on the import of modern technology and equipment and Russian retaliatory sanctions against imported food products, import substitution is
Currently being developed. Therefore, this import substitution is against sanctions and seeks to replace illegal goods. This is an effort to counteract the impact of unfavorable international economic factors (Litvintsev, 2019, 667).

As a promulgated policy, import substitution began with three presidential instructions (porucheniya) on May 14, 2014. President Putin issued these instructions following the sanctions over the annexation of Crimea. The first, Instruction 1159 p1i, requires the government to assess by 1 August 2014 the possibility of competitive import substitution in industry and agriculture. Second, Instruction 1159 p1k, instructs the government to compile no later than 1 September 2014 a list of goods and services that can be purchased by central and local governments exclusively from suppliers in European Union countries. Third, Instruction 1159 p1l, ordered the government to draw up a plan by October 1, 2014 to facilitate import substitution in 2014-2015.

The most important document determining the main directions of import substitution in agroindustry is the decision of the government of the Russian Federation 14.07.2012 No. 717 "on the approval of an action plan to promote import substitution in agriculture", Order of the Government of the Federation of Russia October 2, 2014 1948 "on the implementation of certain special economic measures to ensure the security of the Russian Federation", Decree of the President of the Russian Federation August 6, 2014 560 "on the state program of agricultural development and regulation of markets for agricultural products, raw materials, and food for 2013-2020" (Terenina et al., 2019).

Prohibited goods according to the Decree of the Russian Government No. 778 of 7 August 2014, encompassing agricultural goods, raw materials, and some foods coming from the European Union, including meat (including cattle, pig, and chicken), fish, shellfish, and seafood, milk, and dairy products (including cheese and curd), vegetables, edible roots, and root crops, fruits, and nuts. (Heidemann, 2020).

**Impact of Russia's Sanctions**

The European Union is the main destination for exports of gas and other energy sources from Russia. More than 50% of Russia's crude oil and gas condensate (refined gas) is exported to the European Union and most of it is exported to Germany, the Netherlands and Poland. Thus, in the event of a termination of cooperation, Russia will be the loser, because the European Union is a potential market and nearly 50% of Russia's energy exports flow to the European Union. The imposition of economic sanctions on Russia will not only have an impact on the Russian economy, but will also have a direct impact on the economies of several countries that are even sanctioning countries, although not directly.

For Russia, economic sanctions related to the Crimean crisis caused investors to move their shares abroad and reached a very large amount, namely $60 billion in the period January - March 2015 (BBC, 2014). As one of Europe's largest energy suppliers and one of the world's top three oil producing giants, the economic sanctions imposed on Russia have a direct impact on the economy in the European Union. Germany as Russia's main economic partner in Europe is directly affected by the economic sanctions imposed by the European Union. About 6,200 German companies with very close ties to Russia experienced a decline (Spiegel, 2014). Not only that, other European Union countries that have trade relations with Russia experienced direct impacts such as France, which sold its military equipment to Russia, was forced to stop the sale. Italy, which is very dependent on Russian gas supplies, is starting to think about finding alternative gas supplies to meet its domestic needs. The economic instruments used to push Russia out of Crimea were not necessarily effective.

The prohibition on doing business and or investing in the Russian defense and energy industries caused the stabilization of commodity prices to be unable to save the Russian economy. With economic sanctions threatening the country's prospects, the value of the Russian Ruble was reduced in half, forcing Russia's central bank to strive to keep it, emptying its $200 billion in foreign exchange reserves in the process. Then, with a dearth of imported commodities and more rubles in circulation, inflation became a
serious threat: food costs surged drastically, outstripping ordinary Russians’ purchasing power. In December 2014, Russia's central bank boosted interest rates to 17%. A rise in spending put the Russian government's budget into the red and prompted a potential fiscal catastrophe in the middle of an economic slump, with earnings from Russia's oil production decreasing. When more funds are required, Moscow boosts taxes and liquidates one-third of its assets before oil prices recover. (The Economist, 2017).

Russia is not the sole victim of these sanctions, but the European Union as the sanctioning agent is also affected very significantly, and tends to be detrimental. The oil and gas sector is the sector that is most affected and felt directly. Oil prices have risen to their highest level in almost a decade, hitting $130 per barrel. Wholesale natural gas prices are already at all-time highs, with prices in Europe exceeding $3,900 per 1,000 cubic meters for the first time in history. The price of fuel oil in the United States has now hit its highest level, with a gallon of gasoline costing US $ 4.17. (American Automobile Association). Fuel costs in Europe have nearly quadrupled, hovering at 2 euros per liter. Inflation was nearing a record level during the Covid-19 epidemic, as governments in each country issued massive sums of money to combat the economic slump. The final thing that has to be done, according to the leaders of each country, is to raise energy costs so that the global economy can recover. The global energy industry is being disrupted as a result of economic constraints in Russia, and prices for all consumer items will continue to rise.

Sanctions on Russia would almost certainly reduce shipments of food and vital products from Russia and Ukraine, which serve as global food stables in the form of agricultural and food supplies. Russia and Ukraine are responsible for 30% of world wheat exports. Another effect of Russian sanctions is a decrease in agricultural fertilizer supplies, as Russia and Belarus control more than a third of the world's potassium output, and potassium is the key element in fertilizer manufacturing. Russia controls 14 percent of the production of nitrogen-based foods (research firm CFRA). As a result, food prices are rising all throughout the world.

A third impact has occurred in the global aviation sector, as flight restrictions placed on Russian airlines by more than 30 nations, as well as Russia's mirror response, have had a rippling effect on worldwide travel and the aviation business, which was previously heavily damaged by the Covid-19 outbreak. Manufacturers, lessors, insurers, and maintenance providers for Russian carriers like as Aeroflot and S7 Airlines are among those sanctioned directly from outside Russia. Apart from soaring oil prices, the route must also be longer because it cannot pass through Russian airspace. In addition, the European Union has given a deadline for leasing companies to terminate their current lease contracts in Russia. That could be a challenging task for the European company, which has leased hundreds of planes to Russian airlines, and must now find a way to fly them amid airspace bans and the Russian government's plans to nationalize the fleet to maintain domestic capacity. Big Western airplane manufacturers such as Airbus and Boeing will also lose out from Russia's isolation. Not only does it lose a huge market, but also because Russia provides important components such as titanium for the production of their aircraft.

In general, the parties most affected by the backlash of sanctions for Russia are European countries and their businesses, especially if Russia really turns away from Europe to "friendly" countries like China. According to the US, China's trade with Russia is insufficient to counteract the impact of European sanctions on Russia. Despite the developments in Ukraine, commerce between the two nations has been rising significantly. Trade transaction between the two nations surged by about 39% in the first two months of 2022 when compared to the same time in 2021, surpassing US$26 billion. Russia and China are also believed to have lofty targets for increasing bilateral economic cooperation to $200 billion by 2024. Russia's arrival to China is a breath of fresh air for China, which is also expanding its economic influence in the world, given that China's policies are quite strict in determining which countries to invite to cooperate, but the opportunity to strengthen economic ties with Russia is welcomed, considering that Russia is one of the most influential countries in the world (Juned & Saripudin, 2018, 238).
Conclusion

Economic diplomacy is one of the instruments used by a country with certain power attributes to respond to a country's foreign policy that is not in accordance with their wishes. Economic diplomacy is still closely related to the use of instruments such as economic sanctions, economic embargoes, and other international trade restrictions. This paper describes how economic sanctions, economic embargoes and boycotts of multilateral meetings were carried out against Russia in order to achieve the foreign policy objectives of the countries so that Russia would immediately stop its invasion of Ukraine. Another important thing to note is economic sovereignty. Economic sovereignty is one of the antidotes to the economic diplomacy of opposing countries. This is reflected by economic sanctions and economic embargoes against Russia being less effective because Russia has a reliable domestic economic strength.

In responding to the tensions between Russia and Ukraine, which are included as the economic driving force in the European Union, the European Union has imposed sanctions which are expected to be a resolution for Russia to stop its invasion of Ukraine. Economic and political sanctions were issued by the European Union and Western countries to reduce tensions so that they do not drag on and destabilize the world economy for a long time. The European Union and Western countries need economic stability, especially after the Covid-19 pandemic where all countries in the world are currently rebuilding their economic strength. The opposite result was actually obtained by the sanctioning parties, because Russia is a large, independent country, and a direct competitor to the United States in various sectors, and an alliance from China where China is growing in terms of economic growth and influence in the world. Without the European Union and Western countries which are Russia's main business partners, after the sanctions, Russia immediately turned to the Eastern Bloc countries which incidentally are "friends" of Russia.

According to the author, the European Union and Russia have a very binding dependency relationship, as a collection of several countries can be said to be dependent on one country. If these sanctions continue and Russia shows that they are able to stand on their own without the support of Western countries, this blow to the European Union, according to the author, will make Russia a bigger country and will actually make the European Union urge Russia to cooperate again.

References


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