

LEADING CHANGE IN SANCTIONS POLICY AGAINST RUSSIA: UKRAINE’S EXPERIENCE

<http://doi.org/10.23939/semi2023.02>.

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Purpose. The article is devoted to the study of the problems of sanctions policy formation and assessment of the effectiveness of existing sanctions against russia.

Design/methodology/approach. Semantic analysis, comparative analysis and the method of systematisation were used to assess the effectiveness of sanctions; the method of grouping, structural and logical modelling was used to develop an evolutionary justification for changing Ukraine’s sanctions policy. The abstract and logical method was used to formulate conclusions and theoretically generalise the results of the study.

Findings. Sanctions are an effective tool for influencing the behaviour of other states, but their effectiveness depends on many factors, including the type of regime and the characteristics of the country’s economic system against which they are applied. Democratic regimes are more likely to use sanctions.

It is determined that the effectiveness of sanctions can depend on many factors, such as the duration of sanctions, the level of support for sanctions by the international community and the economic strength of the state against which they are applied.

The sanctions regime against russia is an exception in history, as their number and scope are large, and the sanctions against russia are the most severe and far-reaching measures ever taken.

An unprecedented level of cooperation in the area of sanctions has been achieved: Sanctions against russia were imposed by a group of mostly Western allies. It is the first time that such a large and diverse group of countries has agreed to cooperate on sanctions against one country.

The EU’s current sanctions response against Russia significantly increases the flexibility and efficiency of preparing, implementing and coordinating sanctions with non-EU countries as well as with non-EU countries.

The author argues that instead of establishing a procedure in which different decision-making paths are chosen depending on the importance of the target, the current experience of sanctions against Russia can set a new standard that will allow future sanctions efforts to benefit from the speed, commitment and unprecedented level of coordination dedicated to the fight against the invasion of Ukraine.

The analysis of the effect of sanctions against Russia in 2022 has led to the conclusion that the expectations of the international community and the hopes of the Ukrainian people regarding the powerful impact and consequences of sanctions were overstated and unjustified.

Practical implications. The conclusions and justifications made can be used to develop recommendations for strengthening sanctions pressure against Russia and for developing the theoretical framework for the formation of sanctions policy against aggressor countries.

Originality/value. Based on the study of the peculiarities of sanctions policy formation, the author identifies the evolution of approaches to the current system of sanctions against Russia, substantiates the change of goals and integration of world institutions in strengthening economic deterrence against the aggressor country.

A comparative analysis of the main economic indicators of the development of the world's largest countries is carried out, the ineffectiveness of the system of sanctions against Russia is proved, and the main factors that caused the ineffectiveness of sanctions are highlighted.

Key words: sanctions; sanctions policy; sanctions against russia; impact of sanctions; ways to circumvent sanctions; effectiveness of sanctions.

Paper type: Research paper.

The problem statement

Ukraine has been at war for almost a year and a half. A war started by an aggressor country with a long history of conquering other countries.

Russian aggression caused significant destruction of Ukrainian infrastructure and economy in total. Given the recent attacks on our infrastructure, the amount of economic losses today reaches more than \$700 billion [1], according to the Minister of Environmental Protection, Ruslan Strilts, russia has caused damage to our environment, estimated at \$46 billion. However, these figures are not final, as the war is still ongoing [2].

The incurred damages caused by the aggressor country should not only encompass direct economic losses but also the missed opportunities for the livelihood and sustainable development of multiple generations of Ukrainians. To restore the economy and social environment of Ukrainians, and to bring millions of individuals back to centers of development and comfort, substantial financial resources are required.

The aggressor country and its residents must pay for all the damages caused, which continue to grow. The reconstruction of Kakhovka hydroelectric power station, destroyed houses in Kryvyi Rih, Odesa, Dnipro and other settlements, compensation to all those who have suffered from russian military aggression should be carried out not at the expense of taxpayers of civilized countries, but through the Compensation Fund, which will be filled with forcibly confiscated assets of the russian federation and its residents, which are now in safe havens in many countries.

That's why Ukraine's war is raging on two fronts. However, Ukrainian economists argue for a different division. One front is military, the other is economic. The goal of the economic front is to weaken russia's ability to wage war or stop it. The instrument of the economic front is the sanctions policy, which has undergone significant changes in the period of unpredictable external globalisation.

Analysis of recent researches and publications

The issue of sanctions policy has been studied for a long time in scientific research, but since 2022 the number of publications has increased significantly.

The studies review the definition of "sanctions" and approaches to the formation of sanctions policy [3, 4], statistical analyses of three distinct foreign policy areas – military alliances, UNGA voting, and economic sanctions [5]. Different sanctions policies by subject of application are also considered in detail [6], unilateral extra-territorial sanctions [7], areas of sanctions impact (Monetary sanctions, also known as legal financial obligations) [8].

Much attention has been paid to the impact of sanctions on theories of international business, such as institution-based view, resource- and knowledge-based view, resource dependency theory, and behavioural theories of the firm [9].

Sanctions policy in the field of scientific research as an object of discussion, and the processes of sanctions policy are constantly evolving. The major arenas of these official policymaking debates have been the G7, the United States, the European Union, and Canada [10].

Theoretical concepts of sanctions policy are complemented by research on how to improve the effectiveness of sanctions. For example, Nephew provides a useful guide for designing effective sanctions, including: (1) clearly identify the objective; (2) understand the target's vulnerabilities and its ability to absorb pain; (3) develop a strategy for focusing pain and weakening the target's resolve; (4) continuously refine the strategy; and (5) clearly state the conditions for removing sanctions [11].

Despite the challenges, analysts consider that sanctions have already met three important objectives: they have sent the Kremlin a strong signal of Western resolve and unity, they have permanently degraded Russia's military capabilities, and they are asphyxiating its economy and energy sector, with long-term consequences [12].

The issue of the effectiveness of the sanctions policy is a vital problem in overcoming the military aggression against Russia. There are polar points of view on this issue. The number of sanctions against Russia has surpassed that of Iran, which has been subject to 3,616 sanctions over the past decade, most of them over its nuclear programme and support for terrorism. In addition to Russia and Iran, the list of the most sanctioned states includes Syria, North Korea and Cuba.

However, Russian economists declare that the US attempt to drive Russia into default has failed [13].

Others emphasise the existence of the positive effect of the sanctions on Russia was the development of a domestic transaction instead of some canceled transactions in the country. For example, the departure of all brands from the country has been a major reason for the development of domestic production [Vedomosti.ru, 2023]. Also, the termination of Visa and Mastercard with some Russian banks in 2014 spurred the emergence of the Russian payment system Mir. In 2022, after Visa and Mastercard cards were blocked outside the Russian Federation, Russian banks began issuing cards with the UnionPay payment system [14].

Also, Russian economists explain why U.S. sanctions resulted in a reasonably united Russian oligarchy that supports an increasingly aggressive foreign policy against American global supremacy [15].

Hypothesis formulation and goal setting

The hypothesis 1 of the study is the statement that the sanctions imposed by the international community on the Russian economy have had a negative impact on its performance and caused a recession.

The second hypothesis suggests that the Russian economy has withstood and continues to provide the means to wage war against Ukraine.

The purpose of the research is to study the process of imposing sanctions on Russia. To achieve this purpose, it is necessary to identify and substantiate the subjects and objects of sanctions policy.

Methods of research

The foundation of this study draws on established concepts within the field of economic sanctions and their impact. We have employed a range of methodological approaches, including semantic analysis, comparative analysis, and systematization, to substantiate our economic evaluation framework. Additionally, we utilized methods such as grouping and structural-logical modeling to develop key indicators for assessing the dynamics of sanctions. An abstract-logical approach has been instrumental in formulating conclusions and theoretically synthesizing the findings of our research.

Our adoption of this methodology aligns with the requirements of the JEL classification codes for economic research. The methods outlined here have facilitated a comprehensive analysis of the theoretical and practical aspects of economic sanctions, thereby falling within the domain of Block O: Economic Development, Technological Change, and Growth. Specifically, our chosen methods correspond to relevant subcategories within Block O, reflecting the economic dimensions of sanctions.

The principles and approaches proposed herein are based on a thorough examination of the fundamental principles governing the application and impact of economic sanctions. Consequently, the selected methods align with Block D: Macroeconomics, particularly in the substantiation of decisions related to the implementation and effectiveness of sanctions, as articulated in relevant subcategories within Block D.

Furthermore, the identification and systematization of factors influencing the outcomes of economic sanctions provide valuable insights into their effectiveness or lack thereof. As such, the methods employed here fall under Block D2: Production and Organizations, enabling a nuanced analysis of the interplay between sanctions and economic factors.

Presentation of the main material

Sanctions are a common foreign policy tool used to achieve a variety of objectives, including political, economic and military. They can be an effective way of influencing the behaviour of other states, but their effectiveness depends on many factors, including the type of regime against which they are applied.

Sanctions are more common in democratic regimes than in totalitarian ones. This is because democratic regimes are forced to publicly justify their actions to their populations. If a democratic regime uses force against another state, it may undermine public confidence in it. Therefore, democratic regimes are more likely to resort to sanctions that are less risky in terms of public opinion.

In contrast, totalitarian regimes do not have to publicly justify their actions. They can use force without any consequences for their reputation. Therefore, totalitarian regimes are less likely to resort to sanctions, as they consider them less effective than the use of force.

In classic studies economic sanctions are certain restrictive measures used by countries participating in foreign trade relations for political influence. Sanctions as an instrument of influence on the foreign, domestic and economic policy of the targeted state are often fragmented and situational.

Changes in the global environment have led to a revision of classical concepts, so sanctions are considered as the imposition of a penalty of whatever kind, through whatever processes, with the intended aim of changing the behaviour of a target state or states [3].

International sanctions can be imposed by:

- The United Nations Security Council (UNSC) on the basis of Article 41 of Chapter VII of the UN Charter;
- The Council of the European Union (EU) on the basis of Article 29 of the Treaty on European Union;
- A single state.

Sanctions are the most frequently deployed tool of the Common Foreign and Security Policy to react to foreign policy crises, and that the measures imposed are increasingly economic in nature. Targets now include global powers [16].

The Council of the European Union (EU) adopted a programmatic document in 2004 called “The Basic Principles on the Use of Restrictive Measures (Sanctions)” [17]. This document announced the EU’s intention to impose autonomous sanctions in order to uphold respect for human rights, democracy, the rule of law and good governance, and to fight terrorism and the proliferation of weapons of mass destruction (WMD).

Here is a more detailed explanation of each of the four objectives of the EU’s sanctions regime:

Upholding respect for human rights: The EU believes that all people have the right to live in freedom and dignity, and that these rights should be protected by law. Sanctions can be used to punish governments that violate human rights, or to pressure them to change their behavior.

Promoting democracy: The EU believes that democracy is the best form of government, and that it is essential for peace and stability. Sanctions can be used to support democratic movements and to pressure authoritarian regimes to reform.

Upholding the rule of law: The EU believes that the rule of law is essential for a just and fair society. Sanctions can be used to punish governments that violate the rule of law, or to pressure them to improve their legal systems.

Encouraging good governance: The EU believes that good governance is essential for economic development and social progress. Sanctions can be used to pressure governments to improve their governance practices, such as by fighting corruption and promoting transparency.

The EU's sanctions regime is a powerful tool that can be used to promote its values and interests. However, it is important to note that sanctions are not a magic bullet. They can be effective in some cases, but they can also be counterproductive in others. The EU must carefully consider the specific circumstances before imposing sanctions, and it must be prepared to use other tools, such as diplomacy and development assistance, to achieve its goals.

Sanctions are imposed in stages. The first stage of sanctions involves blacklisting a number of individuals and, in some cases, companies and agencies. These individuals and entities are subject to a visa ban and asset freeze. The number of designations increases in subsequent waves.

In the second stage, the EU may impose an embargo on the supply of arms, equipment for internal repression and surveillance, and dual-use items. It may also ban the provision of related services and any form of military cooperation.

The third and most severe stage of sanctions prohibits the export or import of certain products and commodities, and may include financial sanctions. This could involve trade bans or the blacklisting of state-owned companies involved in energy and commerce, key public entities such as the central bank, and even commercial ports.

The EU has traditionally been cautious about moving from the second to the third stage of sanctions, but it has done so with increasing frequency in recent years. The targets of sanctions vary depending on the stage. In the first stage, the focus is on key political figures. In the second stage, the focus is on the internal security establishment. In the third stage, the focus is on state and business elites, and the sanctions can have broader ramifications for society.

Since 2014, Western countries have developed and applied a significant number of sanctions packages against those responsible for the occupation of Crimea and Russia's military aggression in Ukraine.

When we talk about Russian assets, we must understand that they are not homogeneous. Thus, they can be divided into four groups:

Group 1 is directly state assets. This includes treasury accounts and property of diplomatic missions. Perhaps some objects of cultural value, and so on. But this is not much and definitely not enough for full compensation.

Group 2 is very interesting - property of state-owned enterprises. For example, the so-called state-owned enterprises such as Rosatom and Gazprom, which are not classical state-owned enterprises. In most cases, they are joint-stock companies, both under Ukrainian law and international law.

In fact, these enterprises are managed by the state, they are strategically important for fulfilling state orders, they transfer most of their profits to the budget, and they implement state programmes. It finances defence and so on and so forth.

The third group is private assets. I have my doubts, frankly, that there will be any international universal mechanism created whereby private assets of Russian citizens or companies will be nationalised to compensate Ukraine.

And the fourth group of assets is the central bank's assets, which have the most typical immunities.

Many countries try to avoid imposing sanctions on central bank reserves and use other means of pressure, such as sanctions against individuals or companies.

Two kinds of objections are usually raised against any utilization of the Russian sovereign assets that are located in the West. Some international lawyers claim that it is "illegal," while some bankers and financial officials fear that it will undermine the standing of the dollar and the euro. We shall discuss – and dismiss – both groups of objections [10].

By 24 February 2022 – the date of Russia's full-scale military invasion of Ukraine – 3355 individuals and 1560 legal entities were included in the sanctions lists of Ukraine and partner countries.

Since February 2022, Ukraine and its partner countries have adopted a large number of sanctions packages against many thousands of individuals and legal entities of the Russian Federation for the occupation of Crimea and Russian military aggression in Ukraine.

As of 21 August 2023, the sanctions lists of Ukraine and its partner countries include a total of 9943 individuals and 6936 legal entities (Table).

Sanctions imposed since 2014 for russian military aggression

As of 21 August 2302

Countries	Number of individuals					Number of legal entities				
	28/01 2023	28/02 2023	28/03 2023	28/06 2023	21/08 2023	28/01 2023	28/02 2023	28/03 2023	28/06 2023	21/08 2023
Ukraine	6739	7545	7891	9060	9255	2927	3390	3808	5456	5504
USA	1364	1495	1505	1610	1642	1286	1461	1509	1806	1901
Canada	1602	1770	1766	1866	1926	331	407	409	487	513
EU	1412	1499	1517	1625	1686	449	585	595	632	642
Switzerland	1396	1397	1496	1496	1575	440	592	617	622	748
United King- dom	1495	1587	1596	1647	1677	185	204	207	256	271
Japan	917	954	1000	1023	1023	362	412	479	536	536
New Zealand	1038	1126	1127	1127	1133	176	179	179	179	196
Australia	1045	1136	1138	1159	1169	106	150	150	177	212
TOTAL	7229	8144	8498	9651	9943	3378	4038	4484	6294	6936

** Developed by the author with usage [21]*

The rapid succession of packages of EU sanctions adopted since then, in what has already been labelled a “sanctions revolution”, have resulted in an unparalleled set of measures targeting the key sectors of the russian economy and the political elites [12].

Since the beginning of russia’s aggression against Ukraine in 2014, the issue of implementing an effective sanctions policy has become acute. However, the creation of the relevant legislative mechanism took place in the context of an acute public demand for such an instrument. This led to its imperfection in some aspects of practical application.

In general, there are three key stages of sanctions policy in Ukraine:

- 2014–2021 – from the adoption of the Law of Ukraine “On Sanctions” of 18 August 2014, the adoption of decisions on sanctions for aiding and abetting russian aggression, and the emergence of judicial practice in this regard;
- 2021 – 23 February 2022 – when sanctions begin to be used not only in connection with russian aggression, but also as an instrument of non-criminal prosecution in the domestic dimension;
- 24 February 2022 – until now – when the process of imposing sanctions intensifies due to the russian aggression and the need for further improvement of sanctions instruments.

So, the most important aspect of effective sanctions arguably is a credible commitment to modify and update them as needed – that is, to do “whatever it takes” [18].

The main macroeconomic indicators of russia do not inspire much optimism about the reduction of the economic potential of the aggressor country to continue waging a bloody war.

For the russian economy, 2022 was not a catastrophic year, although many of its business ties and business processes were disrupted after the imposition of sanctions.

However, russia quickly adapted, and the russian authorities took a set of measures to support the economy and reduce the sensitivity of the financial sector to external sanctions. Preparing for a full-scale war and anticipating further sanctions by Western countries, the russian authorities began working on measures to ensure the resilience of the russian financial system and economy after the introduction of large-scale sanctions in 2014.

In late February and early March 2022, the situation on the russian stock market was very tense. Selling by foreign parties and local participants led to a significant decline in stock indices and an increase in the yield on liabilities (depreciation of securities).

In response, the Bank of Russia banned short selling of shares, promptly blocked Russian securities on foreign investors' accounts and restricted sales of Russian shares received upon conversion of depositary receipts, prohibited disclosure of certain financial information by credit institutions and granted non-credit financial institutions the right not to disclose information. Issuers of securities were given the opportunity to decide on the amount of information to be disclosed.

As a result, the Russian economy suffered insignificant losses in 2022.

The current account surplus of the Russian Federation's balance of payments in 2022 amounted to \$233.0 billion, which was almost 2 times higher than in 2021. The growth of the trade surplus played a decisive role in this change.

Russia's external debt has decreased by \$101.8 billion since the end of 2021 and stood at \$380.5 billion as of 31 December 2022.

The unemployment rate decreased from 4.3 % in December 2021 to 3.7 % in December 2022.

After a sharp rise in the first week of March 2022 to RUB 137.85 per US dollar on the stock exchange market, the ruble nominally strengthened by 5.3% against the US dollar, 10.0 % against the euro, and 15.1 % against the yuan in 2022.

After a sharp jump in inflation in Russia in April 2022 to 17.8 %, prices for goods and services declined and annual inflation was 11.9 % in 2022.

These are the official data on changes in the state of the Russian macroeconomy in 2022, the year of the full-scale invasion of Ukraine by Russian troops, the year when the "hellish sanctions" came into effect.

To understand the reasons for this "change", let us turn to a comparative analysis of the global economy against the background of the general economic disturbance caused by Russia's aggression against Ukraine.

In the first half of 2022, the global economy showed signs of slowing down, in particular as a result of higher prices in many commodity markets, primarily energy markets, and monetary policy tightening by most central banks amid high inflation.

Global energy prices increased in 2022 compared to the previous year as the global economy continued to recover from the pandemic. In the second half of 2022, the rate of price growth began to slow amid the sale of US strategic reserves, a surplus in the market, and fears of a slowdown in global oil consumption.

Additional pressure on the price of Russian oil was exerted by the cap on its price set by Western countries in December 2022. The G7 countries, the EU, and Australia set it at USD 60 per barrel. Companies from these countries were prohibited from providing services for the transportation of Russian oil by sea to third countries, as well as insurance, brokerage, technical assistance, and financing of operations related to oil supply. The restrictions do not apply if the oil is sold at a price not higher than the ceiling. As a result, the price of Urals crude oil fell to USD 50 per barrel on average in December 2022.

A stabilising factor for European economies was the compensation of losses from high energy prices through large-scale government subsidies.

The increase in gas prices in 2022 led to a rise in fertiliser prices, which, along with higher transport costs and limited supply, led to higher food prices.

The FAO composite index for global food prices increased by 14 % on average in 2022. At the same time, its growth slowed down during the year, and in December 2022, the index even decreased by 1 % compared to December of the previous year (in December 2021, it increased by 23 %).

The value of international trade in goods and services, according to the World Trade Organisation, grew at a double-digit rate in the first half of 2022. The growth rate of the physical volume of international trade in goods and services, according to the International Monetary Fund (IMF), declined to 5.4 % in 2022 (10.4 % in 2021). At the same time, the volume of international trade in services continued to recover, especially in the travel sector. The number of international tourist arrivals, according to UNWTO estimates, roughly doubled in 2022 compared to 2021.

As a result, capital inflows into emerging markets stocks and bonds, according to the IIF9, totalled USD 34 billion in 2022, down more than 90 % compared to 2021 (USD 380 billion). At the same time, in December, the inflow of funds almost stopped, amounting to only USD 2 billion (USD 37 billion in November).

Sanctions have had some impact on the russian economy, but this impact is limited. In particular, the sanctions restrict russia's access to certain markets and financial services, and lead to a decrease in foreign investment. However, russia has been able to adapt to these restrictions and find new ways to develop its economy.

A comparative analysis of macroeconomic indicators suggests that, against the backdrop of a slowdown in the economic development of most countries, russia managed to contain the negative impact of sanctions in 2022, ensure the reorientation of the economy to the domestic market and increase the volume of the military-industrial complex. This was largely due to the circumvention of sanctions and the significant use of financial and other support from "friendly" countries, as they are called in russia, including China and India.

Below is a comparative analysis of the dynamics of certain macroeconomic indicators of the world's economies during the year of russia's full-scale military invasion of Ukraine and the increased sanctions pressure on the russian economy.

The chart "Comparative analysis of changes in real exchange rates of currencies of different countries against the US dollar, in %" shows that most world currencies have weakened against the US dollar (Fig.1).

In 2022, the Ukrainian hryvnia lost more than a quarter of its value in response to russia's full-scale military invasion of Ukraine.

In 2022, emerging market currencies mostly weakened as the US Federal Reserve and the ECB normalised their monetary policies. The US Federal Reserve's rate hike cycle started in March, and by the end of the year, the key policy rate had been raised by a total of 4.25 percentage points.

The ECB started raising its rate in July, and by the end of the year, it had increased by 2.5 percentage points.

At the beginning of the full-scale invasion of Ukraine by russian troops, following the imposition of sanctions by Western countries, queues formed outside banks and exchange offices to buy foreign currency.

Sanctions pressure significantly weakened the ruble in the first weeks after sanctions were imposed on the russian central bank and seven russian banks were cut off from SWIFT. In the first week of March 2022, the ruble reached RUB 137.85 per US dollar on the stock market, the lowest level in the last year and below the levels preceding the invasion of Ukraine, amid muted foreign currency inflows and growing demand for foreign currency in russia.

Following the freezing of some of the international reserves of the Central Bank of russia to conduct foreign exchange interventions to maintain financial stability, sanctions decisions by democratic countries have limited the amount of foreign exchange reserves available to the central bank.

Foreign currency inflows to russia remained low as sanctions resulted in Urals crude oil trading at a significant discount to its peers.

Revenues from energy sales were lower than budgeted, despite increased supplies to India and China, as the russian Ministry of Finance was forced to sell foreign currency for four consecutive months as part of its intervention programme.

In addition, deeper integration with Asian markets has led to increased demand for foreign currency from the country's creditors, and the Moscow stock exchange has opened futures on the rupee and dirham.

The dynamics of the ruble exchange rate in 2022 was mainly influenced by sanctions restrictions and their consequences. The real effective exchange rate of the ruble against foreign currencies declined in the first quarter of 2022 as trade and financial restrictions on russia began to tighten. In the first days and weeks after the imposition of sanctions, the Bank of russia took drastic measures: a sharp increase in the key policy rate, suspension of trading on the stock exchange, restrictions on cross-border capital flows, and regulatory easing for banks and other financial institutions.

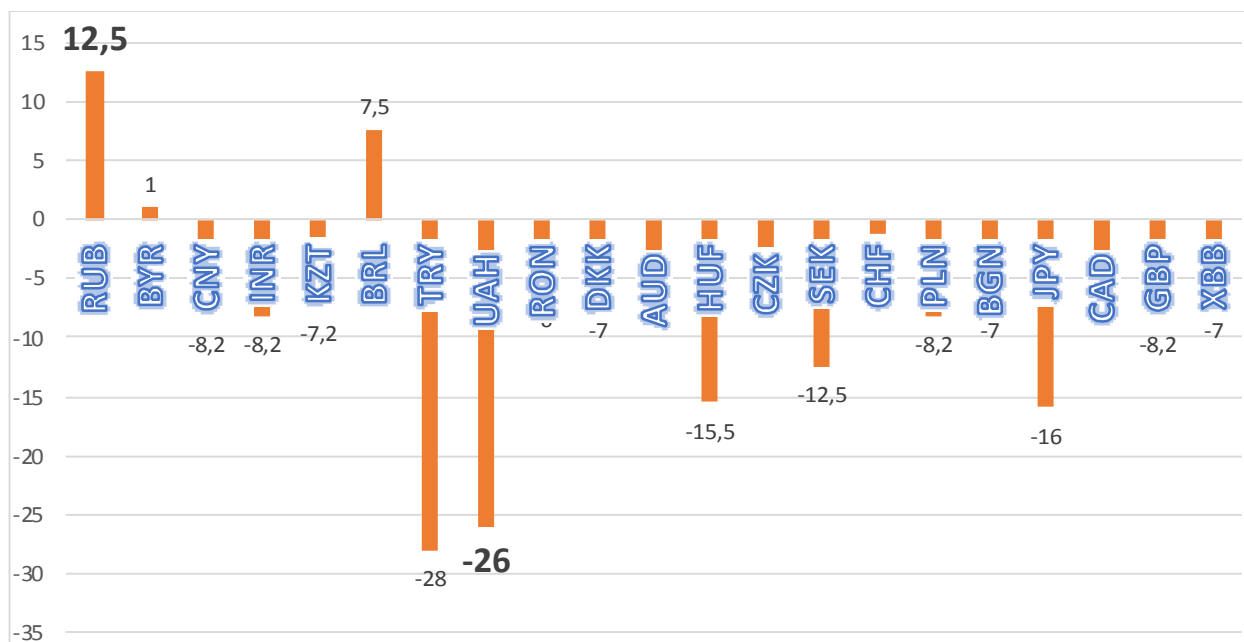


Fig. 1. Comparative analysis of changes in real exchange rates of currencies of different countries against the US dollar, %

*Developed by the author with usage [19, 22]

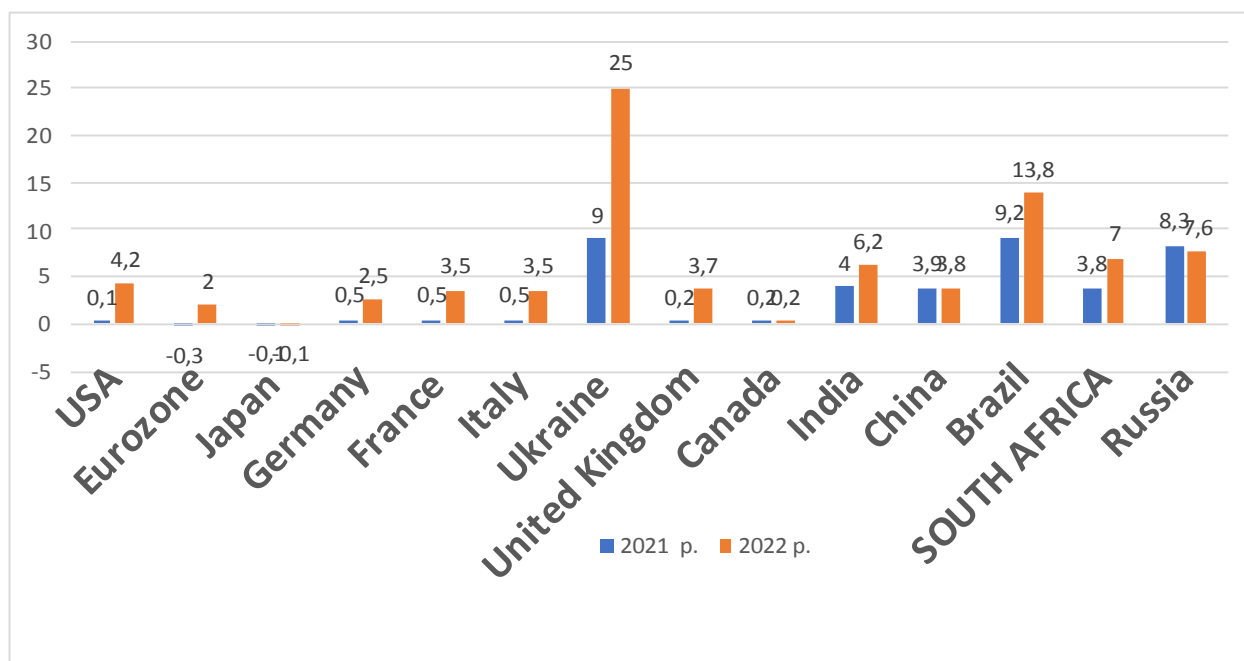


Fig. 2. Comparative analysis of interest rates of central banks in 2021 and 2022, %*

*Developed by the author with usage [22]

The chart “Comparative analysis of interest rates of central banks in 2021 and 2022” shows that most central banks around the world raised interest rates. Ukraine raised its key policy rate to 25 % the most in response to Russia’s full-scale military invasion of Ukraine (Fig. 2).

Central banks of major developed economies continued to tighten their monetary policies. At the same time, key interest rates (discount and deposit rates) increased quite significantly following inflation, which may be partly explained by less entrenched inflation expectations. In developed countries, key pol-

icy rates rose more slowly, with their growth accompanied by the curtailment of demand stimulus programmes and fiscal consolidation. In 2022, the quantitative easing programmes of the Federal Reserve and the European Central Bank were curtailed.

The US Federal Reserve's rate hike cycle began in March, and by the end of the year, the key policy rate had been raised by a total of 4.25 percentage points.

The ECB started raising its key policy rate in July, and by the end of the year it had increased by 2.5 percentage points.

Some easing of inflationary pressures in the third and fourth quarters in most major economies allowed central banks to reduce the rate hike from 50–75 basis points to 25–50 basis points. At the same time, the central banks that started tightening earlier than others declared that the cycle had ended or that they were pausing. In the analysed period, these were the central banks of Brazil, Chile, Poland, Hungary, Kazakhstan, and Indonesia, and the central banks of South Korea and Canada among developed countries. However, the US Federal Reserve and the ECB are still cautious about the sustainability of the current slowdown in inflation and state that they need to maintain tight monetary policy for a long period of time.

Japan's key policy rate was traditionally negative at minus 0.1 % in both 2021 and 2022. The key policy rate in Canada remained consistently low: 0.2 % in 2021–2022.

The key policy rate increased in the United States (from 0.1 % in 2021 to 4.2 % in 2022), the United Kingdom (from 0.2 % in 2021 to 3.7 % in 2022), and Germany (from 0.2 % in 2021 to 3.7 % in 2022), Germany (from 0.5 % in 2021 to 2.5 % in 2022), France (from 0.5 % in 2021 to 3.5 % in 2022), Italy (from 0.5 % in 2021 to 3.5 % in 2022), and the Eurozone (from minus 0.3 % to 2 %).

The key policy rate increased more significantly in India (from 4 % in 2021 to 6.2 % in 2022), Brazil (from 9.2 % in 2021 to 13.8 % in 2022), and South Africa (from 3.8 % in 2021 to 7 % in 2022),

China saw a slight decrease in its key policy rate (from 3.9 % in 2021 to 3.8 % in 2022).

At the beginning of the full-scale invasion of Ukraine by russian troops, bank depositors queued up to receive cash. In response to this, the key policy rate was raised by 10.5 percentage points **to 20.00 % per annum** at an extraordinary meeting of the Board of Directors of the Bank of russia on 28 February 2022. The growing demand for cash from households led to a liquidity outflow from credit institutions.

After the fall in 2022, the value of the assets of russian billionaires increased from \$353 billion to \$505 billion [20].

Thus, russian private business not only did not suffer losses as a result of the sanctions, but also increased its wealth.

Obviously, the sanctions mechanism is built with a significant number of shortcomings and gaps that offset their impact on russia's potential to wage war in Ukraine.

In particular, the factors that have led to a decrease in the impact of sanctions include: high world oil prices, domestic reserves and russia's partnership with several Asian countries that help to circumvent sanctions.

In the first two months of 2023, Moscow recorded its largest budget deficit on record, and spending increased by 52 % compared to the same period last year. At the same time, low revenues from the sale of energy carriers led to the increased use of funds from the National Welfare Fund, that is, to use the fund "for a rainy day" to finance the deficit.

We cannot completely deny the effect of sanctions, they act slowly but surely.

For 2022, the surplus amounted to 233 billion US dollars, in the first quarter of 2023 the surplus amounted to 18.6 billion US dollars,

According to Cetrobank of russia, in the second quarter of 2023, russia recorded a current account surplus of USD 8,600 million. This is equivalent to almost 2 % of russian GDP in the second quarter.

Consequently, there is a persistent positive current account balance and russia continues to generate significant flows.

However, russian institutions have already accumulated new foreign assets in the amount of about 150 billion US dollars during the sanctions regime.

Although the sanctions were able to effectively freeze a significant share of russia's pre-war reserve stocks, they did not immobilize new flows.

In its tenth package of sanctions, the EU declared an obligation to introduce reporting on frozen assets, we believe it is necessary to publicize the actual location of these assets, which will prevent their use for war

Also, disconnecting a larger number of russian banks from SWIFT will reduce the number of banks through which transactions can be conducted, which will increase the ability to control financial flows. This means that it is necessary to significantly strengthen the sanctions on the financial sector of the russian federation in order to reduce the potential for financing the continuation of the war against Ukraine and, in general, against the democratic world.

Conclusions

Sanctions are an effective tool for influencing the behaviour of other states, but their effectiveness depends on many factors, including the type of regime against which they are applied. Democratic regimes resort to sanctions more often than totalitarian regimes because they are forced to publicly justify their actions to their population.

It is also important to note that the effectiveness of sanctions can depend on many other factors, such as the duration of the sanctions, the level of support for the sanctions from the international community, and the economic power of the state against which they are applied.

The sanctions regime against russia is an exception in the CFSP record: The CFSP is the EU's framework for foreign and security policy. It has been used to impose sanctions on a number of countries in the past, but the sanctions against russia are the most severe and far-reaching measures ever taken under the CFSP.

The sanctions were imposed in an atypical scenario: The sanctions were imposed in response to russia's invasion of Ukraine, which is an international aggression. This is a different type of situation than the intra-state conflicts or democratic backsliding that the CFSP has typically been used to address.

An unprecedented level of sanctions cooperation was achieved: The sanctions against russia were imposed by a group of mostly Western allies. This is the first time that such a large and diverse group of countries has agreed to cooperate on sanctions against a single country.

The countries see themselves as filling the void left by the UN Security Council: The UN Security Council is responsible for maintaining international peace and security. However, russia has veto power in the Security Council, which has prevented it from taking action against russia's invasion of Ukraine. The countries that imposed sanctions against russia see themselves as filling the void left by the Security Council.

The EU's current sanctions response against russia is significantly increasing its agility and efficiency in terms of sanctions preparation, implementation, and coordination with non-EU countries.

The standard procedure for initiating sanctions usually starts with the relevant geographical Council working party, which is then finalized by the RELEX working party before being submitted to the Council for adoption. However, both the 2014 and 2022 EU sanctions packages against russia were decided and handled at the highest level, both internally and externally, particularly in the context of the G7. Coordination with non-EU countries even extended to the previously uncharted field of sanctions implementation: the Commission established a "Freeze and Seize" task force that collaborates with the G7's own task force "Russian Elites, Proxies, and Oligarchs."

The hope is that, rather than establishing a procedure in which a different decision-making path is chosen depending on the importance of the target, the current experience of sanctions against russia can establish a new standard that allows future sanctions efforts to benefit from the speed, dedication, and unprecedented level of coordination dedicated to addressing the invasion of Ukraine.

Therefore, the hopes of the world community and the hopes of the Ukrainian people regarding the powerful action and consequences of sanctions turned out to be too exaggerated and unjustified.

Thus, our study refuted the first hypothesis and confirmed the second hypothesis.

Prospects for further research

If the policy of economic sanctions against russia is strengthened, the consequences may be: default; a significant decrease in GDP; rampant inflation – 30–40 %; a significant decrease in the ruble to dollar exchange rate; reduction of gold and currency reserves; shortage of essential goods; social instability [7]. And finally, the end of the war before the threat of the collapse of the economy.

The potential of economic sanctions has not yet been exhausted and the system of sanctions is being formed and updated as a “living mechanism”.

Without serious public pressure, as happened with the pressure to increase the supply of modern weapons, it is difficult to hope for a quick solution to the issue of the complete confiscation of all assets of legal entities and individuals to which sanctions have been applied, as well as the largest russian assets subject to sanctions – the reserves of the central bank of the russian federation.

We believe that the urgent task of the economic front in the fight against the aggressor country is to actively develop new practices for deepening the effect of restrictions and prohibitions on the participation of the russian economy in the world market of goods and services.

It is necessary to continue to call on the leaders of the partner countries to introduce tougher measures, including those that help the aggressor country to avoid sanctions restrictions. It is worth emphasizing the importance of activating the voice and initiatives of public organizations to hold the aggressor country and its residents to significant economic responsibility for the destruction, damages and losses inflicted on the people of Ukraine.

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УПРАВЛІННЯ ЗМІНАМИ В САНКЦІЙНІЙ ПОЛІТИЦІ ПРОТИ РОСІЇ: ДОСВІД УКРАЇНИ

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Досліджено проблеми формування санкційної політики та оцінювання ефективності чинних санкцій проти росії. Доведено, що санкції є дієвим інструментом впливу на поведінку інших держав, але їхня ефективність залежить від багатьох факторів, зокрема від типу режиму та особливостей економічної системи країни, проти якої їх застосовано. Визначено, що ефективність санкцій може залежати від багатьох факторів, таких як тривалість санкцій, рівень підтримки санкцій міжнародною спільнотою та економічна сила держави, проти якої вони застосовуються.

На основі дослідження особливостей формування санкційної політики виявлено еволюцію підходів до чинної системи санкцій проти росії, обґрунтовано зміну цілей та інтеграцію світових інституцій для посилення економічного стримування країни-агресора. Виконано порівняльний аналіз основних економічних показників розвитку найбільших країн світу, доведено неефективність системи санкцій проти росії та виокремлено основні чинники, що спричинили неефективність санкцій.

Ключові слова: санкції; санкційна політика; санкції проти росії; вплив санкцій; шляхи обходу санкцій; ефективність санкцій.