

**European Integration**

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**ECONOMY OF THE EU:  
SANCTIONS AGAINST RUSSIA  
AND THEIR REVERSE EFFECT****Abstract**

The article examines the consequences for the EU countries of the economic sanctions which are used by them against Russia as the reaction on its aggressive acts in Crimea and Donbass as well as of counter-sanctions («self-sanctions»), which Russia has pronounced against such countries. There are made some forecast on the base of this analyses as for possible impact of these consequences on the sanctioned states regarding further use of the announced economic restrictions in relations with Russia.

**Key words:**

European Union, Russia, sanctions.

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The claims of the Russian leadership to restore the status of «super-power» (which in their interpretation means reversion to Soviet doctrine of «limited sovereignty» for countries called «CIS» or border countries) and attempts to return to the system of international security, which was built on Yalta – Potsdam agreements have led to the increasing in aggressiveness of Russian domestic and foreign policy that has found its expression in the annexation of the Crimea and the active support of (actually – inspiration) separatist movement and activity of terrorist groups in the eastern regions of Ukraine (which, among other things, led to the tragedy of the Malaysian passenger aircraft). All of this put the question regarding adequate response on the agenda of the international community.

Generally, you can identify the four large groups of sanctions that are applied in the practice of international relations: 1) diplomatic sanctions – recall (removal) of the ambassador or suspension of negotiations; 2) financial sanctions – termination of the financial assistance, ban or complication the assignment of international loans, freezing of financial assets; 3) trade sanctions – export and import restrictions, trade embargoes and 4) «smart» (individual) sanctions – freezing the assets or ban on movement (entry) for certain companies or persons.

Considering the military potentials disparity of Russia and Ukraine (in any case, at this point), and defiantly stated willingness of Russian side to use tactical nuclear weapon, a key element of such reactions were **comprehensive sanctions** which included at first mainly individual, and then (as strengthening of the sanctions) – commercial and financial. Such sanctions were announced by the United States, the European Union and some other countries, such as Australia, Canada, Norway, Switzerland, Japan, etc. EU countries have introduced these sanctions in the form of identical and urgent actions, as provided by the Maastricht agreement. (Wiśniewska, 2005, p.34). From March 2014 the European Union has introduced a number of resolutions (from 06.02.2014, 13.03.2014 and 17.04.2014) to express its indignation regarding the actions of Russia vs. Ukraine, the introduction and expansion of the sanctions (which were periodically confirmed) which were introduced in three stages: 1) Diplomatic actions against 18 individuals who were charged in the embezzlement of public funds of Ukraine (the EU Council decision from March 6, 2014), 2) freezing the assets and a ban on entry to the EU for persons who are in the extended list (the EU Council decision from March 17, 2014) and 3) financial and economic sanctions against certain industries and areas of economic cooperation with Russia (the EU Council decision from July 25 and July 30, 2014) (Kraatz, p. 2)

As a formal causa for the announcement of sanctions is selected **1 – the annexation of the Crimea** and **2 – a military intervention of Russia** in the con-

flict in the Donbas. Accordingly, **the abolition(mitigation) of sanctions may occur in case of elimination of the mentioned reasons or recognition of sanctions like those which do not contribute to the achievement of this goal and cause bigger damage to the countries which are applying them.** In this regard, it is important to analyze the impact of international sanctions against Russia on the economy of Western countries and the prospects of extending or canceling these sanctions because of the specified reason. (Herewith the «self-sanctions» of the Russian side are also considering, aimed at limiting the economic cooperation with the countries that announced sanctions against Russia).

**The European Union plays a key role in politics of international sanctions against Russia**, as it simultaneously has the greatest economic impact on Russia and is, in fact, the weakest link in the system of sanctions, because it is the most economically dependent on the state of relations with Russia, because the economies of some countries-members are very closely intertwined with the Russian – making it hard to reach the unanimous decisions necessary for sanctions to be imposed (The Economist, 2014, p. 23).

Russian Federation is the third largest trade partner of the EU, and for Russia – the EU is the largest partner. Countries of the European Union (before imposing sanctions) imported from Russia goods and services nearly on 206 billion euros (including gas and oil for 160 billion euros).

In general, the amount of bilateral trade in 2013 reached to 326 billion euros, i. e. at the level of GDP of countries such as Austria or Denmark. At the beginning of 2013, almost 75% of all direct foreign investments (more than 190 billion euros) came to Russia from the EU. In its turn, Russian invested in the EU countries 77 billion euros. However, in the total amount of direct foreign investments accumulated by EU countries the Russian share was only 2%, while in the overall amount of overseas investment – less than 4%. The most powerful trade relations in Russia existed with Germany (75 billion euros), the Netherlands (37 billion euros), Italy (30 billion euros) and Poland (26 billion euros) (Giumelli, 2014).

So, ***the cooperation with Russia is important but not crucial for the European economy (particularly trade).***

«Few would argue that sanctions are supposed to be a profit-making enterprise: their goals tend to be political, not economic. By imposing sanctions on Russia, European leaders hope to encourage a de-escalation of the situation in Crimea. And yet, it's clear that for sanctions to work, they should harm the sanctionee more than the sanctioner» (Vara, 2014).

There by, the question about the reverse effect of sanctions on the countries which are applying them has a very important role for the understanding of the perspectives of their policy in this direction.

*Table 1*

**The dependence of EU countries on exports to the Russian Federation**  
(billion United States dollars)

Country	Export to Russia	GDP	Export to Russia in relation to GDP (%%)
Slovakia	3,53	99,0	3.60
Estonia	0,79	25,3	3.20
Slovenia	1,43	48,5	3.00
Latvia	0,80	31,3	2.60
Lithuania	1,12	46,5	2.40
Hungary	3,01	133,1	2.30
Czech Republic	5,32	209,2	2.50
Finland	5,41	267,3	2.00
Poland	8,33	526,5	1.60
Bulgaria	0,70	54,5	1.30
Romania	2,05	190,2	1.10
Germany	37,92	3.730,4	1.00
Austria	3,85	428,4	0.90
Belgium	4,03	525,5	0.80
Italy	14,55	2.149,2	0.70
Netherlands	5,85	854,9	0.70
Croatia	0,39	58,6	0.70
France	13,01	2.806,3	0.50
United Kingdom	8,11	2.678,3	0.30
The whole EU	134,27	17.960,2	0.70

Source: Time Economics, 2014.

Economy of European countries may suffer from the sanctions regime, for two reasons: firstly, due to the ban of selling «dual purpose» technologies for the development of oil and gas deposits; secondly, the falling of the Russian ruble in the value (for 2014 – on 72%) has a negative effect on the purchasing power of the Russians and reduces the overall demand for imported products. As a result, besides the mentioned major trade partners of Russia in the EU, sanctions significantly influenced the economy of Austria, Lithuania and the Czech Republic. In addition, the ban on the import of food products to Russia from Western countries had a negative effect on the export to Russia of such products from the EU (total 5 billion euros), in particular from Lithuania (1 billion euros), and also from Poland, Finland, Greece and Spain.

Assessments (in particular, from the experts of the investment bank ING) concerning a probable loss of jobs look similarly (table 2).

Table 2

**The influence of Russian self-sanctions on the production and employment of separate countries**

Country	The loss of value added		Loss of jobs	
	mln. \$	% of GDP	thou. places	% from total amount
Poland	429	0.10	23	0.14
Germany	1250	0.04	21	0.05
US	1278	0.01	12	0.01
France	869	0.03	11	0.04
Spain	626	0.05	10	0.05
Italy	591	0.03	9	0.04
UK	415	0.02	6	0.02
Lithuania	154	0.40	5	0.42
Finland	273	0.12	3	0.13
Belgium	220	0.05	3	0.06
Estonia	68	0.35	2	0.39
Latvia	52	0.20	2	0.25
Austria	114	0.03	2	0.04
The whole EU	276697	0.04	130	0.06

Source: Russian sanctions.

In total, in 2014 export of goods from the EU to RF declined for 23 billion dollars, while export to other countries increased for 184 billion dollars. Largely, the EU export growth has been completed by the revival of trade within the EU itself. Internal EU export increased for 238 billion dollars. Also there was the export growth to the main trading partners of the EU – United States and China for 23 billion dollars and 21 billion dollars, in accordance. At the same time, the EU export to Switzerland declined for 41 billion dollars. Also there was a reducing of export for 9 billion dollars to Ukraine and for 4 billion dollars separately to Australia, Turkey and Brazil.

Table 3

**The consequences of sanctions for certain sectors of the EU countries**

Branch	Business with Russia			The consequences of sanctions			
	Export to RF The share of export and incomes	Activity in the RF The number of employed and investments	Importance	Sanctions of the direct action	Sanctions of the average action	Strategic risk	The degree of influence
Agriculture /food	2.8% 1.5 billion euros	1.4 billion euros	+	The import ban	Loss in income, the risk of falling prices	The risk of losing positions in favor of competitors	---
Chemical	3.3% 5.2 billion euros	Priù. 7000 1.2 billion euro	++		Loss in income		-
Pharmaceutical	3.4% 2.1 billion euros	More than 2.500	++		Loss in income		-
Automotive	4.0% 7.6 billion euros	More than 10.000 1.6 billion euros	+++		Loss in income	The threat of import restrictions	--
Machine-building	5.3% 7.8 billion euros	628mln euro	+++	Restrictions on dual-use goods	Loss in income		--
Information and communication	3.5% 1.0 billion euros	No data	++	Restrictions on dual-use goods	Loss in income		--
Construction	0.2% 55mln euro	More than 3.500	+				-
Trading	No data	More than 30,000	++		Problems with supply chain		-
Production of consumer goods	Arr. 4%	More than 15.000	++		Loss in income		-

Branch	Business with Russia			The consequences of sanctions			
	Export to RF The share of export and incomes	Activity in the RF The number of employed and investments	Importance	Sanctions of the direct action	Sanctions of the average action	Strategic risk	The degree of influence
Financial services	Less than 1% 16.8 billion euros	Approximately 2.1 billion euros	+		Termination of relations with the Russian banks		–
Defense	Arr. 1% 38.2 million euro	More than 1.000	+	Embargo on supply of arms	Loss in income		–
Transport/logistics	Arr. 1%	More than 5.000	++		Reduction of freight	The threat of a ban for Western Airlines	–
Energy	There is no export, but there is a significant import – 29.3 billion euros	More than 5.000	+++ (Import and strategic investments)			The risk of falling in value strategic investments	–

Source: The Impact of Economic Sanctions, 2014, p. 15.

The commodity structure of the EU export to Russia was reduced in all sectors. Reduction of vehicles export for 7 billion formed the 30% of overall reduction in the export of goods. Also the export of goods of machine-building industry, agricultural commodities and products of chemical industry has significantly reduced.

Despite the common statements about limiting access to the market of the Russian Federation of food products from the EU, reducing export of this group was the smallest and formed less than 1% of the total reduction. Reduction in vehicles and machinery export and equipment to Russia did not have a significant impact, because the export of these positions by the EU countries to other countries increased for 52 billion dollars and 94 billion dollars, in accordance. In

the structure of vehicles the largest decline was in export of no rail-based ground means of transport. The export of passenger cars from the EU to Russia shrank for 3.3 billion dollars, while export of parts and bodies for them was limited for 1.8 billion dollars. Beside that export of trucks was reduced (0.6 billion us dollars). The shrinking of supplies of cars to Russia was fully compensated by increasing supplies to the internal market of the EU (for 23.8 billion dollars), and also to China (for 5 billion dollars), to the United States (for 2.4 billion dollars) and South Korea (for 2 billion dollars). Reducing in the export of trucks to Russia was compensated by redirection of it to the internal market of the EU. In addition there was an increase in shipments to Singapore, South Korea, Egypt and Switzerland for 133,1, 110,8, 105,2 and 88.7 million dollars, in accordance. Reduction of cheeses export of all kinds to the Russian Federation was not compensated largely, due to falling demand on them in the member countries of the EU. Export to the EU internal market shrank for 421,4million dollars. At the same time export of cheeses from Russia was sent partially to the United States, South Korea, Saudi Arabia and Egypt. Export of meat and meat offal from the EU to Russia declined for 82% or for almost 1.8 billion. Fore most limitation was formed by diminishing of supplies of pork (for 1.3 billion) and pig fat and poultry fat (for 0.3 billion dollars). Partly these losses were compensated by the growth of exports of pork to Japan for 359 million dollars, to South Korea for 345 million dollars and to the United States for 110 million dollars. Total export of pork from the EU to the outwards of the EU, with the exception of the Russian Federation increased almost for 1.1 billion dollars.

According to expert estimates from different sources at the beginning of 2015 the biggest loss (more than 20 billion euros) as a result of sanctions against Russia and reverse «self-sanctions» from RF suffered countries of the European Union. In particular, the German losses are estimated at 7 billion euro, of which 5 billion euros – in agriculture and at 1.5 billion euros – in the automotive industry. Mainly due to the reduction in agricultural export to Russia have suffered the loss also Baltic countries (more than 2 billion euros, of which Lithuania – almost half), France (1 billion euros), Italy (1.3 billion euros) and Poland (0.9 billion euros). In general, the loss of agricultural industry of the EU is up to 14-15 billion euros. The European Commission has earmarked funds in the amount of 125 million euros to compensate the loss of producers of fruits and vegetables, which have suffered from the self-sanctions of RF. Although, it is clearly that potentially negative effect will be much greater. It is seem that the largest amount in the monetary dimension loses Germany, in the form of jobs – Poland, and in relation to the size of its GDP – Baltic countries. Therefore, considering the political factors, we can say that the key value for the European policy of sanctions against Russia will be the situation in the area of the German-Russian relations.

When the «cold war» ended there was the activation of the expansion of economic relations between Germany and Russia in the framework of the policy called «transformation through trade». The German side intensively advanced



the idea of a «partnership for modernization» by providing technology to improve its economy. These relationships help for explaining the initial reluctance of Germany to impose sanctions after the invasion of Russia into Ukraine in 2014 because the Chancellor A. Merkel was under pressure from influential lobbyists in German industry «understanding Russia» (*Russland verstehen*), primarily from the Eastern Committee of German economy, whose representatives have confirmed that the sanctions would beat strongly the economy of the country. A serious dependency on Russian energy-because after the disaster on the Japanese NPP «Fukushima» in 2011, Germany decided to decommission speedy their nuclear power plants and in the result increased a dependence on Russian gas (36% of a need) and oil (38%)-also forced Germany to flinch from implementing sanctions.

Only after July 17, 2014 when by pro-Russian terrorists (or directly by the Russian military) was shot down the plane «Malaysian Airlines», the German authorities decided to take a more tough position. Since then, a support for sanctions in the society stayed moderate. The survey that was held in August, 2014 displayed that 70 percent of Germans support the second round of European sanctions against Russia (which included a ban on issuing visas and freezing the assets of a number of Russian businessmen), but only 49 percent said that they would support the sanctions, even if they would hit the economy of Germany. There is an opinion that support in the society may be reduced if Germany plunges in a recession, as many analysts predict. Business grudgingly, but also accepted sanctions, however, continues lobbying for their mitigation.

In Germany, which took over itself the main approved Russian «counter attack», in 2012 at the Russian market accounted for 3.5% of export, in 2013 – already 3.3% and in 2014-2.5%. In particular, the falling in export to Russia of products of the automobile industry, which reached 31.5% in 2014, in 2013 also reached a pretty high level of 14%. So, ***the gradual falling in the value of the «Russian connection» took place also before the introduction of the regime of sanctions, which only accelerated these processes.***

In 2013, Germany exported to the Russian Federation food and agricultural production on 1.6 billion euros, including 0.6 billion euros of products which next year would be under Russian «self-sanctions» (mostly pork and cheese).

According to the Eastern Committee of German economy (DerOst-Ausschuss der Deutschen Wirtschaft) the trade turnover between Russia and Germany in 2014 dropped to 12.1% (up to 68 billion euros). While German export to Russia fell to 18%: from 35.8 to 29.3 billion euros (Ost-Ausschuss, 2014).

Formally, this could mean a loss of 60 thousand jobs, but actually actions of sanctions affected only 25 thousands jobs (despite the fact that they all were not might be reduced, as a flexible system of employment allows you to switch temporarily to under employment). In general, the level of unemployment in Germany is gradually decreasing during the full period of sanctions (from 5.1% in

February 2014 to 4.4% in February 2015), i.e. no negative impact of sanctions is not felt on the state of employment in Germany. At the same time, it should be borne in mind that Russia and Germany have very close economic ties. Investment from German companies (including such as Siemens, Volkswagen, BASF, Metro, Adidas and Henkel) are up to 22 billion euros, including concern Daimler which has a stake in the company «Camaz», Wintershall (BASF unit) collaborates with RAO «Gazprom», Siemens with «Russian Railways». The trade turnover between two countries in pre-crisis 2013 was 76,5 billion euros (with a positive balance in favor of the Russian Federation in amount of 40.4 billion euros). German export to Russia was estimated in 36.1 billion euros, including engineering accounted for 8.1 billion euros, auto industry – 7.6 billion euros, chemical products – 3.2 billion euros. Some of 6 thousands German companies operating in Russia have already experienced difficulties: Adidas shuts nearly 200 of its stores on the territory of the RF and concern Opel (German division of General Motors) fully retracts his activities on the Russian market and shuts the plant in Saint-Petersburg (Russian sanctions crushing German business, 2014).

However, the biggest shock for the German economy from the regime of sanctions was not drop of export to Russia but the increase in import from other EU countries, who tried to compensate the loss of the Russian market by increased expansion on the market of Germany.

The analysis leads to the conclusion that in terms of impact of anti-Russian sanctions on own economy and relevant to the need for continuation of a sanitation mode EU countries can be divided into **three groups**: 1) countries that have experienced significant negative impact from the sanctions (or may incur in case of extension of sanctions), but maintain the tough position regarding their future use (Germany, Baltic countries, Poland, United Kingdom, etc.); 2) countries, which suffered from notable losses and incline to softening the sanctions (Italy, Spain, Slovakia, Hungary, to some extent – France) and 3) countries, which suffered from minor damages, but for political reasons play for the easing of sanctions (Greece, Bulgaria, Cyprus, etc.). *(In some cases, the situation is not so clear because the loss may be notable, but the resistance to the sanction regime is inadequately bigger for political reasons, as, for example, in Hungary or the Czech Republic).*

On this background, losses of other countries which have joined the regime of sanctions look much more modest: the United States – a little over 2 billion dollars, Australia and Canada – within 0.5 billion dollars each. In general, this is still significantly less than the loss of the Russian Federation, which exceeds the amount of 50 billion dollars (*besides the negative impact of falling of oil prices that caused three times larger loss*), however, and this ratio indicates the **insufficient high «coefficient of efficiency» of economic sanctions which was caused by the following factors:**

1. Insufficient high level of sanctions, which concerns a rather limited circle of individuals and entities.
2. Not wide enough range of economic sectors that are covered by the regime of sanctions.
3. The presence of sufficiently strong interdependence of economies of Russia and the countries-sanctionists, thus the negative impact of sanctions often has a bilateral focus.
4. The use of Russia's political and ideological levers of influence with the aim of abolishing or easing sanctions.
5. Beforehand classified of the United States and EU countries the unwillingness to solve the problem in a more radical way (including Military), so sanctions are considered in apriori as extreme measures of influence, after applying those the pressure from the international community will no longer grow.

At the same time it should be born in mind that the **expert estimations** concerning the losses have very **relative nature**, because, firstly, come mostly from volume of export to Russia in 2013, and not actually from cancelled contracts, and secondly, do not include a compensation for the reduction in export to Russia due to the redirection of trade flows on other markets: at the decline of export from the EU to Russia almost for 20 percent overall export rose more than for 2 percent, particularly to the United States – for 5%, to China – more than for 20%.

We should also consider some «compensation impact» on the economy of Western countries due to the fall in the value of the Russian ruble (which caused another wave of capital escape from Russia (in 2014 – at the level of 150 billion dollars, and in 2015 is expected in the amount of 80 billion dollars), a certain share of which, perhaps, has refilled the liquidity of European and American banks. Moreover, the drop in oil prices (which may also be seen as a consequence of aggravation of economic conflict with Russia to some extent) had a positive influence on the economic state of the countries-importers of Russian oil such as the Netherlands (oil import from Russia in 2013 – on 25 billion euro), Germany (on 24 billion euros), Italy (on 17 billion euros) and Poland (on 14 billion euros).

Thus, the **continuation of the sanctions regime would mean almost automatic increase of the coefficient of their effectiveness** (Are sanctions on Russia beginning to bite?) This process if would reflect on the background of the diversification of European export and weakening of economic ties with Russia (and this, in turn, will *stimulate the re-orientation of the Russian economy in the Eastern (Asian) direction which would not serve the long-term interests of the EU and the United States*). Thereby, the Danish Minister of Foreign Affairs M. Lidegaard even announced the existence of a risk that sanctions could destabilize Russia «too hard» (Peter Levring, 2014). And the Deputy Minister of Foreign Af-

fairs and international cooperation of Italy, L. Pistelli (speaking in the Institute of world policy at a public debate on the topic of «Ukrainian-Russian conflict: what the role of the EU?» in December 18, 2014.) said: «it should be noted that the EU really has shown an unusual level of solidarity in the implementation of the three levels of sanctions. Over the last 7 months, the Russian-European trade fell for 20%, and the Russian-American has increased for 12%. There is no need to comment this» (Pistelli, 2014).

Results of the previous analysis, made by the Institute a year ago showed that Western countries from the beginning **considered sanctions against Russia as only «signal»** and partially (and only recently)-»deterrent «. In this regard, in foreign relations with Western countries we **should not insist on an immediate intensification of economic sanctions against Russia** (because they have a negative impact on the Western economy too; as a consequence, they reduce abilities of Western countries to provide the economic aid for Ukraine, but also can lead to the asymmetric response from Russia, first of all, in the non-economic relationships).

Under such conditions, for Ukraine it is more important not the intensification as the maintaining of existing sanctions and further **expansion of the range of sanctions against Russia**, as by increasing the number of countries implementing the sanctions (preferably on the basis of the decision of the UN) and by extending of sanctions on non-economic relations (cultural exchange, holding sport competitions, etc.).

This approach is driven by the fact that the **Russian Government intends to neutralize the negative impact of the international sanctions on the country's economy through the transfer of confrontation to the ideological and political fields**. Russia's actions are addressed in the same direction regarding the abolition of the food embargo («self-sanctions») in relation to certain EU countries (particularly Greece, Cyprus and Hungary).

Obviously, that before the June summit (on which will be considered again the question of continuation of anti-Russian sanctions) the EU countries will stand before the **sanctions dilemma**: *saving the current economic prosperity* (which requires the use of economic relations with the Russian Federation) or the *security of peaceful existence* (which could be threatened by Russian expansion and aggression).

Here with, the particularly serious threat for stability is mainly seen in an internal crisis in Russia, which caused not so much by international sanctions, rather by the loss of the markets of faith in the ability of Russian authorities to react adequately to the economic and political challenges (in conjunction with the growing dependence of economy from falling of oil prices).

Considering this, we can make a **prediction** that economic connections with Russia will decrease gradually and as a result sanctions will be less painful

for the EU and more stringent. In addition, new marketing and logistic solutions will complicate significantly the return to old connections with Russian partners once the sanctions would be lifted.

The chance that the cancellation (or a noticeable weakening) of sanctions will happen according to results of the EU summit in June is quite small (*although possible the symbolic mitigation, as encouragement to implement Minsk transactions and in order to preserve a political unity of the EU position towards Russia*), in any case, **serious economic reasons for the weakening of anti-Russian sanctions do not exist.**

However, it is important for Ukraine as an alternative to consider the solution «strengthening or preserving sanctions» rather than «preserving or weakening sanctions»- for that we need to make all possible diplomatic efforts and try to lobby for the introduction of additional sanctions, particularly in the field of financial relations.

As one of the additional measures of the «pressure» is considered the possibility of disconnection of Russian banks from the international system of interbank communication called SWIFT (The pros and cons of a SWIFT response, 2014), with help of which there are 5 billion transactions annually and trillions of dollars transferred between more than 10 thousands of banks and financial companies around the world. The world practice already knows an example of using the «removal» from SWIFT as economic sanction: in 2012, according to the European legislation (as SWIFT's headquarters is located in Brussels) the Bank of Iran was disabled from the system of settlements, which at that time was under sanctions of the EU. Evaluation of the effectiveness of such measures is based mainly on the fact that in the process of settling the situation, Tehran insisted on revoking this ban primarily. Although in practice, the Iranian banks have solved the problem of implementation of international settlements by renting closed phone and telex lines of partners from Dubai, Turkey and China.

Of course, the impact of such sanctions on the economic situation in Russia may be far bigger than in the case of Iran, because according to expert estimates, more than 600 Russian banks are using this the SWIFT, and with cross-border transferring of funds related almost 90% of operations of Russian banks. These transactions are implementing by using not only SWIFT system, but also by the American system Fedwire and the system of the European Central Bank called Target 2 (access to which, most likely will be impossible in the case of detaching from SWIFT) .

At the same time, you need to look realistic on things and not exaggerate expectations from using of such measure against Russia. Firstly, Russian banks just like Iran can use channels of «traditional», old, slow but still acceptable interbank connection. Of course, that is not about the use of telexes with all of the thousands of banks-correspondents. It will be enough to establish such transfers with Russian banks which are abroad (such as the Moscow Peoples' Bank in Lon-

don or Eurobank in Paris), and they are being residents of England or France, using SWIFT will «overspread» them around the world. Also for this can be used some banks from countries that do not support the idea of additional sanctions against Russia. Finally, we should imply the aspiration of Russians to create an alternative system of international payments (whether alone or jointly with China). «From December 2014 on the basis of the Central Bank the national transmission system of financial information operates in formats of SWIFT. In addition, there is operating a possibility of establishing a system of interbank payments between countries with our largest trading partner – China by analogy with SWIFT». And although experts estimate the prospects of this project very skeptical, but it may mitigate the effect of barring access to SWIFT for Russian banks in some way (especially if the prohibition will apply not to all banks). But the weakest point of such sanction would be that the slow down of payments (from 1–3 to 5–7 days) will not have the determining value for Russian business (although a slowing down of payments will inflict some specific damages, but not so significant which arise for merchants of financial derivatives, among which the Russians make up a minority, for which the possibility to «play» on the exchange rate difference between the major financial centers of the world is essential).

You can't leave out of the attention problems which will arise in this case in the Western countries. Especially it applies to the biggest trade partners of Russia, such as Germany and Italy, companies of which will also suffer from the complications of settlements with Russian counterparties. Another problem lies in the fact that the repeated use of SWIFT for economic sanctions could blow up the confidence in this system which negatively appear not only on its profits, but also on the possibility of using it to track flows of questionable transactions, including financing the terrorist activity (what are actively doing intelligence agencies of the United States and EU countries).

All these do not mean that sanction in the form of an access ban for Russian banks to SWIFT system should not be applied. This means that it is necessary, firstly, to understand it's limited (although quite significant) influence, and secondly, to keep in mind the possibility of using even tougher financial sanctions. In particular, we can mention the possibility of inclusion of Russian banks among the «primary money-laundering concerns», in accordance with the Patriot Act (law about strengthening the fight against a terrorism), would require the termination of operations with them not only by residents of the United States, but also with using of American currency. (The feeling of such threat itself is forcing the Russian Government recently to impose strenuously to foreign partners payments in Russian rubles).

The European Union also has a wide range of potential sanctions that may be applied in the framework of the common foreign and security policy. Such sanctions (except already used commitments regarding blocking of bank accounts of specific individuals and organizations, as well as restrictions on granting loans) include the prohibition of payment of import (which can be applied to

specific products, such as oil, timber or diamonds), the ban on the provision of specific services (brokerage and other financial services, or technical support), as well as the ban on investments, payments and movement of capital.

Examples of EU sanctions that are already used against other countries and which could affect financial markets include:

- A ban on the opening of new branches, subsidiaries or representative offices of banks of target countries in the EU.
- Prohibition of providing financial loans or loans for enterprises in the target country which are engaged in some sectors such as petrochemical.
- A prohibition on the acquisition of businesses in the target country and the acquisition of proper shares and securities.
- A prohibition on the direct or indirect sale or purchase, or brokerage services and assistance in the mission of government or Government-guaranteed bonds, including bonds of the Central Bank or banks registered in the address country.
- A prohibition on the provision of the State financial support for trade with the target country, including the granting of export credits, guarantees or insurance for loans.
- A ban of insurance and reinsurance for the Government or businesses in the target country.

Considering this, new financial sanctions could include a ban on the provision of financial services to some Russian financial institutions, banks and State enterprises, such as Bank VTB, Gazprom or Aeroflot.

At the same time we can predict the continuation of the implementation measures practice which formally is not sanctions, but has the **unidirectional with sanctions action** (such as the accusation of Russian «Gazprom» in the monopolization of the energy market of the EU, which is threatening it with multi billion fines and compulsion to the loss of certain positions in this market).

What about options for easing the regime of sanctions, they can be based not only on the abolition of certain restrictions (for example, of personal character), but also on the proposal of the Foreign Minister of Germany, F.-W. Steinmeier about the *establishing of contacts between the European and Eurasian Unions* with the aim of formal recognizing the existence of problems for Russia in connection with the Ukrainian Eurointegration. However, in reality, it could be a signal only for post-Putin elites in Russia. The fact is that the EEA could serve as a tool for interaction between Brussels and Moscow, but by that time, while Russia would consider this organization as a protection tool, directed against the EU standards and principles of a free market, it is almost impossible to reach a

common position on a free trade zone «from Lisbon to Vladivostok». This requires new approaches to global geoeconomic and geopolitical problems.

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