

POSITION OF RUSSIA IN THE CONTEXT OF ECONOMIC SANCTIONS

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Abstract

The article provides an analysis of the global consequences that followed after the introduction of anti-Russian sanctions by a number of countries. It can be noted that over the past decades economic sanctions against other countries have not led to the desired results: countries faced with sanctions tend to reject the requirements of the state imposing these restrictions. This article is based on official macroeconomic data published by international organizations, which enabled collecting up-to-date information indispensable to fully comprehend current global situation. The purpose of this paper is to define whether economic sanctions retain their efficiency in putting pressure on a country in order to maintain the established world order.

Keywords

BRICS, economic costs, inflation, international community, energy.

INTRODUCTION

A few months after the onset of the Russian-Ukrainian conflict we can claim that the current performance of the world economy is not in line with the forecasts of experts. It is obvious that the major objective of economic sanctions is to achieve political goals at the international level, however, it turned out to be impossible to weaken the Russian economy: in 2022, the ruble appreciated by 16% which contributed to the shift to settlements for energy supplies in the corresponding currency.

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Today the energy sector plays an increasingly crucial role in the production of goods and services, so there is a strong correlation between economic growth of a country and its energy sector. Therefore, stable energy prices underly the growth and sustainable economic development of both heterodox (alternative) and orthodox (conventional) economies.

According to the World Bank report, energy prices in the post-pandemic world are still rising which increases global inflationary pressure and ensures accelerated economic growth of energy exporting countries at the expense of importing countries.

Russia is considered one of the world's leading oil producers and exporters, and a leader on the natural gas markets. Europe until recently remained the main market for Russian oil products. For instance, in 2021 Russia exported about 4.7 million barrels of crude oil a day with a significant amount exported to European buyers, 2.4 million barrels a day to be precise. Russian natural gas accounted for about 45% of all European imports (International Energy Agency, 2022).

Even with a fairly large number of suppliers on the energy market, Russia still plays a decisive role on the international natural gas market.

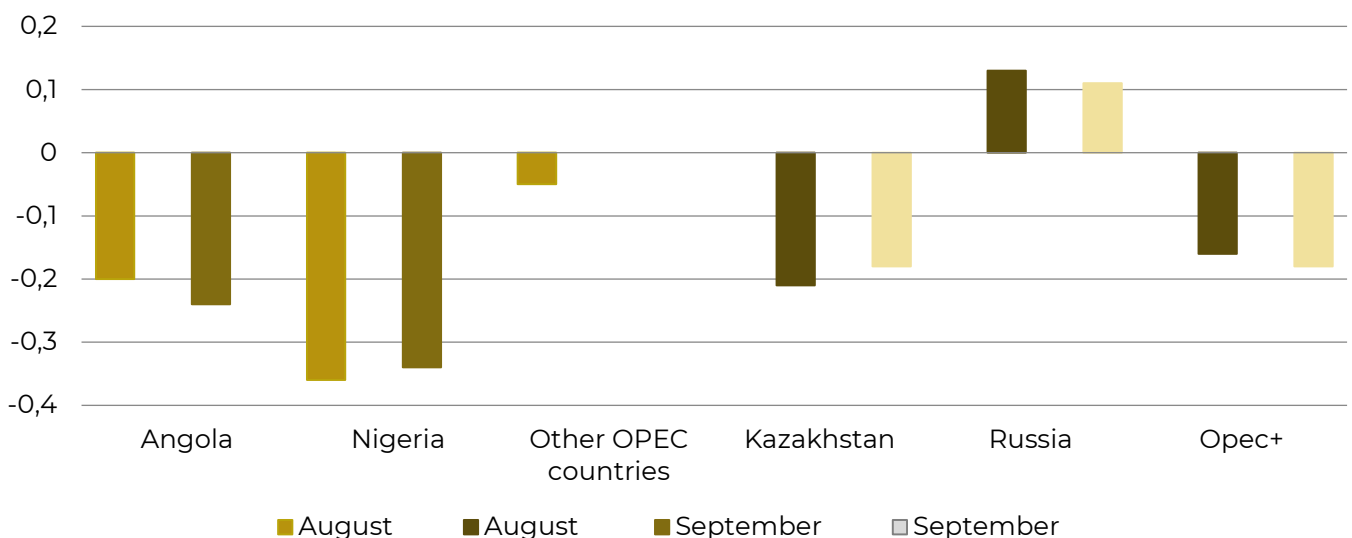


Figure 1. Oil production output in line with OPEC targets in August and

Russia continues to supply commodities to the EU countries. However, the cost of commodities for member states used to be 12 billion euros a month, but with the onset of the special military operation it has reached 22 billion euros. From January to April 2022, Russian oil exports to the EU and Turkey decreased by 30% whereas the prices rose by 33%. As for Russian gas, its exports decreased by 27% while prices rose by more than 80% respectively.

We should bear in mind that Russia is a member of the BRICS. The number of countries that make up this grouping plays a vital role in the world economy. Recently, they have been trying to unconditionally support Russia, strengthening its economic ties and thereby help expand the purchase of Russian oil. The accession to the economic union of such states as Iran and Argentina could even further strengthen the economic power of Russia since they possess the sufficient resources to this end.

It should be added that the current global economic and political environment has a very peculiar nature. Today countries are unprecedentedly interdependent which is reflected in various areas: economy, energy, climate agenda, technology, etc.

In the modern political and economic model, the concept of interdependence is a central element of the methodology for understanding multilateralism in the current environment. The new level of economic interdependence forces all states to reconsider the concept of economic sanctions as a tool of isolation in international relations. Reduced import or complete ban of Russian gas by European states has largely caused the depreciation of the euro and will certainly fuel the rise in prices for goods and services produced in Europe. Moreover, the gas exported, for instance, from the United States will cost Europe far more. The combination of these factors suggests that the economic downturn in Europe is almost inevitable.

The events related to anti-Russian sanctions have shown that their effectiveness is extremely limited. Hegemony and a high degree of countries' interdependence give reason to think about the appropriateness and effectiveness of sanctions in general. The assumption that sanctions will become more effective in the future is false: the imposed sanctions will not be able to suppress the country's will to achieve certain political goals, most states are resistant to external impact and are not ready to submit to the demands from the outside.

CONCLUSION

First, it is worth noting that economic sanctions affect not only the country under sanctions but third countries as well. Even with a sharp

decline in foreign direct investment in Russia, the economic situation was leveled off by rising energy prices and stronger ruble accordingly. Given 62% share of Russian commodities in the EU economy, the inflation in member states surged: its pace reached double digits.

Secondly, in view of Russian gas reduced supplies to the EU gas exports from the United States rose, however, at prices much higher than for Russian gas, which also affected the stability of European prices. According to the publications in *The Scientific American* and *Bloomberg*, in the first four months of 2022 the US supplied almost 3/4 of all LNG to Europe, compared to 1/3 last year. All this suggests that the United States particularly takes most benefits from the imposed sanctions and one of the losers is undoubtedly the EU.

Thirdly, the whole concept of the international community is being questioned, since a number of countries in both Latin America and Africa have opposed to anti-Russian sanctions. Moreover, they have expanded trade turnover and strengthened cooperation with Russia.

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