The EU Sanctions against Russia: Their Impact on the Russian Economy and Avenues for Improvement

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Abstract

This paper examines the impact of the European Union's sanctions on the Russian economy, from the first measures of 2014 to the 21st sanctions package of July 2026. It rests on a complete chronological account of all sanctions decisions and on their juxtaposition with the central business-cycle indicators – economic growth, inflation, the key interest rate, the exchange rate, the budget balance, oil and gas revenues, the current account and the labor market – drawing on official Russian statistics, international organizations and independent research institutions.

The results paint a differentiated picture: in 2022, capital controls and a record current-account surplus limited the downturn to a mild recession; in 2023 and 2024, credit-financed armament spending produced an overheating economy with growth rates of a good four percent; since 2025, the economy has been stagnating amid declining oil and gas revenues, widening budget deficits and largely depleted liquid reserves. Third countries such as China, India and Turkey considerably softened the impact, Hungary weakened it from within, while the United States reinforced it until 2024 and has acted erratically since; the United Kingdom, Canada, Sweden and Norway acted as consistent reinforcers.

The conclusion is this: the sanctions have not ended the war, but they have measurably – and, with growing distance in time, increasingly – weakened Russia's economic foundation for waging it. Improvement lies less in new prohibitions than in enforcement – uniform implementation, an oil price cap enforced without gaps, extraterritorial measures of the EU's own, majority-based decision-making and the consistent use of the immobilized central bank reserves.

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Non-Technical Summary

Since Russia's attack on Ukraine in February 2022, the European Union has adopted the most comprehensive sanctions regime in its history: 21 sanctions packages, almost 3,000 listed persons and entities, immobilized Russian central bank reserves of some 210 billion euros, and far-reaching prohibitions on trade, finance, energy and services. Four and a half years on, this paper takes stock and asks what the experience gained teaches for the future of sanctions policy.[2]

The core question is whether these measures have worked. The answer is twofold. In the short run, the Russian economy proved more resilient than widely expected: high energy prices, state armament demand and the redirection of trade toward Asia carried the business cycle. With growing distance in time, however, the impact has become clearly visible: since 2025 the economy has stagnated, the state's oil and gas revenues have slumped, the liquid assets of the National Wealth Fund have more than halved since the start of the war, and the technological gap is widening.

Methodologically, the paper juxtaposes the complete chronology of the EU sanctions with the most important business-cycle indicators and systematically includes the conduct of third actors – the United States, the United Kingdom, Canada, Sweden, Norway, Turkey, Switzerland, Hungary and the European Central Bank, as well as China, India and other states; in addition, the current state of the NATO question and of Ukraine's EU accession negotiations is presented.

The practical conclusion: sanctions against a large economy are a long-term undertaking whose yield grows with patience and consistency. The greatest scope for improvement lies in enforcement – in uniform implementation across all member states, in the oil price cap and the fight against the shadow fleet, in measures of the EU's own against the transshipment points of circumvention in third countries, and in decision-making procedures that no longer allow individual member states to act as veto players.

[2] The editorial deadline is 17 August 2026; developments occurring after this date could no longer be taken into account.

Contents

1 Introduction

Russia's assault on Ukraine on 24 February 2022 triggered the most comprehensive economic sanctions ever imposed on a large economy. For the European Union, which refrained from military intervention, the restrictive measures became the central external-economic response to the war – and, at the same time, a large-scale field experiment on the question of what economic pressure can achieve against a resource-rich, authoritarian state. Four and a half years into the war, a sufficiently long data series is available to draw a robust interim balance.[3]

The scholarly literature counsels realistic expectations. In the classic study by Hufbauer, Schott, Elliott and Oegg (2007), only about one third of all sanctions episodes since 1914 achieved their stated goals, with modest objectives, multilateral backing and close trade ties improving the odds of success; Felbermayr et al. (2020) provide the broadest empirical foundation with the Global Sanctions Data Base. Mulder (2022) traces the origins of sanctions to the blockade practice of the First World War and warns that large economies tend to respond with drives for autarky rather than with compliance. Demarais (2022) describes how overuse of sanctions provokes evasive shifts up to and including de-dollarization. Rudolf (2024) distinguishes three modes of effect – coercion to change behavior, constraint of capabilities and signaling – with empirically very different success rates. Early assessments of the Russia sanctions range from the optimistic reading of Sonnenfeld et al. (2022) to the differentiated analysis of Demertzis et al. (2022); Itskhoki and Mukhin (2022) show theoretically that the exchange rate is not a sufficient gauge of sanctions' effect, Itskhoki and Ribakova (2024) systematize the interplay of trade and financial sanctions, and Kilian, Rapson and Schipper (2026) as well as Fenton and Kolyandr (2025) offer current empirical evaluations of the oil embargo and of overall economic developments. Early readings also came from the research departments of international banks – from the sanctions issue of Goldman Sachs' "Top of Mind" series (Nathan, 2022) to Pozsar's (2022) interpretation of the reserve immobilization as the beginning of a new monetary order.[4]

The present paper makes a threefold contribution. First, it brings together the complete chronology of the EU sanctions from 2014 to August 2026, including the 21 packages adopted since February 2022. Second, it retraces the Russian business cycle along this chronology using uniform indicators – from the pre-war level through the shock of 2022 and the armament-driven overheating of 2023 and 2024 to the stagnation since 2025. Third, it takes the wider environment into account: the role of the United States, the United

[3] The term "EU sanctions" refers in the following to the restrictive measures of the European Union under Art. 29 TEU and Art. 215 TFEU, including the associated implementing regulations.

[4] Not every assessment stood the test of time: as late as 16 February 2022, DWS considered a "full-blown military conflict" unlikely (Kreuzkamp, 2022); several houses have since kept their Russia research client-exclusive or discontinued it.

Kingdom, Canada, Sweden, Norway, Turkey, Switzerland, Hungary and the European Central Bank as reinforcing or diluting forces, the conduct of China, India and other states that ran counter to the sanctions, and the current state of Ukraine's Euro-Atlantic integration. From this overall view, avenues for improvement are derived.

The paper is structured as follows. Section 1 – the present section – introduces the research question and surveys the literature. Section 2 describes the Russian economy on the eve of the war. Section 3 presents the European Union's sanctions in chronological order. Section 4 retraces Russia's economic development over the course of the sanctions on the basis of selected business-cycle indicators. Section 5 assesses the role of external actors – from the United States through the United Kingdom, Canada, Sweden and Norway to Turkey, Switzerland, Hungary and the European Central Bank –, Section 6 the countervailing activities of China, India and other states. Section 7 presents the state of Ukraine's Euro-Atlantic integration, Section 8 develops avenues for improvement, and Section 9 sums up conclusions and recommendations.

2 The Russian Economy on the Eve of the War

On the eve of the attack, the Russian economy presented itself in remarkably solid macroeconomic shape. After the pandemic-induced contraction of 2.7 percent in 2020, real gross domestic product grew by 5.9 percent in 2021; the unemployment rate stood at 4.8 percent, the federal budget closed with a small surplus, public debt remained below 20 percent of economic output, and the current account showed a surplus of some 122 billion US dollars. Foreign exchange reserves reached an all-time high of 643 billion US dollars in February 2022; the National Wealth Fund held liquid assets of just under 113 billion US dollars, a good seven percent of gross domestic product.[5]

This robustness was no accident but the result of a precautionary policy pursued since 2014, referred to in the literature as "Fortress Russia". After the sanctions that followed the annexation of Crimea, Moscow had systematically reduced its dependence on the US dollar, reallocated its reserves toward gold and renminbi, created domestic counterparts to the Western payments infrastructure with the SPFS messaging system and the Mir card system, and introduced a restrictive fiscal rule channeling windfall oil revenues into the Wealth Fund. The central bank under the leadership of Elvira Nabiullina was regarded as one of the most professionally respected among the emerging markets.[6]

Behind this appearance, however, lay substantial structural vulnerabilities. Oil and gas revenues of 9.1 trillion rubles contributed around 36 percent of federal revenue in 2021; the European Union, with goods trade of some 258 billion euros, was by far the largest trading

[5] The National Wealth Fund is fed from oil and gas revenues above a reference price and serves the federal budget as a fiscal reserve.
[6] The SPFS payments messaging system and the Mir card system were created from 2014 onward as domestic counterparts to SWIFT, Visa and Mastercard.

partner and at the same time sourced 45 percent of its gas imports and more than a quarter of its crude oil imports from Russia – a mutual dependence that gave both sides leverage. Technologically, Russia remained highly import-dependent: about 95 percent of civilian passenger traffic relied on aircraft from Western manufacturers, and the semiconductor supply rested almost entirely on imports.

In sum, the war met an economy well equipped to withstand short-term balance-of-payments and financial crises, but whose long-term capacity to develop depended on Western technology, Western markets and imported inputs. This asymmetry – high short-term resilience combined with high long-term vulnerability – explains much of the course the sanctions took in the years that followed.

3 The European Union's Sanctions in Chronological Order

3.1 Legal Foundations and the Measures of 2014 to 2021

Restrictive measures of the European Union rest on a two-step procedure: the Council unanimously adopts a decision under the Common Foreign and Security Policy pursuant to Art. 29 TEU; the economically operative parts are then implemented through a directly applicable regulation under Art. 215 TFEU. From 2015 to 2025 the economic sanctions were renewed unanimously every six months – a procedure that, as Section 5 shows, would prove to be a political weak spot.[7]

The first stage of sanctions followed the annexation of Crimea: on 17 March 2014 the Council adopted travel bans and asset freezes against an initial 21 persons, and on 23 June 2014 an import ban on goods from Crimea. After the downing of flight MH17, sectoral economic sanctions entered into force on 31 July 2014: capital market restrictions on Russian state-owned banks, an arms embargo, and export restrictions on dual-use goods and on technology for deep-water, Arctic and shale oil extraction; in September 2014 they were extended to the energy companies Rosneft, Transneft and Gazprom Neft. From 2015 to 2021 the substance remained essentially unchanged; the European Council tied any lifting to the full implementation of the Minsk agreements.

3.2 The 21 Sanctions Packages since February 2022

Since the invasion, the European Union has adopted 21 sanctions packages, supplemented by numerous individual decisions. Table 1 lists all packages with dates and core contents in chronological order. A sequence of three phases is discernible. The packages of 2022 targeted the financial sphere and merchandise trade: immobilization of the central bank reserves, exclusion of what are by now more than ten banks from SWIFT, an embargo on

[7] Decision 2014/512/CFSP and Regulation (EU) No 833/2014 of 31 July 2014 form the sectoral legal basis to this day; individual measures rest on Regulation (EU) No 269/2014.

coal and seaborne crude oil together with the G7 price cap of initially 60 US dollars per barrel. The packages of 2023 and 2024 were devoted primarily to fighting circumvention: export bans aimed at third countries, the contractual re-export ban ("No-Russia clause"), the first listings of shadow fleet vessels, and the ban on transshipping Russian liquefied natural gas. The packages since 2025 have intensified the pressure on energy and finance: lowering of the price cap to 47.60 and most recently 44.10 US dollars, an import ban on liquefied natural gas, transaction bans on what are by now more than one hundred credit and financial institutions – for the first time including institutions in third countries –, prohibitions on crypto service providers, and the listing of most recently around 673 shadow fleet vessels.[8]

[8] The oil price cap prohibits shipping companies, insurers and other service providers of the G7 and the EU from participating in transports of Russian crude oil to third countries above the set price.

Table 1: The European Union's sanctions measures against Russia, 2014 to 2026, in chronological order

Date	Package	Main contents
17.03.2014	–	First travel bans and asset freezes over the annexation of Crimea (Decision 2014/145/CFSP)
23.06.2014	–	Import ban on goods from Crimea and Sevastopol
31.07.2014	–	Sectoral sanctions after the downing of flight MH17: capital market restrictions on state-owned banks, arms embargo, export bans on dual-use goods and oil technology; tightened in September 2014
23.02.2022	1	Listing of the Duma deputies, trade and investment ban for the occupied areas of Donetsk and Luhansk, restriction of the Russian state's access to capital markets
25.02.2022	2	Listing of Putin and Lavrov, financial sanctions covering around 70 percent of the Russian banking market, export bans on aviation goods and refining technology
28.02.–02.03.2022	3	Transaction ban on the central bank (immobilization of the reserves), closure of EU airspace, exclusion of seven banks from SWIFT, broadcasting ban on RT and Sputnik
15.03.2022	4	Import ban on iron and steel, export ban on luxury goods, ban on rating services, investment ban for the energy sector
08.04.2022	5	Coal embargo (effective August 2022), port ban on Russian vessels, ban on Russian road hauliers, import bans on wood and cement
03.06.2022	6	Embargo on seaborne crude oil (from 5.12.2022) and oil products (from 5.2.2023) with an exemption for pipeline oil; exclusion of three further banks from SWIFT, including Sberbank
21.07.2022	7	Gold import ban, reporting obligations for assets of listed persons, clarifications of existing measures
06.10.2022	8	Legal basis of the oil price cap (60 USD per barrel from 5.12.2022; oil products from 5.2.2023), import bans on steel products and paper, ban on IT, architecture and engineering services, extension to Kherson and Zaporizhzhia
16.12.2022	9	168 additional entries on the dual-use list, export ban on drone engines, investment ban for mining, further broadcasting bans
25.02.2023	10	Export bans on critical technology worth 11 billion EUR, exclusion of three further banks from SWIFT, transit bans, first listings of Iranian drone suppliers
23.06.2023	11	Anti-circumvention provision of Art. 12f: possible export bans vis-à-vis third countries; port entry ban for vessels conducting ship-to-ship transfers; end of the Druzhba exemption for Germany and Poland
18.12.2023	12	Diamond embargo (from 1.1.2024), "No-Russia clause" of Art. 12g with a contractual re-export ban, import bans on liquefied petroleum gas and pig iron, tightened attestation requirements for the price cap
23.02.2024	13	194 listings focused on the military and armament procurement, North Korean suppliers for the first time, export restrictions on drone components
24.06.2024	14	Ban on transshipment of Russian liquefied natural gas via EU ports, ban on use of the SPFS messaging system, first listing of 27 shadow fleet vessels, ban on Russian financing of political parties
16.12.2024	15	52 further shadow fleet vessels, protective rules against Russian court decisions, first listings for hybrid threats
24.02.2025	16	74 further vessels (153 in total), import ban on primary aluminum, transaction bans on banks using SPFS, bans on Russian ports and airports
20.05.2025	17	189 further vessels (342 in total), listing of Surgutneftegas, export bans on chemical precursors and machine tool spare parts
18.07.2025	18	Lowering of the oil price cap to 47.60 USD with dynamic adjustment (44.10 USD from 15.1.2026), import ban on oil products refined from Russian crude in third countries (from 21.1.2026), transaction bans on 22 further banks, Nord Stream ban, 105 further vessels
23.10.2025	19	Import ban on Russian liquefied natural gas (from 25.4.2026 and 1.1.2027, respectively), full ban on Rosneft and Gazprom Neft, transaction bans on banks in third countries for the first time, ban on the Mir card system, first stablecoin sanction, 117 further vessels (558 in total)
23.04.2026	20	120 listings, transaction bans on the ports of Murmansk and Tuapse, maintenance ban for LNG tankers and icebreakers, 20 further banks, total ban on Russian crypto service providers, first application of the anti-circumvention provision vis-à-vis Kyrgyzstan, 46 further vessels (632 in total)
23.07.2026	21	218 listings, transaction bans on 33 further institutions, provision against refineries in third countries processing Russian oil, 14 crypto platforms, suspension of the dynamic adjustment of the price cap until July 2027, 41 further vessels (around 673 in total)

Notes: vessel numbers cumulative; listing numbers per package rounded; individual decisions outside the packages not included.

Source: Council of the European Union (2026); own compilation.

Beyond the packages, three decisions deserve particular mention. First, on 12 December 2025 the Council converted the immobilization of the central bank reserves to an indefinite basis, decoupling it from the six-monthly unanimity requirement. Second, on 25 June 2026 it renewed the economic sanctions for twelve instead of six months for the first time – until the end of July 2027. Third, in January 2026 the European Union adopted the stepwise complete phase-out of Russian gas by the end of September 2027. In sum, the export bans cover around 48 billion euros or 54 percent of European Union exports of 2021, the import bans around 91 billion euros or 58 percent of imports; almost 3,000 persons and entities are listed, and private assets of more than 28 billion euros are frozen, along with central bank funds of some 210 billion euros, the vast bulk of them held at the Belgian central securities depository Euroclear.[9]

4 Russia's Economic Development over the Course of the Sanctions

The effect of the sanctions can only be appreciated over time. Table 2 compiles the central business-cycle indicators for 2021 to 2026; Sections 4.1 to 4.3 retrace the three phases. A caveat on data quality must precede the analysis: official Russian statistics repeatedly revised the results of the war years markedly upward and in 2026 discontinued the publication of several monthly series; independent estimates are consistently less favorable than the official figures.[10]

[9] Despite the peace initiatives of 2025 and 2026 – including two failed ceasefires in April and May 2026 – not a single European Union sanction had been relaxed by the editorial deadline.

[10] Rosstat raised the result for 2022 from −2.1 to −1.4 percent and for 2024 from 4.1 to 4.9 percent; BOFIT (2026) documents the series of revisions and the discontinued monthly series.

Table 2: Business-cycle indicators of the Russian economy, 2021 to 2026

Indicator	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Real GDP (change in %)	5.9	−1.4	4.1	4.9	1.0	−0.2 / 1.3
Inflation rate (Dec., % yoy)	8.4	11.9	7.4	9.5	5.6	6.0
Key interest rate (year-end, %)	8.50	7.50	16.00	21.00	16.00	14.00
Exchange rate USD/RUB (year-end)	74	70	90	102	77	85
Budget balance (% of GDP)	0.4	−2.3	−1.9	−1.7	−2.6	−2.5
Oil and gas revenues (RUB trillion)	9.1	11.6	8.8	11.1	8.5	7.8
Current account balance (USD billion)	122	236	50	63	41	34
Unemployment rate (%)	4.8	3.9	3.2	2.5	2.3	2.2
Wealth Fund, liquid assets (USD billion)	113	87	56	38	52	46
Military expenditure (% of GDP, estimate)	3.6	5.1	6.0	7.5	8.0	8.0

Notes: figures for 2026 are intra-year (GDP: Q1/Q2 year-on-year; inflation as of July; key interest rate and exchange rate as of mid-August; budget balance January to July; current account first half-year; oil and gas revenues projection); Wealth Fund for 2021 as of early February 2022; military expenditure including internal security according to independent estimates.
Sources: Rosstat; Bank of Russia; Ministry of Finance of the Russian Federation; International Monetary Fund (2026); BOFIT (2026); own compilation.

4.1 Shock and Resistance in 2022

The immediate impact of the financial sanctions was severe but brief. After the immobilization of roughly half of the foreign exchange reserves, the ruble lost about half of its value within days, trading at up to 120 rubles per US dollar in early March 2022; the central bank doubled the key interest rate to 20 percent, closed the stock exchange for weeks and imposed strict capital controls, including surrender requirements for exporters. This resistance worked: by the summer the ruble had appreciated to below 55 per US dollar – above all because imports collapsed while high energy prices drove export earnings. The current account reached a historic record of some 236 billion US dollars, and Figure 1 shows that real gross domestic product declined by a mere 1.4 percent in 2022 – far less than the double-digit losses initially expected.[11]

Beneath this surface, the dislocations were substantial. Inflation peaked at almost 18 percent in April 2022, capital flight reached a historic high of some 250 billion US dollars, and more than 1,000 Western companies announced their withdrawal or the curtailment of their business (Sonnenfeld et al., 2022); the asset manager Schroders declared Russia "uninvestable" in the very first days of the war (Schroders, 2022). Passenger car sales

[11] Itskhoki and Mukhin (2022) show that a stable or even appreciating currency under import restrictions can be precisely an expression – not a refutation – of sanctions taking effect.

collapsed by 59 percent, and in June 2022 the first technical default on foreign currency bonds since 1918 occurred: solvency existed, but the sanctions blocked the transfer routes.[12]

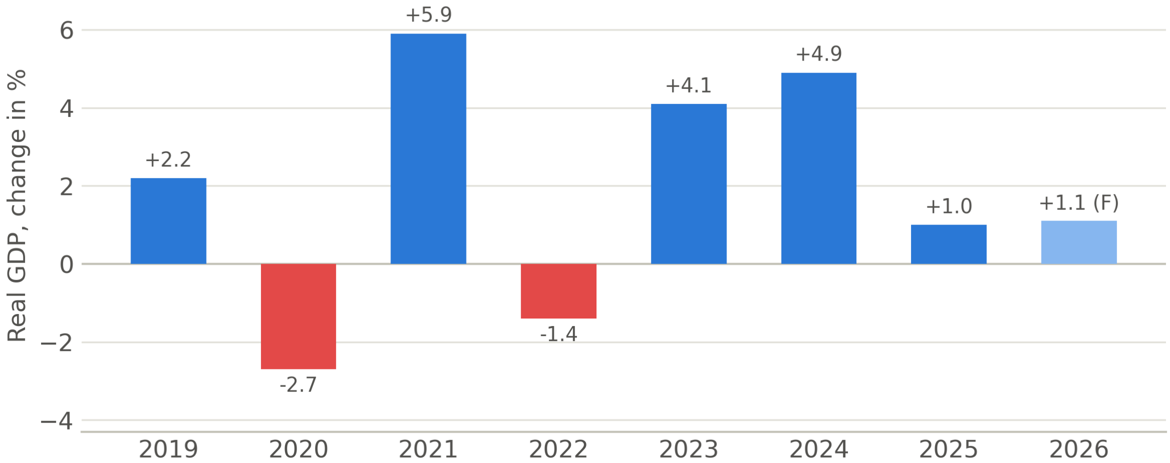

Figure 1: Real growth of Russian gross domestic product, 2019 to 2026, in percent; the value for 2026 follows the IMF forecast (F) of April 2026.
Sources: Rosstat; International Monetary Fund (2026); own presentation.

4.2 Armament-Driven Overheating in 2023 and 2024

From 2023 the picture changed. The state expanded defense spending massively – from around 3.6 percent of economic output in 2021 to roughly eight percent in 2025 including internal security, and more than 40 percent of federal expenditure – thereby generating credit-financed special demand that lifted gross domestic product by 4.1 percent in 2023 and by an official 4.9 percent in 2024. In its composition, however, this growth was of low economic quality, reflecting less a gain in productive capacity than the war-induced redirection of resources: it was concentrated in armament and armament-related branches, while eight civilian sectors accounting jointly for 45 percent of value added contracted in 2025 and gross fixed capital formation declined.[13]

The flip side of the overheating showed in prices and the labor market. Inflation remained at 9.5 percent at the end of 2024, whereupon the central bank raised the key interest rate to the historic high of 21 percent by October 2024 (Figure 2). The unemployment rate fell to a record low of at times 2.1 percent – the consequence of mobilization, recruitment and the emigration of at least 650,000 mostly young, well-educated people –, real wages rose by eight to ten percent annually in 2023 and 2024, and the wage bill climbed from 44 to 48 percent of economic output: a sign of scarcity, not a certificate of productivity.

[12] Morgan Stanley had already identified this default as the most likely scenario in a research note in early March 2022 (Morgan Stanley, 2022).
[13] Fenton and Kolyandr (2025) coined the phrase “growth of the wrong kind” for this; see also Hilgenstock and Ribakova (2025) on the exhaustion of the Russian growth model.

In foreign trade, the redirection toward Asia succeeded, but on worse terms. Goods trade with China rose from 147 billion US dollars in 2021 to a peak of around 245 billion in 2024; India turned within a year from a marginal customer into the second-largest buyer of crude oil. At the same time, Russian oil had to be sold at discounts of at times more than 30 US dollars per barrel, and the earnings from the gas business with Europe were largely lost: pipeline deliveries fell from around 150 billion cubic meters before the war to 18 billion in 2025 – the lowest level since the early 1970s –, Gazprom recorded its first annual loss since 1999 in 2023, at 629 billion rubles, and the eastern business with China fetches only about 60 percent of the former European price.[14]

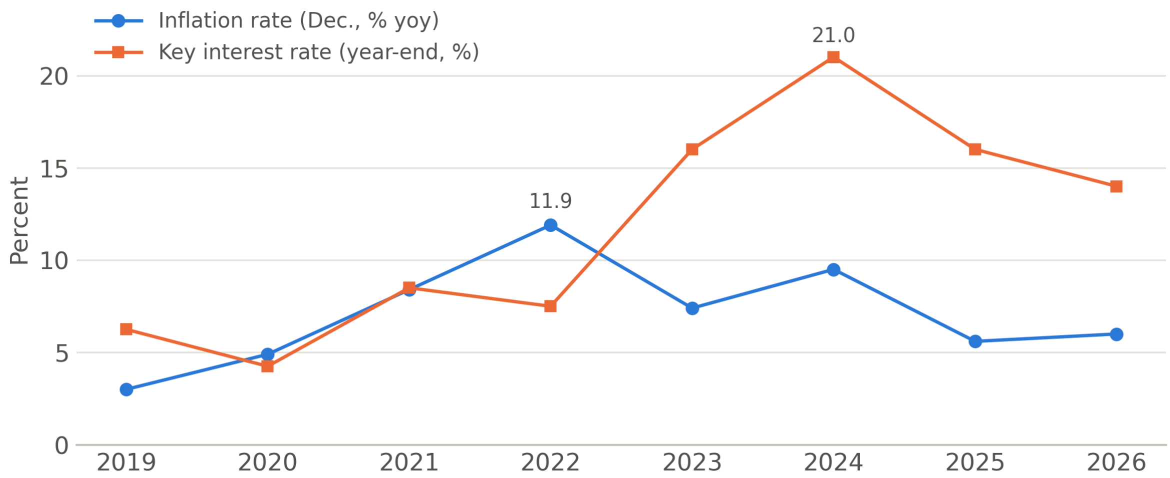

Figure 2: Inflation rate (December year-on-year) and key interest rate of the Bank of Russia (year-end) 2019 to 2026, in percent; values for 2026 as of July and August, respectively.
Sources: Rosstat; Bank of Russia; own presentation.

4.3 Stagnation and Fiscal Strain since 2025

Since 2025 the armament-driven model has been showing exhaustion. Growth fell to 1.0 percent in 2025; in seasonally adjusted terms the economy contracted for two consecutive quarters as early as the first half of 2025, and in the first quarter of 2026 economic output fell below its year-earlier level for the first time in three years, before official statistics reported a gain of 1.3 percent – questioned by independent economists – for the second quarter of 2026. Fixed investment declined by 14 percent in the first quarter of 2026, corporate profits by 26 percent; the economics minister himself declared in June 2025 that the country stood "on the verge of recession". Landesbank Baden-Württemberg (LBBW) concluded in February 2026 that the war boom was over and that the share of oil revenues in the state budget had fallen from around 40 to around 25 percent (Kraemer, 2026).[15]

[14] The Urals discount denotes the price differential of the Russian reference grade Urals against the North Sea grade Brent; it widened after every tightening of the oil sanctions.
[15] A technical recession is defined as two consecutive quarters of seasonally adjusted decline in economic output relative to the preceding quarter.

Fiscally, the situation is growing increasingly strained. Oil and gas revenues fell by almost a quarter in 2025, to 8.5 trillion rubles, covering less than 23 percent of federal revenue; after the US sanctions on Rosneft and Lukoil of October 2025, the Urals grade temporarily dropped below 40 US dollars per barrel in December 2025 (Figure 3). The budget deficit rose to 2.6 percent of economic output in 2025 – one tenth of that had been planned –, and in the first seven months of 2026 it already reached 6.5 trillion rubles. On 1 January 2026 the government raised value-added tax from 20 to 22 percent and drastically lowered the threshold for small-business taxation; the liquid assets of the Wealth Fund stood at 46 billion US dollars in August 2026 – less than half the pre-war level.[16]

Trade ties with the European Union have by now largely been wound down: Russia's share of EU imports from third countries fell from 9.3 percent at the beginning of 2022 to 1.0 percent at the end of 2025, and since mid-2025 the European Union has consistently run surpluses in goods trade with Russia (Eurostat, 2026). The structural damage is becoming ever more visible: according to independent reports, more than a third of the civilian aircraft fleet has been dismantled for spare parts, the car market is a fifth below its pre-war level and depends on Chinese manufacturers, and international organizations now estimate potential growth at merely 0.5 to 1 percent per year – a decoupling from the West that UBS (2022) had anticipated early in its long-term analysis.

Measured against the modes of effect distinguished by Rudolf (2024), the sanctions have missed the coercion goal – a rapid change in Moscow's behavior – but have achieved the constraint goal to a growing degree: they make the war more expensive, deprive it of revenue and technology, and deplete the reserves. The frequently drawn conclusion that the absence of collapse proves ineffectiveness misunderstands how sanctions against large economies work: their effect is cumulative, not sudden.

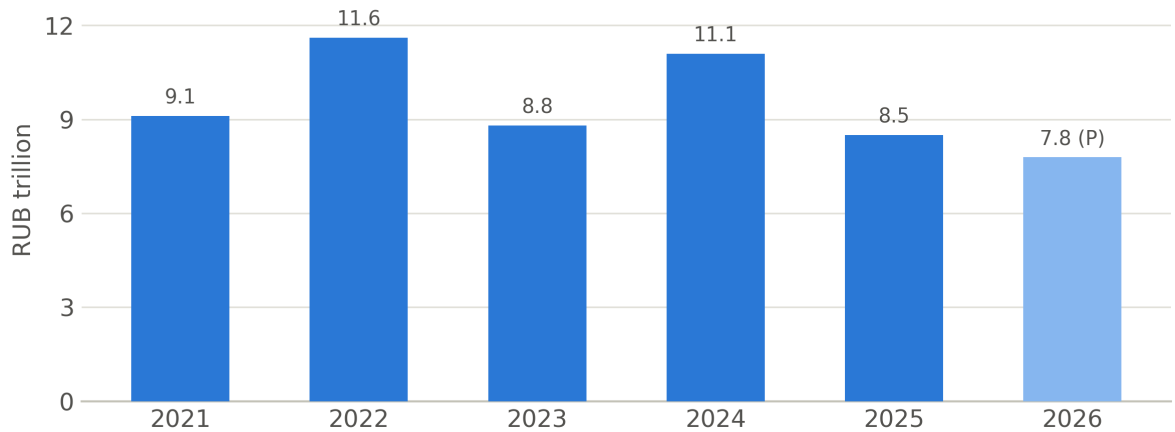

Figure 3: Oil and gas revenues of the Russian federal budget, 2021 to 2026, in trillions of rubles; the value for 2026 follows the projection (P) of the Russian Audit Chamber. *Source*: Ministry of Finance of the Russian Federation; own presentation.

[16] Unexpected relief came from the oil price surge after the closure of the Strait of Hormuz in the spring of 2026; the IMF therefore raised its growth forecast for Russia to 1.1 percent.

5 Reinforcement and Dilution: The Role of External Actors

From the outset, the effect of the EU sanctions depended on whether third actors supported, reinforced or undercut them. Table 3 summarizes the overall effect of the nine actors examined; the following subsections substantiate the assessment in detail.[17]

5.1 United States

The United States was the most important reinforcer until the end of 2024 and, in many respects, the actual author of the joint measures. It designed the G7 oil price cap, created a secondary sanctions risk for banks of third countries with the Executive Order of December 2023, and in June 2024 struck the core of Russia's financial market infrastructure by sanctioning the Moscow Exchange – since then, neither US dollars nor euros have been traded there. Under the second Trump administration the course became erratic: the special unit for pursuing oligarch assets was disbanded in February 2025, not a single new listing was made in the first half of 2025, and the lowering of the oil price cap was rejected within the G7, so that the European Union and the United Kingdom adopted it in July 2025 without the United States. At the same time, in October 2025 Washington imposed the sharpest single measure of the entire economic war with the sanctions on Rosneft and Lukoil – conceived, however, as leverage for negotiations: in the spring of 2026 the Treasury temporarily suspended enforcement for oil already loaded, the punitive tariffs on India were withdrawn in February 2026, and Hungary received a one-year exemption. On 7 August 2026 the Senate passed, by 86 votes to 11, an enabling act for tariffs of up to 100 percent on the largest buyers of Russian energy.[18]

5.2 United Kingdom of Great Britain and Northern Ireland

Since leaving the European Union, the United Kingdom has run a sanctions regime of its own and has repeatedly led the common policy. By mid-2026 London had listed more than 3,300 persons, entities and vessels – among them 595 shadow fleet vessels – and sanctioned Rosneft and Lukoil on 15 October 2025, a week ahead of the United States; it carried the lowering of the oil price cap in July 2025 jointly with the European Union when Washington refused. Particular weight attaches to London as a financial and insurance center: since the vast majority of the world's tanker tonnage is covered through the London insurance community, the reach of the price cap depends materially on British enforcement. Militarily, with total support of up to 21.8 billion pounds, a standing pledge of three billion pounds a year "for as long as it takes", early deliveries of long-range cruise missiles and a

[17] OFAC is the Office of Foreign Assets Control of the US Treasury; its listings effectively exclude those affected from the US dollar area.

[18] Secondary sanctions threaten persons and institutions of third countries for dealings with listed parties, without any direct nexus to the legal space of the sanctioning state being required.

package of 150,000 drones in 2026 financed from the proceeds of immobilized Russian assets, the country ranks among Ukraine's largest supporters (HM Government, 2026); in January 2025 the two states concluded a partnership designed to last one hundred years. In overall effect, the United Kingdom is, alongside the European Union, the second pivotal European sanctions actor – consistently reinforcing.[19]

5.3 Canada

Canada acted throughout as a reinforcer and normative first mover: with more than 3,400 persons and entities it listed more than the European Union, banned RT's programs as early as March 2022, supported the oil price cap, and in June 2022 became the first G7 state to create the statutory possibility of confiscating frozen assets and transferring them to Ukraine – applied to assets of Roman Abramovich and to a seized Antonov An-124 heavy transport aircraft. In material terms the contribution remained limited: Russian assets in the country are small, and by the second half of 2026 no forfeiture proceeding had been concluded with legal finality – evidence of how high the rule-of-law hurdles to confiscation are even where the political will exists.

5.4 Sweden and Norway

Sweden and Norway acted as consistent reinforcers along complementary paths. Sweden, a NATO member since March 2024, takes a strict line on sanctions in the Council, participates in the controls against the shadow fleet in the Baltic Sea – which, with the accessions of Finland and Sweden, has become almost an inland sea of the Alliance – and, measured against economic output, ranks among the largest providers of military aid (Trebesch et al., 2026). The air force decision stands out: following a letter of intent of October 2025 covering 100 to 150 Gripen E fighter aircraft over the long term, Stockholm decided in May 2026 to donate 16 Gripen C/Ds and agreed the sale of up to 20 Gripen E/Fs, sealed in July 2026 at around 2.5 billion US dollars (Government of Sweden, 2026). Norway, for its part, though not a member of the European Union, adopts its sanctions packages almost in full, became Europe's largest gas supplier after Russia's loss of the market, and answered criticism of its war-related windfall earnings with the Nansen Programme: 85 billion kroner are earmarked for 2026 – 70 billion military, 15 billion civilian –, and the framework through 2030 amounts to at least 274.5 billion kroner, or roughly 23 billion euros (Norwegian Ministry of Foreign Affairs, 2026); financing of Ukrainian gas purchases and of nuclear safety comes on top.[20]

[19] The London insurance community (International Group of P&I Clubs) covers the major part of the world's tanker tonnage; the reach of the oil price cap rests on this.
[20] The programme named after Fridtjof Nansen bundles Norway's support for Ukraine; it has been topped up several times since 2023.

5.5 Turkey

Turkey never adopted the sanctions and became, economically, the most important arena of legal and gray circumvention alike: bilateral trade nearly doubled in 2022 to around 65 billion US dollars, Turkish exports of war-relevant goods surged, and in June 2026 the country was the third-largest buyer of Russian fossil energy with monthly purchases of 2.3 billion euros; in 2026, moreover, most of the remaining "refinery loophole" into the European Union ran through Turkish refineries. In security policy terms, however, Ankara acted as a selective reinforcer: it closed the straits under the Montreux Convention – to this day –, supplied combat drones to Ukraine and brokered the grain agreement. It is noteworthy what Turkish banks responded to: not European remonstrations, but the US secondary sanctions risk, which from early 2024 led to mass closures of Russian accounts.[21]

5.6 Switzerland

On 28 February 2022, by adopting the EU sanctions in full, Switzerland made a historic break with its strict practice of neutrality, and it has since adopted almost all packages, most recently, in May 2026, the bulk of the twentieth. At the end of 2025, private assets of 7.7 billion Swiss francs were frozen, in addition to separately immobilized central bank funds. At the same time, implementation remained lenient at the margins: the US Helsinki Commission and the American ambassador accused Bern of freezing too little in view of estimated Russian holdings of 50 to 100 billion US dollars in Swiss accounts; Switzerland did not join the multilateral REPO asset-tracing effort, the Federal Council rejects confiscation as unconstitutional, the re-export of Swiss ammunition to Ukraine remained prohibited, and the trade in Russian oil migrated from Geneva and Zug to Dubai instead of drying up. On balance, the reinforcing effect prevails – with substantial reservations.[22]

5.7 Hungary

Hungary under Viktor Orbán was the most consequential diluter inside the European Union. Structurally, Budapest forced through, in the sixth package, the open-ended exemption for pipeline oil via the Druzhba line – from 2021 to 2024 Hungary and Slovakia sourced crude worth some 13 billion euros by this route, and in June 2026 still 421 million euros per month – as well as the removal of Patriarch Kirill from the sanctions list. Procedurally, it delayed, among others, the eleventh, the eighteenth and the twentieth package and used every six-monthly renewal as leverage; according to investigations by the OCCRP network (2026), the government coordinated removals from the sanctions list

[21] The Montreux Convention of 1936 allows Turkey to close the Bosporus and the Dardanelles to warships in times of war.

[22] The REPO task force ("Russian Elites, Proxies, and Oligarchs") has coordinated the asset tracing of the G7 states since March 2022.

in phone calls directly with the Russian foreign ministry. Nevertheless: Hungary prevented not a single package – but it made almost every one costlier and more diluted. The era ended with the parliamentary election of 12 April 2026; the new government released the blocked 90-billion loan for Ukraine, and in June 2026 the Council renewed the economic sanctions for twelve months for the first time.[23]

5.8 European Central Bank

The European Central Bank played a dual role. As supervisor it acted as a reinforcer beyond the letter of the regulations: from 2024 it forced the accelerated withdrawal of Raiffeisen Bank International and other institutions from Russia and secured the technical immobilization of the central bank reserves within the Eurosystem. Regarding their use, by contrast, it had a dampening effect: President Lagarde repeatedly warned that confiscation would endanger the international legal order and the euro's reserve status, and on 2 December 2025 the ECB declined, citing the prohibition of monetary financing, to stand by as a liquidity backstop for a "reparations loan" of 140 billion euros – whereupon the European Council shelved the project and instead adopted a bond-financed 90-billion loan. The ECB supported the use of the earnings: by 2026, some 6.6 billion euros in interest earnings on the immobilized funds had flowed to Ukraine (Euroclear, 2026); in addition, these earnings service the G7's 50-billion-dollar loan.[24]

[23] Slovakia under Robert Fico acted as Budapest's ally but remained isolated after the change of government in Hungary.
[24] Under Art. 123 TFEU the Eurosystem is prohibited from the monetary financing of public budgets; the ECB based its refusal of a backstop function on this.

Table 3: External actors and their overall effect on the European Union's sanctions regime

Actor	Overall effect	Rationale in brief
United States	reinforcing until 2024, erratic since	Author of the price cap and of secondary sanctions; from 2025 enforcement pauses, exemptions and a bargaining logic
United Kingdom	reinforcing, frequently leading	First G7 state to sanction Rosneft and Lukoil; co-sponsor of the lowered price cap; London's insurance market as the mainstay of enforcement
Canada	reinforcing	Pioneer of the forfeiture act and of listings; materially limited, enforcement sluggish
Sweden	reinforcing	NATO accession 2024, strict line in the Council, Baltic Sea controls, Gripen donation and sale
Norway	reinforcing	Adoption of the EU sanctions, Nansen Programme, replacing Russia as Europe's largest gas supplier
Turkey	predominantly diluting	Largest arena of legal and gray circumvention and major energy buyer; at the same time Montreux closure and drone deliveries to Ukraine
Switzerland	reinforcing with reservations	Adoption of almost all packages; restrained enforcement, no confiscation, migration of the oil trade to Dubai
Hungary	diluting	Druzhba exemption, delistings, delays and renewal blockades until April 2026
ECB	reinforcing in supervision, dampening on the reserves	Forced withdrawal of banks from Russia; refusal of the backstop function for the reparations loan

Source: Own assessment based on the sources cited in Section 5.

6 Countervailing Activities of China, India and Other States

China became Moscow's most important economic mainstay. Bilateral goods trade rose from 147 billion US dollars in 2021 to around 245 billion in 2024, declined by seven percent in 2025 for price reasons, and grew again by a good quarter in the first half of 2026; China takes more than a quarter of all Russian exports and supplies a good third of imports – an increasingly one-sided interdependence for Moscow. Crude oil purchases peaked at 2.17 million barrels per day in 2024 and rose further in 2026; through the "Power of Siberia" pipeline, 38.8 billion cubic meters of gas flowed in 2025 – a multiple of the pre-war volume, which nonetheless replaces only a fraction of the lost European business –, while the second pipeline announced since 2025 had, by mid-2026, neither been scheduled nor been confirmed by Beijing.[25]

In the narrower sense, it is China's role in war-relevant goods that runs counter to the sanctions: according to independent surveys, some 90 percent of Russia's sanctioned technology imports originate from China, including machine tools, semiconductors and drone components; the Kyiv School of Economics puts the Chinese share of the priority-controlled goods at about three quarters (KSE Institute, 2026). In payments, the renminbi took the place of the dollar and the euro almost entirely – after the US sanctioning of the

[25] "Common High Priority Items" denote some 50 war-relevant categories of goods whose export the G7 states control with priority.

Moscow Exchange it at times accounted for 99.8 percent of foreign exchange trading there –, while large Chinese banks, fearing secondary sanctions, delayed or refused payments and left the business to small regional institutions. The price of this dependence is noteworthy: for war-relevant technology Russia pays premiums of several hundred percent over world market prices – the sanctions thus operate through costs even where they are circumvented. Zoltan Pozsar (2022) had interpreted this shift, immediately after the immobilization of the reserves, as the beginning of a commodity-based monetary order ("Bretton Woods III"); of this, the renminbi settlement of Russian trade has materialized, but not the predicted erosion of dollar dominance. The European Union responded by listing Chinese firms, from July 2025 for the first time two Chinese banks and from October 2025 two refineries; Beijing countered with measures of its own against European defense companies.

India exploited the situation primarily commercially. Crude oil purchases rose from almost zero to at times more than two million barrels per day – in July 2026 Russian oil covered 55 percent of Indian imports –, with the refineries pocketing a good seven billion US dollars in price discounts in the first fourteen months alone. A considerable share flowed back to the states of the price cap coalition as diesel and jet fuel; this "refinery loophole" reached a volume of 8.5 billion euros in 2023 and was largely closed only by the import ban of the eighteenth package from January 2026 – residual flows have since run mainly through Turkey. New Delhi evaded the American punitive tariffs of 50 percent through a trade agreement in February 2026; the tariffs fell to 18 percent, and oil purchases subsequently reached new records. Politically, India abstained in all pertinent votes of the UN General Assembly and maintained its armament cooperation with Moscow.[26]

A third group of states served as transshipment points and fallback venues. The United Arab Emirates absorbed 76 tonnes of Russian gold within a year and became the new home of the Russian oil trade; European Union exports to Kyrgyzstan, Armenia and Kazakhstan multiplied from 2022 onward to a degree explicable only as re-export to Russia (Chupilkin, Javorcik and Plekhanov, 2023) – in the case of Kyrgyzstan more than twelvefold, whereupon in April 2026 the European Union applied its anti-circumvention provision against an entire country for the first time. Belarus funneled goods worth an estimated ten billion euros annually, Serbia as an accession candidate adopted not a single measure, Brazil became the largest buyer of Russian diesel, and Azerbaijan came under suspicion of declaring Russian gas as its own. Militarily, North Korea – with millions of artillery shells, ballistic missiles and at times up to 15,000 soldiers – and Iran, whose drone production was licensed in Russia, directly supported the war effort.[27]

The shadow fleet, finally, became the most visible expression of circumvention: estimates count more than 1,100 tankers (Atlantic Council, 2026), of which the European

[26] On tracing refined products made from Russian crude, see CREA (2026); the European Union has prohibited such imports since 21 January 2026.
[27] The shadow fleet denotes tankers with concealed ownership and without Western insurance; in early 2026 they carried around 70 percent of Russian crude oil exports.

Union had listed around 673 by July 2026. Its operation causes incidents in the Baltic Sea up to and including damaged data cables, and growing environmental risks – and at the same time it attests to the effect of the listing practice: listed vessels hardly find ports, cargoes or service providers any more; eleven vessels were removed from the list after demonstrating compliance.

7 Ukraine's Euro-Atlantic Integration: The NATO Question and EU Accession

Sanctions are only one half of the European response to the war; the other is Ukraine's institutional integration. The two strands are economically linked: the accession perspective determines which economic order will apply on Ukrainian territory after the war ends, and it sets the yardstick against which the success of Russia's war aims will have to be measured. The state of both processes can be clearly outlined as of August 2026.

7.1 The NATO Question

On the NATO question, the formal position has drifted apart from political reality. The Washington summit declaration described Ukraine's path as "irreversible" in 2024, but tied it to conditions and gave no timetable. With the change of government in Washington, membership was de facto deferred indefinitely: the American leadership declared it unrealistic in early 2025, every peace framework negotiated in 2025 and 2026 excluded accession, and NATO Secretary General Rutte captured the situation in the formula that the path remains irreversible but is not part of the peace talks. The Ankara summit declaration of 8 July 2026 no longer mentions the membership perspective; in its place came a pledge by the Allies of 70 billion euros in military support for 2026 – at least equivalent in 2027 –, now borne predominantly by the European Allies and Canada, and work on bilateral security commitments by a "coalition of the willing" of 35 states (NATO, 2026). For sanctions policy this means that economic pressure will remain Europe's most important means of leverage for the foreseeable future, because the Alliance's promise of protection has dropped out as a subject of negotiation.[28]

7.2 The Path into the European Union

The timetable for EU accession is considerably more concrete. Ukraine received candidate status in June 2022; accession negotiations were formally opened in June 2024, after which the country underwent the screening of its body of law. Hungary nevertheless blocked the

[28] The Washington declaration (NATO, 2024) spoke of Ukraine's "irreversible path" to full Euro-Atlantic integration including NATO membership; the Hague declaration (NATO, 2025) adopted the spending target of five percent by 2035.

opening of the negotiation clusters for around two years; only after the change of government in Budapest did the blockade dissolve. Since then the process has gathered considerable speed: in March 2026 all chapters were opened informally, on 15 June 2026 the "Fundamentals" cluster – rule of law, justice and fundamental rights, public procurement, statistics and financial control – was formally opened, followed on 14 July 2026 by the "External Relations" cluster; the Commission considers Ukraine technically ready to open all six clusters (Council of the European Union, 2026). There is no formal accession date; the political target horizon in Kyiv and Brussels alike is to conclude the negotiations by the end of the decade, so that accession around the year 2030 appears attainable – subject to the unanimity of all member states at every procedural step. Economically, the path is underpinned by the Ukraine Facility of 50 billion euros (2024 to 2027) and the European Union's 90-billion loan (2026/2027). For Moscow, this development means that Ukraine's economic center of gravity is shifting permanently westward – the opposite of the declared war aim.[29]

8 Avenues for Improvement in Sanctions Policy

From the overall view of Sections 3 to 7, six fields emerge in which the European Union's sanctions policy can be improved effectively without necessarily requiring new prohibitions. What they have in common is that they start at enforcement and procedure – where the past years have revealed the greatest weaknesses.[30]

The first field is uniform enforcement. Implementation rests with more than 160 national authorities, with penalty ranges that differ between member states by a factor of several hundred – an invitation to targeted forum shopping by circumventers (Olsen and Kjeldsen, 2022). Directive (EU) 2024/1226 is a beginning; the logical next steps would be a central sanctions authority of the European Union modeled on the American OFAC with investigative powers of its own, turnover-based fines, and jurisdiction of the European Public Prosecutor's Office for serious violations (Vlasiuk, 2025).

The second field is the oil price cap together with the shadow fleet. The dynamic lowering to 44.10 US dollars was right; its suspension until mid-2027, adopted in the 21st package, should not be extended. Effectiveness here arises from verification and control: price attestations by insurers based on payment records rather than mere self-certifications, proof of insurance as a condition for passage through the Baltic and the English Channel (Kennedy, 2024; Dubrovskiy and Nixey, 2025), and the consistent listing of vessels, shipowners, crewing agents and – as possible since the 21st package – refineries in third

[29] The accession negotiations are organized in six thematic clusters; the "Fundamentals" cluster is always opened first and closed last, and its progress sets the overall pace.
[30] Directive (EU) 2024/1226 harmonizes for the first time criminal offenses and penalty ranges for sanctions violations; in 2025 infringement proceedings were pending against 18 member states.

countries that process Russian oil. The analysis by CREA (2026) suggests that an enforced cap of 30 US dollars would reduce Russian revenues by a further 40 percent or so.

The third field is extraterritorial effect. The experience of 2024 to 2026 is unambiguous: banks in Turkey, China and the Emirates changed their conduct not in response to European remonstrations but under the impression of American secondary sanctions. Since American sanctions policy has at the same time become erratic, the European Union can no longer rely on it. Since 2023 the Union has had precursors of extraterritorial measures of its own – listings of firms and banks in third countries, port and refinery bans, the anti-circumvention provision of Art. 12f – which it has so far deployed hesitantly; Hilgenstock (2025) argues convincingly for expanding them into an independent European secondary sanctions practice. A renewed concerted approach by the United States and the European Union would have the potential to seriously destabilize the Russian economy (Kraemer, 2026).

The fourth field is decision-making. Unanimity made sanctions policy vulnerable to blackmail for years, as Section 5 shows with the Hungarian example. The European Union found pragmatic ways out in 2025 and 2026 – the indefinite immobilization of the central bank funds, the first twelve-month renewal – but these remain stopgaps. It has been proposed to keep taking decisions of principle unanimously while adopting listings and technical implementing acts by qualified majority under Art. 215 TFEU (Schäffer, 2025); the passerelle clause of Art. 31(3) TEU stands alongside. Both would secure sanctions policy against individual veto players.

The fifth field is the immobilized central bank reserves. The use of the earnings and the G7 loans of 50 billion US dollars have proved their worth; the actual reparations loan of up to 165 billion euros failed in December 2025 over Belgian liability concerns and the reticence of the ECB. It should be taken up again – legally sound in design and underpinned by joint guarantees of the member states: it combines the financing of Ukraine with a credible long-term signal to Moscow that reparations are not negotiable, and it decouples the aid from the budgetary situation of the member states.[31]

The sixth field is the closing of the remaining substantive gaps: the Druzhba exemption, whose volume of 421 million euros per month (June 2026) prices the cost of Hungary's special role; the record purchases of Russian liquefied natural gas in the first half of 2026 immediately before the import ban took effect, which argue for designing future transition periods so as to limit anticipatory effects; the remaining refinery loophole via third countries; and re-exports via Central Asia, against which the anti-circumvention provision has been applied only once. Improvement finally includes discipline in expectations: on all experience, the goal of the sanctions cannot be rapid coercion, but it can be the lasting constraint of Russia's capacity to wage war (Rudolf, 2024; Schott, 2023) – and for the case

[31] The G7's ERA loans of 50 billion US dollars are serviced from the earnings on the immobilized reserves, not from their principal.

of a negotiated peace, a pre-agreed sequence of staged relaxations with automatic snap-back in the event of violations commends itself.

9 Conclusions and Recommendations

How have the EU sanctions affected Russia's economy? The answer of this paper is: in three phases, and cumulatively. In 2022 a well-prepared central bank absorbed the shock while record energy prices filled the state coffers; in 2023 and 2024 the state bought the appearance of strength with a credit-financed armament boom; since 2025 the economy has been stagnating amid collapsed oil and gas revenues, a widening deficit, liquid reserves cut by more than half, double-digit real interest rates and potential growth below one percent. The sanctions did not end the war; Russia's ability to finance it has been measurably and increasingly weakened. Whoever measures their effect by the absence of collapse applies a standard that sanctions research never promised.[32]

The balance across actors is mixed: the United Kingdom, Canada, Sweden and Norway and – with reservations – Switzerland reinforced the regime, the United States carried it until 2024 and thereafter became the greatest source of uncertainty, Turkey, China, India and a number of smaller states softened its effect considerably, Hungary weakened it from within, and the European Central Bank reinforced in supervision but dampened on the reserves. That the sanctions worked nonetheless speaks for the weight of the European market; that they worked more slowly than hoped is the price of these gaps. At the same time, Ukraine's institutional position is shifting: while NATO membership has been deferred indefinitely, the path into the European Union gathered considerable speed in 2026.

From this follows the recommendation: priority for enforcement over new prohibitions – a central enforcement authority of the European Union, an oil price cap dynamically lowered once again and controlled without gaps, the expansion of the Union's own extraterritorial measures, majority voting for implementing acts, the resumption of the reparations loan from the immobilized reserves, and the closing of the remaining energy and re-export gaps. The experience of twelve years of sanctions policy since 2014 teaches that time, unity and enforcement are the decisive quantities. Future research should examine the effect of sanctions under conditions of negotiations and of a possible post-war order – including the question of how relaxations can be tied to verifiable conduct.

[32] An exact counterfactual attribution founders on the simultaneity of war, oil price movements and sanctions; the orders of magnitude are nonetheless unambiguous.

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