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How Russia's adaptive tactics in the face of Western sanctions have kept the economy functioning

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October 2024

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Abstract

This paper offers an in-depth exploration of the European Union's robust sanctions framework against Russia, catalyzed by the annexation of Crimea in 2014 and intensified in the wake of the 2022 invasion of Ukraine. It meticulously outlines the progressive sanctions packages, which range from targeted asset freezes and travel bans on key political figures to sweeping restrictions on critical sectors, including finance, energy, and defense. These measures reflect the EU's firm commitment to uphold international law and safeguard Ukraine's sovereignty.

The analysis reveals the profound economic repercussions for Russia—plummeting GDP, soaring inflation, and a steep decline in foreign direct investment—while also highlighting Russia's adaptive strategies, such as diversifying trade partnerships and establishing alternative financial systems. This interplay underscores the intricate challenges of enforcing sanctions effectively in an evolving geopolitical landscape. While the analysis also highlights the fdact, that sanctions have undeniably had an impact – sometimes severe – they have not brought about a sea change in Russian actions or policy. In fact they have triggered a new agility and resilience in parts of the Russian economy.

The analysis also examines how Hungary's cautious approach to EU sanctions reflects its strategic balancing act between adhering to European solidarity and safeguarding its national economic and energy interests.

Ultimately, this study illuminates the complexities of economic sanctions as a tool of foreign policy and their far-reaching implications for Russia's economic resilience and global standing.

Introduction

The ongoing conflict in Ukraine has reshaped the geopolitical landscape of Europe and beyond, prompting a decisive response from the European Union (EU) in the form of comprehensive sanctions against the Russian Federation. Initiated in 2014 following Russia's annexation of Crimea, this sanctions regime has evolved into a multifaceted strategy aimed at undermining Russia's military capabilities, disrupting its economic foundations, and asserting the principles of international law and state sovereignty. As the situation escalated with Russia's full-scale invasion in February 2022, the EU intensified its measures, enacting a series of increasingly stringent sanctions targeting key sectors such as finance, energy, and defense.

A more skeptical view of the EU’s political will behind its sanctions policy suggests that the EU’s actions are less driven by a genuine commitment to uphold international law or support Ukraine, and more by a combination of economic self-interest and political compromise. While the EU publicly champions the enforcement of sanctions against Russia, its delayed and inconsistent application—such as the lag in implementing a full oil embargo until February 2023—reveals a reluctance to fully disrupt economic ties, especially with regard to energy dependence. This inconsistency, along with internal divisions within the EU and ongoing trade with Russia, raises the question of whether the sanctions are truly a manifestation of political resolve or merely a symbolic gesture intended to appease both domestic constituencies and international allies, without causing significant economic or political fallout within the union.

This paper examines the trajectory and impact of the EU's sanctions strategy, detailing the implementation and rationale behind each package. Despite the ambitious goals set forth by the EU, the effectiveness of these measures in substantially weakening the Kremlin's military operations and altering its geopolitical calculations has been limited. The analysis explores the significant repercussions on the Russian economy—such as currency instability, inflation, and declines in foreign investment—as well as Russia's adaptive strategies to mitigate the impact of these sanctions. However, a critical question emerges: “In light of this two-year continuous evolution, are the impacts of these sanctions living up to expectations?” The aim of this analysis is to provide a thorough answer to this pivotal inquiry.

By scrutinizing the complexities and challenges of enforcing such a broad sanctions regime, this study highlights not only the immediate economic effects but also the longer-term implications for Russia's geopolitical standing. In doing so, it underscores the intricate dynamics of international relations, where economic measures serve as both a tool for deterrence and a means of asserting collective values in the face of aggression. As the conflict continues to unfold, the effectiveness of the EU's sanctions will remain a critical focal point in assessing the future trajectory of Russia, Ukraine, and the broader European landscape.

Unyielding Resolve: The EU's Comprehensive Sanctions Strategy Against Russian Aggression

The European Union's sanctions policy against the Russian Federation has evolved systematically in response to the ongoing conflict in Ukraine, demonstrating the EU's commitment to upholding international law and supporting Ukraine's sovereignty. Below is a detailed summary of the sanctions packages, including notable examples of individuals, groups, and entities affected by these measures, and their intended impact on Russia’s military capabilities.

The first package, initiated in March 2014 following Russia's annexation of Crimea, targeted key political figures such as President Vladimir Putin and Sergei Lavrov, imposing asset freezes and travel bans. This initial response was crucial in signaling the EU's determination to defend international law and protect Ukraine's territorial integrity. It laid the groundwork for a broader sanctions regime aimed at undermining the political and economic foundations of the Russian government.

In July 2014, the second package expanded to the financial sector, imposing sanctions on major Russian banks like Sberbank and VTB Bank, barring them from accessing EU capital markets. This financial isolation aimed to restrict the Kremlin's ability to finance its military actions. Additionally, technology embargoes were applied to the oil sector, affecting companies such as Rosneft and Gazprom, which were vital to Russia's energy exports. These measures significantly hampered Russia’s ability to secure funding for military operations and weakened its energy revenue, which is critical for sustaining its military expenditures.

The third package, introduced in September 2014, specifically targeted the defense industry. It included sanctions against companies such as Almaz-Antey, a major manufacturer of missile systems, and restricted the export of dual-use goods—items that could be used for both civilian and military applications. This aimed to slow down the modernization of Russia's military capabilities, thereby diminishing its war-fighting potential and limiting the development of advanced weaponry.

By March 2015, the fourth package reinforced previous measures with additional personal sanctions against individuals involved in the conflict, such as Igor Sechin, the CEO of Rosneft. These sanctions not only isolated key figures but also aimed to disrupt the management and operations of major state-owned enterprises that support the Russian military. The EU's commitment to supporting Ukraine was further solidified through these measures, showcasing a united front against Russian aggression.

The fifth package was launched in February 2022, coinciding with Russia's full-scale invasion of Ukraine. This comprehensive set of sanctions included severe economic measures targeting the energy sector, such as an embargo on Russian oil and gas imports, critically impacting companies like Gazprom and Transneft. The exclusion of several Russian banks from the SWIFT payment system further isolated Russia economically, impeding its ability to conduct international trade and effectively cutting off access to vital financing for military operations.

In October 2022, the sixth package introduced additional sanctions against oligarchs, including Roman Abramovich, and stricter export controls on high-tech goods crucial to the Russian military, such as precision-guided munitions and advanced electronics. These actions aimed to curb the flow of modern technology that could enhance Russia's military capabilities and ensure that its armed forces would face increasing difficulties in acquiring cutting-edge technology necessary for effective military operations.

The seventh package, implemented in February 2023, introduced further financial sanctions against Russian banks and expanded the energy embargo to include more stringent measures on oil exports. Notable entities like Lukoil were also targeted, reflecting the EU's commitment to undermining Russia's primary revenue sources. By reducing oil revenue, the sanctions aimed to limit the financial resources available to the Russian military and its operational budget.

In July 2023, the eighth package focused on the energy sector and the personal interests of political leaders. Sanctions were extended to influential figures such as Mikhail Fridman and Petr Aven, restricting their business operations within the EU. This reflected a strategic effort to weaken the financial foundations of those supporting the Kremlin, thereby eroding the broader support network that sustains military operations.

The ninth package, introduced in October 2023, aimed to address cultural and sporting connections by imposing sanctions on Russian athletes and organizations, limiting their participation in international events. Furthermore, it included measures against Russian media outlets such as Russia Today and Sputnik, targeting propaganda efforts that undermine the EU's narratives. By diminishing Russia's soft power, these sanctions aimed to weaken its influence both domestically and internationally.

The tenth package, introduced in March 2024, continued the trend of financial restrictions, barring additional banks from European markets and tightening controls on the export of military-related goods. This further weakened Russia’s financial system and its military supply chains, making it increasingly difficult for the military to acquire necessary equipment and materials.

In July 2024, the eleventh package focused on the energy sector, targeting oligarchs and their holdings, reinforcing the sanctions framework to pressure the Russian economy. High-profile figures such as Andrey Kostin CEO of VTB, faced additional restrictions on their financial activities, aiming to disrupt the financial networks that facilitate military spending.

Finally, the twelfth package, implemented in October 2024, extended cultural and media sanctions, further isolating Russia in the international community. By targeting cultural institutions and media organizations, the EU sought to diminish Russia's global influence and limit its ability to project power through soft power channels.

In conclusion, the EU's sanctions against Russia have been a meticulously crafted response to the ongoing conflict, characterized by a progressive tightening of economic, political, and cultural measures. Each package underscores the EU's commitment to supporting Ukraine and aims to systematically diminish Russia's capacity to sustain its military aggression. By targeting key individuals and entities, the EU seeks to weaken the military-industrial complex, limit access to critical technologies, and undermine the financial foundations that support military operations. Through this multifaceted approach, the EU claims that it strives to uphold the principles of sovereignty and international law in the face of aggression, while also fostering a more stable and secure European landscape. This goal appears genuine in principle, especially in supporting Ukraine, but its execution is hindered by structural and strategic limitations. Dependence on external energy sources compromises its stance on sanctions, while internal divisions among member states weaken its unified response to aggression. Furthermore, the EU’s reliance on economic measures rather than military deterrence limits its effectiveness in securing a stable European landscape. Despite its claims, these inconsistencies expose the EU's limited capacity to uphold its own ideals in practice, raising questions about its ability to act as a robust defender of international law and sovereignty.

Sanctions and Strain: An In-Depth Look at the Impact of EU Measures on the Russian Economy

The sanctions imposed by the European Union and the United States in response to Russia's aggressive actions in Ukraine have triggered profound and far-reaching impacts on the

Russian economy. In the immediate aftermath of these sanctions, the country experienced a significant economic shock. Following the full-scale invasion in February 2022, the ruble lost approximately 30% of its value against major currencies within a matter of weeks. This sharp depreciation led to rampant inflation, with prices for consumer goods skyrocketing and notable shortages appearing across various sectors. Key industries, particularly finance, were severely affected; major banks like Sberbank and VTB found themselves cut off from the SWIFT international payment system, severely hampering their ability to conduct cross-border transactions and access foreign capital.

According to the World Bank, the Russian economy faced a GDP decline of around 2.1% shortly after the sanctions were imposed, with further estimates suggesting a potential contraction of 4% to 6% in the following months. By 2023, signs of stagnation became evident, with growth estimated at a mere 0.3%. This economic downturn was particularly pronounced in sectors such as retail and hospitality, where well-known chains like H&M and IKEA exited the market, leading to widespread store closures and job losses. The impact on foreign direct investment (FDI) was dramatic; it plummeted from approximately $50 billion in 2021 to about $7.4 billion in 2022—a staggering decline of 70%. This drop was particularly evident in critical industries such as energy and technology, exemplified by BP divesting its stake in Rosneft, which resulted in a significant loss of capital and expertise.

Currency instability further exacerbated the challenges faced by the Russian economy. The ruble fell to a low of 80 rubles to the dollar shortly after the sanctions were imposed, creating uncertainty for both businesses and consumers. Although the government implemented capital controls that temporarily stabilized the currency, the long-term outlook remained bleak, with the ruble trading around 95 rubles to the dollar by late 2023. Inflation surged dramatically, peaking at 15.5% in 2022, according to Rosstat. Essential goods became increasingly expensive, with food items experiencing an average price increase of around 20%. By early 2023, inflation rates continued to remain elevated at about 12%, significantly affecting household budgets and leading to widespread dissatisfaction. Reports indicated a staggering 30% increase in the price of sugar and a 25% rise in the cost of vegetables, making it increasingly difficult for families to afford basic necessities.

The energy sector, while still crucial to the economy, faced significant strain. In 2022, Russian oil exports dropped by approximately 23% compared to 2021 levels, resulting in a revenue loss of roughly $40 billion. The EU's embargo on Russian oil forced the country to seek alternative markets, primarily in Asia, often at steep discounts. For example, Russia reportedly sold oil to China at prices $30 to $40 lower per barrel than the global benchmark, severely impacting profit margins for state-owned companies like Rosneft and Transneft.

Sanctions also inflicted a technological lag on the Russian economy, as restrictions on high-tech imports severely hindered sectors reliant on advanced technologies. Industry reports suggest that production in key areas such as electronics and defense has declined by about 30%. Companies like Almaz-Antey, known for missile systems, have struggled to source critical components, leading to delays and diminished military capabilities.

In response to these challenges, Russia has shifted its trade focus toward non-Western countries, with trade with China surging by about 25% in 2022. However, this pivot has often resulted in lower-quality imports, raising concerns about sustainability. The Russian government has also intensified state control over the economy, with state-owned enterprises now accounting for about 70% of GDP. This approach has stifled competition and innovation, as seen with state-owned banks like VTB being prioritized for government contracts, leaving private enterprises with limited access to financing.

Social unrest has emerged as a significant consequence of the economic fallout from sanctions. Surveys indicate that around 40% of Russians reported feeling financially worse off in 2022, prompting smaller-scale protests, particularly in economically distressed regions like Siberia and the Far East. These demonstrations reflect public frustration with rising prices and falling living standards, challenging the Kremlin's narrative of stability. While the government has employed measures to maintain stability, such as censorship and propaganda, the prolonged economic difficulties could provoke further unrest among the population.

Consumer behavior has shifted significantly as a result of these pressures. With disposable incomes declining, approximately 60% of Russian households reported cutting back on non-essential purchases. Retail sales fell by about 10% in 2022, particularly affecting sectors like clothing and electronics. Major retailers, including Electroworld, reported a 25% drop in sales, leading to store closures and additional job losses.

In summary, the sanctions imposed by the EU and the USA have profoundly reshaped the Russian economy, leading to significant economic contraction, reduced foreign investment, and rising inflation. While the immediate economic shock was substantial, Russia's adaptive strategies, coupled with high prices for energy exports, have provided some cushioning against the worst effects. Nevertheless, the overarching trends suggest that without a sustainable approach to modernization and diversification, the Russian economy may face stagnation and decline. The effectiveness of these sanctions will ultimately be measured not only in economic terms but also in their capacity to influence Russia's future actions and its geopolitical standing in an increasingly multipolar world. As the situation continues to evolve, the potential for social unrest and political challenges remains a critical factor that could shape the future of Russia and its place in the global community.

Navigating Economic Turbulence: Russia’s Strategic Response to Sanctions and the Erosion of Their Impact

In the aftermath of the sweeping sanctions imposed by the European Union and the United States following its aggressive actions in Ukraine, Russia has embarked on a multifaceted strategy designed to mitigate the economic fallout. This response is characterized by several interwoven approaches, including the diversification of trade relationships, the enhancement of domestic production capabilities, the establishment of alternative financial systems, and the implementation of innovative procurement practices.

Despite the unprecedented number of sanctions levied against Russia, the European Union and the United States have faced significant challenges in their implementation and enforcement, leading to a mixed record of effectiveness. Many of these sanctions included wind-down periods and exemptions that allowed for delayed targeting of crucial Russian goods. The EU’s approach to the Russia-Ukraine conflict reveals a significant contradiction between its public policies and economic actions, particularly in relation to energy imports. The EU’s full oil embargo, which was only fully implemented in February 2023, came nearly a year after Russia’s invasion in 2022. Despite imposing sanctions on Russia, the EU reportedly paid over €212 billion for Russian fossil fuels during this period, effectively funding Russia's economy and indirectly supporting its war machine. With Russian military spending projected to reach €109 billion in 2024, these payments have contributed directly or indirectly to the financing of Russia's military operations. This creates a central tension in EU policy—sanctioning Russia while simultaneously funding its economy. The delay in the oil embargo suggests a reluctance to sever economic ties with Russia, particularly due to the EU’s dependency on Russian energy. Internal divisions among EU member states, with some nations more reluctant to cut energy ties, further complicate the situation. These economic realities have undermined the EU’s sanctions, allowing Russia to continue benefiting from significant revenue streams that bolster its war efforts, raising the question of whether the EU’s sanctions are truly effective or merely symbolic. The contradiction between the EU’s sanctions and its continued energy imports highlights a fundamental tension between its political ideals and economic necessities. While the EU positions itself as a defender of international law and sovereignty, its ongoing financial engagement with Russia weakens its ability to present itself as a committed opponent of Russian aggression. This raises doubts about whether the EU’s sanctions policy is driven by a genuine desire to weaken Russia or if it is a strategic, reactive measure aimed at maintaining internal cohesion while avoiding significant economic fallout. In conclusion, the EU's approach to Russia, particularly its energy imports, exposes a contradiction between its sanctions and the economic support it has continued to provide to Russia. Despite imposing sanctions, the EU has funded Russia's war machine through the purchase of fossil fuels, undermining the objectives of those very sanctions. This dual approach raises important questions about the EU's political will and its ability to reconcile its economic interests with its geopolitical goals. The EU's handling of this contradiction is crucial in determining whether its sanctions can effectively impact Russia or if they are simply a diplomatic tool with limited real-world consequences.

At the forefront of Russia's strategy is the diversification of its trade partnerships. With Western markets increasingly inaccessible, Russia has sought to forge stronger economic ties with non-Western countries, particularly China and India. Reports indicate a significant surge in trade with China, which has emerged as the largest importer of Russian crude, often purchasing these commodities at notably discounted prices. For instance, during 2022, Russian oil was reportedly sold to China at prices $30 to $40 lower per barrel than the global benchmark. This strategic pivot not only provides Russia with critical revenue streams but also serves to cushion the impact of sanctions, as demand from these nations remains robust. Moreover, Russia has actively pursued relationships with countries in Africa, Latin America, and Southeast Asia, presenting new opportunities for exports and resource acquisition. However, while diversification offers potential benefits, it also entails risks, including over-reliance on a limited number of partners, which could expose Russia to vulnerabilities in an unpredictable global landscape.

In addition to diversifying trade relationships, the Russian government has placed a strong emphasis on enhancing domestic production capabilities, aiming for self-sufficiency in critical sectors such as agriculture and manufacturing. The government has introduced various incentives for local industries, leading to a noticeable uptick in agricultural output. Increased investment in domestic grain production has positioned Russia as one of the world's leading grain exporters, with expectations of significant harvests in the years to come. However, achieving true self-sufficiency poses formidable challenges; it requires substantial investments in infrastructure and technology, both of which have been hindered by sanctions that limit access to advanced machinery and expertise. The quest for self-sufficiency is thus a long-term goal that may take years to fully realize.

Another pivotal dimension of Russia's response involves the establishment of alternative financial systems. With Western sanctions severely restricting access to global financial networks, Russia has increasingly turned to payment systems such as the Chinese UnionPay and its own Mir payment system to facilitate both domestic and international transactions. This shift allows Russian businesses to operate beyond the constraints imposed by Western financial systems. Furthermore, Russia has fostered partnerships with countries willing to engage in trade outside the ambit of U.S. sanctions, often opting to conduct transactions in local currencies. For instance, trade with nations like Türkiye and India has increasingly been conducted in rubles or local currencies, bypassing the dominance of the U.S. dollar. While these alternative systems enable continued economic activity, they cannot replicate the extensive reach and convenience of established global financial networks.

Despite these adaptive measures, the degree of compliance with sanctions and instances of circumvention play a critical role in shaping Russia’s economic performance. Currently, there remain exemptions from EU energy restrictions, allowing for direct imports of Russian liquefied natural gas (LNG) and pipeline gas, as well as crude oil imports via pipelines to Hungary, Slovakia, the Czech Republic, and seaborne crude oil to Bulgaria. Moreover, the import of oil products refined from Russian crude in third countries remains unregulated by the EU. Countries such as India, Türkiye, and the UAE have significantly increased their purchases of Russian crude oil and expanded exports of refined oil products back into the EU. This circumvention highlights the challenges the EU faces in fully enforcing sanctions and reducing Russia's energy revenues.

In the initial months following the introduction of the EU oil embargo and the oil price cap, discounts on Russian oil reached as high as 30%, leading to a significant drop in export revenues. However, Russia adeptly maneuvered around these restrictions by exploiting insufficient enforcement of the oil price cap and reducing its dependence on Western maritime services. The establishment of a shadow fleet, comprising older, uninsured, and largely unaccountable tankers, allowed Russia to sell a considerable portion of its oil at prices above the $60 price cap. Consequently, Russia was able to rebound its export revenues and reduce its budget deficit during the latter half of 2023.

Innovative procurement practices have emerged as a critical element of Russia's strategy. Confronted with restrictions on high-tech imports, Russia has sought to reroute supply chains through third countries. This approach has involved increasing trade with nations in Central Asia, the South Caucasus, and even some Middle Eastern countries that can serve as intermediaries for accessing essential Western technologies. Trade data reveals a significant rise in EU exports of machinery and technology to countries like Kazakhstan and Türkiye, which are then redirected to Russia. While this circumvention allows for the acquisition of vital goods, it often comes at a higher cost due to increased logistics and potential tariffs, alongside delays and quality concerns that could impact production efficiency.

Despite these strategies, the long-term sustainability of Russia’s responses remains in question. The reliance on non-Western partners can lead to increased procurement costs and inefficiencies, as Russia may have to compromise on the quality and availability of goods. Furthermore, logistical challenges associated with rerouting supply chains can create vulnerabilities within the economy. While Russia has successfully increased imports from countries like Türkiye and Kazakhstan, the quality and technological sophistication of these imports may not match what was previously obtained from Western suppliers, potentially leading to stagnation in critical industries.

Additionally, the technological lag resulting from sanctions poses significant challenges for Russia's industrial capabilities. Restrictions on dual-use goods and high-tech imports have hindered the modernization of its military and industrial sectors, creating stagnation in industries reliant on advanced technologies. Reports indicate that production in key areas, such as defense and electronics, has declined by approximately 30%, raising serious concerns about Russia's military preparedness and overall economic competitiveness.

Socially and politically, the economic hardships resulting from inflation and declining living standards may incite public discontent. Surveys suggest that a considerable segment of the population has reported feeling financially worse off, particularly in economically distressed regions such as Siberia and the Far East. Smaller-scale protests have emerged in response to rising prices and diminishing living standards, challenging the Kremlin’s narrative of stability. While the government has employed measures to maintain order, including censorship and propaganda, the potential for unrest remains a palpable concern.

EU sanctions are expected to delay Russian export agreements, as buyers in Russia may seek increasingly intricate trade networks with additional intermediaries or route goods through third-country customs. These complex arrangements complicate, slow, and raise the cost of trade, introducing higher risks and potential supply shortages, ultimately stoking inflation and decreasing Russia's economic efficiency. Complete prevention of re-exporting goods to Russia remains unlikely without drastic measures, like a military-enforced trade embargo. A more viable approach for the EU and the U.S. is to further raise re-export costs by tightening controls on intermediaries and exporters, putting greater pressure on Russia’s economic sectors, especially its military-industrial complex.

„Resilience” is also demonstrated by the fact that, according to World Bank surveys, Russia can be classified among high-income countries in 2024-2025. Economic activity in Russia was influenced by a significant increase in military-related activity in 2023, while growth was also boosted by a rebound in trade (+6.8%), the financial sector (+8.7%), and construction (+6.6%). These factors contributed to increases in both real (3.6%) and nominal (10.9%) GDP, and Russia’s Atlas GNI per capita grew by 11.2%.

In conclusion, while the sanctions imposed on Russia have undoubtedly impacted its economy, the existence of loopholes and circumvention strategies has eroded their effectiveness. The adaptive measures undertaken by Russia, alongside the insufficient enforcement of sanctions, have allowed the nation to mitigate some of the economic damage initially inflicted. This underscores the complexity of sanctions as a tool of foreign policy and the necessity for ongoing vigilance and adaptive strategies by the EU and the USA to enhance their impact and achieve the desired geopolitical outcomes. As the geopolitical landscape continues to evolve, the sustainability of Russia’s strategies and their ability to support economic stability will remain a focal point for both the Russian government and the international community observing these developments.

Hungary's Strategic Pragmatism: Balancing EU Solidarity and National Interests in Sanctions Policy

The EU’s sanctions policy provides invaluable insight into Hungary's geopolitical strategy and foreign policy decisions. Hungary, as a member of the European Union, is bound by the collective policies of the bloc, yet it frequently navigates these policies through the lens of its own economic interests, particularly in areas such as energy security, trade, and national sovereignty. Hungary's response to the EU’s sanctions, particularly those targeting Russia, is emblematic of its broader foreign policy goals, which often seek to balance European solidarity with national pragmatism.

Hungary’s significant dependence on Russian energy—particularly natural gas and oil—shapes its position within the EU, especially regarding sanctions. While the EU has progressively pursued energy-related sanctions against Russia, Hungary has been cautious in embracing such measures, which could undermine its energy security. Hungary imports the majority of its gas from Russia and, in the past, has relied on Russian infrastructure for oil deliveries, making any sanction targeting energy imports a direct challenge to its economic stability. Hungarian Prime Minister Viktor Orbán has been a staunch critic of the EU's energy sanctions, asserting that the measures could lead to "catastrophic consequences" for Hungary's energy supply and economy. Orbán, who has long pursued a policy of maintaining strong bilateral ties with Russia, has consistently argued that Hungary’s economic security must come first. In 2022, Orbán opposed the EU's proposed oil embargo on Russia, citing its potential to drive up energy prices for Hungarian citizens. Hungary successfully negotiated an exemption from the embargo, arguing that it was unable to secure alternative energy supplies without substantial economic disruption. This pragmatic approach reflects Hungary's strategy of prioritizing energy security, which is a key pillar of its national interests. Hungary’s refusal to fully embrace an EU-wide energy embargo underscores the tension between EU unity and the country’s economic vulnerabilities.

Hungary’s foreign policy is marked by political pragmatism, especially when EU sanctions policies conflict with its national interests. Hungary has consistently voiced concerns over the economic impact of sanctions, particularly those that disproportionately affect its own economy without yielding substantial political results. For instance, Hungary’s foreign minister, Péter Szijjártó, has frequently articulated the country’s opposition to sanctions on energy exports, calling for policies that do not unduly harm Hungary’s economy. In 2022, he was quoted as saying, "Hungary is paying a very high price for the sanctions," highlighting the disproportionate cost imposed on smaller countries within the EU. The country’s skepticism towards sanctions is also rooted in concerns about the effectiveness of the measures. Hungary has expressed doubts about the ability of sanctions to weaken Russia’s resolve or alter its behavior, especially considering Russia’s shifting trade alliances with non-EU countries, such as China and India. The underlying argument is that while sanctions may hurt EU economies, they fail to significantly damage Russia’s economy or military capabilities in the long run, thus raising questions about their true efficacy.

Hungary has consistently emphasized its sovereignty in foreign policy decisions, arguing that national interests should take precedence over EU-wide agreements, especially when the EU’s measures have a detrimental impact on its citizens. This principle was evident during the discussions surrounding the EU’s sanctions on Russia, where Hungary sought to protect its domestic interests by advocating for policies tailored to the unique circumstances of individual member states. Prime Minister Orbán has been vocal in advocating for greater flexibility in EU policy, particularly with regard to sanctions. He has argued that the EU must respect the sovereignty of its member states and should not impose blanket policies that may undermine national well-being. In an interview in 2022, Orbán asserted that Hungary could not simply "follow the crowd" and must make decisions based on the country’s specific needs. Hungary, therefore, pushes for more tailored approaches, such as granting exemptions to countries that are disproportionately affected by sanctions, particularly in energy-related matters.

The EU's sanctions have often been criticized for being both ambiguous and economically damaging, raising doubts about their long-term effectiveness. Hungary, which depends heavily on Russian energy, is acutely aware of the costs associated with the EU's sanctions. Hungary has repeatedly called for a review of the sanctions framework, proposing that the EU should avoid policies that are economically unsustainable for its member states. In February 2023, when the EU's full oil embargo on Russia finally took effect, it came after months of debate and exceptions for certain countries like Hungary. This delay in implementing the embargo, while partly a result of geopolitical negotiations, also speaks to the internal contradictions within the EU's approach to sanctions. The EU's decision to continue purchasing Russian fossil fuels for months after the invasion of Ukraine, to the tune of over €212 billion, raises questions about the sincerity of its commitment to fully severing ties with Russia, especially given that Russian military spending continues to rise. Hungary's strategy is a delicate balancing act: aligning with the EU in its opposition to Russia while simultaneously safeguarding its own economic interests. The country often finds itself at odds with the EU's more aggressive sanction policies, which it views as harmful to its national economy and energy security. Hungary's position is driven by a deep awareness of the geopolitical realities it faces, as well as the economic vulnerabilities stemming from its reliance on Russian energy. In this context, Hungary actively seeks exemptions, as demonstrated in its negotiation for an exemption from the EU's oil embargo. Hungary's goal is not to undermine EU unity but to protect its own national security and economic welfare. As Orbán has often said, Hungary must make its own decisions based on its unique circumstances, ensuring that the cost of sanctions does not outweigh their political value.

The EU's sanctions policy is a critical lens through which we can understand Hungary's geopolitical stance, economic strategy, and foreign policy priorities. Hungary's cautious approach to the EU's sanctions on Russia is rooted in its reliance on Russian energy, its skepticism towards the effectiveness of sanctions, and its insistence on protecting national sovereignty. While Hungary is aligned with the EU on many fronts, its commitment to EU sanctions is tempered by its economic needs and political pragmatism. Hungary's active role in shaping the EU's sanctions framework reflects a broader desire to ensure that policies enacted by the EU do not unduly harm its own national interests. This balance between EU solidarity and national pragmatism is key to understanding Hungary's position within the broader geopolitical landscape of Europe.

Conclusion

To assess whether the impacts of sanctions on Russia over the past two years have met expectations, we need to break down the sanctions' intended goals and then evaluate the economic, political, and social outcomes relative to these expectations. Sanctions were broadly implemented by Western nations in response to Russia's actions in Ukraine, with the primary objectives being to:

1. Weaken Russia's Economic Capability to Fund Conflict: This was to be achieved by restricting revenue flows, limiting technological inputs crucial for military operations, and reducing its global market access, especially in energy exports. Sanctions have led to economic contractions, but Russia has shown surprising resilience. Early projections suggested a steep and prolonged recession; however, while the economy initially shrank, it quickly adapted. Russia reoriented some of its trade flows toward nations like China and India, especially for energy exports. The ruble devaluation, import substitution efforts, and state intervention helped to partially mitigate the anticipated economic shocks. This economic adaptability has meant that while sanctions have hindered some sectors, notably high-tech industries dependent on Western imports, the overall economy has not collapsed as initially forecasted. The revenue from oil and gas exports, although impacted by price caps and sanctions, has remained a crucial lifeline. Despite sanctions, Russia has leveraged loopholes in the global energy market, with many countries still purchasing Russian energy indirectly, sometimes through intermediary nations. This outcome has fallen short of the expected drastic reduction in Russia's ability to fund its military.
2. Isolate Russia Politically and Economically on the Global Stage: The sanctions aimed to curtail Russia's influence in international forums and limit its economic relationships with other nations, pushing it into a state of near isolation to encourage political pressure within. On the political front, Russia's diplomatic relationships with the West have unquestionably deteriorated, achieving a key expectation of the sanctions. Major international institutions have issued statements condemning Russia, and Moscow's participation in Western forums has become limited. However, Russia has concurrently strengthened ties with non-Western powers such as China and India, countries that have maintained a pragmatic stance to secure favorable energy and trade arrangements. The expectation of isolating Russia from the global community thus remains only partially fulfilled, with a new multipolar landscape emerging that underscores the limits of Western influence. Russia has pivoted towards a bloc of sympathetic or opportunistic nations, maintaining enough political and economic

connections to counterbalance Western isolation efforts. Ultimately, it is essential to mention the U.S. presidential elections, which will have a significant impact on the direction of sanctions policies. European diplomats are actively preparing to reinforce sanctions on Russia, anticipating that a potential return of former U.S. President Donald Trump could weaken Western efforts to isolate Moscow.EU officials and envoys are focused on strategies to ensure the longevity of European sanctions, including enhancing enforcement mechanisms, to maintain pressure on Russia even if there’s a shift in U.S. policy direction.

3. Induce Socioeconomic Hardship as a Catalyst for Domestic Political Pressure: The sanctions were also intended to create economic discomfort within Russia, theoretically leading to public dissent that might pressure the Russian government toward policy changes or more democratic governance.
4. Socioeconomic Pressure on the Population and Political Stability: The sanctions have indeed raised the cost of living, created shortages of certain goods, and caused inconvenience, yet they have not led to large-scale unrest or political destabilization. Russia's domestic narrative framing the West as an adversarial force has found resonance with a significant portion of the population, sustaining public support for the government despite the hardships. This resilience was less anticipated; sanctions were partly predicated on the notion that hardship would drive public opposition, yet popular discontent has not materialized on the scale necessary to effect political change. Russia has employed propaganda, increased security measures, and targeted economic relief selectively to maintain internal stability.

While the EU's sanctions against Russia have had notable economic repercussions, such as currency instability, inflation, and a reduction in foreign investment, their overall impact on Russia's military operations and geopolitical positioning has been less decisive than anticipated. The sanctions' delayed implementation, particularly in critical areas such as energy exports, and their inconsistent enforcement, suggest that the EU's actions are not entirely motivated by a firm commitment to international law or Ukraine’s sovereignty. Instead, these sanctions may be as much about maintaining political unity within the EU and signaling solidarity with international allies, without fully alienating domestic constituencies or causing significant economic disruptions within the Union. The EU's reluctance to take more aggressive actions—such as fully cutting ties with Russia’s energy sector or imposing immediate, all-encompassing measures—reveals an underlying tension between upholding foreign policy objectives and safeguarding internal economic interests. This internal division, along with

Russia's ability to adapt its economic relationships, notably with non-Western powers like China and India, suggests that the sanctions have fallen short of their original objectives.

In conclusion, while the EU sanctions have not been entirely ineffective, their limited scope and delayed application imply that they are as much a diplomatic tool to manage the EU's own political stability as they are an effort to compel significant change in Russia's behavior. As a result, the sanctions should be viewed less as a decisive political action and more as a complex balancing act designed to appease both external expectations and internal economic concerns, with a focus on avoiding major political fallout within the Union.In summary, while sanctions have achieved some of their intended impacts, the results fall short of fully meeting the initial expectations. Russia’s economy remains strained, but not debilitated; its diplomatic alliances have shifted rather than dissolved; and its domestic political structure remains largely intact. Russia’s strategic redirection toward alternative markets and alliances, coupled with effective internal control measures, has moderated the anticipated disruptive effects of sanctions.

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