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Research Article

The Russian Resilience Against Sanctions: The Roles of Proactive Policies and External Geopolitical Factors

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Abstract: This study examines the effectiveness of economic sanctions imposed on Russia by the United States and its Western allies following the annexation of Crimea in 2014 and the invasion of Ukraine in 2022. Although designed to exert significant economic and political pressure, the impact of these sanctions has been undermined by several factors. Using a case study methodology, this research constructs an analytical framework to explore the relatively limited effectiveness of the sanctions. First, it highlights Russia's strategic use of internal and external policy tools as a critical factor in mitigating their impact. Second, global political dynamics—such as China's emergence as a counterbalance to the United States and India's growing regional influence—act as "pull factors" that weaken the sanctions' effectiveness. Third, facilitators within the global financial system, including rising oil prices, the declining dominance of the U.S. dollar, and gray areas in global financial governance, have further reduced their impact. While the sanctions have imposed significant economic costs on Russia, these factors collectively explain their failure to achieve their intended objectives. The findings underscore the importance of accounting for complex global dynamics when assessing the effectiveness of economic sanctions.

Keywords: Sanctions, Russia, US, China, Energy

Öz: Bu çalışma, Amerika Birleşik Devletleri ve Batılı müttefikleri tarafından 2014'te Kırım'ın ilhakı ve 2022'de Ukrayna'nın işgalinin ardından Rusya'ya uygulanan ekonomik yaptırımların etkinliğini incelemektedir. Bu yaptırımlar, Rusya üzerinde önemli ekonomik ve politik baskı oluşturmayı amaçlarken, etkileri çeşitli faktörlerle sınırlanmıştır. Vaka çalışması metodolojisini referans alarak, bu çalışma yaptırımların nispeten düşük etkisinin araştırmak için analitik bir çerçeve oluşturmaktadır. İlk olarak, Rusya'nın iç ve dış politika araçlarını stratejik bir şekilde kullanması, yaptırımların etkisini azaltan temel bir faktör olarak öne çıkmaktadır. İkinci olarak, Çin'in Amerika Birleşik Devletleri'ne karşı bir denge unsuru olarak yükselişi ve Hindistan'ın Asya'daki artan önemi gibi küresel siyasi dinamikler, yaptırımların etkinliğini azaltan "çekim faktörleri" olarak işlev görmektedir. Üçüncü olarak, küresel finansal sistemdeki yükselen petrol fiyatları, ABD dolarının azalan hâkimiyeti ve küresel finansal yönetişimdeki gri alanlar gibi kolaylaştırıcı unsurlar, yaptırımların etkisini sınırlamıştır. Rusya'ya önemli ekonomik maliyetler yüklemesine rağmen, bu faktörler bir araya gelerek yaptırımların beklenen sonuçları neden sağlamadığını açıklamaktadır. Bulgular, ekonomik yaptırımların etkinliğini değerlendirirken karmaşık küresel dinamiklerin dikkate alınması gerektiğini vurgulamaktadır.

Anahtar Kelimeler: Yaptırımlar, Rusya, ABD, Çin, Enerji

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Introduction

This study aims to examine the effects of sanctions imposed on the Russian Federation since 2014 within the context of global political dynamics and the proactive policies developed to counter these sanctions. The annexation of Crimea in 2014 and the large-scale invasion of Ukraine in 2022 provoked strong opposition from the international community, leading to unprecedented sanctions against Russia. As a major global power with nuclear capabilities and a permanent seat on the UN Security Council, Russia's case presents a unique scenario in the field of international relations.

The primary objective of this study is to analyze the economic and political impact of these sanctions on Russia, with a particular focus on both the short-term and long-term effects, as well as their potential implications for the country's structural issues. It is important to note that this study does not encompass all the sanctions imposed on Russia; instead, it focuses primarily on the sanctions enforced by the United States (and also to some extent the broader Western coalition). The effectiveness of these sanctions is analyzed within certain perspectives. To be more precise, the study seeks to address the following key questions: (1) How have Russia's strategic role and actions in global energy markets, combined with ongoing developments in the global system and the intensifying struggle for global power, influenced and undermined the effectiveness of these sanctions? (2) To what extent have Russia's internally and externally crafted policy measures, along with the aforementioned developments, contributed to diminishing the impact of the sanctions? (3) Beyond these points, how do various exogenous factors—those outside the control of any single country, including Russia, the U.S., or China—shape the effectiveness of sanctions? What are these exogenous factors (facilitators) or gray zones, and how do they enable the circumvention of sanctions?

In terms of contribution to the literature, this study provides an analytical framework to explain the relative ineffectiveness of the economic sanctions imposed on Russia, particularly in the energy sector. It introduces the concepts of "pull factors," "push factors," and "facilitators" to explain why these sanctions have not achieved their expected outcomes. "Pull factors" include global political dynamics, such as China's emergence as a counterbalance to the United States and the reluctance of India and others to enforce the sanctions. "Push factors" involve Russia's strategic use of internal and external policy tools, including its pivotal role in global energy markets. "Facilitators" refer to external factors, such as rising global oil prices, the declining dominance of the U.S. dollar, and the increasing prevalence of gray areas in global governance, which collectively undermine sanctions' impact.

This study is motivated by the need to address gaps in the literature on the effectiveness of sanctions and the resilience mechanisms of targeted states, particularly Russia. While existing studies have explored the economic and political consequences of sanctions, detailed analyses of how Russia counters these measures remain limited. This study aims to address the fragmentation in research by systematically organizing the reasons behind the sanctions' diminished impact. It provides a structured analytical framework as a tool for researchers examining the complex dynamics of sanctions.

The study addresses three key research questions: (1) What are the main factors undermining the effectiveness of sanctions on Russia, particularly in the energy sector? (2) How has Russia leveraged its policy tools to counteract the impact of these sanctions? (3) What role do external factors and facilitators play in reducing the effectiveness of these sanctions? By answering these questions, the study highlights the importance of evaluating sanctions not just in economic terms but also in their political implications. Its findings offer valuable insights into how target states adapt to external pressures, making significant contributions to international relations, economics, and energy policy.

The study is structured as follows**:** Section 1 provides a review about sanctions. This part firstly provides a brief review about sanction literature and then the section will provide an in-depth review about the sanctions implemented by the US on Russian Federation. Section 2 explores the Russian economy and the role of energy exports in the economy, emphasizing Russia's strategic position in global energy markets. Section 3 systematically analyzes the factors contributing to the mitigation of the effectiveness of sanctions. Finally, Section 4 reviews and concludes the study and summarizes the key findings.

Assessing the US Sanctions on Russia

Brief Review about Sanctions

Economic sanctions are considered the second most powerful foreign policy instrument after military force (Kirkham et al., 2024). Throughout history, states have employed various non-military coercive tools to compel their rivals to change their behavior (Kirkham, 2024). Okusako (2024) provides a comprehensive and systematic definition of economic sanctions as actions by sender parties (state and non-state actors) designed to modify or change the behavior or policy of target actors by exerting economic power, sometimes in conjunction with a military campaign, to promote vital security interests under the guise of legal and moral reasons.

Various institutions focus on the study of international sanctions. A notable hub for academic and policy research on targeted sanctions is the Graduate Institute's Targeted Sanctions Initiative. This initiative hosts a range of academic events in Geneva and maintains qualitative and quantitative databases on UN targeted sanctions. According to the Global Sanctions Database, there were 405 sanctions in effect by the end of 2022, with approximately 300 of these being implemented within the past decade (Gaur et al., 2023). The Targeted Sanctions Consortium (TSC) data indicate that non-UN sanctions, particularly those imposed by the US and the EU, are more prevalent than UN sanctions, with many UN sanctions having corresponding non-UN sanctions (Brzoska, 2015). Alongside the growing opposition from non-Western countries to sanctions, the increasing number of unilateral sanctions implemented outside the framework of the United Nations has also led to a form of 'sanctions fatigue,' even among other countries, reflecting a declining enthusiasm for their enforcement (Brzoska, 2015).

Over the past thirty years, the international sanctions regime has evolved significantly, with targeted or "smart" sanctions becoming the norm (Giumelli, 2015). The most common types of sanctions include sectoral bans, arms embargoes, asset freezes, travel restrictions, financial sanctions, and diplomatic sanctions (Wallensteen & Grusell, 2012). While political benefits of sanctions do not necessarily correlate with the material harm they cause, recent studies suggest that sanctions have had minimal impact on the Russian economy.

The UN has implemented various sanctions, with sectoral bans being the most frequently used, followed by arms embargoes and measures against elites within the targeted regime, such as asset freezes and travel restrictions. Financial sanctions, which include restrictions on investments and financial services, and diplomatic sanctions are also common (Giumelli, 2024). Assessing sanctions requires considering the comprehensive costs associated with their implementation, which involves a counterfactual analysis to explore possible alternative actions.

The US Sanction Mechanism and Sanctions against Russian Federation

Internationally, sanctions are enforced by a group of actors known as the Western coalition, primarily led by the U.S., along with the EU and other key players. Note also that the EU has emerged as one of the fastest, most comprehensive, and most prolific actors in imposing sanctions against Russia during this process (Uygun, 2023). Although other countries in this coalition have significant sanction mechanisms, this study primarily focuses on U.S. sanctions, as the U.S. serves as the flagship, forming the main pillar of the sanctions imposed on Russia. Therefore, this study has deliberately confined itself and concentrated the majority of its analysis on U.S. sanctions.

Since 2014, sanctions led by the US on Russia for its annexation of Crimea, initially targeting individuals and entities violating Ukraine's sovereignty. These sanctions gradually expanded, but their impact on the Russian economy remained limited, earning them the label of a "vegetarian stage" (Timofeev, 2022a).[1] In 2022, following Russia's invasion of Ukraine, a stronger coalition, including the US, EU, and other allies, imposed severe sanctions targeting Russia's elite, financial and energy sectors, and restricting access to Western technology (Nelson, 2022).

The Administrative and Legal Structures

Administrative Dimension

The U.S. sanctions system is grounded in the authority of the President and the Congress, with the Department of the Treasury, particularly the Office of Foreign Assets Control (OFAC), responsible for enforcement (CRS, 2024). OFAC identifies and designates targets, ensuring compliance, while the State Department coordinates sanctions policy with international partners like the EU and the UK (Sonnenfeld, 2022). OFAC maintains the Specially Designated Nationals (SDN) list, focusing on specific individuals and entities, and other lists like Sectoral Sanctions Identification List (SSI) and Non-SDN Menu-Based Sanction List (NS-MBS), which cover restricted sectors such as energy, defense, and technology. The Department of Commerce's Bureau of Industry and Security (BIS) also enforces export controls, particularly in sensitive areas like high-tech weapons (Dreger, 2016).[2]

Legal Structure

The U.S. sanctions on Russia are authorized under the National Emergencies Act (NEA) and the International Emergency Economic Powers Act (IEEPA), granting the President extensive powers to regulate international commerce in response to threats. Since 2014, these powers have been exercised primarily through executive orders targeting sectors of the Russian economy, particularly energy. The Magnitsky Act which is a relatively soft sanction mechanism and is initially focused on individuals violating human rights, has expanded to include sanctions on individuals from various countries (Gaur et al., 2023). The 2014 sanctions (see Table-1) [3], enacted

1 The term "vegetarian stage" is used to describe a phase where the impact of sanctions is almost negligible or barely felt.

2 For further details see the official web site of BIS: https://www.bis.doc.gov/index.php/policy-guidance/

3 Note that SSIDES targets Russian officials and entities for human rights abuses and corruption, while the UFSA addresses energy sector restrictions and arms exports (See Table-1). Note also that economically and politically powerful oligarchs involved in significant corruption are key targets of the sanctions imposed after 2014.

after Crimea's annexation, imposed broader restrictions on individuals and sectors (Gurvich & Prilepskiy, 2015).

Sanctions after 2014 focused on politically influential oligarchs involved in corruption. In 2017, Congress passed the Countering America's Adversaries Through Sanctions Act (CAATSA) and the Countering Russian Influence in Europe and Eurasia Act (CRIEEA), expanding sanctions on Russia, Iran, and North Korea, particularly for cyberattacks, espionage, and corruption. Under President Obama, 471 entities were identified as Specially Designated Nationals (SDNs), primarily targeting those undermining Ukraine and key Russian officials. In 2019, the Protecting Europe's Energy Security Act (PEESA) was enacted.

Table 1

List of US Sanctions on RF based on Legal Authority

List of Sanctions by US Congress	
Year	Title of Bill
2012	Sergei Magnitsky Rule of Law Accountability Act
2014	Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act (SSIDES)
2014	Ukraine Freedom Support Act (UFSA)
2017	Countering America's Adversaries Through Sanctions Act (CAATSA). CAATSA includes as Title II the Countering Russian Influence in Europe and Eurasia Act of 2017 (CRIEEA).
2019	Protecting Europe's Energy Security Act (PEESA)
2022	Ending Importation of Russian Oil Act
2022	Suspending Normal Trade Relations with Russia and Belarus Act
2022	Russia and Belarus SDR Exchange Prohibition Act
List of Sanctions by the US President	
President	Executive Order Numbers
Obama	13660, 13661, 13662, and 13685.
Trump	13849 and 13883
Biden	14024, 14039, 14065, 14066, 14068, 14071, and 14114

Source: Organized by authors using information from CRS (2024).

In 2022, Congress introduced three major sanctions: The Ending Importation of Russian Oil Act, the Suspending Normal Trade Relations with Russia and Belarus Act, and the Russia and Belarus SDR Exchange Prohibition Act. Following Russia's invasion of Ukraine, the SDN list expanded significantly, adding over 4,100 new

designations, reflecting the increased scope and intensity of U.S. sanctions. By April 2024, the SDN list included more than 4,500 individuals, entities, planes, and vessels, highlighting the comprehensive nature of sanctions targeting key industries like energy, banking, and defense (CRS, 2024; Kilcrease, 2022).

Smart Sanctions Mechanism

Historically, sanctions were broad, targeting all economic and commercial activities of a country, but this approach often failed to achieve desired objectives. In the past two decades, "smart sanctions" have emerged, focusing on economically and politically powerful segments of the target country and reducing negative effects on the broader population. Smart sanctions operate on three pillars: (i) targeting specific sectors or transactions, (ii) targeting specific individuals and entities, and (iii) restricting certain financial transfers. "Secondary sanctions" enhance these effects by leveraging international trade and economic influence on the targeted country. Smart sanctions aim to pressure targets into compliance by focusing on economically and politically influential sectors, minimizing harm to the broader population. The U.S. smart sanction system against Russia is structured around three key vectors:

1. **Sectors or Transactions:** Sanctions selectively target specific sectors like energy, defense, finance, and luxury goods, rather than the entire Russian economy (CRS, 2024). These include bans on exporting luxury goods and specific services to Russia, as well as restrictions on maritime shipping for Russian oil transactions above a certain price. Export controls also extend to sensitive goods and technologies.
2. **Subjects or SDN List:** The sanctions focus on a list of about 4,500 "barred" entities, including individuals, companies, and assets (SDNs). Entities in sanction coalition countries are prohibited from economic interactions with those on the SDN list. This targeted approach seeks to isolate key players within Russia's economy and government from the global market.
3. **Global Financial System:** The global financial system plays a crucial role in enforcing sanctions by cutting off SDNs from international banking and financial markets. The exclusion of major Russian banks from the SWIFT system and asset freezes on Russia's Central Bank have severely restricted Russia's access to its foreign reserves, with $350 billion of foreign currency reserves frozen (BBC, 2024). This financial isolation is compounded by restrictions on new debt and equity financing for Russian state-owned enterprises (Kilcrease, 2022).

Figure 1: Smart Sanctions

"Secondary sanctions" or "global compliance" is also a key issue. Secondary sanctions reinforce primary sanctions by targeting third-party entities that do business with sanctioned countries. These measures deter international firms from engaging with Russia by threatening severe penalties, including exclusion from the U.S. financial system, asset freezes, and travel bans. The goal is to coerce other nations and their enterprises to align with U.S. foreign policy goals.

The U.S.'s dominant role in the global financial system enables it to enforce extensive sanction programs, often causing discontent among international actors. Despite concerns over legitimacy, many firms comply due to the size of the U.S. market and its global economic influence. The banking sector is particularly sensitive, given the global reliance on the U.S. dollar. The frequently updated SDN and SSI Lists add complexity, creating a gray area for compliance experts. This challenge is exacerbated by the globalized nature of production, where products often contain components from multiple countries, complicating adherence to sanctions (Nelson, 2022; Chacko and Heath, 2022).

These smart sanctions, combined with the threat of secondary sanctions, have created a comprehensive system that exerts significant economic pressure on Russia, particularly targeting critical industries like energy, banking, and defense, while also complicating global compliance efforts.

Sanctions on Russian Energy Sector

Since Russia's invasion of Ukraine in February 2022, a comprehensive sanctions regime has been imposed by the US, UK, EU, Australia, Canada, and Japan, resulting in over 16,500 sanctions targeting Russia (BBC, 2024). These sanctions, especially from the US and coalition countries, heavily target the energy sector, a cornerstone of the Russian economy, by banning oil and gas imports and restricting the activities of major energy companies.

Initially, the EU adopted a stringent policy banning Russian oil imports but concerns over potential spikes in oil prices led to the "price cap" model in late

2022 (Rosen, 2023). The EU, alongside the US, UK, Japan, Canada, and Australia, set a price cap of $60 per barrel for Russian seaborne oil, with the requirement that Russian crude cannot be paid for above this price to use EU or allied shipping operators and insurers (Kirby, 2022). Despite these measures, Russia redirected its crude oil shipments to alternative markets such as India, China, and Türkiye, though revenue from these exports declined due to significant concessions (Babina et al., 2023). The EU's embargo on oil products, implemented on February 5, 2023, further restricted Russian export.

The pattern of natural gas imports from Russia to the EU has also changed dramatically. Sanctions excluded many Russian financial institutions, including Gazprom Bank, from the SWIFT system and froze Russia's foreign currency reserves in Western countries. The EU aimed to reduce its natural gas imports from Russia by 60% by the end of 2022, with a complete phase-out planned by 2030. Russia's demand for gas payments in rubles further accelerated the EU's search for alternative sources, resulting in an 80% reduction in Russian gas exports to Europe since February 2022 due to sanctions, contractual disputes, and infrastructure issues (Henderson et al., 2024). Consequently, the EU's dependency on Russian gas fell from 45% pre-war to 15% by 2024.

Sanctions have significantly challenged Russian energy companies such as Gazprom, Rosneft, Lukoil, and Novatek. These restrictions have severely limited their access to Western technologies and capital, disrupting operations and diminishing global competitiveness. Gazprom, in particular, has faced restrictions on accessing essential technologies and financing for exploration and production in challenging environments like the Arctic and shale projects (Ghironi et al., 2024; Gorodnichenko et al., 2024). This has increased Gazprom's reliance on domestic funding sources, which are often insufficient, forcing it to seek alternatives from countries like China and India, resulting in higher costs and reduced efficiency. Similarly, Rosneft and Lukoil have been affected by sanctions restricting international financing and technology transfers, particularly for offshore and Arctic projects (Ghironi et al., 2024). These sanctions have also halted Rosneft's joint ventures with Western oil companies, such as ExxonMobil, delaying new reserve developments and limiting production capacity (Chacko & Heath, 2022). Lukoil has faced delays in new oil field developments due to its inclusion on the SSI List, increasing operational costs (Bayramov et al., 2020). Novatek has also been affected, particularly in major projects like the Yamal LNG, due to restrictions on Western financing and technologies (Bayramov et al., 2020).

A critical aspect of the sanction regime has been preventing the Nord Stream 2 pipeline from becoming operational. Despite the completion of construction in

September 2021, the German government halted the certification process in February 2022, influenced by US pressure, just before the war began. The strategic importance of Nord Stream 2 to the US is underscored by the inclusion of Gazprom's Fortuna vessel and senior officials on the SDN List under Section 232 of the CAATSA. This section stipulates that companies investing over $5 million annually in Russian natural gas export pipeline projects, including Nord Stream 2, are subject to sanctions (CRS, 2024).

Sanctions have also impacted Russia's long-term energy strategy by targeting technology and equipment essential for its energy sector. The coalition states have banned the export of specific oil refining technologies to Russia, hindering its ability to upgrade refineries. Russia has increasingly turned to non-Western partners, such as China and India, to expand its energy exports, though these partnerships often come with less favorable trade terms and higher transportation costs. Additionally, the sanctions have expanded to include a broader range of goods and services essential for oil production and transport, such as drilling rigs, LNG terminals, software for exploration, and maintenance services for refineries and pipelines (Henderson et al., 2024).

Russian Economy and Importance of Energy Revenue

Historical Review

Russia's economy has historically been under significant state control, especially in strategic industries related to military production (Harrison, 2003). This control deepened after the revolution, prioritizing military power over consumer needs (Goldman, 2008). Stalin's industrialization emphasized heavy industry at the expense of public welfare (Davies, 1998). Though Khrushchev introduced some reforms, inefficiencies and technological lags persisted (Nove, 1982). The Brezhnev era saw temporary economic growth through oil and gas exports, but by the mid-1980s, economic pressures led to the dissolution of the Soviet Union in 1991 (Gaddy & Ickes, 2013).

The post-Soviet era under Yeltsin was marked by economic turmoil as Russia transitioned to a market economy. Yeltsin's radical reforms, including rapid privatization, led to widespread corruption and inequality (Dąbrowski, 2023). The 1998 financial crisis, caused by low oil prices and high debt, resulted in ruble devaluation, sovereign default, and a banking collapse, worsening unemployment and poverty (Moser, 2018). The Yeltsin era saw significant GDP contractions in the early 1990s, with inflation exceeding 2,500% in 1992 and unemployment peaking at 13.3% by 1998 (See Table-2).

Under Vladimir Putin (2000-2023), the Russian economy experienced significant transformations. His early popularity stemmed from stabilizing the 1990s crisis and reforms such as tax changes and efforts to attract foreign investment, while the state regained control over strategic sectors like energy (NBAR, 2002; Dąbrowski, 2023). Putin's early presidency saw robust economic growth, averaging 7% from 2000 to 2008, driven by high oil prices. GDP increased from $260 billion in 2000 to $1,661 billion in 2008 (See Table-2). However, the 2008-2009 global financial crisis highlighted vulnerabilities in Russia's energy-dependent economy, with GDP contracting nearly 8% in 2009 (Moser, 2017). Though recovery followed, structural issues like corruption persisted, hampering diversification efforts (Connolly, 2020).

The annexation of Crimea in 2014 and the conflict in Eastern Ukraine led to sanctions from Western countries, targeting finance, energy, and defense sectors. These sanctions caused a 2% GDP contraction in 2015 (FocusEconomics, 2023). In response, the government implemented import substitution policies and adopted a flexible exchange rate, stabilizing the economy. By 2017, GDP reached $1,574 billion, and inflation fell to 3.7%, though growth remained constrained by sanctions and low oil prices (Dąbrowski, 2023). Despite the challenges, Russia showed resilience, with GDP recovering by 5.6% in 2021 and growing by 3.6% in 2023, reaching $2,021 billion (Table-2). Unemployment dropped to 3.3%, and inflation remained stable, reflecting effective management (FocusEconomics, 2023). However, long-term issues such as economic diversification, an aging population, and governance remain critical, along with ongoing geopolitical tensions and sanctions risks (Moser, 2017; Connolly, 2020).

Table 2

Main Economic Indicators for Russian Federation from 2000-2023

Year	GDP Growth [%]	GDP [Billion $]	Export [Billion $]	Import [Billion $]	UNEMP(1) [%]	Inflation [%]	Foreign Debt [Billion $]
1990	-3,0	517	94	93			
1991	-5,0	518	69	67	5,13		
1992	-14,5	460	287	222	5,2	2500,0	80
1993	-8,7	435	166	133	5,9	874,3	112
1994	-12,6	395	110	92	8,1	307,7	122
1995	-4,1	396	116	102	9,4	197,4	122
1996	-3,8	392	102	86	9,7	47,8	127
1997	1,4	405	100	91	11,8	14,8	128
1998	-5,3	271	85	67	13,3	27,7	176
1999	6,4	196	85	51	13	85,8	180
2000	10,0	260	114	62	10,6	20,0	147
2001	5,1	307	113	74	9,0	21,5	141
2002	4,7	345	122	84	7,9	15,8	138
2003	7,3	430	152	103	8,2	13,7	186
2004	7,2	591	203	131	7,8	10,9	214
2005	6,4	764	269	164	7,1	12,7	250
2006	8,2	990	334	208	7,1	9,7	311
2007	8,5	1.300	392	280	6,0	9,0	416
2008	5,2	1.661	520	367	6,2	14,1	419
2009	-7,8	1.223	342	251	8,3	11,7	406
2010	4,5	1.525	446	322	7,3	6,8	418
2011	4,3	2.046	574	409	6,5	8,4	544
2012	4,0	2.208	594	447	5,5	5,1	592
2013	1,8	2.292	592	469	5,5	6,8	669
2014	0,7	2.059	558	426	5,2	7,8	554
2015	-2,0	1.363	391	282	5,6	15,5	492
2016	0,2	1.277	330	264	5,5	7,0	535
2017	1,8	1.574	411	327	5,2	3,7	519
2018	2,8	1.657	510	345	4,8	2,9	478
2019	2,2	1.693	481	352	4,49	4,5	486
2020	-2,7	1.493	381	305	5,58	3,4	461
2021	5,6	1.843	549	377	4,71	6,7	472
2022	-2,1	2.266	635	345	3,87		376
2023	3,6	2.021	467	379	3,32		

Source: World Bank: Economic Development Indicators

Notes: (1)UNEMP: Unemployment rate.

The Importance of Oil and Gas Revenue

Oil and Gas Reserves

Oil and gas have been pivotal to Russia's economy since the first discoveries in Baku in the 19th century (Gaddy & Ickes, 2010). Russia holds 108 billion barrels of oil reserves, 6.2% of the global total, ranking eighth worldwide. As of 2023, global natural gas reserves stand at 196 trillion cubic meters (m^3), with Russia controlling the largest share—47.8 trillion m^3, or about one-quarter of the world's total (Kutcherov et al., 2020). The Soviet Union's investment in oil and gas infrastructure laid the foundation for Russia's energy policies today.

The Arctic region, crucial for future energy exploration, has seen heavy Russian investment in advanced technologies to exploit untapped resources. The Barents and Kara Seas are believed to hold vast oil and gas reserves, vital for maintaining production levels (Gritsenko, 2020). Control over Arctic resources strengthens Russia's strategic position, and melting ice caps have opened new shipping routes, enhancing the region's importance. Despite environmental challenges, Russia remains committed to Arctic exploration, viewing it as key to long-term energy security (Efimov et al., 2014). This focus on Arctic and offshore fields ensures Russia's future economic and geopolitical stability.

The Importance of Energy Production and Exports

Russia's oil and natural gas production is vital to its economy, positioning it among the top three global oil producers alongside Saudi Arabia and the U.S. Russia exports 7-7.5 million barrels per day, contributing significantly to global supply, while daily production ranges from 10-11.5 million barrels, with 87-90% crude oil and 8-9% condensate.[4] Although Russia holds 6% of global reserves, its share of total exports exceeds 10%, giving it influence in OPEC decision-making through efficient energy diplomacy.

Russia produces about 700 billion cubic meters of natural gas annually, mainly from the Yamal Peninsula and Western Siberia, securing its dominance in the global gas market (Kutcherov et al., 2020). State-owned enterprises like Gazprom and Rosneft ensure a steady supply to key markets, particularly the European Union and

4 This production is concentrated in the West Siberian Basin, which accounts for nearly two-thirds of Russia's total oil production.

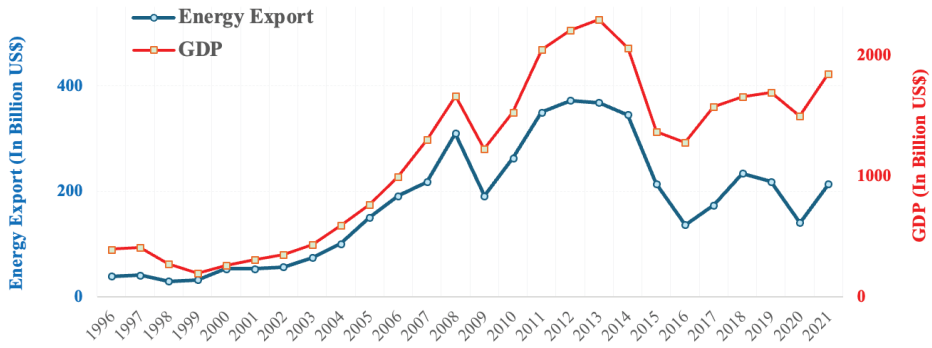
China, with pipelines such as Nord Stream and Power of Siberia enhancing export capacity (Balashova, 2020).

The Role of the Energy Sector in the Russian Economy

The energy sector plays a crucial role in the Russian economy, contributing significantly to GDP, government revenue, and employment. The Soviet Union's emphasis on industrialization and energy production laid the foundation for the current energy sector, which continues to shape Russia's economic policies and strategic priorities (Kutcherov et al., 2020). The oil and gas sector accounts for about 25% of Russia's GDP (Wang et al., 2022). Energy export revenues and GDP show a significant correlation, with fluctuations in oil export revenues heavily influenced by global oil prices. For instance, the 1998 Asian Crisis led to a steep drop in oil prices, triggering a financial crisis in Russia, including a severe devaluation and domestic debt default (Gaddy and Ickes, 2010).

As seen in Graph-1, there is a strong correlation between energy export revenues and GDP. Russia's oil export revenues fluctuate yearly based on oil prices. Beyond direct contributions to GDP and government revenue, the energy sector drives demand across industries like construction, manufacturing, and transportation (Balashova, 2020). Oil and gas revenues account for over 50% of the federal budget, with mid-2000s oil price surges enabling increased social spending, benefiting lower-income groups (Guriev & Tsyvinski, 2010; Alexeev & Chernyavskiy, 2015).

The energy sector directly employs around 2.5 million people and supports many more indirectly (Shapovalova, 2020). However, reliance on this sector creates risks, including economic instability due to price volatility and environmental concerns. Efforts are underway to diversify the economy by promoting sectors such as technology, agriculture, and manufacturing (Yang et al., 2021).



Graph 1: 1996-2021 Period Energy Export and GDP for Russian Federation

Source: Calculated by authors based on World Development Indicators, World Bank.

Note: The left axis of the graph represents the energy export revenues of the Russian Federation (in billion USD), and the right axis represents the figures for national income.

The Recent Economic Performance

Since the Ukraine conflict began in February 2022, the Russian economy has faced significant challenges. The initial phase saw panic due to Western sanctions and the exit of multinational companies, sparking fears of a severe economic downturn, particularly in manufacturing and employment. However, by mid-2022, the situation began stabilizing. Despite initial expectations that sanctions would cripple the economy, the resilience of Russia's energy sector, particularly its high levels of oil and gas export revenues, softened the impact. In 2022, Russia recorded a trade surplus of $227 billion, fueled by energy exports to Europe, China, and India (DW, 2023).

Although the economy contracted by 2.1% in 2022, this was less severe than predicted, thanks to energy export revenues (Al Jazeera, 2023). Inflation has also been an issue, with the Central Bank of Russia attempting to control it through strict monetary policies, though supply chain disruptions led to periodic spikes. Despite this resilience, the sanctions have worsened long-term structural issues within Russia's economy, and their full effects may become more evident in the future as wartime conditions mask some of the underlying challenges.

Russian economy would be severely impacted by the onset of the war. However, the data and economic forecast released by the IMF and similar international organizations indicate that Russia has weathered this storm more smoothly than expected and that the economy has recovered and performed quite well in a short period (See for example; Gorodnichenko et al., 2024 and official IMF country statistics). While the

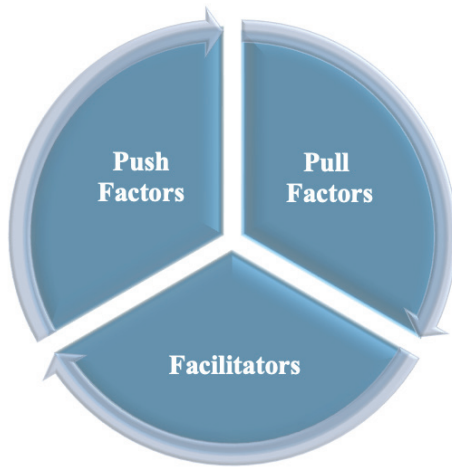
fact that macroeconomic indicators are not as dire as initially expected is a positive sign, it is crucial to emphasize that the sanctions have exacerbated the long-term structural issues within the Russian economy. Although such problems may be swept under the rug during the wartime period, the true effects of the war and sanctions will become more apparent in the long term.

Factors Influencing the Mitigation of Sanctions' Adverse Effects

At the outset of the war, there was a widespread belief that Russia would suffer significantly from the sanctions both economically and in terms of international policy. However, the outcome has seemed different. Following Russia's invasion of Ukraine in February 2022, the US-led coalition imposed stringent sanctions on various sectors of the Russian economy. Despite these severe measures, Russia's economy has demonstrated remarkable resilience, which can be attributed to three key factors: pull factors (global political dynamics), push factors (endogenous policies or domestic policies) and facilitators. These factors, although interwoven, provide a comprehensive framework for understanding Russia's response to the sanctions, illustrating why the anticipated collapse did not materialize.

Pull Factors (Global Political Dynamics)

China's growing global influence has significantly helped mitigate the impact of sanctions on Russia. Over the past decade, as U.S. policies have increasingly clashed with China's strategic goals, Beijing has adopted more assertive strategies that often oppose U.S. positions. China's deepening economic and strategic ties with Russia, especially post-2022 sanctions, have provided essential support, helping Russia avoid a severe economic downturn. This relationship extends beyond economics, reflecting a broader geopolitical strategy to challenge U.S. influence (Kirkham, 2022). China's opposition to sanctions, along with its efforts through BRICS and alternative financial institutions, forms part of its larger strategy to assert global influence and promote a multipolar world order (Global Times, 2023; Hassan, 2024).



Graph 2: Factors Contributing to Resilience against Sanctions

China's strategic support has been vital in maintaining Russia's economic and political stability. Despite its reliance on energy imports, China has continued purchasing discounted oil and gas from Russia, benefiting both economies. As Qianqian (2011) notes, a 1% rise in oil prices can slow China's economic g rowth by 0.104 percentage points, reduce net exports by 2.815 percentage points, and increase inflation by 0.017 percentage points. Thus, China's growing trade with Russia not only safeguards its economic interests but also serves as a strategic move to counter U.S. pressure and advance its global goals.

India also plays a key role as a significant "pull factor." Driven by its energy needs and the discounts offered by Russia, India has continued to import fossil fuels despite sanctions. Notably, in 2024, India's crude oil imports from Russia surpassed those of China, highlighting the strengthening of this relationship. The U.S., aiming to keep India within the Western alliance, has allowed these imports to continue, further weakening the impact of sanctions on Russia (Verma, 2024).

Push Factors (Endogenous Policies or Domestic Policies)

Push factors refer to the internal and external policies that Russia has implemented to mitigate the effects of sanctions. Two critical push factors—proactive foreign policy and strategic domestic policies—have been essential in maintaining economic stability and political resilience in the face of growing international pressure.

Russia's proactive foreign policy, centered on strategic energy diplomacy, has played a crucial role in mitigating sanctions. Participation in organizations like

BRICS and the Shanghai Cooperation Organization (SCO) has provided economic cooperation and investment platforms (Krickovic, 2023). Russia has also expanded its trade ties with regions like Africa, Latin America, and Southeast Asia, diversifying its economic relationships and reducing dependence on Western markets through trade agreements and investments (Dragneva & Wolczuk, 2022). Strengthening ties with Middle Eastern countries through OPEC+ and benefiting from oil price surges to $120 per barrel in early 2022 further bolstered Russia's economy (Lenthang & Wile, 2022). Russia's pivot toward Asia, particularly through expanding energy exports to China and India, has also been crucial in maintaining resilience (Henderson & Mitrova, 2022). This strategy's success is evident in a 16% increase in trade with Central Asian countries in the first half of 2022, facilitated by intermediaries like China, Turkiye, and Kazakhstan, which have maintained essential goods flows despite sanctions (Putz, 2022).

Domestically, Russia has implemented effective policies to counter the economic impact of sanctions. The country's sovereign wealth fund, built during periods of high energy prices, has provided a crucial economic buffer, while prudent fiscal management and strict monetary policies have stabilized the economy, supported the ruble, and funded essential imports (Tan, 2022; Viikokatsus, 2022). The Central Bank of Russia's capital controls and interest rate adjustments have helped curb inflation and prevent capital flight (Connolly, 2018; IMF, 2022). Targeted support for sectors like agriculture, pharmaceuticals, and manufacturing, coupled with investments in domestic production and subsidies, has reduced reliance on imports and promoted growth, particularly in agriculture, where Russia has become a leading grain exporter (Wegren, 2022; Wegren, 2018). An import-substitution strategy has further strengthened domestic production systems (Giumelli, 2024).

Technological self-sufficiency has also been a major focus. Sanctions have spurred innovation, leading to increased investment in research and development, particularly in sectors like aerospace, defense, and IT (Guriev, 2022; Connolly & Hanson, 2020). Ekimova (2019) highlights advancements in import substitution in agriculture, the military-industrial complex, and IT, suggesting that sanctions have had positive effects on Russia's technological progress. Partnerships with non-Western countries have also helped bridge technological gaps (Kuznetsov, 2021).

Maintaining public support and political stability has been critical for Russia's ability to implement these policies. The narrative of resilience against Western aggression has bolstered nationalistic sentiment, generating public support for government measures (Connolly, 2018). State-controlled media has played a vital role in shaping public perception, emphasizing sovereignty and resistance (Lipman, 2016).

Similarly, the effectiveness of sanctions in creating internal divisions among Russian elites has been limited. While Western nations have aimed to fracture Russia's ruling class, the participation of oligarchs like Roman Abramovich in peace negotiations with Ukraine indicates that the economic elite still holds significant influence in policy discussions (Gaur et al., 2023). Note however that, evidence of internal divisions within Russian elites persists, as seen in the suspicious deaths of some ultra-wealthy individuals and the mysterious coup attempt by Yevgeny Prigozhin (Giumelli, 2024). Despite these challenges, recent election results, in which Vladimir Putin won a record 87% of the vote, suggest that sanctions have not weakened public support for the government. On the contrary, the perception that the Putin government has gained even more strength may indicate the resilience of Russia's political system under external pressure (Giumelli, 2024).

In conclusion, Russia's proactive foreign policy, coupled with strategic domestic policies and efforts to maintain public support, has been crucial in mitigating the adverse effects of sanctions. The combination of these push factors has enabled Russia to adapt to changing geopolitical dynamics, sustain its economy, and maintain political stability amidst ongoing international challenges.

Facilitators

Sanctions on Russia have been significantly undermined by technical facilitators and external developments beyond the control of either Russia or the U.S. Historical evidence shows that gray areas—zones of ambiguity—can weaken sanctions, while favorable external conditions, such as high global energy prices, have further mitigated their impact.

A key factor in bypassing sanctions has been the exploitation of gray market channels, enabling Russia to access restricted technologies and goods. Countries with lenient enforcement have become vital conduits for Russian imports, facilitating the flow of critical components for various industries (Wegren, 2022). To evade financial sanctions, Russia has relied on long-term contracts and barter deals with nations less aligned with the West, ensuring steady income and resources without depending on Western financial systems (Connolly, 2018).

Gray market mechanisms have also sustained Russia's oil exports and imports of essential commodities. A shadow fleet of tankers operated by anonymous investors from non-EU and non-G7 countries bypasses traditional Western shipping and insurance systems (East Asian Forum, 2023). Greek shipping firms have played a key role in transporting Russian oil, maintaining exports despite European restrictions (Kennedy, 2023). With Western insurers withdrawing, Russian state-backed insurers now provide coverage to meet port authority requirements in countries accepting

Russian oil. Additionally, countries like India have lowered insurance standards, enabling continued imports of Russian crude (The Economist, 2023).

India's role in the Russian oil market has grown significantly. By July 2024, India surpassed China as the largest buyer of Russian oil, with Russian crude accounting for 44% of India's total oil imports, demonstrating how Russia has redirected its oil exports to new markets in Asia, Africa, and Latin America (Verma, 2024). This shift illustrates Russia's ability to employ longer supply chains and barter deals to secure revenue. Furthermore, Russia has been underreporting transaction prices to evade price caps, declaring lower sales prices on official documents while receiving higher payments through alternative channels (Bruegel, 2023).

Technical, bureaucratic, economic, and political factors have collectively reduced the impact of sanctions. Alternative payment systems have played a crucial role, with the increase in trade conducted in rubles and yuan reducing reliance on the U.S. dollar and euro. The use of cryptocurrencies and barter trade has also helped circumvent Western financial restrictions, allowing international transactions to continue (Connolly & Hanson, 2020). Moreover, the solidarity among Global South countries in resisting the post-World War II, U.S.-based economic and normative system has further contributed to bypassing these sanctions, signaling their broader refusal of the existing global order. Giumelli (2024) argues that a broader diplomatic strategy is needed for more effective sanctions enforcement, but fragmented sanctions programs and bureaucratic inertia have limited their effectiveness. Third countries have facilitated Russia's acquisition of prohibited goods through triangulation and re-export activities. Multinational companies continue to do business with sanctioned countries if it remains profitable (Gaur et al., 2023). Cases of technology transfers from the U.S., Germany, and the Netherlands further underscore the challenges in enforcing sanctions (Giumelli, 2024). Additionally, the influx of Russian money into London, known as "Londongrad," and the use of Cyprus as a tax haven for Russian oligarchs have exposed weak enforcement of financial sanctions, allowing questionable transactions within the EU.

High global energy prices have been another crucial factor in mitigating the impact of sanctions on Russia. Despite reduced exports to Europe, Russia has benefited from elevated oil and gas prices, which have provided substantial revenue. After an initial decline during the COVID-19 pandemic, oil prices surged following OPEC+ agreements and remained high, despite Western efforts to curb Russia's revenues. Russia's ability to offer discounts while maintaining significant revenues, with oil revenue reaching new highs in 2023, highlights its economic resilience in the face of sanctions (Kennedy, 2024).

In conclusion, a combination of gray market channels, favorable external developments, and alternative financial systems have allowed Russia to mitigate the effects of Western sanctions. These factors highlight the challenges in enforcing sanctions and demonstrate the resilience of the Russian economy in adapting to external pressures. The complexity of these mechanisms has enabled Russia to continue its economic activities despite significant international efforts to isolate it.

Conclusion

This study has analyzed the sanctions imposed by Western countries, particularly the United States, on Russia within the broader context of global political economy and international relations. Guided by the research questions, it has examined factors undermining the sanctions' effectiveness, Russia's strategic countermeasures, and the role of external dynamics in shaping outcomes. From a global politics perspective, these sanctions function not just as economic tools but as integral components of the geopolitical rivalry between major powers, especially China and the United States. While both the Trump and Biden administrations have pursued similar strategies toward China, their approaches to Russia reflect differing foreign policy priorities. Thus, analyzing sanctions against Russia requires an integrated framework that considers their economic, political, and strategic dimensions within the context of global power competition.

The findings reveal several factors contributing to the sanctions' limited effectiveness. First, global political dynamics, particularly the reluctance of key players like China and India to enforce them fully, have weakened their impact. Second, Russia has effectively utilized internal and external policy tools—such as its dominant role in global energy markets—to mitigate sanctions. Third, external factors, or "facilitators," including rising oil prices, the declining dominance of the U.S. dollar, and increasing gray areas in global governance, have further reduced the sanctions' material and political impact.

Although the sanctions have imposed significant economic costs on Russia, their political objectives remain largely unmet. This aligns with the literature, including Bali et al. (2024) and news/analysis published in various the *Wall Street Journal*, which highlight that material damage to Russia has not translated into substantial political concessions. Instead, Russia has demonstrated resilience by adapting its global partnerships and maintaining economic stability, albeit at a reputational cost.

Moreover, the geopolitical landscape has significantly influenced the sanctions' trajectory. The European Union, NATO, and allied nations have avoided direct military intervention, relying on economic measures to pressure Russia. In their

later phases, the sanctions have focused on restricting Russia's financial resources and military capabilities rather than achieving immediate political goals. These findings highlight the need to understand the interplay between economic sanctions and global political dynamics.

The study also underscores the substantial economic and political costs incurred by sanctioning nations, raising questions about their long-term efficacy. While sanctions have been a key policy tool, alternative strategies, such as enhanced diplomacy, might have achieved better outcomes at a lower cost. This calls for a comprehensive evaluation of sanctions as a policy instrument.

Finally, as global dynamics evolve, particularly with growing U.S.-China competition, future sanctions regimes must adapt to these shifts. The ability of sanctioning countries to balance economic pressures with broader geopolitical objectives will determine the effectiveness of sanctions as a foreign policy tool. By addressing its research questions, this study provides a nuanced understanding of the limitations and unintended consequences of sanctions, offering insights for developing more effective and targeted strategies in the future.

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