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## **Can't See Russia's War Economy Forest for its Trees: An Assessment of the European Union's ability to target Russia's War Economy through Economic Sanctions**

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**Master's Thesis**

**Can't See Russia's War Economy Forest for its Trees**

*An Assessment of the European Union's ability to target Russia's War Economy through  
Economic Sanctions*

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## Chapter I: Introduction

Russia conducted its large-scale invasion of Ukraine in February 2022, aiming to occupy Ukrainian territories, including Kiev, in a matter of weeks, if not days (Foster, 2024). Ukraine's Western allies, particularly the European Union (EU), started adopting sanction packages targeting Russia, as a response to the invasion. Since then, more than three years have passed, the sanctions delivered by the EU and its member states have multiplied, gained complexity and as of 2024 made Russia "the most sanctioned country in the world" (Luck, 2025). All the while, the Russian government continues its aggression, is not responsive to peace proposals and manages to circumvent some existing sanctions (Győrffy, 2023; The Moscow Times, 2025). Given the Russian resilience in the current war against Ukraine and the EU's continuous adoption of sanction packages, it is imperative to understand why already-imposed sanctions have proved ineffective.

Whereas sanctions adopted by the EU since 2022 managed to attack Russia's economic system, the 'damages' were inconsequential to achieving foreign policy changes, which was the sanctions' overarching goal (European Council, 2025). Nonetheless, no clear rationale has so far explained the inconsistency between the sanctions' high economic impact and Russia's choice of relying on vulnerable economic alternatives instead of progressing towards a war cessation. An investigation of the reasons and mechanisms that shaped the former sanctions' failure to stimulate political change is therefore valuable as it does not only explain Russia's determination in continuing the war, but it can also serve as a basis for designing successful sanctions in the future.

Existing literature either focuses on the economic aspect of the implemented sanctions or on the factors which interfered with Russia's economic depletion and reinforced Russian resilience. However, no current piece of research examines whether and how the EU's sanctions were conceived in such a way that they would target the Russian war economy (WE) mechanism. A WE reflects the stage of a country's economy in which funds and resources are (re-)directed to the military industry to support the state's (potential) military conflicts (Leone and Lanka, 2003). This translates to increased investments in military and defence-related sectors, in defence machinery production, in production of goods vital to the sustainability of a war and in the use and redirection of financial assets to fund the military sector. Therefore, the literature does not account for the fact that the sustainability of Russia's WE capabilities deem economic constraints unable to end the war, despite their economic impact or

effectiveness. Appraising the sanctions' relationship with Russia's WE is thus central to this issue, as Russia's WE lays at the basis of its war sustainability and encompasses Russia's main priority.

Academics discussed potential factors that can explain the sanctions' economic ineffectiveness. However, given the high economic damages that Russia incurred due to the sanctions, these factors could not explain Russia's choice to continue being economically constrained by sanctions instead of maintaining its war. Approaching the sanctions' mechanism through a WE perspective can hence shed light on Russia's priorities and war sustainability and elucidate whether the sanctions' design and implementation methods were fit to target the core of Russia's policy decision.

Therefore, to understand the underlying mechanisms beyond the EU sanctions' failure to conduct foreign influence on the Russian aggression, the current research answers the following research question: *Why (and how) did the EU's sanctions against Russia after its invasion of Ukraine in 2022 fail to induce political change?* For examining this, the research engages with theories of WE and sanctions, using a combination between an innovative method of measuring sanctions' outcomes and Giumelli's (2024) phases of assessing sanctions' effectiveness. These methods serve as a basis for evaluating the EU's sanctions political ineffectiveness, namely their inability to influence Russia's behaviour towards ending the war or accepting peace deals.

The analysis of this research hence argues that the EU's sanctions against Russia failed to induce political change firstly because their sanctions' design did not envision Russia's WE as the main driver of the war in Ukraine. Consequently, the sanctions failed to comprehensively target Russia's WE sectors and its alternatives for funding its military production. Instead, the sanctions either targeted sectors whose contribution to the WE was negligible (such as banning imports of a limited number of products), failed to cover Russia's alternative WE-funding sources (third countries) or did not account for Russia's determination of preserving its WE to the detriment of national economic stability. Understanding how the sanctions' economic effects need to destabilise Russia's WE (instead of the overarching economy) to reach political effectiveness is the vital aspect that the sanctions' implementation hence overlooked. Secondly, the sanctions' costs spilled over to the EU's members, financially damaging the sanctioning states, enabling internal EU backlash for further sanction imposition and decreasing the amount of available EU funds for the Ukrainian WE. Accordingly, the sanctions' effects could not significantly destabilise Russia's WE so it can be outproduced, outlast and outnumbered by the Ukrainian one.

Whereas some of the contributing factors to the sanctions' failure are not new to the academic debate, the methodology laying at their basis is innovative and ensures a more accurate argumentation basis. Creating a hierarchical method of assessing sanctions' outcomes, ranging from economic impact to political effectiveness, provides theoretical clarity and a better understanding of the matter. This can further disentangle contrasting perspectives on sanctions' effects within the academia and elucidate how targeting states' WEs during conflicts is crucial. Thus, this research is unique in its conceptualisation of WE's stability as a defining factor in the sanctions' effectiveness. This is because the research manages to explain how economic effects following a sanctions' imposition may lead to political change only if the effects have a significant impact on the WE and inhibit the physical sustainability of the war.

Consequently, the next chapter comprises a literature review which dives into the theoretical underpinnings of WEs, sanctions and their effectiveness as well as the debates that lay at the basis of this paper's investigation. The methodology chapter follows, presenting the data and methods to be employed for answering the research question. The fourth chapter covers this research's analysis, which focuses on 6 types of EU-imposed sanctions against Russia. Ultimately, the last chapter depicts the implications of this research, its contribution to the current academic body of literature, concluding remarks and suggestions for further examinations.

Conducting this research is imperative, given the urgency of preventing further Russian incursion on the European continent and the unclarity surrounding functional deterrents. Grasping why and how these sanctions' construction and application fail to reach the ultimate goal of ending the war in Ukraine could shed more light on what improvements can be implemented when drafting and applying new sanctions, as well as when deciding on what foreign policy instruments to engage with beyond diplomatic discourse.

## Chapter II: Literature Review

This literature review highlights how the academics' perspectives diverge when discussing the goals, design and effectiveness of sanctions against Russia. Consequently, this chapter illuminates how scholars' analyses of the sanctions fail to explore whether the sanctions targeted the Russian WE. Furthermore, the review underscores how targeting only WE-elements instead of the entire WE machinery could explain the sanctions' ineffectiveness in deterring Russia to continue the war. Additionally, while several scholars underline the WE's centrality to Russia's war in Ukraine, they do not link the WE to the sanctions' mechanisms, deeming the Western measures against Russia unsuccessful without explaining why.

Therefore, this chapter aims to first establish how academia conceptualises WEs and sanctions. Secondly, this review reveals how pieces discussing the centrality of WEs fail to examine whether sanctions are designed to target them. Thirdly, the review highlights how the lack of clarity regarding the sanctions' goals and logic has so far deterred a proper understanding of the sanctions' role in ending the war in Ukraine. Consequently, it underlines how the WE is instrumental to Russia's continuation of the war and it shows how this aspect is absent when addressing the sanctions' effectiveness. Accordingly, this section addresses WE-focused and sanction-focused literature, while highlighting that the two never converge and explaining how this research bridges the gap between the two.

### War Economy Theory

The defining aspect of a WE that this paper engages with is WE's ability of coordinating state mechanisms to allow a state to partake in violent conflicts and wars (Leone and Lanka, 2003). These mechanisms primarily take the form of a state directing income and assets to the military and defence industries (Galbraith, 2001). These industries encompass the heavy, aviation and naval industries, well as all sectors instrumental for the sustainability of the military-industrial complex: finance, technology, mining, energy, metallurgy or chemicals (KSE, 2023).

These characteristics also apply to Russia's economy, considering that Russia's aggressions rely on military demands and that its WE is supported by an engagement in an "industrial-age" war with Ukraine (Foster, 2024, p. 131). Furthermore, WEs are characterised by a state system drawing "resources into the military sector at the expense of private economy" (Duncan & Coyne, 2012, p. 413). Hence, this thesis uses these characteristics to explain

Russia's priorities in fund allocation. The paper unveils the WE's character of distorting natural market processes beneficial for the society and uses it for analysing the WE's functioning in Russia and its interference with national economic policies.

Alternatively, when discussing the balance between Russia and Ukraine's WEs, this thesis adopts Leone and Lanka's (2003) view that WEs also represent a "legitimate means" of generating self-defence capacities for sovereign states "in time of need" (p. 15). Therefore, these theories aid not only the understanding of Russia's mechanisms supporting its military capabilities, but also of Ukraine's incapacity in competing with them. Accordingly, this research uses Moccia and Tomic's (2022) nuanced addition to some Galbraith's definition of WE, which frames WEs mobilisation also as a means of stopping violence. The authors exemplifying the theory through the case of Ukraine, showing how a WE's mobilisation of military and redirection of funds does not happen only to initiate military operations, but also to resist military offensives. Additionally, while these authors discuss sanctions as a means of attacking WEs, they do not proceed to explain how such a targeting unfolds or how sanctions can be designed to account for WE aspects. This lack of sanctions' analysis in relationship to WE represents the main gap in current literature. However, before tackling this missing aspect, an understanding of the theoretical foundations behind sanctions' mechanism is necessary.

### **Sanctions Theory**

This paper conceptualises economic sanctions as economic statecraft tools used to exercise power and influence over other states (Mingst & McKibben, 2022). Given the EU's sanctions against Russia, this research is more specifically concerned with negative sanctions, namely those used to "prohibit certain financial transactions, (...) freeze the target state's assets, (...) arms embargo" and limits on exports and imports of certain technologies and products that would negate further benefits from the relationship (p. 153).

Furthermore, this thesis engages with definitions of sanctions' various outcomes. When discussing sanctions' impact, this paper refers to the "material, direct and indirect consequences of restrictive measures" (Giumelli, 2024, p. 218). Furthermore, sanctions' usefulness is a stronger outcome described as the sanctions' ability to "reduce the economic activity of an opponent" (Moccia and Tomic, 2022, p. 144). Additionally, sanctions' (economic) effectiveness refers to the strongest economic outcome, implying the sanctions' success in reaching their desired effects (Giumelli, 2024). Therefore, effectiveness differs from impact, which can affect unintended targets. Lastly, the sanctions' political success / effectiveness refers to reaching the ultimate desired effect of the total or partial capitulation of

the opponent or of reaching negotiations of settlements (Mingst & McKibben, 2022). For this research, political effectiveness represents Russia's decision to end the war or to agree to negotiation settlements.

Ultimately, when discussing sanctions, academics mention the practice of sanctions' circumvention. This may take various forms, but mainly encompasses "all practices of sanctions avoidance, both legal and illegal" (Giumelli, 2024, p. 216). Kaldor (2012) also describes such practices, particularly "illegal circuits of trade" as an often-used practice specifically within a WE system (p. 127).

Therefore, sanctions represent a means of influencing other states' behaviour by targeting their economy. However, circumventing such practices is particularly a characteristic of WEs. Consequently, understanding why Russia's WE is central to the pursuit of the war can elucidate why analysing sanctions' targeting of WE specifically (instead of the overarching economy) can offer explanations for the sanctions' failure to achieve political change.

### **Accounts of WE**

Multiple academic pieces discuss Russia's WE and its importance in supporting a military conflict. Nevertheless, no academic work proceeds to analyse the EU's sanctions' ambition to target Russia's WE. Highlighting how instrumental Russia's WE machinery is to Russia's war in Ukraine, Foster (2024) argues that "any effective strategy to defeat the Kremlin's aggression in Ukraine (...) must target Russia's war economy" (p. 132). However, the author lacks an analysis showing how the sanctions failed to affect Russia's physical ability to support the war. Instead, he argues that labour shortages should be the target of sanctions. This author acknowledges the vitality of Russia's WE to the war, but he mistakenly frames it as fragile given Russia's labour shortages. Nevertheless, data showing increased military outputs contradict this view, highlighting WE productivity (Liang et al., 2025). Although WE is recognised as fundamental to Russia's warfare, pieces discussing it do not examine whether sanctioning mechanisms are designed to tackle the WE.

Alternatively, other authors portray the extensive spillovers of Russia's WE, discussing how its power can affect both European states and the Ukrainian war. Nevertheless, they do not mention whether sanctioning mechanisms are fit to weaken Russia's WE' power. Chahidanize (2023) discusses the EU - Russia relationship, arguing that it was mainly based on "economic and energy interdependence" which changed since the EU's adoption of sanctions packages (p. 7). He explains how the decoupling of Europe from Russian gas and oil has led to a shock for the global political economy, especially in the European region, where

prices reached extremely high levels. Farrell and Newman (2019) also highlight how economic interdependence and connectivity among countries results in security consequences. Foster (2024) similarly underscores how Russia has a veritable globalised WE, arguing that this can help Russia defeat Ukraine (p. 134).

However, Irtyshcheva et al. (2022) maintain that the war in Ukraine has already led to its transition to a WE, with European countries supporting Ukraine through the sanctions (p. 78). Despite this, Győrffy (2023) discusses the war in Ukraine from a perspective which stresses how Russia's short-term economic decline does not provide certainty regarding Ukraine winning the war. Therefore, his research underlines how despite the goals of Western states to weaken Russia, this aspect seems insufficient for ending the war if Ukraine remains a less powerful party. While this author mentions how economic decline does not guarantee an end to the war, he fails to argue why this is the case and to link the war's sustainability to Russia's ability to physically produce and invest in military assets. Foster (2024) however claims the war's success is fostered by the Russian WE's ability of outproducing, outnumbering and outlasting the Ukrainians. Nonetheless, this author does not proceed to investigate why sanctions have so far failed to attack this ability. This thesis thus strives to offer an explanatory analysis for why the EU's sanctions failed to weaken Russia's aforementioned abilities.

### **Logic of Sanctions**

This section encapsulates scholarly work on sanctions' logic, to highlight authors' insights regarding the sanctions' targeting mechanisms. Most literature discussing sanctions, especially after Russia's invasion of Ukraine, is concerned with sanctions' effectiveness. Although these pieces cover a multitude of the sanctions' facets, most miss examining the goals and logic behind why certain objectives were set. Having a concrete perspective on the sanctions' goals is crucial as understanding their objectives facilitates the evaluation of their effectiveness (Giumelli, 2024).

The European Council (2025) states the sanctions are designed to achieve the end of the war in Ukraine, via "maximising pressure on Russia" and diminishing its capabilities of sustaining the war (2025). Despite this set objective, most scholars conclude that the sanctions' goals aimed at hurting the Russian economy. Irtyshcheva et al. (2022) argue that the Western sanctions indeed succeeded in affecting the aggressor's economy. Nonetheless, authors such as Foster (2024) surprisingly argue that the sanctions' design inhibited their goals by rather benefiting the Russian economy, as it brought factories back to life, employment for the

workers and a raise in wages. Contrastingly, Giumelli (2024) maintains that debates on sanctions' effectiveness against Russia are falsely based on the assumption that they were designed to induce the collapse of the Russian economy. While all these authors discuss the sanctions' design as tied to the Russian economy, they fail to differentiate between a state's economy and a WE, the latter being the driver of war-sustaining capabilities that the EU is concerned with.

This lack of nuance is instrumental, as successfully weakening Russia's WE could result in the cessation of the war, while damages to Russia's entire economy do not necessarily entail inhibiting Russia's physical ability to produce what it needs to continue fighting. For instance, deeming the sanctions ineffective because they induced an increase in wages - as Foster (2024) argues - unveils logical fallacies. Such an inference could not be properly applied to other evaluations of sanctions, due to its omission of the WE concepts. The sanctions' ineffectiveness does not stem from their effects on society (employment or high wages). Instead, economic effectiveness results from the success of inhibiting a states' abilities to maintain military production for sustaining the war. Such abilities are provided by a state's WE machinery, dictate the outcome of a war and should lay at the basis of evaluating effectiveness (Leone and Lanka, 2003).

Interestingly enough, Giumelli (2024) discusses how the EU's financial sanctions were designed to reduce both Russia's military and economic capabilities and competitiveness, but maintains that Russia's behaviour in the war should not be a central measure of the sanctions' effectiveness. Consequently, the author believes that sanctions on Russia aimed to reduce Russia's military and economic capabilities, but not to influence Russia's behaviour. However, Giumelli's research fails to then explain why Russia's economic depletion was the sanctions' objective in the first place. Therefore, it becomes clear how lacking a WE lens through which to analyse sanctions inhibits the linkage of Russia's physical (economic) ability to produce military output to Russia's decision of continuing the war.

Lastly, as no authors have so far directly addressed the methods through which (EU) sanctions generally aimed (and failed) to tackle Russia's WE, this research aims to do so. This section consisted of existing debates regarding the objectives that defined the sanctions' effectiveness. Before advancing an analysis investigating whether the sanctions accounted for Russia's WE, a section illustrating current perspectives on labelling the sanctions' outcomes follows. This following section sheds light on various approaches to evaluating effectiveness and critically assess how this research enriches existing literature.

### **Sanctions' Effectiveness**

Some authors relate the war's continuation to Russia's alternative economic partners. Foster (2024) stressed that Moscow relies on Iran or North Korea, especially in regard to military materiel and industrial base. Wolff et al. (2024) also highlight that, due to its Asian connections, Russia's access to Western technology has been facilitated through countries such as China. Thus, even though some sanctions targeted Russian (military) production, authors argue that their enforcement was not sufficient enough to substantially reduce it and show that Russia's weapons production is increasing. Nevertheless, Giumelli (2024) considers the existing sanctions were useful in constraining Russia's military capabilities, therefore signalling, according to him, the sanctions' effectiveness. He argues that Russia's military campaigns' costs have increased due to the sanctions, highlighting the sanctions' success, as Russia had to rely on materiel from countries such as North Korea and Iran.

It is clear how authors perceive sanctions' effectiveness differently, either labelling them as ineffective because Russia could reorient towards other non-EU producers or as effective because they left Russia no choice but reorient towards non-EU producers. These diverging opinions could benefit from the measurement distinction between usefulness and effectiveness that this thesis' theoretical framework provides. Other scholarly works reveal further fallacies in utilising various sanctions-related concepts. For instance, Steinfeld (2023) mentions how data on the impact of the sanctions translates to effectiveness, referring to WTO's assessments. Here, the author equates economic impact to effectiveness, arguing that the sanctions proved potential success due to their impact on the Russian real GDP. This research disentangles such contrasting perspectives by adopting the WE lens to properly understand whether sanctions' outcomes were indeed effective or only useful in significantly weakening Russia's WE.

Additionally, authors such as Sedrakyan (2022) and Drezner (2022) argue that the sanctions were ineffective in stopping the war partially due to Russia's decreased dependency on Western markets and on its anticipation of sanctions. Nonetheless, this paper counters this perspective by illustrating how Russia's dependency on Western resources was still high before the sanctions' imposition, but not vital to the sustainability of the war, which is the deciding factor of the sanctions' effectiveness. Foster (2024) also discusses decreased dependencies, noting that Western sanctions motivated Russia's "import-substitution industrialization", with a focus on the Russian agricultural and rust belt sectors - its defence-related industries (p. 135). Therefore, the sanctions seem to act as a factor propelling the current economy to increased efficiency, with Russia aiming "to substitute Russian-made products for now-sanctioned

imports” (p. 135). Aslan and Aslan (2025) also claim that sanctions managed to spur innovation in multiple Russian sectors such as aerospace and defence.

Nonetheless, while these authors address various reasons for the sanctions’ ineffectiveness, they do not link it to the centrality of the WE in Russia’s military conflict. When stating industrial productivity as a sign of ineffectiveness, they fail to comprehensively show that productivity of certain sectors is directly supportive of Russia’s war sustainability. Alternatively, other scholars claimed instead that the sanctions undermine Russia’s growth sources, as the sanctions target Russian access to technology and capital and weaken the state’s labour quantity, quality, its institutions and freedom (Gyórfy, 2023). Rasmussen Global (2024) also highlights how acquiring EU-produced goods has become more difficult for Russian entities, inhibiting Russia’s access to resources vital for its war efforts. Therefore, opinions also differ when assessing sanctions’ effects on industrial productivity.

### **Conclusion**

This literature review reflected a pattern of analysing sanctions against Russia separately from their role in constraining Russia’s WE, further unveiling a significant gap in the literature. This review also highlighted an inconsistency regarding authors’ labelling of sanctions’ outcomes, which accentuated the uncertainty regarding sanctions’ effectiveness against Russia (Giumelli, 2024). Moreover, while sanctions’ effectiveness can be assessed both in terms of whether they produced economic harm or whether they achieved their intended political effects, academics’ evaluation of sanctions against Russia often seems to not distinguish between the two (Simola, 2023). Nonetheless, as explained in the previous section, when some authors differentiate between political and economic effectiveness, they treat these phenomena as separate, rather than mutually reinforcing.

This research hence distinguishes between the two “analytically” distinct concepts that have been widely misused within academia, sanctions’ impact and effectiveness (Giumelli, 2024, p. 218). This piece further aims to bridge the gap between the two concepts and contribute to the understanding of why the sanctions’ impact, if existent, has not induced economic and ultimately, political effectiveness. The novelty brought by this research hence results from the use of WE theories to explain the link between sanctions’ economic and political effectiveness, which have so far been treated separately. Consequently, conceptualising sanctions’ effectiveness through WE theoretical lenses mitigates existing weaknesses in the literature, as WE offers an explanation for political behaviour (deciding to end the war) based on economic aspects (having the physical / military means to sustain the

war). The pronounced gap between these concepts is important to address as “sanctions are a vital tool in targeting Russia’s war capabilities” and their economic effects are indubitably related to their political outcomes (Rasmussen Global, 2024).

Therefore, this paper builds upon these existing studies, by addressing sanctions’ effectiveness through WE and sanction-theory lenses and distinguishing between four stages of sanctions’ outcomes: impact (economic or policy-related), economic usefulness, economic effectiveness and political effectiveness. Creating such a hierarchy of the sanctions’ outcomes facilitates measuring the extent to which the EU’s restrictions hurt Russia’s WE and helped deter the war. The analysis below uses this newly created hierarchy to highlight why political change has not been achieved. The hierarchy helps explain how some sanctions achieved their economic effects, due to high economic impacts and their usefulness in relation to Russia’s means of military production and assets. However, the scale of outcomes helps contextualise the failure, as it connects success to the political decision of ending the war, which is highly dependent on the WE’s sustainability. Evaluating the sanctions’ impact and usefulness in opposition to Russia’s alternatives helps explain how economic effectiveness could not be achieved and thus signals political failure.

Lastly, this paper employs WE concepts to understand the mechanisms that help support Russia’s war in Ukraine and to explain why and how the outcomes of relevant sanctions failed to induce a cessation of the war. This is done by emphasising how Russia’s political behaviour is influenced by Russia’s WE stable military production and hence, by its access to continuous funds and resources. Current literature has so far failed to frame ineffectiveness as the sanctions’ inability to harm Russia’s WE and has rather focused on separate economic sectors. Nonetheless, this work highlights how effectiveness does not equate to isolated economic damage, but to inhibiting the ability to produce enough military support. Furthermore, this thesis uses WE concepts to clarify how the sanctions’ logic should not aim to destabilise the (economic welfare of) Russian people, but how their mechanism should rather hurt the industries that directly allow for the war to continue.

## **Chapter III: Methodology**

### **Use of Theoretical Concepts**

This thesis uses the concept of WE, focusing on its character of producing, mobilising, allocating, banning and freezing resources to sustain or stop violence and military conflicts. With a particular focus on Russia's WE, this research sees this economic state as a concentration of funds and investments for defence and military (technologic) production. As the analysis develops, this thesis proceeds to utilise WE concepts to explain how sanctions failed to destabilise Russia's WE enough to make it weaker than the Ukrainian WE. This is done based on comparing the two countries' relative military spendings and does not include a Ukrainian WE analysis.

To aid the understanding of the concepts and of the path between sanctions' impact and effectiveness, this thesis also interacts with the already-defined concept of sanction circumvention. Therefore, the analysis aims to illustrate the sanctions' ineffectiveness in weakening Russia's WE by studying the sanctions' outcomes and by investigating Russia's behaviour. To accurately do this, this paper drew data from a variety of economic sources, data bases and reports that are described below, along with the methods used to incorporate them in this research.

### **Data & Methods**

Given the scarcity of Russian primary sources after the 2022 invasion, this paper mainly draws its data from international databases (such as the Observatory of Economic Complexity [OEC], Trading Economics or World Bank), as well as from reports issued by the Kyiv School of Economics [KSE]. The databases consist of values for Russia's imports and exports' levels, detailed by year, category and import origin / export destination. Using these data facilitated the calculus of the sanctions' impact (and sometimes, economic effectiveness) through computing the percentages and amounts of certain goods imported by Russia from the EU or exported there, before and after the imposition of the sanctions. Moreover, trends in Russia's export revenues and imports' origins states were calculated using the values offered by these datasets.

Furthermore, the KSE reports represented a source for more complex data. For instance, this piece used KSE reports regarding the sanctions' impact assessment, financial sanctions, Russia's sovereign assets, military-industrial logistics or Russian recession. It is evident that some objectivity concerns stem from the use of this source, given that it closely works with the

Ukrainian government (Russia's Pivot to Asia, 2025). Nevertheless, given the wide use of these data by international economic intelligence, the lack of additional datasets on Russian economics and the non-existent proof for validity concerns, the current research believes that these reports represent the most accurate and up-to-date source that can aid the goal of this research.

Given that recent studies engaged with the US's sanctions on Russia and their effectiveness, the current study adopts the EU as the sanctioning party and Russia as the target country (Aslan & Aslan, 2025). The focus is on the sanctions initiated after the 2022 invasion of Ukraine, as the conflict is currently still ongoing, highlighting the ineffectiveness of sanctions to induce an end for the aggression. The EU imposed 19 packages of sanctions against Russia, with the latest one being adopted on the 23rd of October 2025. Given the availability of data concerning the effects and impacts of the sanctions, this research focuses on the first 18 packages, with the last one being adopted on the 18th of July 2025. To facilitate the analysis of so many sanctions' packages, this thesis followed the EU's distinction of sanction categories as presented in their sanctions' factsheet (European Council, 2025). Nonetheless, several categories (assets freeze and travel bans against individuals; sanctions on services; diplomatic and visa measures and countering disinformation) have been excluded due to a lack of direct connection between the factors these sanctions target and the Russian WE, which is the focus of this analysis.

Therefore, considering the theoretical concepts introduced above and the data this paper utilises, this research aims to present a case study of economic sanctions by evaluating their effectiveness. This thesis' methodology stands out and enriches the existing literature for two main reasons. First, this research employs a hierarchical evaluation of the sanctions' outcomes, beginning with the assessment of their policy and economic impact, their potential usefulness and ending with their economic effectiveness and most importantly, their political effectiveness. As the outcomes' level of success gradually increase, this research's analysis follows a logical evaluation order - from material perceivable impact to the political change in the continuation of the war. Based on this, the analysis explains how political effectiveness (ending the war) has not materialised due to either low impact, low usefulness, non-existent economic effectiveness or methods of mitigating it. Secondly, this hierarchy employs the WE concept to bridge the gap between sanctions' economic outcomes and their ability to induce political change. Ultimately, this piece enables the understanding of how a WE country guides its military operations based on its physical ability to produce military outputs and fund their production. Hence, the thesis analyses Russia's behaviour in light of the sanctions' economic

performance.

The assessment of the 6 sanctions groups is structured within 5 sub-sections that follow Giumelli's (2024) process of effectiveness measurement. The second phase of Giumelli's original strategy (labelling the sanctions as Coercive, Constraining or Signalling) is excluded due to this research's inherent focus on coercive and constraining sanctions. This analysis has changed the name of the penultimate phase (initially "How much have these results costed?") for comprehension purposes. Furthermore, the last section of Giumelli's model, discussing potential alternatives for the sanctions, is not used within this research given its emphasis on counterfactual analysis. Considering the speculative dangers, this phase has been replaced with a section which establishes how political ineffectiveness unfolded.

Henceforth, while analysing the success and failures of the sanctions, this research firstly places them into the EU's policy strategy towards Russia through WE theory engagement. Thus, it can be seen whether the sanctions were designed to properly tackle Russia's WE or only to impact relevant sectors of the Russian economy. Secondly, the analysis estimates the sanctions' impact on Russia's WE with the help of databases and reports' data. Thirdly, the thesis identifies the sanctions' effects and judges their economic effectiveness by examining further reports and economic trends. Consequently, the research evaluates the costs borne by the sender states and by the Ukrainian WE to further contextualise sanctions' overarching effectiveness. Lastly, given the failure of reaching the ultimate political goal (ending the war), the final section explains why the sanctioning process failed politically. This is done through accounting for Russia's mitigation methods, for the imperfect design or implementation of the sanctions or through comparing Russia's weakened WE to the Ukrainian one.

## Chapter IV: Analysis

Given the main discussions surrounding Russia's WE mechanism and its centrality to the continuation of the war in Ukraine, this paper assesses the effectiveness of the EU's sanctions that target the Russian sectors contributing to the WE sustainability. This way, a better account of why the sanctions did not lead to political change is achieved, as the thesis examines the impact and effectiveness of the sanctions directly linked to the means of conveying an ending to the conflict.

### **Group A (Frozen Assets)**

#### *Placing Sanctions within the Overall Strategy*

This thesis examines this groups' sanctions whose focus is on banks, insurance companies, financial institutions, companies in the military and defence sectors, companies in the aviation, shipbuilding and machine building sectors, of armed forces and paramilitary groups; as these are directly supporting the WE machinery (European Council, 2025). Considering the size of Russia's economy (\$2.173.84 trillion in 2024), along with its "substantial energy exports" and its public finance system, freezing the assets is not sufficient for devastating Russia's WE so that it could not fund its industrial-military complex anymore (Harangozo, 2024, p. 12; Simola, 2023). However, foreign assets represent a safety net for times of crisis or an opportunity for stabilisation.

Therefore, this sanction is well designed to pressure the Russian government to provide less funds for fuelling a WE. While this measure is not sufficient in immobilising the Russian WE machinery, affecting assets in the EU's reach, consisting of large sums of money, is necessary in slowing down the Russian WE. Consequently, coupling these sanctions with other measures targeting the economic sector (such as the sanctions on imports and exports) highlights a potential mechanism of damaging the Russian WE by exponentially reducing its ability to access EU currency, goods and to profit off exporting its products to the EU's markets. Accordingly, the Asset Freeze sanctions not only played an independent role of blocking Russia's access to (financial) resources that could support its WE machinery and advance its war in Ukraine, but also were well-designed to fit with additional sanctions, by reducing Russia's ability to conduct trade with EU states.

### ***Estimating Impact***

Since the imposition of the sanctions, Russia's use of sanctioning countries' currencies in its trade has exponentially declined (KSE, 2025a). Consequently, its share of currencies from sanctioning countries "in the settlement of Russian exports and imports of goods and services" fell dramatically, from approximately 85% in 2021, to around 19% in 2024 for exports and from 68% in 2021 to 22% in 2024 for imports. Nonetheless, Russia's share of other currencies, especially Rubles, has increased (p. 11). When looking at Russia's use of foreign currencies, experts emphasise a "yuanisation" of Russia, which further portrays how sanctions led Russia to adopt new dependencies (on China) to prevent Russia's WE depletion (Von Essen, 2023, p. 2).

Furthermore, following the imposition of sanctions, in March 2022, the Russian Government issued a directive maintaining that the Russian state, citizens and companies having "foreign currency obligations to foreign creditors from the list of the unfriendly countries [including the EU Member States]" can pay off those obligations using Russian Rubles (The Russian Government, 2022). Therefore, the sanctions' imposition led to a policy impact on behalf of the Russian state, which aimed to strengthen its own currency while facing the inability of using foreign currencies. This signals how the sanction's impact on the Russian State unfolded not only through a decrease in their foreign assets and ability to use EU currency, but also through a change in internal economic policies.

### ***What are the Effects?***

Whereas the sanctions have led to changes in Russia's economic and policy behaviour, this impact has not affected the Russian economy only by decreasing its use of the euro. Via Russian Central Bank (CBR) policies, Russia also increased the use of its own currency (Ruble) and of currencies belonging to foreign countries considered allies (KSE, 2025a). The share of the Ruble's use increased from 14% in 2021 to 41% in 2024 and from 28% to 43% for exports and imports, respectively (p. 11). Additionally, the use of other foreign currencies for the same time periods increased as well, in the settlement of exports from 1% to 40% and from 4% to 35% in the settlement of imports.

This piece computed Russia's exports and imports values prior and following the sanctions and observed that the economic effects were not significant. While Russia's share of friendly currencies (including euro) in export settlements has declined with 77% in three years (from 85% to 19%), the value of the exports for approximately the same period has declined only by 31% (KSE, 2025a; Trade Economics, 2025a; 2025b). Regarding imports, the share of

friendly currencies in the settlement of imports declined by 67% in three years (from 68% to 22%), while the imports' value decreased only by 4.5%. Additionally, the decline in imports and exports value cannot be entirely attributed to the decline in friendly currencies' use (of which the Euro is only a part of), given that additional measures affecting trade (imports / exports bans) were also imposed. Therefore, the switch to other currencies seems to have mitigated the desired impact of destabilising Russia's financial resources, as Russian foreign transactions have seen little negative outcomes compared to the exponential changes in friendly currencies' use.

Furthermore, despite the EU's freeze of €100 billions of CBR Reserves, Russia increased its military spendings (and hence, investments in the WE) in 2024 by 38% compared with the previous year, reaching \$149 billions worth of spendings (Liang et al., 2025). Moreover, companies operating in several of the targeted sectors have managed to expand to support the WE machinery (KSE, 2025b). Witnessing "significant post-2022 expansion efforts" to support the WE, Ulan-Ude (the main Russian aviation manufacturer cluster by volume) aims to launch new helicopter lines and complete the import-substitution projects for certain helicopter parts, with the help of state funding (p. 46). Therefore, while sanctions have frozen assets of (and as discussed below, exports to) Russian companies operating in the aviation manufacturing sector, the economic effectiveness of this measure has failed. This happened due to Russian initiatives encouraging import-substitution projects that were able to help the sector expand, highlighting continuous availability of financial resources.

Consequently, considering the desired effect of weakening Russia's ability to finance the war, the Group A of sanctions proved economically ineffective. This happened because the sanctions could not account for alternative financial resources or mitigating methods available to the Russian economy that were used to maintain Russia's economy far from the necessary (and desired) economic decline.

#### ***At what cost did these results come?***

It is estimated that \$131 billion of foreign assets which did not exit the Russian market belong to G7 members, among which EU members Germany, France and Italy (KSE, 2025a). This represents a potential future cost for the EU companies maintaining their businesses in Russia. Alternatively, the global composition of currency reserves has not changed, despite the (EU's) imposition of sanctions against Russia. However, the costs of this group of sanctions could be seen following the decline in EU imports and exports' relationship with Russia, as these sanctions were interconnected with the bans on exports and imports. Hence, a more

detailed description of these costs is described in the sections tackling import and export bans. Nonetheless, taken separately, the costs of imposing the asset freeze is thus insignificant, given the consistent value of European currency on the global stage.

### ***Assessing Political Effectiveness***

These sanctions did not reach or even incentivise political effectiveness, as they inhibited the economic one by leaving Russia able to continue financing its war. This failure stems from the design of the sanctions, which envisioned a high impact on the Russian economy, but not an effective one. Political effectiveness could be possible if Russia's economy would have remained without enough financial means of supporting the WE machinery, a scenario that could not be ensured only by freezing Russian foreign assets.

The impact manifested through Russia's short-term financial instability, Ruble depreciation, policy changes and imports and exports' sources and destinations' changes. Nevertheless, considering the alternatives Russia could follow at the time of the sanctions, and the achievement of certain manufacturing sectors to be revived and earn substantial profits, economic effectiveness was not reached, because the WE's funds were not significantly damaged. Having a strong pre-sanction economy, access to foreign currencies of countries such as China and the power to retaliate via economic policies designed to strengthen the Ruble, Russia managed to mitigate these sanctions and manage its resources in such a way that its WE was not only supported, but also strengthened.

## **Group B (Bans of Defence-related Exports)**

### ***Placing Sanctions within Overall Strategy***

This group of sanctions encompasses the EU's ban on exporting goods vital to the Russian WE, such as technology for military use, semiconductor materials, drone engines, ammunition, paramilitary equipment and military vehicles and other goods potentially enhancing Russian industrial capacities (European Council, 2025). Noticing how these goods are elementary for the conduct of military operations, technological advancements, as well as "enhancing (...) industrial capacities", it is clear how access to them can benefit a state's WE machinery.

Therefore, considering that this group of sanctions' goal is "targeting sensitive sectors in Russia's military industrial complex", this paper deems the sanctions' role instrumental within the EU's overall strategy of ending the war in Ukraine, as it targets elements essential

to the Russian WE. Targeting the aforementioned factors - goods and services with military (and civil) purposes - is sufficient for destabilising and weakening Russia's WE enough to cause an end of the war, given the WE's dependence on defence production and goods' availability. Nevertheless, since the goods and services that the EU banned did not represent Russia's sole source of such needed resources, the sanctions are labelled as necessary, rather than sufficient to the weakening of Russia's WE.

### ***Estimating Impact***

Focusing on WE-relevant goods, existing data on Russia's imports show that in 2021, out of the \$280 billion worth value of Russian imports, \$87.5 billion came from machinery products, including batteries, vehicles, semiconductors and other machinery components that could serve as dual-use goods, while \$3.1 billion was the value of imported planes, helicopters or spacecraft (OEC, 2025a). After computing available data, this research found that, in the same year, EU member states accounted for approximately 36% of Russian imports, compared to 25% originating from China. In 2023, the total value of Russian imports decreased to \$208 billion, with the EU's share declining to 19% while the Chinese one increased to 53%.

This aspect shows how despite the urgency of investing in defence-related resources, Russian imports have indeed declined after the imposition of sanctions. Furthermore, they confirm that EU-originating import levels clearly decreased, but also highlight that this aspect allowed Chinese-originating import levels to more than double. Additionally, despite decreases in imports, Russia's investments in the defence sector have increased significantly, reaching more than \$149 billion estimated military spending in 2024, a sum equivalent to 7.1% of its GDP, to 38% more than its military spendings in 2023 and double the level of these spendings in 2015 (Liang et al., 2025). Therefore, Russia witnessed a decline in WE-related imports due to the sanctions but managed to increase its military spendings due to its reorientation towards other trade partners. The effects of this are discussed below.

### ***What are the Effects?***

Sustaining the war in Ukraine is dependent on Russia's support of WE and thus, on its access to defence-related products. As discussed above, following the sanctions, Russia witnessed an increase in imports from non-EU countries, especially military superpowers such as China and North Korea (KSE, 2025b). Data highlight a potential 150 thousand tons of explosive shipments to Russia in 2023 and 260 thousand tons in 2024. Smaller (but still significant) amounts of explosive imports reportedly originating in Iran have also reached

Russia, with 13 thousand tons entering Russia each year (5 thousand tons in the first four months of 2025 only). Moreover, military-related cargo flows consisting of machinery and equipment have risen every year since 2022, at Russia's eastern border. This aspect satisfies the increased Russian demands and needs from both "the civilian economy and military-industrial complex", reaching a 63% increase level from 2021 to 2024 in machinery and equipment cargo (p. 21).

These data explain the discrepancy between decreased levels of EU imports and increased military investments. Additionally, they signal that this group of sanctions was partially effective as it only managed to limit Russia's access to EU's military-related goods, but not to "crucial advanced technology" in general (European Commission [EC], 2025a). Following the sanctions, China became a "key enabler of Russia's military-industrial complex", managing to supply Russia's WE with the defence-related technologies whose access the EU has limited (KSE, 2025f). This replacement of trading partners mitigates the EU's sanctions through three mechanisms. First, China produces goods that replace former Western supplies. Second, the Chinese re-export Western-manufactured products, which account for 18% of Russia's battlefield goods imports. Third, Western manufacturers partake in offshore production via Chinese factories, whose goods are also imported by Russia.

Therefore, despite the bans, Russia managed to mitigate these measures via acquiring either other foreign-produced goods or even Chinese-sourced EU-produced ones. While similar trends of significant increases took place in multiple industrial sectors relevant for Russia's WE, data shows that the Russian military-industrial complex is suffering after the imposition of sanctions, despite its reliance on external partners such as China, North Korea and Iran. As this dependence is vulnerable and the EU's sanctions denied Russia access to sources for strengthening its WE, this research deems this group as partially economically effective. The partial label stems from the sanctions' inability to prevent Russia's access to defence-goods via third states as well.

#### ***At what cost did these results come?***

The obvious costs borne by the EU after the imposition of these bans consists of the loss of revenue that would have followed trade with Russia. Nevertheless, these costs are not absolute, as the EU has shifted its focus on providing Ukraine with the same WE-relevant material that Russia needs. As Moccia and Tomic (2022) explain, one state's WE can be fuelled to achieve an end of conflict, as happens in the case of Ukraine.

However, while Ukraine's defence investments have exponentially increased with the help of the EU, its WE's relative power compared to Russia's makes it difficult to picture the current state of military capabilities favouring Ukraine. Ukraine spent 34% worth of its GDP into military investments in 2024, compared to Russia's spendings equalling 7.1% of its GDP (Liang et al., 2025). This however equals to \$64.7 billion sum for Ukraine, as compared to \$149 billion in Russia's case. This difference in funds for each country's WE underscores the an essential aspect behind the political ineffectiveness of ending the war in Ukraine: to win the war, Russians must outproduce, outnumber and outlast the Ukrainians (Foster, 2024). Whereas the first two aspects seem to favour Russia's side so far, the third is, as highlighted by this analysis, not guaranteed, if current trends of industrial instability and an expansion of bans and sanctions unfold for Russia.

### ***Assessing Political Effectiveness***

Considering that Russia's WE machinery still managed to develop following the sanctions, this analysis deems the sanctions politically ineffective. A failure to account for the Russian alternatives to banned goods resulted in Russia's ability to expand its WE production relying on other partners.

Therefore, non-existent bans and sanctioning mechanisms on third states continuing trade with Russia were reflective of this group's political ineffectiveness. This is because Russia's remaining defence-related trade partners managed to support its WE and even stimulate the country's military spendings. Additionally, the exports of Chinese-sourced EU-produced goods represents a critical loophole of the bans and a proof that the partial economic effectiveness could not materialise into the political one. This section has thus shown how and why partial economic effectiveness was achieved due to the imposition of the EU's bans, but also why and how political effectiveness was impossible due to Russia's reliance on external partners and its ability to still obtain EU goods via external mechanisms.

### **Group C (Imports and Exports of Raw Materials and Other Goods)**

#### ***Placing Sanctions within Overall Strategy***

This group of sanctions mainly consists of a ban on exports of materials such as diamonds, steel, pig iron, chemicals, wood, paper, synthetic rubber and plastics, seafood or gold (European Council, 2025). This research evaluates the amount of revenue that Russia obtained from all goods whose import the EU banned. Knowing this further facilitates the

understanding of whether targeting them could significantly affect the Russian economy and consequently, its WE.

Data on Russia's exports estimate that in 2021 Russia exported products worth \$493 billion (Trading Economics, 2025a; OEC, 2025a). After selecting each product category banned by the EU, this research computed how much of the revenue from the export of the banned goods originated from EU countries in 2021. The data shows that the goods which were later banned by the EU represented a total of approximately \$14.5 billion out of Russia's \$493 billion worth of exports, accounting for only about 3% of Russia's total exports revenue in 2021.

It is evident then that this group only slightly affects Russia's economic landscape. Nevertheless, considering that recipients of larger amounts of Russia's exports have sanctioned similar products, it is clear that EU's sanctions helped block Russian trade. Therefore, this group is labelled as useful for the overarching political strategy, as it intends to contribute to the weakening of Russia's WE by reducing its economic activity (Moccia & Tomic, 2022, p. 144).

### ***Estimating Impact***

As mentioned when discussing the previous groups of sanctions, the value of Russia's exports has declined in the years following the imposition of sanctions (OEC, 2025a). Nevertheless, considering the impact for which data is already available (2021-2023), even if the percentage in some of Russia's exports to the EU (for instance, chemical products, plastics, rubbers and wood products) significantly decreased from a share of 41% to 9%, the actual revenue values changed from approximately \$20 billion to around \$3 billion, revealing a light impact on the total value of Russian exports, and hence on the revenues that could sustain Russia's WE. This is because, in the span of 2 years for which data exist since the sanctions were imposed, the impact of this group of sanctions equals a value of \$3 billion out of the \$100 billion deficit observed in Russia's exports. Consequently, only 3% of the decline in Russia's exports revenue in the two years after the start of the war can be explained by the third group of sanctions analysed, underscoring the low impact on the functioning of Russia's WE.

### ***What are the Effects?***

As the EC (2025e) frames these sanctions as a method of depriving Russia of key trade advantages, it can be admitted that blocking Russia from exporting the above-mentioned goods resulted in the partial economic effectiveness of these sanctions. This paper labels the

effectiveness as partial because, even if Russia was blocked from EU markets following the sanctions, these did not manage to deprive it of absolute trade advantages. For instance, in 2023, Russia exported 38.4% of its gold to Hong Kong, 18.6% to UAE and 9.84% to Armenia, amounting to 66.84% of the Russian share of gold exports (OEC, 2025a). However, in 2021, these three countries amounted to just above 1%. Moreover, the difference in revenues is not exponential (about 30%, from \$19.5 billion in 2021 to \$13.6 billion in 2023). Similar trends can be seen in the exports of chemicals, plastics and wood products.

Journalistic sources indicate the continuation of these trade-reorientation trends in 2024 as well, confirming that the group of sanctions was not completely successful in achieving its objective of depriving Russia of key trade advantages, let alone destabilising its WE funding (Azemedi, 2025). These data highlight how Russia's trade mechanisms were remodelled to include other partners that facilitate sanction circumvention. Furthermore, while current EU regulations underscore that such circumvention practices constitute a violation of the sanctions, regulations do not mention what measures are adopted to deter such behaviour and ensure economic effectiveness (EC, 2022).

#### ***At what cost did these results come?***

The decline in EU's imports from Russia reflects direct costs borne by the EU following these sanctions, as the imports have declined by 50% from 2020 until 2023 (OEC, 2025b). However, this data includes the period before the sanctions and other imports from Russia that were banned by the EU as part of other sanctions (to be discussed below). Therefore, it is evident how the impact of the decline in Russian goods targeted by this group of sanctions is less significant. Furthermore, the decline of Russian exports to the EU accounted for only \$57.4 billion while the EU has witnessed an increase of around \$1.14 trillion in total trade for the same period of time (OEC, 2025a; OEC, 2025b). Nevertheless, compared to other sectors of goods, the ones which have banned the Russian imports concerned by this group have witnessed a slight decline in their total value. However, internal imports (among EU members) of other goods such as chemical products, wood products and precious metals have increased in the period between 2021 and 2023. This shows that the EU's markets have not suffered from the imposition of bans as much as Russia's exports revenues did, signalling a positive implication for the sanctioning economies.

### ***Assessing Political Effectiveness***

The design of this group of sanctions may be useful in reducing Russia's funds for financing its WE by limiting its access to the EU's markets. However, this research believes the sanctions' implementation led to political ineffectiveness. Firstly, by targeting specific goods rather than wider categories of Russian goods (pig iron, instead of all categories of iron), the sanctions affect a reduced number of Russian exports, resulting in only a 3% coverage. Targeting specific goods instead of larger categories undermines the economic impact, and hence effectiveness, that these measures could have had in destabilising Russia's financial means. Secondly, the delayed implementation of bans on several goods in 2023 signals a missed opportunity of targeting more Russian imports at an earlier time. This further strengthened Russia's ability to prepare, reorienting its markets and finding other destinations for its sanctioned goods (Sedrakyan, 2022). Thirdly, the sanctions' mechanisms do not deter third countries to intensify trade with Russia and thus only affect the structure, rather than the revenues of Russia's export system. These aspects thus contributed to the failure of deterring the war continuation, as they did not manage to significantly deprive Russia of resources or to account for market reorientation and sanction circumvention. Rather, the sanctions propelled Russia to connect with trade partners who do not share the goal of ending the war in Ukraine (KSE, 2025e).

### **Group D (Energy)**

#### ***Placing Sanctions within Overall Strategy***

This group of sanctions targets Russia's greatest sources of income, namely the energy and oil sectors. According to research conducted under the government of the Russian Federation in 2019, "a significant part of the Federal budget revenues are revenues from taxes and duties collected from oil and gas companies" (Mikhaylov, 2019, p. 375). Furthermore, the research maintains that Russia's budget revenues mainly depend on the price of oil (in US dollars), "oil production volume", "the volume of oil exports" and on "export duties and mineral extraction tax" (p. 377). The EU sanctions of this group consist of a "ban on imports from Russia of crude oil, petroleum products and coal", a price cap on oil, a ban on "imports from Russia of liquefied natural gas (LNG) and liquefied petroleum gas (LPG)" and a "ban on new investments in the Russian energy and mining sector", among others (European Council, 2025). Therefore, it is clear how this group of sanctions is not only necessary, but could also be sufficient in weakening Russia's WE by targeting critical sources of income for the WE.

### ***Estimating Impact***

According to the EC (2025c), this group of sanctions concerns 90% of the EU's oil imports from Russia and "affects one quarter of Russia's coal exports", resulting in an \$8 billion revenue loss per year for Russia. Prohibiting seaborne crude oil imports and refined petroleum products weakened Russia's WE, as the Russian budget was dependent on revenues from these products. For instance, data shows that in 2021, Russia's mineral fuels, oils and distillation products exports accounted for 55% of its total exports' worth of \$492 billion (OEC, 2025a). The top destination for these exports was the EU, sharing 45% of the total exports on mineral products. However, already in 2023, the EU's share of Russian exports in mineral products decreased to around 8%. Nevertheless, whereas trade with EU countries exponentially decreased, the value of total Russian exports has only slightly decreased from \$493 billion to \$394 billion in total, and from \$273 billion to \$248 billion in 2 years for the mineral products. Therefore, the sanctions seem to have impacted the destination scheme of Russia's oil exports more than the revenues following its trade.

Furthermore, given the need for continued oil supplies, the EU's sanctions still allowed for oil trade while imposing a price cap (EC, 2025c). This sanction nonetheless resulted in an increased number of Russian shadow fleets. These aim to circumvent the prohibiting measures and have managed to do so, leading the EU to adopt sanctions against these fleets only later (European Council, 2025).

### ***What are the Effects?***

While Russia's export revenue from fossil fuels has continuously declined since the imposition of sanctions, the impact of the sanctions has not resulted in the WE collapse needed for either economic or political effectiveness (Raghuandan, 2025). Moreover, circumventing sanctions has led Russia to deliver 69% of its crude oil exports via shadow fleets. Additionally, despite the sanctions' impact on Russia's ability to export minerals to EU countries, Russia's trade with countries such as China, Turkey, India or Saudi Arabia has managed to maintain high levels of oil revenues, contributing to the sanctions' failure of inducing economic collapse.

Furthermore, in spite of the impact and the inquired loss of \$8 billion annually, Russia has still a relative advantage of funds for its WE. As Moccia and Tomic (2022) argue, a WE can be mobilised to also fund the end of a conflict, as in Ukraine's case. Nevertheless, whereas this group of sanctions heavily impacted Russia's economy, the Russian exports still recorded a value ten times higher than Ukraine's exports in 2023 - \$394 billion compared to \$39 billion

(OEC, 2025a). Moreover, in 2024, Ukraine's GDP reached \$190 billion, while Russia's reached \$2.17 trillion, showing a similar 10-fold difference (World Bank, 2025).

Consequently, even though the sanctions' design is perfectly fit to address Russia's WE machinery, they did not manage to economically constrain Russia to a level in which its funds and resources would be outweighed by the Ukrainian ones. Considering that WEs redirect most state funds and budget into the military, it is vital for sanctions to weaken a state's economy enough to make it unfeasible to continue funding a war and defeating the opponent. As data on Ukrainian and Russian economies show, these sanctions failed to do so. Furthermore, similarly to the previous group of sanctions, the full imposition of sanctions almost a year after the start of the war (despite earlier warnings) highlights the fact that Russia gained time to build its new trade relations and mechanisms and hence avoid the end of the conflict (European Council, 2025).

#### ***At what cost did these results come?***

The costs of these sanctions have been mainly felt and seen through the surge of energy prices (up to 20% in the first five months after the start of the war), which have particularly affected the EU, due to its dependency on Russian fossil fuels (Yagi & Managi, 2022). Furthermore, these sanctions have also been linked to "increased inflation within the eurozone", deeming the energy sector the EU's "biggest weakness" (Steinfeld, 2023, p. 726). This also highlights another reason for which the sanctions were politically ineffective: they hurt the sender states that were meant to support the Ukrainian WE.

For example, Slovakia's initial reticence in prolonging these sanctions on Russia underscore a risk-averse behaviour that has not prompted the EU to adopt the sanctions at an earlier point (Gavin & Verhelst, 2025). Therefore, the costs borne by the EU following these sanctions have played a role in the slow process of these sanctions' implementation, as well as in the prospects of diminishing oil import levels and hence risking higher energy prices. Hence, in this group's case, the costs of the sanctions play a role in the sanctions' failure to achieve political success.

#### ***Assessing Political Effectiveness***

This research maintains that, as EU states have been particularly hit by the spillovers of their sanctions, their economic support for Ukraine was also limited, amounting to the overarching failure of countering Russia's WE with the Ukrainian one. Academics consider that the EU's continuous purchasing of Russian oil might outweigh its economic and military

help for Ukraine (Foster, 2024, Steinfeld, 2023). Building on this, the thesis argues that political ineffectiveness unfolded due to the weakening of EU's potential support for the Ukrainian WE in its fight against outproducing and outlasting the Russian one.

This group of sanctions was designed to target the central source of Russia's WE funding and had the prospects of achieving political success, if no external factors would have interfered. Nevertheless, the spillovers of the sanctions to the EU's own markets and the energy prices have fuelled public discontent and deterred tighter measures against Russia. Additionally, Russia's ability to mobilise its shadow fleets while operating them without risking sanctions (as shadow fleet sanctions were only later imposed) has also helped Russia mitigate further consequences and recover revenue losses. Moreover, changing the main export destinations for its mineral and oil exports has helped Russia keep its export revenues at a surprising high level, considering the exponential drop in the EU's shares of Russian exports. Thus, taking into account the limitations of this group of sanctions as following from the analysis above, it is evident how Russia's WE weakening could not unfold. Therefore, this paper argues that both the economic and political failures of these sanctions rely not only on their inability to relatively deteriorate Russia's funds for the WE, but also on their inadequate oversight of Russia's possibilities to reorient its markets and means, via new major oil export destinations and shadow fleets.

## **Group E (Finance)**

### ***Placing Sanctions within Overall Strategy***

These sanctions focus on restricting Russia's access to financial resources, such as EU's capital and financial markets, via banning transactions with Russian banks, including the CBR, banning the supply of Euro banknotes or increasing authorisation measures. As these sanctions directly target Russia's supply of financial means that could be used to support its WE, this research labels them as necessary. Furthermore, the design has the potential to weaken Russia's WE as the sanctions inhibit vital sources of sustenance for Russia's military-industrial complex.

### ***Estimating Impact***

The impact witnessed after sanctioning Russia's financial sector was immediate. According to KSE data, the EU's finance sanction package combined with those of other Western states "cut off" approximately 60% of the Russian financial system from the most

important “financial markets and reserve currencies” (KSE, 2022). Moreover, as a consequence of the Ruble’s depreciation following these sanctions, the CBR more than doubled its interest rate to 20% (Ray, 2022). Considering the CBR assessed these sanctions as drastic external changes, it is evident how the sanctions had also an impact on Russian fiscal policies, additional to the financial impact.

Nevertheless, despite the financial crisis that followed the imposition of these sanctions, the CBR mobilised its remaining reserves and supplied institutions with Ruble liquidity (KSE, 2022). Engaging with similar policies of stimulating economic stability, Russia managed to avoid economic collapse. Therefore, in the second quarter of 2025, the Russian economy grew by 0.4% q-o-q, signalling a potential annual growth of 1% (KSE, 2025d). This growth was possible due to Russia’s accumulation of foreign exchange already discussed, which permitted the state to provide liquidity and induce economic growth (Harangozo, 2024). Moreover, as stressed in the previous sections, Russia’s trade with Asian partners have also propelled its economy to resist the loss of access to western financial markets and served as a support for its economic growth. Therefore, the sanctions could not impact the Russian economy enough to deem any recovery unachievable.

### *What are the Effects?*

Following these sanctions, Russia lost access to significant financial markets, while witnessing a great number of western companies leaving its trade environment. Data concerning around 3150 firms shows that imposition of sanctions was associated with firms’ decision to leave the Russian market (Kiesel and Kolaric, 2023). The losses following the companies’ exit from Russia resulted in an increased Russian “dependence on Chinese and domestic firms to replace foreign investment” (KSE, 2025c). Therefore, the short-term economic effectiveness of this group of sanctions is evident, as they managed to substantially deprive Russia’s WE of sources of revenue.

Nevertheless, the policies implemented by the CBR to compensate with this economic success of the sanctions denote how the Russian economy proved to be resilient. The CBR reduced inflation levels from 10% to 8.1% in 3 months, through tight monetary policies (KSE, 2025d). Furthermore, the Russian budgetary deficit also improved moderately. Additionally, Russian countermeasures against firms’ exit have resulted in financial strains and coerced companies to pay high amounts of money before being able to leave (KSE, 2025c). Creating a legal framework for the “expropriation of foreign companies’ assets”, Russia prepared a system that might guarantee the gain of additional income while counteracting initial sanctions (KSE,

2025a). Hence, the effect on Russia's policies signals (economic) ineffectiveness as adjustments to the imposed sanctions include policies targeting foreign companies in Russia, which further hurt European investors. Such retaliatory legal frameworks would have not been implemented had Russia not enough power to leverage and continue its WE activities. While the expropriation policy is not a sanction, it represents an equal threat suggesting that Russia benefits from power sources it can rely on while punishing sanctioning states (Mingst & McKibben, 2022).

Despite these aspects that underscore Russia's economic strength, this group of sanctions is characterised as being economically effective. This is due to the significant changes and damages that the lack of financial resources induced. While Russia's liquidity support and policies helped alleviate an economic collapse, these measures have also slowed down the Russian economic machinery, imposing slow growth and reduced sources of income. As these factors are vital to the maintaining of Russia's WE and fostering its accelerated progress, the successful targeting of these factors results in the achievement of the EU's desired outcome of weakening Russia's economy. The success is highlighted by the collision between Russia's WE interests of advancing investments in the military sector and the CBR's focus on price stability which implies a slow economic growth and tight monetary policies (KSE, 2025d)

#### *At what cost did these results come?*

The highest costs of imposing these sanctions were felt by the companies exiting Russia's market. Over 1000 foreign firms left Russia due to the sanctions' imposition, leading to a collapse of the Russian stock market (Györffy, 2023; Kiesel & Kolaric, 2023). However, European businesses lost €100 billion following their exits, with those of EU member states amounting for around €80 billion (KSE, 2025c). In addition to these losses, the companies also suffered due to the need to pay exit taxes to Russia. Consequently, EU businesses have been affected by these sanctions through revenue loss, asset seizures and forced sales. Nevertheless, taking into account the fact that "many firms" voluntarily decided to exit Russia and bear the indirect costs of the sanctions, it is clear how this group of sanctions' goal focused on long-term damaging Russia's economy while risking the short-term cost of European businesses losses (Balyuk & Fedyk, 2023).

#### *Assessing Political Effectiveness*

This group's section demonstrated that, while these sanctions had extensive ramifications to the EU's businesses, they managed to achieve the economic effectiveness of

weakening Russia's economy. This automatically resulted in a spillover to the WE machinery, which suffered a drop in available financial resources, given Russia's major loss of access to financial markets and the consequential financial crises. The economic effectiveness remained constant due to Russia's CBR policies of slowing economic growth and implementing tight monetary policies to stabilise the overarching economy. Nonetheless, the economic effectiveness these sanctions had was based on their goal of weakening Russia's economy, rather than its WE.

Accordingly, the Russian government's focus on "financing the war and boosting the economy" despite the country's initial economic instability signals Russia's WE centrality (KSE, 2025d). This consequently highlights the political failure of the sanctions due to the Russian's government determination to continue investments in the military-industrial complex at the expense of risking tighter monetary policies. This analysis highlighted how Russia's determination highlights one of the key factors of a WE environment, namely investing available resources into the military sector, despite the implied damages suffered by the private economy (Coyne & Duncan, 2012). Furthermore, Russian alternatives to the economic damages, such as a growing dependency on Chinese foreign investments can explain why political effectiveness was not achieved. With the help of the circumventing measures and the allies mentioned in the previous sections and due to its large economy status before the imposition of sanctions, Russia had the ability of deciding to continue financing the war.

This research further assesses that Russia's ability to opt for continued military investments and a reorientation of resources can be attributed to the increased dependence on third states. Targeting actors (third countries) on which the remaining resources of the Russian economy depend was however not envisioned by these sanctions' design, contributing to the political ineffectiveness of ending the war.

## **Group F (Transport)**

### ***Placing Sanctions within Overall Strategy***

This group targets Russia's access to EU territory via the closing of EU airspace for Russian-owned aircrafts, the closing of EU ports to Russian vessels and through the banning of Russian road transport operators and of Russian registered trailers and semi-trailers (European Council, 2025). Furthermore, sanctions belonging to this group also ban maritime transport of oil to third countries, as well as exports to Russia, consisting of goods and technology related to the aviation, maritime and space sectors. Lastly, this group concerns

Russia's circumventing measures through banning access to "ports and locks in the EU" for Russia's shadow fleet (European Council, 2025). As a WE's well-functioning depends on the proper distribution and acquiring methods of necessary goods and resources, targeting Russian transportation is useful, if not even necessary in disrupting activities that aid the maintenance of the WE.

### ***Estimating Impact***

As Russia's WE sectors were dependent on the resources targeted by this group, the impact has been significant. For instance, Russia's aviation industry received \$12 billion worth of state subsidies following the imposition of sanctions and due to the lack of needed materials for aviation products (Stolyarov, 2023). The government's intervention to economically support this industry directly linked to the WE highlights not only Russia's focus on empowering its WE apparatus, but also the scale of the damage incurred by the industry. Considering that the subsidies were given to maintain, rather than uplift the industry's level, it is evident how the EU's sanctions contributed to blocking access to relevant resources for Russia's economy. This is particularly underscored by the fact that "three quarters of Russia's current commercial air fleet were built in the EU, US and Canada" and these actors imposed sanctions on Russia's air fleet resources (EC, 2025d).

Contrastingly, the EU's sanctions on Russia's transportation means have not led to the desired effect of blocking Russia's access to the EU's territories. The introduction of shadow fleets as a later sanction unveils how initial transportation sanctions failed to properly tackle the fleets. One year after the start of the war and the imposition of initial sanctions, the number of Russian shadow fleets carrying crude oil has significantly increased, amounting to up to 10% of the fleet carrying liquids around the world (Braw, 2024). Therefore, this research highlights that this group of sanctions has led Russia to develop its circumventing methods and continue maritime transportation initially sanctioned. However, the latter imposition of shadow fleet sanction reveals how the EU managed to take measures against these circumventing mechanisms, though too late to block Russia's transportation means enough to stop the war or create an impact that could be currently assessed.

### ***What are the Effects?***

These sanctions resulted in partial economic effectiveness. The "partial" labelling follows from the success highlighted by the fact that Russia changed some of its industrial policies or implemented new ones, to account for losses incurred due to the sanctions. Giving

subsidies to the aviation industry, implementing policies of import substitution for the aviation, naval and space industry while re-orienting to new trade partners and investing in acquiring and managing shadow fleets point to the fact that the EU's sanctions contributed to a weakening of the WE that required immediate restructuring (KSE, 2025b).

Nevertheless, Russia's policy changes and resources allowing for import substitution and subsidies resulted in successfully deeming these sanctions unable to economically weaken the WE enough to stop the war. Therefore, whereas these sanctions were properly designed to fuel economic effectiveness, the impact they had on Russia further led to policies that deemed them both economically and politically ineffective.

### *At what cost did these results come?*

One of the more significant costs of implementing the sanctions, borne by the sanctioning actors, is that of higher fuel costs and travel times for aviation companies originating in the West. This, along with the sanctioning of Russian oil, which is one of the global suppliers of fuel, resulted in higher flight prices and costs incurred by both companies and passengers (Spiro et al., 2025).

Furthermore, while banning exports in the transport industries hurt the Russian economy due to its dependence on Western resources, this also implies losses for the former providers of such goods. Nevertheless, providing the fact that the EU's exports of transportation goods had a total value of approximately \$820 billion in 2021 and that this value increased to approximately \$962 billion in 2023, it is clear how the transportation industries were not heavily damaged by the loss of trade with Russia (OEC, 2025b).

### *Assessing Political Effectiveness*

This group of sanctions was perfectly fitting within the EU's strategy of ending the war in Ukraine, as it targeted the transport Russian sector, vital to the maintenance of a WE. Nevertheless, the Russian economy sectors concerned by these sanctions were neither isolated, nor fully dependent only on the EU and other sanctioning states. This highlights how a state's WE goes beyond separate economic sectors. This resulted in Russia's ability to compensate for and circumvent some of the sanctions. While partial success via weakening and destabilising Russia's economy unfolded in the short-term, this also incentivised policy changes that eventually deemed the sanctions ineffective.

### **Summary of Analysis**

After analysing in detail each relevant group of sanctions, this research reached the following conclusions. First, while the assets freeze group of sanctions had a relatively high impact, these measures were not designed to account for Russia's import-substitution practices and for the financial support from Asian partners to support its military productions. Second, the EU's ban on exporting defence-related goods managed to expose Russia's WE vulnerability and slightly destabilise it. However, this group of sanctions has also failed to cover Russia's Asian trading partners and hence unveiled the weakness of these sanctions that contributed to their ineffectiveness. Third, the EU's ban on raw material and goods' imports from Russia was delayed, which allowed Russia's WE machinery to reorient towards new export destinations. The narrow coverage of the banned goods coupled with several delayed ban implementations resulted in another failure to achieve economic and political effectiveness. Fourth, the EU's sanctions on Russia's energy sector have not managed to deter sanctions' circumvention. Besides Russia's ability to find new trading partners, the costs borne by the EU have also resulted in a decreased ability to fund the Ukrainian WE and hence relatively weaken the Russian one. Fifth, the EU's finance-related sanctions induced a short-term financial instability to Russia's economy, but not to the Russian WE. Therefore, the Russia managed to mitigate this damage by using financial support from trading partners, prioritising its WE and taking advantage of circumventing possibilities that managed to inhibit sanctions' effectiveness. Last, the EU's transport-related sanctions were designed based on the false premise that Russia's transportation industry could fully depend on Western resources and did not envision the country's ability to compensate for the losses. Russia's capabilities of introducing policy changes that supported its WE via available funds have deemed these sanctions ineffective.

## Chapter V: Conclusion & Discussion

This thesis tackled the EU's sanctions against Russia following its invasion of Ukraine in 2022, aiming to elucidate why (and how) these sanctions failed to achieve their ultimate goal of ending the war in Ukraine. As a result of the analysis focused on 6 types of the EU's sanctions, this piece revealed the common characteristic that guaranteed the sanctions' underperformance: inability to account for Russia's WE machinery, the core of Russia's physical ability to maintain the war. The sanctions were designed to target sectors relevant to the WE, but did not comprehensively target the WE's mechanism. First, they did not cover all relevant third states and allowed Russia multiple times to gain closer economic allies and maintain its WE. However, given the EU's imposition of sanctions on Belarus, it is clear how the EU was aware that circumventing sanctions via third countries was a problem (European Council, 2025). Second, measures targeting Russia's circumventing practices were imposed too late to achieve an economic effectiveness, not accounting for a WE's ability to reorient its mechanisms. Third, the sanctions did not fully target relevant WE-sectors or products.

The analysis has thus highlighted how Russia's WE focus motivated the state to rely on fragile third-state partnerships, to adopt policies that would hurt the economy but benefit the WE and to try and circumvent sanctions instead of ending the war and benefitting from the sanctions' lift. The sanctions were designed instead to impact the Russian economy, which is a conceptually and practically different outcome than destabilising the Russian WE. While the former outcome has indeed materialised, the latter failed to do so, leading to the failure of ending the war.

Therefore, this research concludes that the EU's sanctions failed to induce a political change because they failed to position Russia's WE as the driving force behind the war in Ukraine. The sanctions were not designed to account for Russia's mechanisms of WE sustainability and did not foresee Russia's determination to strengthen its WE machinery. Furthermore, some sanctions did not target revenue sources that could destabilise Russia's WE and instead focused on product categories unable to influence WE's funding. Additionally, some sanctions' high costs (energy prices) contributed to the failure by inhibiting a more rapid implementation of further sanctions and decreasing the EU's ability to support Ukraine's WE's fight with the Russian one.

Although authors illustrated some sanctions' weaknesses before, they did not connect the sanctions' inability to change Russia's behaviour to the sanctions' insignificant effect on

the Russian WE machinery. Employing the newly proposed sanctions' outcomes hierarchy facilitates such a linkage, as it elucidates how sanctions' overarching success depends on evolving from the penultimate step (economic effectiveness) to the last one (political effectiveness). Sanctions could be designed to do this by incorporating WE targeting into their goals. Economically damaging WEs of states during conflicts directly affects their performance within the conflict. Therefore, claiming ineffectiveness without understanding whether the sanctions properly targeted the mechanism that is behind the war's continuation reflects a conceptual weakness this paper addresses.

To conclude, this study brings the theoretical concept of WE-targeting sanctions to the fore of sanctions' effectiveness analyses. Accordingly, building on Giumelli's (2024) methodology, this paper proposed a hierarchical assessment of sanctions' outcomes: assessing impact (economic and policy-related), usefulness, economic effectiveness and political effectiveness of sanctions. Furthermore, the paper highlighted how relative power between two WEs in conflict is decisive, despite high economic impacts incurred by one of the parties. Using this newly proposed hierarchy facilitates the understanding of the sanctions' goals, mechanisms and effectiveness, by analytically distinguishing between their impact and effects - namely, between the material damages they induced, their ability of reaching their economic goals and their ability of inducing total or partial capitulation of one of the involved parties. Ultimately, using this methodology as a model for the dialectic relationship between WEs and sanctions' effectiveness can serve as a new way for conceptualising successful sanctions and preventing mitigation methods.

Building on these findings, this piece suggests that existing policy proposals should be further investigated. Some ideas include the sanctioning of third states or imposing stricter strategies to forbid all methods of exporting technological products to sanctioned entities (Rasmussen Global, 2024; Giumelli, 2024). Then, given the pressuring capabilities of existing and proposed sanctions, a coherent sanctioning policy can combine these sanctions and provide solutions for successfully achieving cessation of military conflicts (Simola, 2023). Accordingly, this thesis' contribution to future research and sanctions' policies hopefully guarantees that they do not combine measures targeting disconnected economic facets, but rather merge sanctions to successfully account for WE machineries. This way, future sanctions may avoid the failure of not seeing a War Economy-forest for its economic-facets-trees.

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