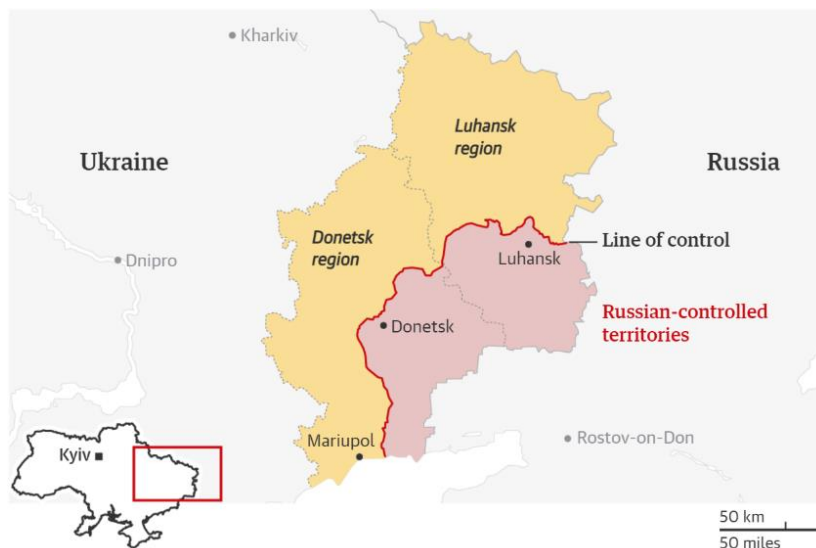


# INTERNATIONAL SANCTIONS ON RUSSIA AND ITS IMPLICATION

## 1. EXECUTIVE SUMMARY

On 21 Feb 2022, Russian President Vladimir Putin recognized the Independence of two East-Ukrainian territories, Donetsk and Luhansk. This comes as one of the highest points of escalation in a recent series of moves Russia has made with regards to an invasion of Ukraine, which may be impending.

There have also been military altercations between the Ukrainian army and separatists in these breakaway regions. In southern Belarus, near the Ukraine border, satellite photographs indicate a new deployment of over 100 military vehicles and dozens of army tents by Russia.



Source: The Guardian

## 2. PUTIN'S SPEECH

President Putin, on 21 Feb, gave an emotional speech, escalating the situation between Russia and Ukraine to a high-point, claiming that Ukraine is a historical part of Russia, and announcing the recognition of the aforementioned breakaway regions.

- Subsequently, the decree was signed on national television, along with a treaty of "friendship and mutual assistance", raising the possibility of eventual Russian buildup in these regions.
- According to the speech, "Modern-day Ukraine was in full and in whole created by Russia, Bolshevik, Communist Russia to be precise", something that Ukrainians deny.

## 3. THE RESPONSE

The EU, UK, and USA have all responded in individually but in succession, putting up a joint front against Russia. This is because one of the primary justifications Russia gave for the initial escalations was NATO's attempt to make Ukraine a part of the alliance, something that was unacceptable to Russia.

## **EUROPEAN UNION**

- The EU stated that its goal is to deny the Russian government access to EU funds, financial markets, and services, as well as to have Western financial markets stop trading in Russian bonds.
- These include sanctions on the 351 members of the Russian Duma that voted in favour of the recognition of Donetsk and Luhansk. Further, 27 other individuals involved will have assets frozen and will not be allowed transit in the EU.
- Perhaps the most significant action has been taken by Germany as Chancellor Olaf Scholz said that the Nord Stream 2 natural gas pipeline, which connects Russia and Germany without passing through Ukraine, will not be certified.
- The \$11 Billion pipeline, owned by Russian state-owned Gazprom, has been kept on hold as Russia continues troop deployments.
- However, the EU ultimately has a 40% dependency on Russian natural gas, and the Nord Stream 2 only helps in decreasing prices for the EU



## **UNITED KINGDOM**

- The British Government, under its Sanctions and Anti Money Laundering Act of 2018, imposed sanctions on Russian people and entities involved.
- Specifically, 3 oligarchs: Gennady Timchenko, Boris Rotenberg and Igor Rotenberg
- And 4 banks: Rossiya, IS Bank, General Bank, Promsvyazbank and the Black Sea Bank.



## **UNITED STATES OF AMERICA**




Following Putin's speech, the US President, Joe Biden, gave a speech from the White House decrying Russia's actions.


- A significant development was the use of the word "invasion" to describe Russian actions in Ukraine, a first for this set of escalations.
- According to Biden's speech, the US sanctions "cut off Russia's government from Western financing. It can no longer raise money from the West and cannot trade in its new debt on our markets or European markets either."
- This comes after initial trade sanctions on the two breakaway regions of Luhansk and Donetsk.
- Sanctions were also placed on the Russian Oligarchs, with the POTUS claiming "We'll also impose sanctions on Russia's elites and their family members. They share the corrupt gains of the Kremlin policies and should share in the pain as well."






#### 4. ASSESSMENT


<p><b>FOOD SUPPLY ISSUES</b></p> 	<ul style="list-style-type: none"> <li>• Ukraine and Russia jointly account for 29% of the world's wheat exports, 19% corn exports, and 80% sunflower oil exports.</li> <li>• With trade sanctions, which will likely be increased as the situation escalates further, this supply issue is bound to lead to an increase in prices</li> </ul>
<p><b>OIL AND GAS PRICES</b></p> 	<ul style="list-style-type: none"> <li>• Russia is the world's second largest producer of Oil, behind the USA. Sanctions are likely to decrease the oil supply, causing price increases</li> <li>• Presently, the price of Brent crude oil has reached \$99.38, the highest since Sep 2014.</li> <li>• Russia also supplies 40% of the EU's natural gas requirements</li> <li>• Because of this, along with the Nord Stream 2 on hold, natural gas prices are also expected to rise</li> </ul>
<p><b>GLOBAL MARKET HIT</b></p> 	<ul style="list-style-type: none"> <li>• Worldwide markets have performed poorly, especially after the events of 22 Feb</li> <li>• The S&amp;P 500 Index fell by 1%, totalling to a slump of 10.25% since its high of this year on 3 Jan.</li> <li>• This marked a market correction, which is defined as a decline of 10% or more. This is its first correction since the 2020 COVID-induced slump</li> </ul>




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