Beat: Politics

“Russia was able to resist the sanctions better than expected”

EP discusses the effect of the sanctions

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USPA NEWS - On Tuesday, European Parliament heard from experts and the Ukrainian economic development committee chair about the economic effect of the EU’s sanctions on Russia and the EU itself. The hearing, held in the European Parliament’s economic and monetary affairs committee, allowed MEPs to gather information on what is working, what needs to be improved and what needs to be avoided in order to minimise the impacts on the EU’s economies.

Dmytro Natalukha, Chair of the Committee on Economic Development of Ukraine’s Parliament said that Russia was able to resist the sanctions better than expected. The upcoming ninth package of sanctions therefore remained necessary. He singled out two areas which this package should address. Firstly, the need to sanction Russia’s political parties supporting Putin. This would target over 4 million as yet untouched Russian citizens, all occupying enabling positions for support for the war to continue and for discordant voices to be suppressed. The second area to address was that of the transport of Russian oil by Greek vessels.

Tymofiy Mylovanov, Director of the Kyiv School of Economics, outlined the state of Ukraine’s economy saying that despite the government already correcting downwards its expectations for the economy following Russia’s attacks on the energy infrastructure, the situation would probably worsen further. His institute was estimating the cost of damage at around USD 127 billion, excluding damage to confidential infrastructure and equipment.

Benjamin Moll, macroeconomics professor at the London School of Economics told MEPs that the EU economy was withstanding and adapting well to the adverse economic effects. Shortages and rationing were now looking increasingly unlikely, he said, adding that recessions were expected to only be mild and limited to a few countries. The key wouls be to maintain household demand reduction for gas throughout the winter. It was therefore important not to develop support measures directly tied to energy consumption and keep incentives to reduce the demand for gas, he concluded.

Maíra Martini, research and policy expert at Transparency International explained how the large bulk of Russian assets which had been frozen had happened in only 6 of the EU’s Member States, with the rest accounting for only a small proportion. It was important to understand why this was the case and reduce the obstacles hampering many member states from freezing more Russian assets, she said. Martini also pointed to an important defect in the sanctions regime regarding the provision of trust services which she said meant that sanctioned Russians could still continue benefitting from such services to a certain degree.

Hannes Swoboda, President of the Vienna Institute for International Economic Studies said that rather than from the sanctions, the main economic hit to Russia has come from the withdrawal of countless foreign companies who, when doing so, also withdrew their technology from the country. It was now crucial to ensure that this technology would not be imported from somewhere else. Swoboda also said that, likewise, it would be a good strategy to encourage and facilitate the departure of the educated Russian young people. Finally Swoboda pointed to the need to acknowledge that certain Balkan countries and Hungary and Slovakia were being more negatively impacted by the war and the sanctions than other countries.

During the question and answer session, MEPs asked about the role of third countries in the EU sanctions regime and how to deal with those third countries which did no cooperate sufficiently. They also asked for more details on how to structure support measures in the EU which would not fuel demand for gas. MEPs also highlighted that more needed to be done in the areas of golden passports, the use of crypto currencies, the assets register, and benficial ownership disclosure to ensure these were not being used to evade the sanctions.

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