

REVIEW AND ANALYSIS OF IMPOSED EUROPEAN UNION AND UNITED STATES INTERNATIONAL SANCTIONS ON UKRAINIAN CRISIS AND RUSSIA'S COUNTERMEASURES

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ABSTRACT

Nowadays, sanction seems to be as an important tool of international policy to keep security and provide collective reaction to violations of peace and international order in diplomatic non-military manner. Recently, international sanctions were imposed against Russia by the European Union and the United States because a change the status of the Crimea and destabilisation of the situation in the southeast part of Ukraine. However, there have been debates on whatever are international sanctions effective or not. In particular, can sanctions change Russia's political behaviour and achieve political objectives in Ukrainian crisis. This paper aims to discuss the legitimacy of Crimean referendum and use Russia as a case study and analysis of imposed European Union and United States international sanctions on Ukrainian crisis and Russia's countermeasures.

Keywords: Sanctions, Impact, International Law.

INTRODUCTION

Overview of March 2014's Crisis

The Ukrainian political crisis occurred in November 2013, when the national Government and President Viktor Yanukovich delayed the signing plan on the country's European integration. Mass people protests, called "*Euromaidan Revolution*" or "*Civil Revolution*", were held across all Ukrainian regions and resulted in clashes between armed radicals and governmental troops (Shveda & Park, 2016). As a result of street fighting, during which both the opposition and governmental troops used firearms and Molotov cocktails, dozens of innocent people have been killed. After that, there was a violent seizure of power in the country. The Ukrainian Parliament changed the country's Constitution, members of the parliament and removed the President Viktor Yanukovich, who later was forced to leave Ukraine (Hall, 2017). Later, the Ukrainian parliament approved the new government called "*Government of Public Trust*", while government of Autonomous Republic of Crimea rejected to recognise the legitimacy of the new Ukrainian government ("*Government of Public Trust*") and decided to hold a referendum on the future of the Republic of Crimea. Referendum on future of Crimea was held on March 16, 2014 with two questions were included in the referendum: "*Are you for the reunifying Crimea with Russia as a subject of the Russian Federation?*" and "*Are you for the restoration of the 1992 Crimean constitution and the status of Crimea as a part of Ukraine*" (BBC, 2014). According to Russian data, the majority of Crimean population (95.7%) with

81.37% voter turnout voted for joining Russia (Russia Today, 2014). The specific agreement between Crimea and Russia was signed on March 18, 2014, later it was approved by the State Parliament and the Federation Council (Reuters, 2017). Both the State Parliament and the Federation Council also adopted a federal constitutional law on the formation of two new subjects of the Russian Federation-the Republic of Crimea and the city of federal significance Sevastopol. Russian President, Vladimir Putin signed both documents. Also, Russian President, Vladimir Putin claimed that a referendum in Crimea was held according to all norms and standards of international law and the UN Charter (Washington Post, 2014). This claim supported by the Crimea declaration on joining Russia, saying that the referendum was held in accordance with standards and norms the United Nations Charter and a number of other international documents that consolidate the right of peoples for self-determination (Russia Today, 2014). As a result, an international conflict began, which was soon supplemented by a civil war in the South-East of Ukraine-in Lugansk and Donetsk regions (Goble, 2016).

There are a lot of debated about legitimacy of Crimean referendum (Karagiannis, 2014; Burke-White, 2014; Catala, 2015; Hilpold, 2015). The current version of Ukrainian Constitution does not provide legislative framework for the referendum procedure. In 1995, Ukrainian government adopted new Constitution that protects the integrity of the country and not allows any kind of self-determination referendums. However, the procedure for the Crimea's leaving from Ukraine was in the same way, which was accompanied by the separation of Kosovo from Serbia (Driest, 2015). In both cases, the right to self-determination took place with the support of the armed forces: it was U.S. and NATO troops in Kosovo, Russian military troops in the Crimea. However, Russian case created dangerous precedent for international order. According to Burke-White (2014), the Crimea's referendum violated the international law not because the contradicts the Constitution of Ukraine or the fact that principle of self-determination peoples is less applicable in the Crimea than in Scotland and Quebec. The illegality of Crimea's referendum arises from the fact that the referendum was conducted in situation, when the principle of non-use of military force was broken. According to Ukrainian data, there were over 2000 Russian masked soldiers and 34-armed equipment in the Crimea during the referendum (KP, 2015). At the same time, Burke-White (2014) discusses whatever was it possible to hold the Crimea's referendum without the Russian armed forces involvement. In contrast, other author (Tomsinov, 2014) believe that even the desire of the absolute majority of Crimean population to join Russia, expressed, in particular, in the referendum on March 16, it does not make this referendum lawful, however according to Tomsinov (2014), at best, it can be considered legitimate. Author concluded that Crimean referendum can be considered legitimate, although contrary to international law. Regarding the question of Russian armed force involvement, Russians high-level policy makers explained that Russian troops in the Crimea were called to save the people of the Crimea (ethnic Russians) from violent actions from Ukrainian authorities and radical nationalists, depriving the opportunity to hold a referendum (2014).

In contrast to Tomsinov (2014), the other opinions arguing that the Crimean referendum occurred in violation of international law largely dominates among Western politicians, lawyers, journalists and mass media. In case of Crimea crisis, Russia was as an aggressor which annexed part of the territory of a sovereign foreign state and new leaders of the Crimea appear to be criminals who committed an act of high treason (Catala, 2015; Hilpold, 2015). The Parliamentary Assembly of the Council of Europe (PACE) by majority of 154 votes with 14 abstentions and 26 against prepared the resolution, which stated: "*The Assembly deplores that*

democratic changes and political events in Ukraine were marred by sad events in the Crimea. The Assembly strongly condemns Russian military aggression and the subsequent annexation of the Crimea, which is a clear violation of international law, including the UN Charter, the Helsinki Final Act of the Security and Cooperation in Europe, as well as the main principles of the Council of Europe". Therefore, the result of Crimean referendum is not recognised by the Council of Europe. The same position was expressed by UN General Assembly, while the UN General Assembly adopted a resolution GA/11493 in which the referendum in the Crimea is called illegitimate (UN, 2014). Furthermore, the UN General Assembly called on all states, international organisations and specialised agencies not to recognise the Crimean referendum. According to the resolution, the UN General Assembly confirms its commitment to the sovereignty, political independence, unity and territorial integrity of Ukraine in its internationally recognised borders (UN General Assembly resolution 68-262-2014).

Another important note, that speaking on March 18, 2014 with an appeal to the Federal Assembly of Russia, President Vladimir Putin stressed that holding the Crimea referendum was based on the UN Charter and *"on the well-known Kosovo precedent, a precedent that our Western partners have created by their own hands, in a situation, absolutely similar to the Crimea, recognised the legitimacy of leaving of Kosovo from Serbia, proving that authorisation of the central authorities for unilateral declaration of independence is not required"*. The declaration on Kosovo's independence from Serbia was adopted by the Kosovo new elected government in 2008 (Driest, 2015). Serbia disputed its legality, and the UN General Assembly decided to transfer the Kosovo declaration of independence to the International Court of Justice for the further assessment. Later, in 2010, International Court of Justice made an advisory opinion stated that *"the declaration of Kosovo's independence, adopted on February 17, 2008 does not violate international law"* (The Guardian, 2010). The literature on international law shows that there are various views regarding the advisory opinion of the International Court of Justice (Jamar & Vigness, 2010). But international lawyers agree that the advisory opinion of the International Court of Justice, despite its recommendatory character, is highly authoritative, since it is issued by the main judicial organ of the United Nations, established on the basis of the UN Charter (Yee, 2010). Thus, as stated by Tomsinov (2014) there is reason to consider the International Court of Justice advisory opinion about *"the declaration of Kosovo's independence, adopted on February 17, 2008 does not violate international law"* as a key and final decision that recognises the legitimacy of Kosovo referendum and other similar referendums in other countries. Declaration of Independence Autonomous Republic of Crimea and the city of Sevastopol, published on March 11, 2014 by the Crimean Parliament and Sevastopol city-council like the Kosovo Declaration of Independence lagged the declaration of independence on the basis of the people will, expressed in a referendum. Holding a referendum on the separation of Crimea and Sevastopol from Ukraine contradicted the current Ukrainian Constitution; however, many experts mentioned that the referendum on separation of Kosovo from Serbia did not comply with the Constitution of Serbia as well. In other words, the referendum is considered lawful and legitimate even if the referendum is not guaranteed by the constitution of the state in which it is conducted (Tomsinov, 2014).

Considering the reasons of separation of Crimea from Ukraine, one of the reasons for joining the Crimea with Russia reported by mainly Russian media and scholars was a legislative change of the status of the Crimea (Tomsinov, 2014; Savryga, 2015). In 1992 the people of Crimea adopted the Constitution, which defined Crimea as an independent state within Ukraine,

while in 1993, the Crimean Constitution was changed by Ukrainian central government and the status of the Crimea was changed to autonomous region within Ukraine. Although Crimea continued to be called an autonomous region, in reality it became an administrative-territorial province with a somewhat broader autonomy rights. Since 1994, measures have been taken by Ukrainian government to limit the autonomy of the Republic of Crimea (Savryga, 2015). The law "*On the status of the Republic of Crimea*", issued by the Ukrainian Parliament (dated March 17, 1995) abolished the Constitution of the Autonomous Republic of Crimea as well as a number of Crimean legislative acts including "*On the election of the President of the Republic of Crimea*" (dated September 17, 1993), "*On the Constitutional Court of the Republic of Crimea*" (dated September 8, 1994), "*On forming local power and self-government organs*" (dated January 18, 1995), "*On state language*" (dated February 13, 1994). The role of Supreme Council of Crimea was limited as well. In particular, the Supreme Council of Crimea does not have the right to adopt amendments, and supplements to Crimean Constitution; everything has to be approved by the Supreme Council of Ukraine. Apart from that, the President of Ukraine issued a decree "*On relations between the central authorities of the state executive power and executive bodies of Autonomous Republic of Crimea*" (dated March 31, 1995). The Decree of the President of Ukraine changed the order of appointment of members of the Crimean government, Supreme Council of the Crimea, executive committees of city administrations. These decisions contradicted the Constitution of the Autonomous Republic of Crimea. Therefore, the Supreme Council of the Crimea proposed to the Supreme Council of Ukraine to apply veto to the Decree of the President of Ukraine.

METHODOLOGY

Currently, there is not universal accepted method for analysing of international economic sanctions. The choice of methodological framework might depend on political and economic goals of sanctions and economic of nature of target states. In this research, the methodology includes collection and analyse news articles in English and Russian, interviews of policy makers to Russian federal channels, and country specific financial and economic data from international organisations such as the World Bank, United Nations and European Commission. Furthermore, it includes analysis of government documents from Russian Ministry of Energy, Ministry of Industry and Trade, and Ministry of Economic Development. It also includes analysis of published papers in specific international journals including International Security, Review of Policy Research, Qualitative research journal, Post-Communist Economies, Journal of Comparative Economics, Journal of Political Science, Law and Society Review, Studies on Russian Economic Development, Energy Strategy Reviews.

RESULTS AND DISCUSSION

EU Sanctions Regime

According to official European Commission documents, the reason for imposing economic sanctions against Russian has been changed as the conflict developed within Ukraine. The first sanctions were approved by European Commission in connection with actions in that undermine the territorial integrity, sovereignty and independence of Ukraine (European Commission, 2017). In this context, a special document approved by the European Commission

means a change the status of the Crimea and Crimean referendum. Then, sanctions were imposed by European Commission again, due to Russia's actions destabilising the situation in the southeast part of Ukraine (European Commission, 2017). In particular, the sanctions against Russia have been connected with the escalation of the conflict in the Lugansk and Donetsk regions, eastern part of Ukraine. Both Lugansk and Donetsk regions officially announce plans on the possibility of holding a referendum on accession to Russia. Pro-Russian politically orientated leaders of both the self-proclaimed Lugansk and Donetsk regions expressed confidence that people would vote at such a referendum in the same way as the people of Crimea in the spring of 2014. There has been already experience of holding such a referendum in the Lugansk region. The referendum was held in May 2014, on which the one question was raised: Do you support the act of state independence of the Lugansk People's Republic? According to the local report, 96.2% of population voted for independence of Lugansk region, while only 3.8% voted against (Russia Today, 2014). The Ukraine, the United States and the European Union countries announced that they do not recognize the outcome of such referendum. Furthermore, the Russian Government approved the special decree that recognises passports and certificates of birth issued in the Lugansk and Donetsk regions on the territory of Russia. This decision of the Russian authorities caused political criticism from the Ukraine, the EU and United States. The Ukrainian authorities called Russia's decree a direct violation of the Minsk agreements.

The Table 1 presents the European Union's sanctions against Russia. These sanctions include diplomatic, individual and sectorial economic sanctions. The sectorial economic sanctions completely ban the provision of technical assistance in any forms in energy and military sectors (Karatayev & Clarke, 2016; Karatayev et al., 2016). The sanctions apply in particular to sale, supply, transfer and or export of technical equipment for deep-sea exploration and production of oil resources in the Arctic Sea region, and or for the development of shale gas and shale oil projects in Russia (Klinova & Sidorova, 2016). Also, the sanctions prohibit to sale, supply, transmit and or export, directly or indirectly, dual-use items and technologies that may be used for military purposes. However, European Commission allows the exports of technical equipment to fulfil obligations under international contracts signed before Crimean conflict. The sanctions imposed by the EU not apply against the export of technical equipment and other technologies in particular for aerospace and nuclear industries. Furthermore, the sanctions not apply against the international financial organisations based in Russia, established on the basis of intergovernmental agreements with the participation of Russia as one of the shareholders. Apart from sectorial sanction, individual sanctions have been applied against 149 people and 38 organisations. These individual sanctions involve the seizure of assets and a visa ban on entry into the European Union countries. In addition to the sectorial and individual sanctions, the EU imposed sanctions against the Republic of Crimea and the city of Sevastopol. The sanctions include a prohibition on investing in the economy of the Crimean Peninsula, a ban on the import of products from the Crimea, as well as the provision of tourist services. Russian top-level policy-makers consider these sanctions illegal and incorrect in nature. Speaking in the UN General Assembly in 2015, President of Russian Federation, Vladimir Putin said that "*On behalf of and in the interests of the entire international community, only the UN and the Security Council has the right to sanctions in a crisis*". Furthermore, Russian government has stated that Russia is not a party to the conflict in the eastern part of Ukraine, and responsibility for the implementation of international agreements including Minsk agreement rests on Ukraine. Russia has also stressed that the procedure of joining the Crimea to Russian fully complied with

international standards and laws. Additionally, there is opinion among Russian policy-makers that such sanctions from European Union do not meet the interests both sides of the EU countries and the interests of Russia and potentially could damage both economies (Shirov et al., 2015).

U.S. Sanctions Regime

The results of the Crimean referendum have been also condemned by the U.S., and on March 17, 2014, the United States has announced the imposition of sanctions against 314 of high-ranking officials from the Russian government, and the State Duma (Department of State, 2017). It also includes former high-ranking officials from Ukraine government and separatist leaders in the Crimea, who are involved in undermining Ukraine's sovereignty, territorial integrity and independence. Some of the subjects of the sanctions are oligarchic class, richest Russians who get the greatest profit from the oil and gas boom in Russia. As a result, their capitals were frozen in the U.S., they cannot personally manage their business. Furthermore, the U.S. has applied targeted sanctions against largest oil corporations including "Transneft", "Novatek", and "Rosneft". The U.S. sanctions have affected even private oil producers who are distancing from the events in Ukraine. It was completely unexpected for Russian government that "Lukoil" and "Surgutneftegas", the largest private oil companies in Russia, were included on the sanction list as well. These companies are one of the largest taxpayers in Russia. Furthermore, under the U.S.'s pressure, various sanctions against Russia were introduced by non-EU countries including Canada, Moldova, New Zealand, Ukraine, Montenegro, and Japan. Many of them suspended military and military-technical cooperation with Russia. The sanctions also extend to the supply of agricultural goods and products from Crimea.

<p style="text-align: center;">Table 1 TIMESCALE OF IMPOSED INTERNATIONAL SANCTIONS AND RUSSIA'S COUNTERMEASURES</p>		
Period	Sanctions against Russia	Russia's countermeasures
April, 2014	The European Parliament's resolution with a recommendation to block the South Stream Gas Pipeline project (energy project from Russian Black Sea to Austria and through Bulgaria, Serbia, Hungary, Slovenia).	-
May, 2014	Cancellation of conference "EU-Russia Energy Dialogue: Gas Aspect" in Moscow, G8 Summit in Sochi, EU-Russia Summit in St. Petersburg.	-
July, 2014	Banned financing new energy and infrastructure project by the European Investment Bank and European Bank for Reconstruction and Development (sanction designed on the recommendation of the EU Council). Prohibited all export of dual-use items and technologies including the provision of related services (technical assistance, intermediary services), the supply of arms and military equipment. Prohibited sales, supply, transfer or export,	Prohibition on the purchase of certain types of foreign engineering products.

Table 1
TIMESCALE OF IMPOSED INTERNATIONAL SANCTIONS AND RUSSIA'S COUNTERMEASURES

	<p>directly or indirectly, of certain types of items, technologies and equipment for the oil and gas industry; The sanctions list includes Russian and Crimean companies.</p> <p>Ban on companies from EU countries to invest in infrastructure projects (telecommunications and transport), oil, gas and raw minerals sectors.</p> <p>Ban on supply equipment, financial and insurance services to infrastructure projects (transport and telecommunications), oil, gas and raw minerals industries.</p> <p>Prohibition to European financial institutions to conduct transactions with securities (with a maturity of more than 90 days) issued after August 1, 2014 by Russian counterparties with state participation in the capital of more than 50%. The list includes 5 major state-owned Russian banks, 3 major Russian energy companies; 3 major Russian defence companies.</p>	
August, 2014	-	Prohibition of the import of certain types of agricultural products, raw materials and food products from the EU countries, as well as the United States, Australia, Canada, Norway, which adopted a decision on imposing economic sanctions against Russia.
September, 2014	<p>Prohibition, directly or indirectly, on supply dual-use items and technologies for enterprises of the military-industrial complex.</p> <p>Ban on the transfer of equipment for the development of deep-sea, Arctic and shale oil and gas fields.</p> <p>Prohibition to European financial institutions to provide directly or indirectly investment services and to carry out transactions with new issues of bonds and other securities with maturities of more than 30 days, starting from September 12, 2014.</p>	-
October, 2014	Accession of other countries (Japan, Switzerland, Kosovo, Ukraine) to sanctions in relation to the oil and gas industry, and defence complex.	Russian companies filed suits in the EU Court on the recognition of sanctions against them unlawful.
November, 2014	Canada's accession to economic sanctions.	-
December, 2017	The EU summit extended the sanctions imposed in 2014 till the mid of 2018.	-

In addition, the U.S. applies sanctions on gas sector against large Russian gas companies including "Gasporm", and "Gazpromneft". As result, the Russian oil and gas sector, which provided almost half of the Russian budget and about 70% of domestic exports is almost entirely covered by the U.S. sanctions. The U.S. companies are prohibited to supply listed Russian corporation with the technologies needed to develop oil reserves in the deep-water areas and the Arctic shelf. "Gazpromneft" and "Transneft" were also banned from taking loans and placing securities on the U.S. market. The measures taken are designed to prevent the supply of technologies and equipment to Russian companies even through intermediaries. The U.S. companies are prohibited to buy bonds, as well as provide loans to five major financial banks: "Sberbank", "Gasprombank", "VTB bank", "Vnesheconombank", and "Moscow bank". It seems that the U.S. sanctions against Russia are much larger than European ones. The U.S. sanctions affect more than 80% of the Russian oil sector and almost all Russian gas production. The largest Russian oil and gas corporations do not have access to the U.S. capital market, technologies and equipment, that necessary for the development of oil reserves in the deep-water areas and the Arctic shelf, as well as in shale platforms. However, many high-ranking policy makers believe that real reasons of sanctions applied against Russia is not Crimea and Ukrainian crisis, it is restraint of economic and technological growth in Russia.

Some Russian researchers stated that the U.S. sanctions against Russia have geopolitical motives. *"Crimea and Ukraine represent geopolitical interest for the US. In recent years, Russia has significantly strengthened its international political positions, which allowed to develop own vision of world politics and the possibility of a sovereign determination of position both on Syria and Ukraine. This does not fit into the monocentric model of the "new world order" under the auspices of the United States, developed and accepted for implementation by the American leadership with early 90's. The United States wants to preserve a unipolar world, so the U.S. seek to neutralise the incipient alternative centres of power, the most dangerous among which, according to the American leadership, is Russia"*. Thus, according to the US used the "Ukrainian crisis" as a cover for the true goal of deterring Russia and brining a maximum economic damage to Russia. Since the beginning of the events in Ukraine, the U.S. representatives have stated that their actions are aimed at isolating Russia, forcing Russia to a change in the course of domestic and foreign policy in the Middle East and Ukraine. However, some experts believe that this conflict is not only for Ukraine, this conflict is much for the Arctic region. For example, as a result of imposed sanctions, international oil companies (e.g., ExxonMobil) have stopped and reduced to a minimum their participation in the exploration of oil resources on the Arctic shelf. Canada, in addition to sanctions similar to the European Union, additionally introduced restrictions on the research and development of oil Arctic shelf, which is explained by the high interest of Canada in the displacement of Russia from the sphere of oil production in the Arctic region.

Regarding the potential effect of these sanctions on Russia, the online publisher, EUObserver estimated Russia's losses from European sanctions is about 23-40 billion euro or 1.5%-4.4% of GDP per year. The Economist magazine gave the most radical scenarios of Russia's losses due to sanctions. The annual losses were estimated about 1 trillion US dollars (The Economist Magazine, 2014). According to the calculations of the publication, damage to Russian companies could reach 744 billion euro per year. The Russian Ministry of Finance prepared a report showing that the amount of sanctions impact on economy is significantly lower than that given by Euobserver. The Russian Ministry of Finance estimated that the damage

directly from sanctions can reach 40 billion U.S. dollars per year. This happens because a shortfall in the inflow of foreign direct investments, and a decline in exports due to a fall in oil prices in global commodity market. The Russian Ministry of Finance stressed that biggest damage to the Russian economy is caused by European sanctions because of strong ties with the European banking and financial system, high trade turnover, high level of cooperation in the field of technology purchases, high level of representation of European companies on the Russian market. The ban on the supply of items and technologies can lead to a decrease in oil production by 5%-10%, as a consequence it leads a reduction in national revenues. However, Russian Institute of Strategic Research stated the Russian Ministry of Finance's assessment of the damage caused by the sanctions imposed on Russia is significantly understated and requires taking into account the impact of sanctions on all economic spheres (2015).

Russia's Countermeasures

As said before, Russia considers U.S. and EU sanctions illegal and incorrect in nature. Some Russian experts (Samarina, 2015) mentioned that Russia is member of World Trade Organization (WTO). The principles of the WTO hamper the application of sanctions and, according to the WTO, imposition of sanctions is considered illegal. According to the WTO, there is no legal basis for imposing sanctions. In this regard, it is argued by some Russian scholars that the imposition of sanctions against Russia was in violation of international law and principles of WTO (Samarina, 2015). Furthermore, Russian experts have also stressed that the procedure of joining the Crimea to Russian fully complied with international standards and laws. However, in response to U.S. and EU sanctions against, Russia applies individual and sectorial sanctions as well (Klinova & Sidorova, 2014; Russia Today, 2017). Individual sanctions prohibit entry into Russian Federation and freeze bank accounts and any assets. The Russian Ministry of Foreign Affairs published a list of officials and members of the U.S. Congress and European Commission. The list includes 349 high-ranking policy makers in the U.S. and EU. The list includes the U.S. Deputy Secretary of State for National Security Caroline Atkinson, U.S. Presidential Assistants Daniel Pfeiffer and Benjamin Rodc, U.S. senators Mary Landry, John McCain, Harry Reed, John Beyner, and Chairman of the Senate Foreign Relations Committee Robert Menendez. The individual sanction list includes 20 current and 10 former members of the European Parliament, current and former leaders of the intelligence services of the U.K. and the Baltic Sea countries, a number of military leaders from the U.K., Germany, Poland and Estonian, Romania. The list includes representatives of 17 out of 27 EU countries containing representatives of Poland (18 names), followed by U.K. (11), Sweden (10), Estonia (8), Germany (7), Lithuania (7), Latvia (6) and Romania (5). The individual sanctions were also applied against panthers of the U.S. and EU. Thus, the Russian Ministry of Foreign Affairs also included in list of individual sanctions 13 officials, parliamentarians and public figures from Canada, 8 representatives from Japan, 22 representatives from Moldova and 8 from Switzerland. Furthermore, the State Council of the Republic of Crimea applied individual sanction against 320 leading Ukrainian politicians, deputies of the Ukrainian Parliament (Verkhovna Rada).

In addition to individual sanctions, Russia applied a ban on imports of agricultural products, raw materials and food products made in the United States, European Union countries, Canada, Australia, and Norway. Later, sanctions were extended to countries that supported sanctions against Russia. The import of agricultural products, raw materials and food products

were also prohibited from Japan, Iceland, Albania, Montenegro, Liechtenstein, and Ukraine. The Russian Government approved a list of agricultural products, raw materials and food products banned for import from countries that supported sanctions against Russia. Later, the list excluded agricultural products that are difficult for Russia to replace. The changes affected frozen meat of cattle, poultry meat and offal from it, as well as frozen and dried vegetables. Import them for the production of baby food can be with confirmation of the intended purpose, which is confirmed to the Russian Ministry of Agriculture. During the taking a decision on sanctions, Russian Government took into account the degree of country involvement in the sanctions regime against the Russia. The Russian Ministry of Economic Development estimated that the European Union, the United States, Canada, Norway and Australia, because of the Russian food embargo, might lose the approximately 8-9 billion U.S. dollars a year. The Russian Research Institute for the International Economy published report where the export losses of EU countries that supported sanctions against Russia were estimated at approximately 10.2 U.S. billion dollars. The report concluded that the main losses are related specifically to food embargo imposed by Russia. Thus, 35% of the total loss of profits of European Union countries related to products that are subject of the Russian food embargo. The most affected economy in Europe will be Eastern European countries; these countries will probably have 42% of all losses from restrictions on food trade with Russia.

CONCLUSION

Due to Crimea and Ukrainian crisis, European Union and United States imposed sanctions against Russia. These sanctions include diplomatic, individual and sectorial economic sanctions. The sectorial economic sanctions completely ban the provision of technical assistance in any forms in energy and military sectors. The sanctions apply in particular to sale, supply, transfer and or export of technical equipment for deep-sea exploration and production of oil resources in the Arctic Sea region, and or for the development of shale gas and shale oil projects in Russia. The sanctions prohibit to sale, supply, transmit and or export, directly or indirectly, dual-use items and technologies that may be used for military purposes. In terms of macroeconomic effect, international sanctions blocked Russia's access to the international financial markets. As result, investment activity is substantially reduced in Russia. With the increase in demand of credit institutions for foreign currency due to the need to repay foreign debts, the national currency has fallen against the U.S. dollar and the euro. Since the political situation around Ukraine is at "*impasse phase*", it should not be excluded the scenario of applying new sanctions against Russia. The European Union and U.S. choose as a target industry, whose revenues largely depend on the filling of the state budget. The Russian economy, like decades ago, relies on oil and gas export, which leads to the economic instability. Russia has practically nothing to oppose to the EU countries in the war of economic sanctions. In the period of high hydrocarbon prices and good conditions on global raw markets, the opportunity to modernise the national economy was missed.

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