EU Sanctions against Russia – Approaches for Improved Enforcement

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Executive Summary

This document draws on insights from officials in the EU institutions, Member State permanent representations, national authorities working on sanctions, and academic experts, and suggests next steps for the European Union's Russian sanctions regime and methods to improve its enforcement.

Despite limited access to Russian customs data from 2024, it seems to have become more difficult and more expensive for Russian individuals and organizations to acquire certain EU-produced goods. This hampers Russia's ability to import critical components and technologies required for its war effort. The EU remains vigilant in its sanctions regime.

However, for sanctions to continue to be an effective instrument against Russia, the EU and its Member States must ensure they have the right tools to properly implement sanctions and to prevent their circumvention.

This document proposes new avenues for improved sanctions enforcement:

1. Increased resources to track supply chains
2. Harmonizing sanctions enforcement
3. Private sector engagement
4. Improved information-sharing
5. Role of extra-territorial sanctions
6. Tailored solutions where possible

The **annex** outlines additional sanctions areas to consider for future EU sanctions packages.

Background

This document outlines the European Union's sanctions policy against Russia and areas of sanctions enforcement that require new ways of thinking from EU institutions and Member States.

Sanctions are a vital tool in targeting Russia's war capabilities. The EU has progressively imposed sanctions against Russia following the illegal annexation of Crimea in 2014. In response to the full-scale invasion of Ukraine in February 2022, the EU adopted new, sweeping sanctions against Moscow.

Despite not having access to Russian customs data from 2024, it seems to have gotten more difficult and more expensive to acquire certain goods.[1] This includes Russia's ability to import critical components and technologies for its war effort. However, Russia has been effective at devising schemes for restoring supply chains interrupted by sanctions, and payments in Yuan and Rubles have been settled using local currency market infrastructure and intermediaries willing to exchange the currency.[2]

In the aftermath of the U.S. elections and the impending Trump presidency, a policy of maximum sanctions is likely to be pursued as part of a "strength diplomacy" approach to Russia. However, it is also possible that the new administration will consider lifting certain sanctions as part of its negotiating strategy.

Meanwhile, with 14 sanctions packages approved and a 15th expected in Q1 of 2025, the EU and its Member States face the critical task of equipping themselves with the right tools necessary to properly implement sanctions and track sanctions circumvention.

Proposed approaches to improve enforcement

INCREASED RESOURCES TO TRACK SUPPLY CHAINS

Effectively monitoring for sanctions circumvention requires tracking transactions along the supply chain. The burden of proof for sanctions violations lies with the relevant national authorities of EU Member States. Given the number of transactions to monitor and the manual labour required following the exponential increase in goods which fall under the sanctions framework, a first fundamental solution is to invest in **hiring and training more staff.** Both national authorities and national banks—which act as a vital line of defence—require a systemic solution for hiring more staff to oversee sanctions enforcement.

[1] The US Treasury claims sanctions are damaging Russia, having cut 5% from the economic growth it might have had over the past two years. Source: [BBC News](#) (February 2024)
[2] [Carnegie Politika](#): How the Latest Sanctions Will Impact Russia—and the World (June 2024)

Without professionally dedicated specialists, the tracking of transactions and uncovering circumvention is effectively outsourced to thinktanks or investigative journalists.[3] A systemic solution is the most effective way forward—and worth the associated cost.

HARMONIZING MEMBER STATE SANCTIONS ENFORCEMENT

For maximum effect across the EU 27, Member States should further harmonize their sanctions enforcement approaches. The penalties for sanctions violations differ greatly between Member States and are managed through a varying number of national authorities and differing judicial practices.[4] The most important element to align is ensuring an appropriate enforcement structure that holds non-complying business accountable and guarantees companies employ due diligence across their entire supply chain. Member States' penalties (i.e., criminal penalties or the amount to be paid in fines) are acceptable so long as every Member State ensures their processes have an **actual deterrent effect**.

The EU has adopted a new directive to establish EU-wide rules to define criminal offenses and penalties, which is to be adopted into national law by May 2025.[5] While this is an important development, it will take at least a few years to be fully incorporated into Member State legislation and organizational structures.

The Baltic states are a prime example for how to collectively heighten sanctions enforcement efficiency through inter-agency cooperation. The Agreement on Regional Uniform Sanctions between Finland, Estonia, Lithuania, Latvia, and Poland, which was signed in May 2024, seeks to tackle sanctions evasion by addressing irregular transport routes and implementing joint measures like requiring additional documentation.[6] Its implementation can serve as a model for the rest of the EU in coordinating joint efforts between sanctions experts, financial regulators, and customs authorities. Other Member States should look to their technical experts and implement similar information-sharing mechanisms.

PRIVATE SECTOR ENGAGEMENT

Sanctions enforcement is ineffective without private sector buy-in. At present, some companies are reluctant to comply with sanctions, particularly if they have significant business dealings in Central Asia.

Many Member States are proactively reaching out to companies they identify as particularly vulnerable to sanctions and informing them of where they could be at risk of being in breach. Outside of the EU, France is using its diplomatic network and various embassy locations to raise awareness of potential sanctions circumvention with French subsidiary companies. Germany is also increasingly training its economic and trade counsellors to work with foreign subsidiaries on sanctions compliance.

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[3] Examples - Euractiv: EU sanctions on Russia 'massively circumvented' via third countries, study finds; RUSI: "In Plain Sight: Operations of a Russian Microelectronics Dynasty" (December 2023)
[4] DGAP Policy Brief: "Strict and Uniform: Improving EU Sanctions Enforcement" (September 2022)
[5] EU Council: On 12 April 2024, the Council adopted a law covering EU-wide minimum rules for the prosecution of violation or circumvention of EU sanctions in member states. Certain actions will now be considered criminal offences in all member states, for example helping to bypass a travel ban, trading in sanctioned goods or performing prohibited financial activities. Inciting, aiding and abetting these offences can also be penalised.
[6] Finnish customs: Finland and other states at the EU's external borders strengthen their cooperation to prevent the circumvention of sanctions (May 2024)

Engaging the private sector also ties into preventing foreign subsidiaries of EU companies from engaging in activities that go against the purpose of EU sanctions. It falls on the parent companies to work in this direction, through the leverage they have over their foreign subsidiaries.[7]

The EU should institute requirements for the contracts set forth between European producers and their customers, mandating provisions for termination or penalties in the event of sanctions violations, as well as establishing an obligation to report any breaches to national authorities. These requirements should force European producers to track the end consumer—and failing to do so should be considered insufficient adherence to sanctions. European domestic regulatory powers should oversee these European enterprises and how they are engaging with Russia.

This should be in addition to the "**No Russia Clause**", which requires EU exporters to contractually prohibit the re-export to Russia and re-exportation for use in Russia of restricted goods such as goods related to aviation, jet fuel, firearms and other technology items for sale, supply, transfer or export to a non-EU country as of March 2024.[8]

IMPROVED INFORMATION SHARING

It has been suggested that the EU create a centralized body for coordinating sanctions. However, a centralized EU authority with regulatory powers for sanctions enforcement is a long-term solution requiring significant resources. Action is needed in the short term to make sanctions more effective and slow Russia's war effort.

In the short term, the European Commission and European Council should act as an intellectual analysis centre. Member States should remain responsible for sanctions enforcement and the EU institutions should focus their centralized authority on information sharing and overseeing Europe's broader sanctions efforts.

Intelligence sharing and the provision of guidance are the most important capabilities for EU Member States to build up to help producers with their due diligence efforts. Inspiration can be taken from the UK's new Office of Trade Sanctions Implementation (OTSI). Launched in September 2024, OTSI helps businesses understand and enforce trade sanctions and complements the work of the Office of Financial Sanctions Implementation (OFSI).[9,10]

Information sharing should also be improved between Member States and non-EU countries. Countries like Armenia, Georgia, Turkey, and Kazakhstan—who want to have an economic relationship with the EU—are better able to comply with EU sanctions if they are given technical assistance and access to key data feeds from EU Member States' customs authorities. Considering that sanctions evasion is

[7] Q&A 14th package of restrictive measures against Russia (europa.eu)
[8] VedderPrice: EU Sanctions: No Russia and No Belarus Clauses (July 2024)
[9] Mayer Brown: UK Government launches Office of Trade Sanctions Implementation to enforce UK trade sanctions (13 September 2024)
[10] Gov.UK: Office of Trade Sanctions Implementation (11 April 2024)

shifting beyond China, the same goes for countries like Malaysia and Vietnam.[11] Given long-standing bilateral relationships with the West, offering **technical support and providing clear explanations** is a clear way forward for securing continued cooperation.

EXPANDING THE GEOGRAPHICAL SCOPE OF EU SANCTIONS

Unlike the US, the EU does not have an established mechanism like the Specially Designated Nationals list[12] or comparable resources to enforce secondary sanctions as the US does through the Department of Treasury's Office for Foreign Assets Control (OFAC). EU extra-territorial sanctions mechanisms will always require a direct tie to an EU-based entity or product.

The EU may not be ready to bring forth secondary sanctions outright, but measures with extra-territorial effect are gaining more traction. The implementation of the anti-circumvention tool last summer (which allows the EU to restrict the sale, supply, transfer, or export of specified sanctioned goods and technology to high-risk third countries[13]) is one such example. However, this is only *'an exceptional and last resort measure when other individual measures and outreach by the EU to concerned third countries have been insufficient to prevent circumvention'*.[14]

The EU should continue to add individuals and organizations to the sanctions list. Specifically, it should sanction third country persons/entities which have facilitated export control violations directly linked to an EU person or company.

Targeting middlemen and actors who systematically undermine EU sanctions is also an important approach. The EU should target the specific companies and actors within these companies. In Denmark, for example, there is concern for the 'triangle' trade of Russian jet fuel into Denmark through Indian intermediaries.[15] Adding these companies—who own or control the refineries importing Russian oil, refining it, and sending it to EU countries—to Annex IV[16] is a solution to this issue.

However, EU has limited leverage over China's role in goods reaching Russia. Many such goods originate in the EU, so **enforcement should start domestically by tightening controls to prevent unauthorized exports**. Strengthening internal oversight is key.

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[11] Regulation Asia: EU Seeking to Prevent Sanctions Evasion via Vietnam, Malaysia (July 2024)
[12] The Specially Designated Nationals and Blocked Persons List, also known as the SDN List, is a US government sanctions/embargo measure managed by the U.S. Treasury's Office of Foreign Assets Control (OFAC). Individuals and their U.S. assets are blocked and their names are added to automated screening systems used by banks in the US and elsewhere, making it difficult for them to open or hold accounts, transfer money, or transact properties internationally. Any individual or entity that provides support related to terrorism, drug trafficking or unauthorized military use to any person or entity appearing on the SDN list risks being penalized under the USA PATRIOT Act.
[13] European Council: EU adopts 11th package of sanctions against Russia for its continued illegal war against Ukraine. (23 June 2023)
[14] Ibid.
[15] Duane Morris: European Sanctions Enforcement – DK investigation (31 May 2024)
[16] Annex IV to Council Regulation (EU) 833/2014

TAILORED SOLUTIONS WHERE POSSIBLE

Where possible, **novel solutions such as GPS tagging could be relevant for companies to invest in.** This solution is not geared towards micro-chips or smaller items, but for larger products such as shipping containers. Using GPS tracking was recently implemented in relation to timber trade after the discovery that Russian timber continued to enter the EU despite the July 2022 embargo.[17] The EU now mandates GPS tracking on all containers with timber entering its territory to pinpoint the origins of timber shipments.

However, concerns remain in terms of cost of these tracking devices. And while any tampering with a tracking device would identify areas along the supply chain in need of more scrutiny, there are still logistical issues since it is often required to change freight carrier once EU goods have made it outside of the EU. Nonetheless, it would be beneficial for the EU and its Member States to look towards **technological solutions** in addition to increased human resources.

[17] The Brussels Times: https://www.brusselstimes.com/965252/new-belgian-method-revolutionises-fight-against-illegal-timber-trade-in-europe (16 March 2024)

Annex

ADDITIONAL SANCTIONS AREAS TO CONSIDER

Adopting sanctions against Russia is relatively straightforward for the EU. However, there are still several key sectors worth targeting that have not yet been hit by EU sanctions, including major export commodities which provide substantial revenue to the Russian government.[18]

Non-ferrous metals

Russian export of non-ferrous metals (e.g., nickel, aluminium, copper) generate approximately USD 21 billion per year.[19] Russian non-ferrous metal producers and exporters are vital to funding the Russian war effort, and the EU remains one of Russia's biggest buyers. While the EU may not be able to decrease its reliance on Russian imports in the immediate future, they should announce future sanctions and set a concrete timeline to move away from Russian suppliers.

Russian LNG

Russian taxes on its LNG sector generate up to EUR 10 billion per year.[20] The latest 14th sanctions package introduced sanctions on Russian LNG for the first time, but remained limited to banning upcoming Greenfield projects. The EU Commission is also working on phasing out Russian LNG by 2027, but no specific plan has been adopted yet.

Nuclear

European countries such as Slovakia, Czech Republic, Hungary, and Finland continue to import Russian nuclear fuel. Some operators in Europe are trying to reduce dependency and are concluding agreements with US firm Westinghouse under EU sponsored programs to switch to Western fuel. Nonetheless, Russia's total nuclear exports grew from USD 1.6 billion to USD 3.1 billion between 2021 and 2023, and France alone bought USD 324 million-worth of Russian nuclear technology in 2023.[21]

Pipeline gas

Hungary, Austria, and Slovakia have been significantly increasing their imports of Russian pipeline gas. In first half of 2024, pipeline gas exports to the EU increased by 24% from the first half of last year. With no sanctions in place, and only voluntary decoupling from Russian gas, European companies may be tempted to buy more. Concrete sanctions would erase the risk of re-dependence on Russian gas.

Russian trading houses

Russia's lucrative trading exporters have been establishing trading houses in places like Hong Kong, Singapore, and Morocco where they can hold currency. These trading houses are then able to loan

[18] As of January 1, 2024, Russia introduced a windfall tax on companies making a profit of over 1 billion Rubles to help finance the war. Source: Russian Federal Tax Service - Press release on Federal Law No 414-FZ of 04.08.2023 (27 October 2023)
[19] OEC: Russia Country Profile (October 2024)
[20] Atlantic Council: Oil, gas, and war: The effect of sanctions on the Russian energy industry (May 2024)
[21] Tortoise media: Russia is earning billions selling nuclear fuel to the West (16 April 2024)

money to other Russian exporters or importers who face difficulties with payments given the sanctions in place. In essence they offer intermediary services where they accept payment in Rubles and provide them with currency outside of Russia, so no currency ever crosses the Russian border. This sanctions evasion should be targeted.

Cryptocurrency

In 2022, the EU prohibited the provision of crypto wallets and other services to Russian individuals in the 8th sanctions package. The most recent sanctions package includes prohibiting European-based crypto service providers from facilitating transactions related to Russia's military efforts and forced them to scrutinize more than 2000 Russian entities.[22] Nevertheless, Russia has been relying more on crypto-linked banking services in an effort to develop alternative payments mechanisms to evade Western sanctions. In response to Russia passing legislation permitting the use of cryptocurrency for international payments in the summer of 2024, it is expected that Russian businesses will engage more in international trade using cryptocurrencies.

[22] DL News: Crypto firms must scrutinise 2,200 Russian entities under latest EU sanctions (24 June 2024)

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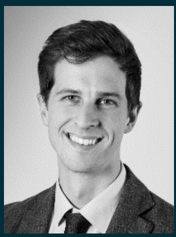

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About Rasmussen Global

Rasmussen Global was founded in 2014 by Anders Fogh Rasmussen following his time as Secretary General of NATO. With decades of experience at the highest levels in key capitals, European institutions, NATO, and governments on both sides of the Atlantic, Rasmussen Global advises clients on transatlantic issues, international affairs, and public policy.