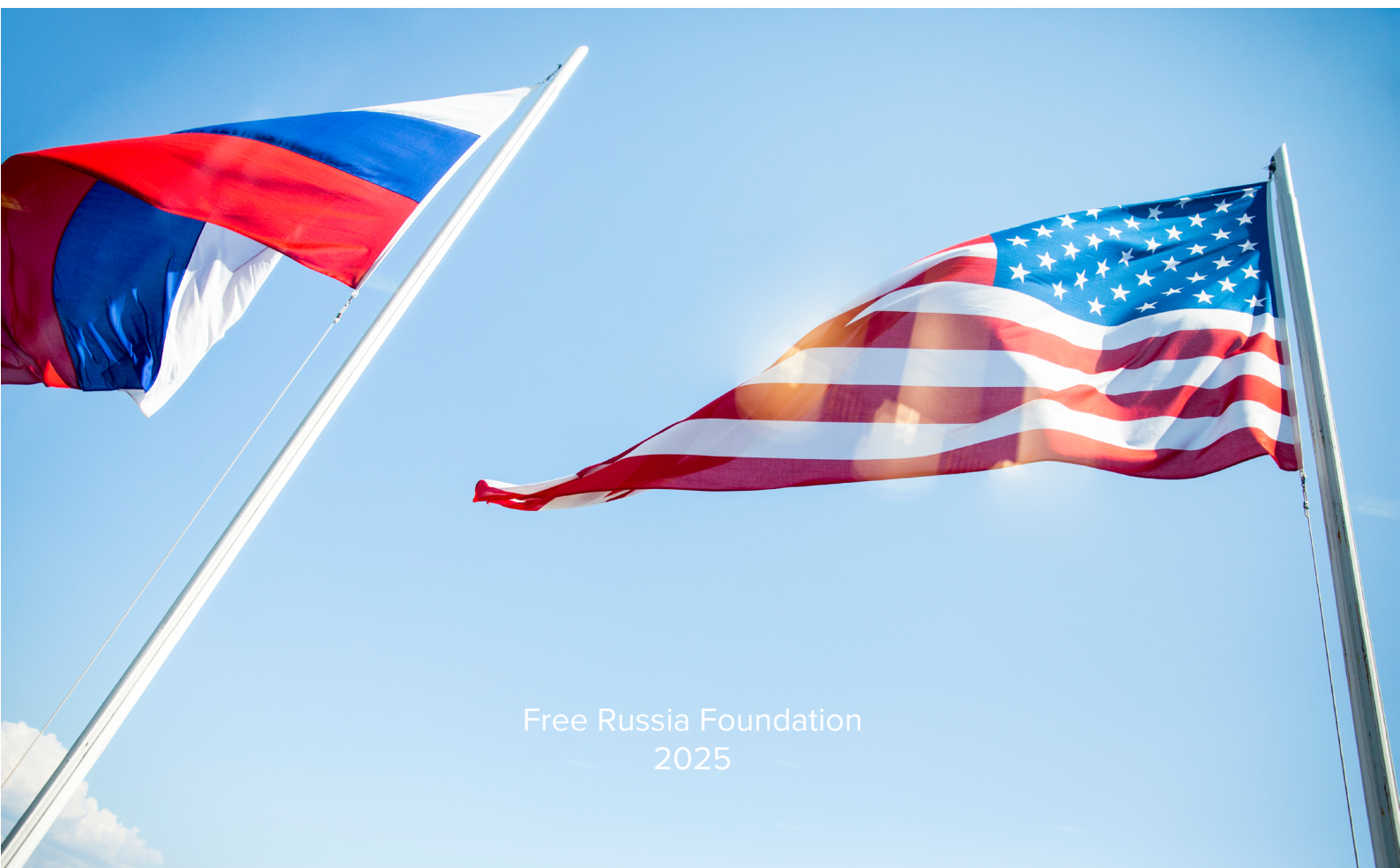


THE EVOLUTION OF THE US RUSSIA SANCTIONS REGIME: STRUCTURE, COMPOSITION AND WAYS TO IMPROVE EFFECTIVENESS

Russian Economy and Sanctions Brief
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Executive Summary

This report offers the most comprehensive, data-driven assessment to date of the structure, performance, and strategic trajectory of the U.S. sanctions regime against the Russian Federation. Drawing on over 6,000 individual sanctions designations, Russian trade and financial data, FOIA-obtained records, and original investigative research, the study evaluates whether sanctions are achieving their intended goals — and what must be done to ensure their continued effectiveness.

Since the launch of Russia’s full-scale invasion of Ukraine in February 2022, U.S. sanctions have dramatically reshaped bilateral economic ties: U.S.-Russia trade has plummeted fifteenfold, from \$36 billion in 2021 to \$2.48 billion in 2024. More than 6,400 sanctions have been imposed by the U.S.—nearly one-third of all global sanctions against Russia—targeting individuals, firms, vessels, and critical sectors ranging from high-tech manufacturing to finance. Yet significant loopholes, enforcement fatigue, and shifting political will threaten to erode these gains.

This report fulfills three interlinked objectives:

1. Mapping the Structure and Effectiveness of U.S. Sanctions

Sectoral Targeting:

Sanctions are heavily concentrated in a few sectors. Nearly 20% of all designated entities operate in professional, scientific, and technical services, while over 12% are in computer and electronic product manufacturing—reflecting a strategic focus on degrading Russia’s defense industrial base.

Technology Access:

Despite restrictions, U.S.-made microchips from companies like Texas Instruments and Analog Devices continue to appear in high-precision Russian weaponry, including Kh-101 cruise missiles and Shahed-136 drones. From 2022 to early 2024, over 200,000 shipments of restricted microelectronics reached Russia.

Sanctions Exemptions Undermining Impact:

U.S. purchases of Russian fertilizers totaled \$1.1 billion in 2024, making up 12% of all U.S. fertilizer imports. These exemptions—justified under “food security”—directly fund the Russian war machine. Similarly, enriched uranium worth \$623 million was imported from Russia in 2024 despite announced bans.

Economic Pressure Points:

Russia’s National Wealth Fund has declined from \$116.5 billion in February 2022 to under \$53 billion in July 2025, nearing depletion. Monthly oil and gas revenues fell from \$14 billion in 2022 to just \$6.3 billion in mid-2025, while inflation remains the second highest in the G20 (9–10%).

Foreign Direct Investment Collapse:

FDI stock has shrunk nearly 60%, from \$500 billion in 2021 to just over \$200 billion in 2025. Even China has curtailed investment, wary of secondary sanctions.

SWIFT Workarounds:

While major Russian banks have been disconnected from SWIFT, 200 smaller banks remain connected, facilitating sanctions evasion. These banks maintain access to cross-border payments via China's Bank of China and others.

Shadow Fleet Growth:

Russia's sanctions-evading "shadow fleet" of oil tankers has grown from under 100 vessels in 2022 to up to 600 vessels by 2025. Only 444 vessels have been sanctioned, leaving a vast unsanctioned network undermining the G7 oil price cap.

2. Forecasting the Evolution of the Sanctions Regime: Four Scenarios

The report outlines four plausible trajectories for the sanctions regime over the next 3–5 years:

Scenario 1: Incremental Expansion (High Likelihood)

Continued layering of sanctions, including closing loopholes and targeting critical exports like LNG and fertilizers. Potential for stronger G7 coordination and enforcement.

Scenario 2: Strategic Retrenchment (Moderate Likelihood)

Reduced sanctions momentum due to domestic political shifts, enforcement fatigue, or diminished battlefield urgency. Risk of stalled pressure on Russia.

Scenario 3: Gradual Dismantling (Low to Moderate Likelihood)

Partial rollback of sanctions as part of a geopolitical bargain (e.g., for peace talks or arms control). High risk of signaling weakness and encouraging future aggression.

Scenario 4: Sanctions Erosion Through Nonenforcement (Moderate Likelihood)

Bureaucratic degradation, funding cuts (e.g., under the Department of Government Efficiency), and lack of political will lead to "zombie sanctions"—formally in place but operationally ineffective.

3. Strategic Recommendations for U.S. Stakeholders

To ensure the sanctions regime continues to advance U.S. national security interests, the report issues detailed recommendations tailored to each scenario and stakeholder group:

Congress

- Codify key sanctions to reduce executive reversibility.
- Investigate enforcement gaps and require quarterly OFAC/BIS reporting.
- Assess the impact of DOGE-initiated cuts on sanctions enforcement capacity.
- Authorize significant expansion of OFAC/BIS staffing—currently outpaced by the scale of global designations.

Executive Branch

- Resume regular updates to sanctions lists, especially against the shadow fleet, SLB operations in Russia, and dual-use tech exporters.
- Impose secondary sanctions on complicit entities in China, India, UAE, and Central Asia—where Russian trade has surged 445% in Armenia, 284% in Kyrgyzstan, and 199% in Belarus since 2021.
- Cut all Russian banks from SWIFT and sanction Yamal LNG, a key revenue source still untouched.
- Enforce tighter export controls and increase scrutiny on crypto exchanges used in sanctions evasion (estimated Russian crypto flow: \$80 billion over 6 months, per Russian Central Bank).

Civil Society and Investigators

- Expand investigative efforts into sanctions circumvention supply chains.
- Raise public awareness of sanctions' real impact and counter disinformation narratives about "ineffectiveness."
- Monitor corporate lobbying, licensing anomalies, and carveouts that undermine the sanctions regime.

Conclusion

Sanctions are working. They have reduced Russia's ability to wage war, degraded its economic base, and constrained its future growth. But their continued success depends on closing enforcement loopholes, maintaining bipartisan political will, and investing in bureaucratic capacity.

As the geopolitical environment shifts, this report provides a roadmap for ensuring that the evolution of the U.S. sanctions regime remains strategically aligned with American security priorities—deterring Russian aggression, supporting Ukraine's defense, and upholding the credibility of U.S. economic statecraft.

Current moment in the US-Russia sanctions

Since February 2022, the US authorities have introduced over 5,000 new sanctions targeting Russia, bringing the total number close to 6,000. The **top four targeted sectors** by the number of companies include professional, scientific, and technical services; computer and electronic product manufacturing; transportation equipment manufacturing; and machinery manufacturing. This focus is **consistent with the most important sectors of prewar US-Russia trade by dollar value**. The sanctions **have had a tremendous impact on US-Russia economic engagement**. Trade between the US and Russia has contracted almost fifteenfold, dropping from \$36.03 billion in 2021 to \$2.48 billion in 2024.¹ US purchases of Russian mineral fuels, oils, and distillation products have decreased from \$18.1 billion in 2021 to just \$9,500 in 2024.²

Out of approximately 800 US companies that had conducted business inside Russia prior to the full-scale invasion in 2022, about 100 have fully exited since the start of the war³, and several hundred others are in various stages of scaling back their operations or preparing for a complete exit⁴. Not all these exits were mandatory under sanctions; some were voluntary and precipitated by ethical considerations. Among the US companies that have maintained their presence in Russia, most are consumer market oriented—like Philip Morris International, PepsiCo, Procter & Gamble, and Mondelez. Although such continued operations provide substantial tax revenue to the Russian government, it is worth noting that exiting consumer market-oriented Western companies, as shown by the experience of 2022–2025, can be easily replaced by domestic Russian competitors, who continue to pay a comparable amount of taxes to the government while providing the same consumer-oriented products and services. This is why attention should be focused on the exit by financial and technology companies, which help to enhance Russia's industrial production and financial operations. Most of these have exited Russia since the beginning of the full-scale war—however, notable exceptions remain, like oilfield services provider Schlumberger (now known as SLB)⁵, whose services are vital to sustaining Russian oil output, or Texas Instruments, whose products are still being used by the Russian military on the battlefield in Ukraine, being bought from third parties.⁶

However, trade with and investments from the US haven't played a comparable role in sustaining Russia's economy as those from Europe (including the EU, the UK, Switzerland, Norway, etc.). In 2021, the last full year before Russia's full-scale invasion of Ukraine in 2022, the share of the US in Russia's total exports was below 4 percent, and in accumulated foreign direct investment (FDI) stock—less than 1 percent. Europe's share was over 50 percent in Russia's total exports and about two-thirds of the accumulated FDI. So, what mattered here was the initiative and lead taken by the US government in introducing the sanctions (usually, European sanctions against Russia followed in the footsteps of measures adopted by the US), as well as in maintaining the global sanctions enforcement system.

Europe has greatly contributed to enforcing the overall sanctions regime since 2022: Total EU imports from Russia have been reduced to just EUR 36 billion in 2024, as opposed to EUR 164 billion in 2021 (a contraction by 78 percent). EU energy imports from Russia fell by 83 percent in 2024 as compared to 2021, from EUR 123 billion in 2021 to EUR 21 billion in 2024.⁷ However, room remains for further reduction of EU imports from Russia.

Since the beginning of the second Trump administration, the US has largely refrained from adopting new sanctions against Russia, while maintaining previously adopted ones, as of early July 2025. Such change occurred against the background of peace talks between Russia and Ukraine facilitated by the new US administration, and it is understood that the administration's policy of refraining from adopting new sanctions against Russia was connected to its intent of bringing Russia and Ukraine to the negotiating table to end the war. So far, this approach has yielded no practical results. The Trump administration's further sanctions policy toward Russia remains uncertain, showing mixed signals, from a potential increase in sanctions pressure to massive sanctions relief, depending on the outcome of peace talks.

One notable change in US government operations under President Donald Trump was massive reforms of the bureaucratic apparatus initiated by the Department of Government Efficiency (DOGE), a newly created department whose stated objective is to maximize productivity and cut excess regulations and spending within the US government. It is possible that, due to DOGE-initiated personnel and funding cuts, the performance of some sanctions enforcement functions by agencies like the Department of Treasury's Office of Foreign Assets Control (OFAC), the Department of Commerce's Bureau of Industry and Security (BIS), or the Department of State may be affected—this remains to be seen.

Also, the US-EU contacts on coordinating the enforcement of sanctions against Russia have deteriorated considerably, according to media reports as well as statements by the EU sanctions envoy David O'Sullivan, who said that there is «no more outreach» between the two sides on sanctions evasion and that G7 cooperation has «also lost momentum» at an EU ministerial meeting in Brussels on May 20, 2025.⁸ The impact of these developments is yet to be analyzed.

Brief overview of sanctions impact on Russia

Sanctions have heavily impacted Russia. Despite the country maintaining remarkably high levels of GDP growth from 2023 to 2024 (3.6 percent and 4.3 percent respectively) and rebounding from the initial sanctions shock of 2022, this has been achieved only through rapid depletion of the government's available financial reserves. The government's main cash stash, the liquidity part of the National Wealth Fund, has shrunk from \$116.5 billion in February 2022 to just below \$53 billion as of July 2025,⁹ or roughly equal to the planned federal budget deficit for 2025 (\$43 billion). This means that the liquidity part of the National Wealth Fund is heading toward being exhausted by the end of 2025, leaving the government with limited options to further finance the war in Ukraine and the Russian economy. From 2022 to 2024, such financing was provided by drawdowns of funds from the National Wealth Fund, but this option will no longer be available heading into 2026. However, from 2022 to 2025, the Russian government couldn't prevent major fiscal deficits—federal budget deficits stayed at the level of around 2 percent of GDP, despite constant pledges to lower it below 1 percent of GDP.

Due to the sanctions, Russia can't borrow internationally—the country is cut off from international financial markets, and domestic borrowing is too expensive under current interest rates to generate net surplus. With OFZ government bond yields in the range of 15–16 percent recently, net borrowing after the first five months of 2025 (as in 2024) was around zero,¹⁰ with high interest payments offsetting cash raised through new OFZ bond placements.

Russia faced a massive outflow of foreign investment. According to the Russian Central Bank, the contraction of accumulated FDI stock comprised around \$300 billion in 2022–2025, and total accumulated FDI has shrunk by nearly 60 percent, from \$500 billion to just over \$200 billion.¹¹ Even China has reduced its FDI in Russia,¹² wary of the threat of US secondary sanctions and generally refraining from investing in Russia due to the country's economic woes.

Sanctions that cut Russia off from international investment and technology have caused setbacks to import substitution and industrial output increase, creating a major «positive output gap» that the Russian Central Bank considers to be the key driving factor behind persistently high inflation.¹³ A positive output gap occurs when the demand for products is greater than the capacity to supply them for a period of time. Russia faces just that: Demand is fueled by significant budget funds injected into the economy to finance the war and simulate import substitution, but limitations exist for increasing output due to technology, capacity, and other constraints brought about by sanctions. The government's fiscal stimulus in this regard is fueling excessive demand, resulting in high price growth. Russia is currently ranked second among the world's top 20 economies by inflation (annualized inflation stands at 9–10 percent as of July 2025), behind only Turkey, and standing far above the next large economies like Poland or the Netherlands, where inflation stands just above 4 percent (the Russian Central Bank's target inflation goal, which it was never able to reach in recent years).

High inflation forced the Russian Central Bank to maintain high interest rates, which currently stands at 20 percent, among the top 15 worst countries globally. Persistent high interest rates, in turn, lead to high federal budget interest spending—the key driving force behind budget deficits besides military spending—and to sharp cooling of the economy, with GDP growth slowing down to 1.4 percent in the first quarter of 2025 from 4.3 percent in 2024, and government officials are now openly discussing a possible recession in the next quarters.¹⁴

Russia's monthly federal budget oil and gas revenue fell from an average of \$14 billion per month in 2022¹⁵ to just \$6.3 billion in June 2025.¹⁶ The oil price cap for Russian oil introduced by the G7 countries, though not respected completely, has significantly increased discounts for Russian oil, which currently reach as high as \$12–13 per barrel as compared to international oil prices,¹⁷ significantly reducing Russia's revenues from oil exports.

Russian revenues from non-energy and non-commodity exports fell from around \$200 billion in prewar 2021 to less than \$150 billion¹⁸ in 2022–2025 (projection), since many Russian non-energy and non-commodity exports lack access to the markets of the Global South countries.

US sanctions are also heavily impacting Russia's relations with the countries of the Global South, whose banks and companies are wary of the threat of US secondary sanctions and limit their cooperation with Russia. This has already led the countries of the Global South to refrain from new investments in Russia since 2022, contributing to the above noted massive FDI decline in 2022 – 2025 (including the decline of Chinese investments into Russia). Top Chinese companies and banks often refrain from working with sanctioned Russian entities,¹⁹ leading to complex transaction schemes that significantly increase costs.²⁰ Restructuring foreign trade to focus on Asia and other countries of the Global South also considerably increases shipping and logistical costs and diminishes trade profitability for Russian businesses, as the Russian economy has gravitated toward the European market (over 80 percent of the Russian population lives in the greater European part of Russia, where more than 80 percent of the combined gross regional product is produced).

Summary of methodology

This report aims to answer the following questions:

- How to further improve the effectiveness of sanctions against Russia?
- Are there sectors that should be sanctioned but are not?
- Within key sectors, are there companies that should be sanctioned but are not?
- Is there evidence that there are sanctions that are not being adequately enforced?
 - through direct circumvention
 - through issuing of licenses by the US government
- How can sanctions effectiveness be enhanced through transnational mechanisms?
 - coordination with allies
 - diplomacy and secondary sanctions vis-à-vis countries that haven't joined the sanctions regime

Table 1. Summary of Data Source and Methodology Used in this Report

Topic	Indicators	Sources
State of the Russian economy, budget, military financing	Data on Russian state budget revenues and expenditures, financial reserves, economic dynamics (GDP, industrial output, inflation, etc.), prices and volumes for Russian exported commodities (oil, etc.)	Central Bank of Russia, Russian Ministry of Finance, Russian Ministry of Economic Development, Russian Statistics Agency (Rosstat), media sources
Trade, exports, imports	Data on exports, imports, specific supply chains, trade items in question, firms, individuals, transport vehicles and vessels involved	Central Bank of Russia, Census Bureau's International Trade Statistics, Trading Economics, media sources, investigative reports, available trade databases
Investments	FDI inflows/outflows/stock	UNCTAD Foreign direct investment: inward and outward flows and stock, Central Bank of Russia, government sources from various countries
Sanctions evasion	Available data on trade patterns allowing Russia to evade sanctions regime	Media sources, investigative reports, available trade databases

Structure and Composition of the US Russia Sanctions Regime

Sanctions are defined as coercive economic and diplomatic government measures aiming to bring about a change in behavior or policy in furtherance of US foreign policy and national security objectives.²¹ They include trade embargoes; restrictions on exports or imports; restrictions or outright denial of foreign assistance, loans, or investments; blocking of foreign assets under US jurisdiction; prohibition on economic transactions that involve US citizens or businesses; and denial of entry into the US. Secondary sanctions put additional pressure on the sanctions target and deny evasion routes. They seek to deter third parties from engaging in activities with the primary target to further restrict the availability of revenue that might be used to advance malign intentions or evade sanctions altogether.

By January 2025, the US has imposed 6,433 sanctions against Russian entities and individuals, according to the Office of Foreign Assets Control at the US Department of the Treasury (OFAC)²² and Castellum.AI.²³ This is about a third of the world's total of 22,000 sanctions targeting Russia, signifying an aggressive and resolute approach. The bulk of these have been introduced after Russia's full-scale military invasion of Ukraine in February 2022.

US sanctions target Russia's fossil fuel sector (including crude oil, refined products, and liquified natural gas [LNG] exports), access to financial markets, both of which are important revenue sources for the Russian economy, and access to technology critical to Russia's defense production.

The US government has been conducting four main Russia-related sanctions programs:

- Russian Harmful Foreign Activities Sanctions (created by executive order [EO] 14024 in April 2021): 4,979
- Ukraine-/Russia-related Sanctions (started with EO 13660 in March 2014): 84
- Countering America's Adversaries Through Sanctions Act of 2017 (CAATSA, Public Law 115-44 passed in 2017): 8
- Magnitsky Sanctions (Sergei Magnitsky Rule of Law Accountability Act of 2012): 8

Since 2022, the Russian Harmful Foreign Activities Sanctions program has become the primary vehicle for implementing new sanctions, while the other programs continue to provide important legal frameworks and complementary authorities.

Beyond these programs implemented by OFAC, there are also 759 sanctions implemented by the Department of Commerce's Bureau of Industry and Security (BIS), Cyber-Related Sanctions under EO 13694 and EO 13757 (54 sanctions),

Protecting Europe's Energy Security Act (19 sanctions), and Weapons of Mass Destruction Proliferators Sanctions Regulations (30 sanctions). Some categories are not directly Russia-related but include Russian entities, as is the case with the sanctions on Syria or North Korea.

There are several agencies within the US government responsible for the implementation and enforcement of sanctions including OFAC, BIS, and the Department of State. The sanctions framework consists of five key programs: (1) sectoral sanctions targeting financial institutions, energy companies, and defense firms, administered by OFAC; (2) Specially Designated Nationals (SDN) designations that impose asset freezes and financial restrictions, also managed by OFAC; (3) export controls on strategic technologies and dual-use items, overseen by BIS in coordination with the State Department; (4) investment restrictions on Russian companies, jointly administered by OFAC and the State Department; and (5) broad financial sanctions implemented by OFAC and the Federal Reserve.

Some of the sanctions are levied against previously sanctioned entities and individuals. For example, in late October 2024, BIS intensified measures against 40 foreign entities, as well as four addresses, for their support for the Kremlin's illegal war in Ukraine and tightened restrictions on 49 foreign entities that had already been on the Entity List²⁴ to punish their procurement of high-priority US-branded microelectronics and other items on behalf of Russia. These repeatedly sanctioned entities are usually registered in the People's Republic of China (PRC), as well as India, Malaysia, Russia, Singapore, Turkey, Estonia, Finland, the United Arab Emirates (UAE), and the United Kingdom (UK). BIS is also imposing additional restrictions on the export of nine chemical precursors used to produce riot control agents (RCAs) and chemical weapons used on the battlefield against Ukraine in violation of treaty commitments.

All Russia sanctions can be notionally split into categories including sectoral sanctions targeting specific industries like banking or energy and sanctions against entities such as specific companies, individuals, vessels, and aircraft. As of August 2024, US Russia sanctions imposed on entities target

- 3,566 organizations,
- 1,355 individuals,
- 265 vessels, and
- 101 aircraft.

The North American Industry Classification System (NAICS) codes provide a standardized framework for categorizing industries affected by Russia sanctions. In table 2, three-digit NAICS codes help identify the most heavily sanctioned sectors, such as Professional Services (541) and Computer Manufacturing (334). This classification system allows us to analyze how concentrated sanctions are within specific industries and compare prewar trade volumes against post-invasion changes, providing insight into the sanctions' economic impact and effectiveness.

Table 2. Russian Economic Sectors Most Targeted by the US

Category	NAICS Code	Examples
Professional, Scientific, and Technical Services	541	<ul style="list-style-type: none"> • Advanced Research Foundation • Central Research Institute • Federal Research and Production Center • Institute of Applied Physics • Space Research Institute Russian Academy of Sciences
Computer and Electronic Product Manufacturing	334	<ul style="list-style-type: none"> • Concern Radio-Electronic Technologies • Ruselectronics JSC • Joint Stock Company Element • Baikal Electronics • JSC PKK Milandr
Transportation Equipment Manufacturing	336	<ul style="list-style-type: none"> • United Aircraft Corporation • Russian Aircraft Corporation MiG • Russian Helicopters JSC • Sukhoi Aviation JSC • Joint Stock Company United Shipbuilding Corporation
Machinery Manufacturing	333	<ul style="list-style-type: none"> • Shvabe JSC • Joint Stock Company Galichskii Avtokranovyi Zavod • KRIOGENMASH OAO • JSC Special Boiler Design Bureau • Kirovsky Zavod Public Joint Stock Company
Merchant Wholesalers, Durable Goods	423	<ul style="list-style-type: none"> • Rosoboronexport OAO • Joint Stock Company Foreign Trade Association Elektronintorg • Baltiyskaya Promishlennaya Kompaniya • Eastern Trade Limited Liability Company • Promtekhkomplekt JSC
Support Activities for Transportation	488	<ul style="list-style-type: none"> • S7 Engineering LLC • Joint Stock Company Helicopter Service Company • Trust Logistics Group LLC • FPK Transagency JSC • PRO HELI International Services LLC
Mining (except Oil and Gas)	212	<ul style="list-style-type: none"> • USM GOLD LLC • Joint Stock Company POLYUS • HIGHLAND GOLD MINING LIMITED • USM METALLOINVEST LLC • UDOKAN COPPER LLC
Management of Companies and Enterprises	551	<ul style="list-style-type: none"> • Rostec (Russian Technologies State Corp) • T1 Holding • Sistema PJSC • Kismet Capital Group LLC • USM Holdings LLC

Category	NAICS Code	Examples
Fabricated Metal Product Manufacturing	332	<ul style="list-style-type: none"> • Tula Arms Plant • Joint Stock Company Votkinsk Machine Building Plant • KOVROV MECHANICAL PLANT PJSC • Joint Stock Company Moscow Machine Building Plant • Joint Stock Company 116 Arsenal
Securities, Commodity Contracts, and Other Financial Investments	523	<ul style="list-style-type: none"> • Moscow Exchange • National Clearing Center • VTB Specialized Depository • IC VELES CAPITAL LLC • BONUM CAPITAL Ltd

Many sanctioned Russian entities fall under several NAICS categories due to their integrated operations. For example, the United Aircraft Corporation combines manufacturing (336) with research services (541), while the Kovrov Mechanical Plant, listed under «Fabricated Metal Product Manufacturing» (332), could also be classified under «Machinery Manufacturing» (333) due to its production of nuclear power equipment. Similarly, a state corporation such as Rostec oversees subsidiaries across manufacturing, research, and services categories. This overlap in classifications reflects the integrated nature of Russia's industrial complex and complicates the task of assessing the structure of the sanctions regime by sectors.

Table 3. US Sanctioned Companies and US Export to Russia by Economic Sector

Category	No. of companies	Share of all sanctioned companies	Share of US exports to Russia (\$ value) pre-2022	Share of US exports to Russia (\$ value) 2024
Professional, Scientific, and Technical Services	679	19.10%	NA	NA
Computer and Electronic Product Manufacturing	443	12.46%	14.44%	17.17%
Transportation Equipment Manufacturing	263	7.40%	28.89%	0.12%
Machinery Manufacturing	200	5.63%	18.24%	1.14%
Merchant Wholesalers, Durable Goods	180	5.06%	NA	NA
Support Activities for Transportation	123	3.46%	NA	NA
Mining (except Oil and Gas)	109	3.07%	0.08%	0.01%
Management of Companies and Enterprises	93	2.62%	NA	NA
Fabricated Metal Product Manufacturing	90	2.53%	2.86%	2.06%
Securities, Commodity Contracts, and Other Financial Investments	88	2.48%	NA	NA
Other Categories	672	18.92%		
Unclassified	615	17.30%		

Source: OFAC data, authors' research

Official Russian sources²⁵ recognize the following broad areas targeted by Western sanctions:

- Russia's sovereign debt and investments (these sanctions were sectoral)
- Export and import (approximately 150–200 companies)
- Aviation (approximately 70–100 companies)
- Banks (approximately 50)
- Individuals (1,355)
- Media and internet (probably less than 10 companies)
- Visas and diplomatic relations (probably all individual sanctions: 1,355)
- Disruption of business ties (hard to estimate, most sanctions are intended to disrupt business ties)
- Cancellation of sports events (not sure sports events were subject to US sanctions)

This classification, which is not based on official sources, seems to be somewhat hazy or incomplete. The categories, such as the sanctions on investments and “disruption of business ties” are overlapping, and sanctions against banks appear a part of financial services sanctions. It might be more reasonable to identify the following principal types of the sanctions by their goal:

- Economic sanctions, including:
 - Russian finances
 - Russia's sources of revenue through foreign trade
 - Russia's access to equipment and technologies, including for the military-industrial complex
 - Economic and technological long-term development potential
- Political sanctions, including:
 - Russian propaganda
 - Russian involvement in foreign countries' affairs
 - Personal sanctions against pro-regime individuals

Key enforcement gaps: Trade

As shown above, trade between the US and Russia has contracted almost fifteenfold, dropping from \$36.03 billion in 2021 to \$2.48 billion in 2024. Thus, although further reduction of imports of Russian goods is necessary, Russian exports to the US no longer provides the Russian government with a significant source of revenue.

About 60 percent of continued US goods imports from Russia are fertilizers and inorganic chemicals.²⁶ Since the beginning of Russia's full-scale invasion of Ukraine, Russian fertilizer exports have been largely exempted from sanctions.

As per OFAC, «as a general matter, agricultural and medical trade are not the target of sanctions imposed by the US on Russia in response to its unprovoked and brutal war against Ukraine, and OFAC has issued General License 6B to authorize certain transactions prohibited by the Russian Harmful Foreign Activities Sanctions Regulations (RuHSR) related to agricultural commodities (including fertilizer)».²⁷ In 2024, the US purchased \$1.1 billion worth of Russian fertilizers, which made up 12.3 percent of the total US fertilizer imports.²⁸

Maintaining exemptions from sanctions for the Russian fertilizer industry remains a questionable policy. In 2024, Russia exported \$13 billion worth of fertilizers,²⁹ with this industry remaining one of the most profitable and tax revenue generating sectors of the Russian economy. Also, Russia is importing large quantities of chemicals for manufacturing explosives by purchasing products from fertilizer companies that have avoided international sanctions lists: For instance, the Russian explosives manufacturer JSC Spetskhimiya has placed orders for tens of thousands of tons of nitric acid and a nitric-sulphuric-acid mix (chemicals are essential for the production of TNT, gunpowder, and other explosives the Russian military uses in its war against Ukraine) from subsidiaries EuroChem Group AG and UralChem JSC, fertilizer companies that are not subject to strict US sanctions due to their «importance to global food security».³⁰

The pretext for not sanctioning the Russian fertilizer industry was «concerns about international food security,» but, as noted above, the fact that Russian fertilizer producers are exempt from sanctions creates a dangerous loophole used both to generate revenue for the war, as well as to evade sanctions with the purpose of gaining access to products used in military production. In June 2025, the EU introduced sweeping sanctions against Russian fertilizers;³¹ it is time for the US to catch up with this approach.

Another 30 percent of continued US goods imports from Russia in 2024 were nonferrous metals. However, the exports of this commodity are expected to decline further due to sanctions introduced in April 2024 against Russian nonferrous metals.³² The US continues to import Russian platinum, palladium, titanium, and other metals. Russia is among the largest suppliers of platinum to the US, currently worth over \$100 million per month;³³ the US also imports comparable amounts of Russian palladium.³⁴ In the fall of 2024, the US suggested G7 countries consider sanctions on Russian palladium and titanium,³⁵ but this idea never went anywhere and was dropped by the Trump administration.

Another commodity sanctioned but still imported is Russian enriched uranium, used by US nuclear power plants. In May 2024, the US banned imports of uranium products from Russia (taking effect in August), although companies may apply for waivers through January 1, 2028.³⁶ However, as of mid-2025, the US continues to import enriched uranium from Russia, importing \$274 million worth in the first quarter. In 2024, it imported Russian enriched uranium worth \$623 million.³⁷

Critical technologies: oilfield services

As noted above, many US companies exited Russia or are planning to do so since the Russian invasion of Ukraine began in February 2022. However, notable exceptions remain, such as oilfield services company Schlumberger (now known as SLB). Unlike other American oilfield services companies like Halliburton or Baker Hughes, which have sold their Russian operations, the Houston-based SLB is not planning to follow suit, and in fact, it expanded its operations in Russia. In the summer of 2023, SLB publicly committed to stop supplying products and technologies, but over the next six months, it imported equipment worth \$17 million to Russia. Most of the cargo came from China and India. According to the Financial Times, the share of the Russian segment in SLB's revenues is 5 percent, with earnings exceeding \$1.5 billion.³⁸

Russian and Chinese oilfield services providers lack such sophisticated technologies as SLB possesses in the field of geological survey tools, telemetry, etc., according to Kommersant: «In general, there are no technologies in the world of the same class ... therefore, in order not to lose efficiency, Russian oil companies are interested in these players looking in some way in the Russian Federation, especially when it comes to complex fields. After all, this allows them to maintain the cost of developing deposits at an acceptable level. And SLB in this case, given that their business in the Russian Federation was quite large, probably found an opportunity to choose the appropriate service and supply technology from neighboring countries.»

It is estimated that oil well productivity at the complex Russian oil fields may decrease considerably should SLB leave Russia and cut off Russian oil producing companies from accessing its technology.³⁹ As a matter of fact, according to the Russian statistics agency, Rosstat, the average productivity of an oil well in Russia has increased from 7.5 metric tons per day in 2000 to over 10 tons per day by the late 2000s and around 9.4 tons at present,⁴⁰ as a result of the arrival of top Western oilfield services players like SLB, Halliburton, and Baker Hughes.

In fact, SLB has created an in-country ecosystem of assets and entities, which operate regardless of their foreign parent. The system includes equipment design and manufacture establishments, training centers, field service subsidiaries, etc. Other large US oilfield service companies (Halliburton, Baker Hughes) have officially terminated operations in Russia but continued supplying vital equipment for enhancement of oil output beyond that point, as did SLB.⁴¹

Members of the US Congress have been repeatedly calling for SLB to halt its operations in Russia,⁴² but so far, to no avail. Provision of US petroleum services to persons located in the Russian Federation was prohibited by new sanctions introduced by the US government in January 2025.⁴³

However, after introduction of these new sanctions, SLB argued that its continued Russia operations comply with them.⁴⁴ This requires a comprehensive high-level review of SLB's continued operations in Russia, given the vital role of US oilfield services providers in maintaining the current level of oil well productivity at the Russian oil fields.

Russian oil price cap

On December 3, 2022, G7 members formally set the price cap on Russian exported oil at \$60 per barrel.⁴⁵ This price cap applies to crude oil, petroleum oils, and oils obtained from bituminous minerals, which originate in or are exported from Russia. Key aspects of the G7 price cap include:

- The price cap establishes a framework for Russian seaborne crude oil and petroleum products to be exported to third countries under a capped price to achieve three objectives: (i) maintain a reliable supply of seaborne Russian crude oil and petroleum products to the global market; (ii) reduce upward pressure on energy prices; and (iii) reduce Russia's revenues.
- The level of the cap was established in close cooperation with the Price Cap Coalition and became applicable on December 5, 2022.
- The decision sets the level at which the exemption applies and introduces a transition period of 45 days for vessels carrying crude oil originating in Russia, purchased and loaded onto the vessel prior to December 5, 2022, and unloaded at the final port of destination prior to January 19, 2023. As the price cap may be periodically reviewed to adapt to the market situation, the decision also sets a transition period of 90 days after every change in the price cap, to ensure coherent implementation of the price cap by all operators.
- The functioning of the price cap mechanism will be reviewed every two months to respond to developments in the market and will be set at least 5% below the average market price for Russian oil and petroleum products, calculated on the basis of data provided by the International Energy Agency.

After nearly three years of the price cap implementation, some setbacks are clearly visible. Overall implementation of the price cap can't be considered too bad: Russian oil is currently exported with a discount of \$12-13 per barrel as compared to the international oil price benchmarks.⁴⁶ Even though at times Russian oil was exported at prices exceeding the oil price cap, this was not too significant: In 2023–2024, for instance, the average Russian oil export price was just slightly above the \$60 per barrel price cap.^{47,48} In 2025, due to a major decline in global oil prices, the average price for Russian exported oil is expected to be below the price cap. The recently amended Russian federal budget envisages the average price for Russian oil for 2025 to be \$56 per barrel.⁴⁹

However, such moderate price levels for Russia's exported oil were largely achieved due to modest international oil prices. When oil prices went up, Russian oil easily exceeded the G7 oil price cap levels, like during the June 2025 oil price crisis connected to bombings in Iran by Israel and the US.⁵⁰ While the G7 oil price cap managed to ensure that Russian oil is exported with significant discounts to international oil prices, it still failed to create a mechanism guaranteeing that the Russian oil export price stays below \$60 per barrel indefinitely.

The problem is clearly associated with the design of the oil price cap itself. When introduced, the price cap was intended to offer the buyers of Russian oil an incentive to keep the purchasing price below \$60 per barrel: «It is prospective buyers elsewhere—especially emerging markets—that stand to gain directly from low-cost Russian oil; ... The price cap therefore particularly benefits importers from these countries by helping stabilize global oil prices.»⁵¹

However, the incentive offered wasn't sufficiently supported by punishment mechanisms for those countries that were still willing to buy Russian oil above the price cap. Meanwhile, Russia developed a vast «shadow fleet» containing hundreds of vessels operated by Russia to evade policing following the enactment of the 2022 Russian crude oil price cap by G7 countries.⁵² The International Maritime Organization (IMO), in its nonbinding resolution of December 6, 2023,⁵³ agreed on a precise definition of the term «shadow fleet,» as fleet containing ships that are engaged in illegal operations for the purposes of circumventing sanctions, evading compliance with safety or environmental regulations, avoiding insurance costs, or engaging in other illegal activities, which may include:

- carrying out unsafe operations which do not adhere to international regulations and well-established and strict industry standards and best practices;
- intentionally avoiding flag State and port State control inspections;
- not maintaining adequate liability insurance or other financial security;
- intentionally avoiding commercial screenings or inspections;
- not operating under a transparent corporate governance policy that assures the welfare and safety of those on board and the protection of the marine environment; or intentionally taking measures to avoid ship detection such as switching off their AIS [automatic identification system] or LRIT [long-range identification and tracking system] transmissions or concealing the ship's actual identity when there is no legitimate safety or security concern sufficient to justify such action.

The size of Russia's shadow fleet of oil tankers has grown from fewer than 100 vessels at the beginning of 2022 to up to 600 by early 2025, depending on the counting method. In total, Western sanctions now cover only 444 vessels, with a significant number still remaining unsanctioned.⁵⁴

What is required to make the oil price cap more effective is to continue sanctioning shadow fleet vessels, as well as its operators, traders, insurers, and other parties involved, to further widen the discounts for Russian oil shipped, thus bringing the actual effective price for Russian exported oil below the agreed \$60 per barrel price cap. Moreover, without further efforts in this direction, current proposals to lower the Russian oil price cap to \$45 per barrel or lower will be difficult or even impossible to implement. This is proposed by both the European Commission and the International Working Group on Russian Sanctions.⁵⁶

However, the problem here is that, since January 2025, the US government has stopped adding new vessels and operators from the shadow fleet to the US sanctions lists—the last such action was taken by the Biden administration on January 10, 2025.⁵⁷ The Trump administration has stopped adding vessels, individuals, and legal entities related to the Russian shadow fleet operations to the sanctions lists. Without returning to this practice, and significantly tightening the sanctions pressure on the Russian shadow fleet, it will be much more difficult to implement the G7 price cap on Russian oil—let alone to lower the price cap—and deprive Russia of oil revenue needed to finance Putin’s war against Ukraine. The US has more credible secondary sanctions threat capacity than other countries—and that is particularly important and hard to replace. Vessels sanctioned by the US are less likely to be used again due to the threat of secondary sanctions, as opposed to vessels sanctioned by other countries but not by the US.

Russian natural gas exports

The US doesn’t directly buy Russian natural gas or LNG, but it did impose significant sanctions against Russia’s natural gas industry and LNG projects.⁵⁸ However, Europe remains the major buyer of Russian natural gas and LNG, and, therefore, cutting Russia from pipeline gas and LNG exports to Europe is vital to denying Russia the export revenues used to finance the war in Ukraine.

Europe did significantly reduce Russian natural gas imports since the beginning of Russia’s full-scale invasion of Ukraine. For the first half of 2025, Europe (including the EU, Turkey, and the countries of the Western Balkans) imported only 8.33 billion cubic meters (bcm) of Russian pipeline gas, with the forecast for the full year of 2025 barely exceeding 16 bcm—a twelvefold contraction since 2021, when Europe imported around 200 bcm of Russian pipeline gas.⁵⁹ The EU has increased purchases of Russian LNG since 2021 by about a third — from 12 million metric tons (mmt) in 2021 to 15.8 mmt in 2024⁶⁰ — but reduced Russian LNG imports by 13 percent after six months of 2025.⁶¹

In May 2025, the European Commission developed a comprehensive proposal to completely phase out Russian natural gas — both pipeline gas and LNG — by the end of 2027.⁶² The proposal looks realistic and has a high chance of being accepted by EU member states.

However, some leadership from the US may be necessary. For instance, the above cited reduction of the EU LNG imports from Russia in the first half of 2025 was, to a significant extent, driven by the halt of operations of two Russian LNG exporting plants located in the Baltic, Portovaya LNG and Kryogaz-Vysotsk LNG, which suspended LNG supplies following US sanctions imposed by the Biden administration in January 2025.⁶³

A key Russian LNG project that continues to export LNG to Europe (exports worth over EUR 6 billion in 2024) is Yamal LNG operated by Novatek, which still hasn't been sanctioned by the US. The US has mostly sanctioned new Russian LNG projects—either those that are only planned to begin large-scale exports (Arctic LNG-2) or greenfield projects that are currently in the early stages of implementation and not yet operational (Murmansk LNG, Ob LNG, Arctic LNG-1, Arctic LNG-3). However, Yamal LNG was not targeted by US sanctions—apparently at the request of European partners because continued LNG imports from Russia were considered to be vital for the EU's energy security. However, with availability of other sources of imports, it's time to sanction Yamal LNG, a vital source of Russia's export revenues.

Financial system

Even though major Russian banks have been disconnected from SWIFT, around 200 smaller Russian banks are still connected to it.⁶⁴ It is very easy to search online for Russian banks that continue to support SWIFT transfers abroad to facilitate a transaction.⁶⁵

According to Russian banking sector officials, disconnecting Russian banks from SWIFT plays a crucial role in preventing them from processing transactions through Chinese banks and banks from other countries of the Global South: «The Chinese banking system, especially the use of yuan in cross-border payments, is very dependent on SWIFT. Take Bank of China: it can afford to work with SDNs [sanctioned banks included in the US Treasury SDN list], but only as long as the bank has SWIFT. This is actually a paradox—the entire payment infrastructure is tailored for SWIFT ... And if a Russian bank is disconnected from SWIFT for sanction or non-sanction reasons, then, accordingly, it ceases to have access to cross-border payments through Bank of China».⁶⁶

When larger Russian banks were disconnected from SWIFT, a lot of cross-border transactions simply moved to smaller banks still connected to SWIFT, which facilitate transactions with an additional commission. It is, therefore, essential to make sure that all Russian banks are disconnected from SWIFT.

On July 18, 2025, the EU adopted its 18th package of economic and individual measures against Russia, which includes the SWIFT ban that will apply to 22 additional Russian banks, on top of the 23 banks already subject to the ban.⁶⁷

On December 22, 2023, an executive order was signed amending EO 14024 — Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation—to authorize OFAC to designate foreign financial institutions that help Russia’s defense industry. EO 14024 was amended to expand US authorities to sanction financial institutions determined to have conducted or facilitated any significant transaction for or on behalf of individuals or entities sanctioned by the US for operating in sectors of the Russian economy that support its military-industrial base; determined to have conducted or facilitated any significant transaction, or provided any service, involving Russia’s military-industrial base, including the sale, supply, or transfer to Russia of certain critical items; designated by OFAC for engaging in these activities will either face full blocking sanctions or significant limits on their US correspondent accounts. The continued enforcement of the provisions of the mentioned EO will be essential to further limit Russia’s ability to use its financial system in the interests of the Russian military-industrial complex.

Military and dual-use technology

Continued procurement of Western technology for Russia’s military needs, circumventing Western sanctions, marred the sanctions regime since the beginning. The report released by the Kyiv School of Economics in 2024 («Challenges of Export Controls Enforcement: How Russia Continues To Import Components For Its Military Production»⁶⁸) argued that Russia imports up to a third of battlefield technology from Western companies. For instance, almost all Russian high-precision weapons used in attacks against Ukraine rely heavily on Western-made components, particularly microchips from American companies. Among the recent examples of procurement of Western military technology are:

- Procurement of American-made microchips for Russia’s missiles and drones. An analysis of customs data found that from 2022 to January 2024, more than 200,000 shipments of restricted microelectronics entered Russia. Among the most frequently found components in Russian weapons were microprocessors produced by Texas Instruments, Analog Devices, and Maxim Integrated Products—all American companies. These chips appeared in Russian cruise missiles, ballistic missiles, and drones, including the Kh-101, Iskander, Kinzhal, Kalibr, and Shahed-136 drones.⁶⁹
- In September 2024, the Permanent Subcommittee on Investigations in the US Senate Committee on Homeland Security and Government Affairs claimed that more than 40 percent of nearly 2,500 components analyzed in Russian weapons on the Ukrainian battlefield were made by four US companies — approximately 16 percent by Analog Devices, 15 percent by Texas Instruments, 5 percent by AMD, and 5 percent by Intel.⁷⁰

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- American-made waterjet machines essential for armor production are being imported into Russia via Turkey, Hong Kong, and the UAE. Customs data reviewed by The Insider showed that a waterjet machine manufactured by the Omax Corporation arrived in Russia last year—along with numerous spare parts for similar equipment already present in the country. These parts include pumps, valves, and cables produced by the aforementioned Omax, Koch Industries subsidiary Molex, Missouri-based WSI Waterjet, Kansas-based KMT Waterjet, Hypertherm subsidiary Accustream, and Washington-based H2O Jet.⁷¹

Although the mentioned US companies publicly oppose their products being used for military purposes, they have struggled to fully control their supply chains. Stricter controls should be implemented to prevent the supply of military and dual-use technology to Russia (more on that below).

Secondary sanctions or the threat to impose them should also be used to influence third countries that currently assist Russia with supplies of military technology. There are successful examples of such pressure: In 2024, Turkey secretly barred exports to Russia of US military-linked hardware after the US warned Ankara of “consequences” if it did not halt the trade of more than four dozen categories of US-origin goods that Washington and its Western allies view as vital to Moscow’s war effort in Ukraine.⁷²

However, Russia continues to buy Western components for its military production through China⁷³ and India.⁷⁴ China also became Russia’s main foreign supplier of battlefield technology,⁷⁵ responsible for over three-quarters of Russian imports of such technology. Some of the Chinese suppliers of battlefield technology to Russia are not particularly exposed internationally and are less vulnerable to the threat of secondary sanctions. But there are others that are more vulnerable. For instance, according to recent investigative reports, Chinese companies exposed to business with the US supply some critical military-related technology to Russia. One example is Harxon Corporation, a Chinese GPS/GNSS positioning antenna solution provider, which supplies Russia with antennas applied to Shahed drones, which are actively used by Russia to bombard Ukraine.⁷⁶ Harxon Corporation is actively doing business in the US, exporting antennas and other equipment to the American market. Secondary sanctions against Chinese and other third-country producers of goods that are used in military production in Russia should be introduced by the US government. These sanctions shall be introduced regardless of which intermediaries are used to cover up the supplies of military-related technology to Russia, implying that the ultimate manufacturer of equipment and technology is responsible to maintain end-consumer control.

The Real-World Impact and Anomalies

Trade and investment trends

Since the beginning of its full-scale invasion of Ukraine in February 2022, under pressure from Western sanctions, Russia has undergone enormous restructuring of its foreign trade flows, reorienting them from being focused mostly on trade with Europe to trading nowadays mostly with Asia. As shown in table 4, Russian exports to Europe shrunk from 56.8 percent of total Russian exports in 2021 to just 15.8 percent in 2024, while imports from Europe shrunk from 44.9 percent of the total Russian imports in 2021 to just 25.8 percent in 2024. Alternatively, Russian exports to Asia increased from just 30.8 percent of the total Russian exports in 2021 to 75.9 percent in 2024, while imports from Asia jumped from 42.9 percent of the total Russian imports in 2021 to 67.6 percent in 2024.

Table 4. Russian Exports to Europe and Asia in 2021-2024

	Share in total Russian exports		Share in total Russian imports	
	2021	2024	2021	2024
Europe	56.8%	15.8%	44.9%	25.8%
Asia	30.8%	75.9%	42.9%	67.6%

Source: Rosstat⁷⁷

Most notable is Russia’s increased foreign trade with China and India. China became Russia’s largest foreign trade partner, accounting for about half of Russian imports and over a third of Russian exports, while India accounts for another 15 percent of Russian exports.⁷⁸ For instance, the increase in vehicle imports from China between 2021 and 2024 (+\$21 billion) was twice as high as pre-sanctions EU vehicle imports (\$10.6 billion). Similarly, the increase in imports from China offset the decline in European organic chemicals and footwear imports. The increase in mechanical equipment imports from China (+\$12.6 billion) offset the decline in imports from the EU (-\$19.9 billion) by two-thirds.⁷⁹

However, restructuring foreign trade toward Asia came at a significant cost for Russia. Many commentators argue that the dollar-measured volumes of Russian exports [\$434 billion in 2024] have not changed much from the average annual figure over the 10 prewar years — this argument is often used as a justification of the «ineffectiveness» of Western sanctions. However, as Re:Russia experts point out in their analysis «Prices And Volumes: Why Russian Exports Seemed Invulnerable To Sanctions And Why They Look Vulnerable Now,»⁸⁰ the apparent resiliency of Russian exports does not withstand close scrutiny. They write:

The paradox of Russia's export resilience to sanctions is largely explained by a broad surge in prices for key commodities—metals, minerals, energy products, agricultural raw materials, and fertilizers – in the early 2020s, following a period of relatively low prices in the mid-2010s. ... However, the early 2020s commodity price boom is now gradually fading. Costs and market restrictions, which seemed insignificant amid high prices, are becoming increasingly critical competitive factors. While prices remain above the levels of the late 2010s, supply and competition are growing, creating conditions for the displacement of 'toxic' Russian products burdened by additional sanction-related costs. Russian coal exports are already in crisis, and metal exports are shrinking. The oil market is moving toward surplus, while Europe's energy market is expected to be fully prepared to abandon Russian resources within two to three years.

Costs of delivery to Asian markets for Russian commodities far exceed those associated with exports to Europe, so while nominal export figures remain relatively high, profits and tax revenues from exports are more vulnerable. According to Elvira Nabiullina, chair of the Russian Central Bank, Russian companies increasingly face logistical bottlenecks and ever more complex supply chains, which also becomes a major pro-inflationary factor and significantly drives up costs.⁸¹ According to Rosstat, in 2024, despite Russian GDP nominally rebounding following 2022 Western sanctions, aggregate total net profit of Russian businesses measured in dollars shrunk by 21 percent in 2024 as compared to 2021, from \$402 billion to \$318 billion dollars per year⁸² — against a decline of overall exports by just 11.7 percent, thus reflecting significantly increasing costs of trading with Asia instead of Europe.

As noted above, the Russian federal budget monthly oil and gas revenues have fallen to just above \$6 billion by mid-2025—as opposed to \$14 billion per month in 2022 and \$12 billion per month initially planned for 2025 (please note that these higher figures haven't prevented large-scale budget deficits, which would only worsen now).

The need to involve complex payment schemes in export-import transactions to circumvent Western financial sanctions also notably increases transactional costs for Russian exporters and importers.⁸³ The rising fixed costs of clearing transactions denominated in Western currencies due to sanctions is addressed in more detail in the report «Exorbitant privilege and economic sanctions» by European Bank for Reconstruction and Development economists.⁸⁴

Among major anomalies in Russian post-sanctions trade is Russia's skyrocketing imports of goods from the former Soviet Republics — now independent countries of Central Asia, the South Caucasus, and Belarus. Given the fact that these countries haven't increased their own imports of goods even to a remotely comparable extent, it becomes clear that these countries are simply being used as transit points to import Western goods, including many sanctioned goods.

Table 5. Growth of Russian Imports from Selected Former Soviet States

	Exports to Russia, \$ billion		% change, 2024 vs. 2021
	2021	2024	
Armenia	0.7	3.2	445%
Kyrgyzstan	0.3	0.9	284%
Uzbekistan	1.7	3.7	217%
Belarus	15.6	31.1	199%
Kazakhstan	7.1	9.5	133%
Georgia	0.6	0.7	120%
Turkmenistan	0.1	0.2	117%

Source: Russian Customs Service (2021 data); data from national customs statistics of the relevant countries (2024); *estimate based on official Belarus data (detailed Russian and Belarus foreign trade statistics remain classified since 2022)

As can be seen from table 5, in 2024, Russia’s imports from seven selected countries — which barely increased their own output of goods in the past few years — increased by an additional \$23 billion as compared to 2021. Of that, two-thirds (\$15.5 billion imports increase) are additional imports from Belarus; over 10 percent from Armenia and Kazakhstan (\$2.5 billion and \$2.4 billion, respectively); and another 9 percent from Uzbekistan (\$2 billion). These countries clearly provide Russia with intermediary services for sanctions circumvention and imports of sanctioned and sensitive goods.

One possible way to address this problem is to introduce export quotas from the US/EU to countries that have demonstrated sudden surges in trade with the West and Russia not backed by relevant changes in their own domestic markets, which suggests that the increased trade is merely an indication that these countries are simply being used as transit points for sanctions evasion. The US/EU could impose total quotas on exports to these countries in line with prewar historical trade trends.

Another trade phenomenon of 2022–2025 is the UAE, whose trade turnover with Russia has grown nearly tenfold as compared to 2021—from \$1.1 billion to around \$10 billion⁸⁵ (precise data remains classified). Russian businesses are actively opening branches in the UAE: In 2024, 2.5 times more Russian organizations were opened there than in 2023, bringing the total number of Russian companies registered in the UAE to around 4,000.

The bulk of Russian business relocants to the UAE came from the retail sector (26 percent), the IT industry (21 percent), and the manufacturing sector (14 percent). In 2024, the number of Russian companies in the development sector increased by 118 percent as compared to 2023, in the financial sector by 92 percent, retail by 86 percent, IT by 74 percent, manufacturing by 53 percent, and logistics by 46 percent.⁸⁶

These developments are clearly associated with setting up an environment for sanctions circumvention through Emirati jurisdiction. Also, the Emirati dirham, a high liquidity asset pegged to the US dollar, is being actively used as an alternative to the US dollar and the euro in international transactions — being the third-most frequently used currency in Russian export-import transactions after the ruble and the Chinese yuan.⁸⁷ In payments for Russian oil imports by India, the share of Emirati dirham at times exceeded 60%.

As to investments in Russia, as cited above, Russia faced a massive outflow of foreign investment since February 2022: The contraction of accumulated FDI stock, according to the Russian Central Bank, comprised around \$300 billion in 2022–2025, and total accumulated FDI shrunk by nearly 60%, from \$500 billion to just over \$200 billion.⁸⁸ Even China has reduced its FDI in Russia.⁸⁹

Company behavior: exits vs. stay-behinds

As described above, many US companies have exited Russia since the beginning of Russia's full-scale invasion of Ukraine or are in the process of doing so. In three years of full-scale war against Ukraine, 62% of companies from countries deemed «unfriendly» by Moscow (which means Western democracies that have issued sanctions against Russia) have exited the Russian market, Russian media outlet RBC reported on March 25, citing an audit by consulting firm Kept.⁹⁰

The audit covered over 300 foreign firms with «significant assets» and annual revenue of at least 1 billion rubles (\$12 million) in Russia. Of these, 183 companies had fully withdrawn by the end of 2024. Most firms sold their assets to Russian businesses (103 cases) or local management (40 cases). In 17 instances, foreign owners withdrew from joint ventures with Russian partners, while 14 companies shut down or suspended operations.

Companies from Northern Europe had the highest exit rate, with 94% leaving Russia. Finland led with all 20 companies in the audit sample exiting, followed by Sweden (13 out of 15), Norway, and Iceland (both 100%). Denmark lagged slightly, with 74% of its firms having exited. Exit rates among major Western economies varied significantly. The US, Germany, France, and the UK saw rates between 59-67%, while Canada, Australia, and New Zealand recorded a full 100% exit. In contrast, Austria had a 50% rate, Switzerland 38%, and Italy only 22%.

According to the Kyiv School of Economics, 472 foreign firms have fully withdrawn from Russia since the beginning of its full-scale invasion of Ukraine in February 2022, while another 1,360 have scaled back operations. In recent months more companies continue to exit Russia,⁹¹ but this process is relatively slow because of the strict conditions the Russian government imposes on Western businesses, like exit tax, complicated procedures of asset sale and capital controls, the requirement to receive asset sale permits from the specially established Russian government commission,⁹² etc.

As noted above, most companies that continue to stay are consumer market oriented, like Philip Morris International, PepsiCo, Procter & Gamble, and Mondelez. While they continue paying taxes in Russia and provide revenues to Russia's wartime budget, which is bad from an ethics standpoint, their exit won't make that much of a difference—they will simply be replaced with local producers and services providers, who will continue to offer consumer products and pay taxes, similar to when McDonald's exited Russia. McDonald's was simply replaced with the Russian clone restaurant chain renamed into "Vkusno & Tochka" (which translates to "Tasty and that's it") and continued operations and paying taxes to the Russian budget just the same.

So, what matters in this regard is the exit of companies that provide critical technologies, investment, or skills needed to sustain vital sectors of the Russian economy, which will otherwise suffer from the loss of relevant technologies. Vital examples in this regard are the oilfield services described above.

Another example is Caterpillar Corporation, a leading designer and manufacturer of excavators, mining, construction, and energy equipment, gas turbines, and other complex industrial machines and equipment. As the investigative media outlet The Insider reported in 2024, American-made Caterpillar heavy equipment is supplied to Russia by the official dealer, the UK-based company Vostochnaya Technika, despite Caterpillar's withdrawal from Russia, and in evasion of US and UK sanctions.⁹³

Journalists learned that in the first three months of 2024, more than \$24 million worth of equipment and spare parts produced by Caterpillar arrived in Russia. These include industrial engines, spare parts for crawler loaders, bearings for road construction machinery, generators for Caterpillar equipment, pumps and their parts, gears, etc. Judging by product descriptions, these are newly made parts and units.

Vostochnaya Technika LLC became the leading importer. More than 60% of goods (by value), according to the «product origin» data, were manufactured in the US. According to The Insider, the importer of Caterpillar products, Vostochnaya Technika LLC, is a 100% subsidiary of the British VOSTOCHNAYA TECHNICA UK LIMITED, managed by three South African citizens and an Australian national.

All shares of this company had belonged to Barloworld Equipment UK Limited until the end of 2023 before the owner was changed to the South African Barloworld Investments.

As the media platform points out, Caterpillar cannot be unaware that its dealer is selling its equipment in Siberia, as Barloworld has openly declared the continuation of business with Russia (at the same time referring to the war as a «Russo-Ukrainian crisis»). Also, the financial reports of the British subsidiary through which the business is run in Russia, are publicly available.

Energy-specific contradictions

As discussed above, there are two major issues related to the underperformance of energy sanctions against Russia that require detailed attention:

- The proper enforcement (and potential lowering) of the G7 price cap against Russian oil;
- Sanctioning Russian natural gas and LNG.

Regarding the **price cap on Russian oil**, the key tool here to ensure its proper enforcement appears to be the rigorous tackling of Russia's shadow fleet of oil tankers. As noted above, the size of Russia's shadow fleet of oil tankers was estimated at between 300 and 600 by early 2025, but Western sanctions now cover only about 270 vessels of these. Russia constantly rotates vessel owners and operators, trading structures, insurers involved in the shadow fleet operations, changing the shell companies involved, and permanently adding «clear» structures not present on any sanctions lists. Impeding the operations of this network will require constant monitoring and additions of new involved actors to the sanctions lists: vessels, its owners and operators, traders, insurers, service providers. While the EU⁹⁴, the UK⁹⁵, and Canada⁹⁶ continue to do this, the US basically ceased to sanction any new individuals, entities, and vessels involved in Russia's shadow fleet operations since January 10, 2025. This also puts the enforcement of the oil price cap into question — let alone lowering the price cap from the current \$60 per barrel to \$45 per barrel or lower, as has been proposed.

As shown above, an oil price cap at least partially works, because Russian oil exporters are forced to sell oil to foreign buyers with the discount of \$12-13 per barrel to international benchmark oil prices. That way, Russia loses at least \$11-12 billion per year in oil export revenue. However, better enforcement of the oil price cap, and its lowering below \$60 per barrel may further diminish Russia's oil export revenues and reduce Russia's ability to finance the war in Ukraine. However, that would take more rigorous enforcement, primarily on the US side.

Recently, other proposals concerning sanctions against Russian oil have been suggested. For example, the draft bill S.1241 - Sanctioning Russia Act of 2025, includes a proposal put forward by US Senator Lindsey Graham to impose **500 percent tariffs on any country that buys Russian oil.**⁹⁷

However, such proposals are not easy to implement. Imposing 500% tariffs on countries means introducing a de facto trade embargo: “A 500 percent tariff is essentially a hard decoupling,” said Kevin Book, managing director of Clear View Energy Partners, an energy research firm, as cited by Politico.⁹⁸

Approximately three-quarters (78%) of Russia’s exported oil is currently being imported by just two major economies — China and India,⁹⁹ which are the third - and seventh - largest trade partners of the US, respectively. Introduction of 500 percent tariffs against China and India would mean a de facto trade embargo of these countries. This seems totally implausible: Currently, the US is engaged in complex negotiations on trade deals with both China and India, and it is clearly not in the best interest of the US — as also understood by the Trump administration, which seems fully committed to reach relevant mutually accepted trade deals through negotiations with them — to ruin these negotiations by imposing 500 percent tariffs on China and India simply because they buy some Russian oil.

Therefore, the ideas contained in the S.1241 - Sanctioning Russia Act of 2025, although sounding tough on paper, may be difficult to implement in practice. It seems that the focus should shift from discussing impractical options to a more realistic approach in which the US government returns to thorough monitoring and regular sanctioning of operators and enablers of the Russian shadow fleet of oil tankers, thus assisting better enforcement — and potential lowering — of the oil price cap against Russian oil exports.

Regarding sanctioning Russian natural gas and LNG, so far, the US sanctions haven’t prevented Russia from exporting natural gas to Europe with significant profit. However, the EU has recently taken many relevant steps to stop this. In May 2025, the European Commission put forward a proposal to gradually and effectively stop the import of Russian gas and oil into the EU by the end of 2027 (further referred to as the EU Russian Gas Phase-Out Plan).¹⁰⁰ Import of pipeline gas by the EU is already at historic lows since the 1970s¹⁰¹ — with Russian pipeline gas primarily imported by two EU member states with pro-Moscow governments, Hungary and Slovakia.

The US should support the EU’s determination to implement its Russian Gas Phase-Out Plan, offering the assistance needed to meet its energy needs (including in the form of more pledges to supply Europe with American LNG), as well as diplomatic dialogue with countries like Hungary and Slovakia aimed at convincing them to cease purchases of Russian gas. Considering sanctions against Yamal LNG (Russia’s main LNG production projects, which exported 14.2 mmt of LNG to Europe in 2024), in synchronization with European efforts to implement the EU Russian Gas Phase-Out Plan, may prove helpful.

Impact of sanctions on Russia’s war machine

Despite Russia continuing its war against Ukraine, sanctions have made Putin’s war effort increasingly difficult—which is confirmed by statistics and public statements by top Russian officials.

Russian military spending has been growing since the beginning of the full-scale invasion of Ukraine, but its growth has slowed down considerably in 2025 due to budget constraints. While in 2024 Russian military expenditure increased by 68 percent as compared to 2023, and in 2022–2023 by 35 – 40 percent compared to the previous year, in 2025, the official military expenditure as currently approved by the federal budget grew just 26 percent, the lowest level of increase since the beginning of the full-scale invasion of Ukraine. Adjusted to official inflation (9–10 percent), this would mean an increase of just over 15 percent in real terms, which is really not much compared to pressing spending needs coming from all military-related areas — production of weapons and ammunition, supplies for the army, salaries for military servicemen (we have explained these challenges in more detail in our previous briefs).

Table 6. Russian Military Expenditure Growth Slowed Down in 2025

	2021	2022	2024	2024	2024
Russian military expenditure, RUR trillion	3.5	4.7	6.4	10.7	13.5
% annual growth	6.7%	38.4%	36.9%	67.6%	25.7%

Source: Russian Ministry of Finance¹⁰²

Such a modest indexation of military expenditures is just another illustration of the scarcity of funds that the Russian government is running into. In turn, the financial and economic community is increasingly blaming the growing military expenditures on the country’s economic woes: On July 3, 2025, Andrey Kostin, chair of VTB, Russia’s second-largest bank, spoke at the Central Bank’s annual Financial Congress in St. Petersburg and openly named «high military expenditures» as a key problem driving up inflation and interest rates, and cooling the economy accordingly.¹⁰³

However, despite military spending increasing around fourfold against prewar levels, Russian army and military industries experience serious problems due to lack of access to critical foreign equipment, technology, and investment. Here are just some major constraints that recently became visible for Russia’s military machine due to all the above cited problems.

First, Russian regions have considerably slowed increases in sign-up bonuses for signing a contract with the Ministry of Defense to fight in Ukraine, and some began reducing payments due to budget constraints. That occurred against the background of a reduction of federal financial transfers to the Russian regions for a second year in a row in 2024.¹⁰⁵

Second, Russian military industries have experienced major financial constraints. Last year, Rostec CEO Sergey Chemezov admitted that average profitability of military enterprises stood at just over 2 percent.¹⁰⁶ And in a recent op-ed for RBC in June 2025, Chemezov reiterated his statement about extremely low profitability of the military industries impeding production expansion.¹⁰⁷

At April's meeting of the Military Industrial Commission, the top governmental body chaired by Putin and responsible for the most important decisions on development of the Russian military-industrial complex, the president openly admitted that the Russian army «lacks sufficient firepower»¹⁰⁸ on the battlefield in Ukraine and called for military producers to ramp up output. In March 2025, speaking at the Federation Council, First Deputy Minister of Industry and Trade Vasily Osmakov admitted that salaries in the military industries have stopped growing and capital investments are also zeroing out due to high interest rates.¹⁰⁹

As can be seen, sanctions and Russian economic woes are imposing severe constraints on the Russian military and the military-industrial complex. These problems are likely to rapidly and severely worsen due to recently growing financial difficulties — to the extent that Russia will either be forced to cap or reduce military spending (with major consequences for its combat abilities in Ukraine) or to switch to emission to finance the budget deficit, further fueling inflation and complicating monetary policy easing.

Sanctions Evasion and Workarounds

Use of proxies, gray imports

As noted above, since its full-scale invasion of Ukraine in February 2022, Russia increasingly turned to various schemes involving proxies and gray imports through third countries to maintain access to sanctioned goods.

We have analyzed US exports to the countries that are most frequently named as helping Russia evade sanctions (Belarus, Armenia, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan, UAE, Turkey, and China) in four categories in which US exports to Russia dropped the most: transportation equipment, machinery except electrical, computer and electronic products, and chemicals. At the same time, databases show a notable increase in exports from the US to the following countries:

- Table 7 indicates an increase in **transportation equipment** for Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, UAE, and Turkey. As expected, higher percentage changes are observed for countries with smaller import volumes.
- Changes in imports of **machinery except electrical** are reported in table 8. An increase in import volumes is observed in Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, UAE, and Turkey.
- Imports of **computer and electronic products** increased in Armenia, Kyrgyzstan, Tajikistan, UAE, and Turkey, as shown in table 9.
- We observe an increase in imports of **chemicals** in Armenia, Kazakhstan, Kyrgyzstan, Turkmenistan, UAE, Turkey, and China (table 10).

In essence, neither the suppliers nor the US government exercise sufficient control in terms of identifying final customers of the exported sensitive products in the above mentioned categories, despite the fact that the predominant likelihood is that nominal importers in intermediary countries are simply being used as shell structures, whose involvement is intended to cover up subsequent exports of relevant products to Russia, evading sanctions in many cases. Stricter export controls regarding trade through these countries should be enforced.

Table 7. Postwar Changes in US Exports of Transportation Equipment to the Countries Named as Partners of Russia in Sanctions Evasion

Country	2022 to 2021		2022 to 2021		2022 to 2021	
	Change	% Change	Change	% Change	Change	% Change
BELARUS	-107,964,015.00	-89.54%	-120,507,082.00	-99.94%	-85,099,584.00	-99.98%
ARMENIA	76,593,095.00	648.12%	80,802,219.00	683.73%	64,670,338.00	1,501.66%
KAZAKHSTAN	121,320,065.00	61.08%	123,118,607.00	61.98%	164,441,755.00	203.41%
KYRGYZSTAN	6,847,867.0	115.26%	53,003,326.00	892.16%	27,771,787.00	1,189.82%
UZBEKISTAN	-180,275,901.00	-75.29%	-84,142,935.00	-35.14%	-129,829,005.00	-70.00%
TAJIKISTAN	80,418,785.0	10,374.56%	92,743,768.00	11,964.56%	92,481,326.00	26,724.15%
TURKMENISTAN	-11,342,228.00	-95.76%	-10,066,800.00	-95.76%	-26,425.00	-3.57%
UAE	1,380,246,351.00	34.21%	2,243,901,376.00	55.62%	1,393,614,089.00	72.31%
TURKEY	178,323,889.00	7.27%	714,234,648.00	29.12%	270,419,996.00	20.84%
CHINA	-744,019,166.00	-5.46%	1,453,568,655.00	10.66%	984,676,956.00	12.72%
RUSSIA	-1,656,448,003.00	-89.76%	-1,840,841,865.00	-99.75%	-1,087,693,810.00	-99.64%

Table 8. Postwar Changes in US Exports of Machinery Except Electrical to the Countries Named as Partners of Russia in Sanctions Evasion

Country	2022 to 2021		2023 to 2021		2024 to 2021	
	Change, \$	% Change	Change, \$	% Change	Change, \$	% Change
BELARUS	-29,530,712.00	-80.38%	-36,705,961.00	-99.90%	-25,185,088.00	-99.94%
ARMENIA	5,342,575.00	292.50%	7,105,460.00	389.01%	3,454,549.0	567.28%
KAZAKHSTAN	128,923,709.00	94.51%	136,162,980.00	99.81%	122,138,859.00	165.95%
KYRGYZSTAN	1,762,893.00	17.85%	19,196,012.00	194.38%	16,354,274.00	265.81%
UZBEKISTAN	-40,765,130.00	-64.14%	-19,393,623.00	-30.52%	-33,521,736.00	-63.05%
TAJIKISTAN	-249,734.00	-30.94%	1,735,380.00	215.03%	1,170,556.00	1878.15%
TURKMENISTAN	-28,585,769.00	-75.22%	-31,950,074.00	-84.08%	-14,431,665.00	-78.69%
UAE	257,248,961.00	25.25%	614,144,091.00	60.28%	331,161,330.00	55.85%
TURKEY	147,530,562.00	36.79%	261,929,341.00	65.33%	163,845,266.00	70.01%
CHINA	-1,133,984,871.00	-8.30%	-1,907,830,264.00	-13.96%	-1,684,429,404.00	-20.98%
RUSSIA	-833,580,537.00	-71.56%	-1,128,225,552.00	-96.85%	-658,610,923.00	-96.24%

Table 9. Postwar Changes in US Exports of Computer and Electronic Products to the Countries Named as Partners of Russia in Sanctions Evasion

Country	2022 to 2021		2023 to 2021		2024 to 2021 (Jan-Jul)	
	Change	% Change	Change	% Change	Change	% Change
BELARUS	-7,534,214.00	-50.60%	-8,964,898.00	-60.21%	-2,669,060.00	-33.40%
ARMENIA	37,349,818.00	555.10%	20,746,675.00	308.34%	15,262,841.00	383.69%
KAZAKHSTAN	-38,234,410.00	-23.45%	-47,094,659.00	-28.89%	14,333,374.00	24.18%
KYRGYZSTAN	1,914,570.00	47.81%	5,645,566.00	140.97%	3,422,868.00	133.81%
UZBEKISTAN	4,677,715.00	18.60%	19,632,457.00	78.08%	16,964,725.00	131.27%
TAJIKISTAN	1,039,862.00	35.28%	5,550,667.00	188.30%	2,095,558.00	131.01%
TURKMENISTAN	-1,886,472.00	46.61%	1,278,833.00	31.59%	26,850.00	1.15%
UAE	526,624,070.00	11.96%	702,514,037.00	15.96%	502,424,954.00	21.62%
TURKEY	119,789,885.00	24.53%	267,363,329.00	54.75%	132,370,092.00	44.42%
CHINA	-3,186,689,241.00	-13.00%	-7,685,772,154.00	-31.36%	-5,539,365,216.00	-37.39%
RUSSIA	-710,270,279.00	-76.99%	-804,981,349.00	-87.25%	-491,899,299.00	-88.91%

Table 10. Postwar Changes in US Exports of Chemicals to the Countries Named as Partners of Russia in Sanctions Evasion

Country	2022 to 2021		2023 to 2021		2024 to 2021 (Jan-Jul)	
	Change	% Change	Change	% Change	Change	% Change
BELARUS	-10,147,059.00	-76.52%	-4,308,701.00	-32.49%	-7,671,444.00	-71.60%
ARMENIA	11,792,513.00	543.76%	8,293,649.00	382.43%	5,291,828.00	473.15%
KAZAKHSTAN	31,471,760.00	78.92%	30,828,148.00	77.30%	16,685,295.00	63.47%
KYRGYZSTAN	1,652,049.00	59.37%	3,087,658.00	110.96%	2,513,333.00	718.38%
UZBEKISTAN	75,383,300.00	345.58%	-16,396,532.00	-75.17%	-1,771,285.00	-44.97%
TAJIKISTAN	28,285,040.00	642.67%	-3,272,778.00	-39.65%	926,186.00	52.54%
TURKMENISTAN	3,378,690.00	51.01%	7,237,372.00	109.26%	8,886,015.00	332.34%
UAE	225,049,925.00	17.76%	380,049,724.00	30.00%	267,231,953.00	41.05%
TURKEY	265,099,974.00	15.34%	396,279,834.00	22.93%	366,450,454.0	42.75%
CHINA	4,566,312,142.00	21.73%	5,154,805,842.00	24.53%	3,752,460,770.00	32.38%
RUSSIA	-471,783,998.00	-54.26%	-640,531,872.00	-73.67%	-344,750,711.00	-71.62%

Enforcement gaps

There are several major gaps in sanctions enforcement, as is evident from the experience of the past few years, which appear to be the following:

- Insufficient resources for proper sanctions enforcement;
- Poor tracing of final customers of sanctioned products;
- Limited efficiency of secondary sanctions;
- Insufficient coordination between the US and its international partners regarding sanctions adoption and enforcement.

Regarding **insufficient resources for proper sanctions enforcement**, it's clear that the current US government agencies enforcing sanctions are not properly resourced for the scale of the tasks they are facing. Russia is the world's 11th-largest economy and significantly exposed to international trade, with foreign trade exceeding 33 percent of GDP in 2024. Sanctions against an economy of that size are unprecedented in the 21st century—the use of economic sanctions by the US has grown by almost 1,000 percent since 2001, but the number of staff employed by agencies like OFAC remain within a few hundred employees. The problem of OFAC being understaffed and under-resourced for the scale of the tasks it is performing is being widely discussed internationally.^{110,111}

This problem may have been exacerbated by recent cuts of personnel and funding initiated by the US Department of Government Efficiency (DOGE)—the impact of the relevant DOGE actions on sanctions enforcement capacity should be established by a separate independent review, preferably by the US Congress.

It needs to be understood on a political level that effectively implementing a task as vast as keeping the Russian economy under multidimensional pressure for a prolonged period requires significantly more resources devoted to it. A comprehensive independent public review of the issue of sufficiency of resources for sanctions enforcement policy is needed.

The issue of **poor tracing of final customers of sanctioned products** is contributing to Russia's continued ability to import sanctioned goods, primarily in the area of military and related technology that can't be produced domestically. This was discussed in greater detail above in the «Military and dual-use technology» section. The solutions here may be seen as follows:

- Increasing the scope and size of on-site inspections of sanctions compliance for producers involved in manufacturing of military and vital dual-use technologies.
- Employing rigorous KYC regimes.
- Stimulating sanctions compliance personnel training and best practices accumulation and sharing programs among manufacturers of military and other sensitive products.

-
- Identifying typical patterns of imports of military-related products by Russia (e.g., through Central Asia, Hong Kong, Turkey, etc.), including in close consultations with representatives of NGOs and media investigative teams, and imposing requirements for additional scrutiny over business counterparts representing those jurisdictions that are being typically used for sanctions evasion.
 - Developing, publishing, and regularly updating sanctions compliance and due diligence guidance for private sector actors.

The Department of Commerce, through BIS, should also continue expanding its Entity List and ensure that all microelectronics, semiconductors, and dual-use goods identified as used in Russian defense production are subject to the most restrictive controls. BIS should also update its public reporting to explain why certain license approvals for Russia remain disproportionately high.

Regarding **efficiency of secondary sanctions**, as can be seen from recent experiences, the threat of secondary sanctions against non-US persons can be very effective in terms of influencing the behavior of third-country actors vis-à-vis Russia, stimulating avoidance of taking the risk of working with Russian counterparts. One clear example of the efficiency of secondary sanctions was the 2024 crisis of payments in Russia-China trade (when Chinese companies and banks overwhelmingly refused to work with Russian counterparts because they didn't want to face the risk of secondary US sanctions, leading to a contraction of Russia-China trade by double-digit percentage points and billions of dollars of frozen transactions).¹¹² Another successful example was the contraction by more than 20 percent of Turkish exports to Russia in 2024 (to \$8.6 billion in 2024¹¹³ from a peak of \$10.9 billion in 2023). Turkey became a major hub for reexports of various sensitive goods to Russia since Western sanctions were introduced in 2022 (with Turkish exports to Russia approximately doubling in 2023 as compared to prewar 2021) but was forced to scale back a lot of trade amid US pressure and threats of secondary sanctions against Turkish businesses and individuals.¹¹⁴ Some of these threats have materialized, and some Turkish businesses were indeed sanctioned by the US in retaliation for their involvement in helping Russia circumvent US sanctions.¹¹⁵

However, the threat of secondary sanctions has greatly receded for third-country businesses and individuals since January 20, 2025, when the Trump administration stopped imposing new secondary sanctions. Prior achievements in this area have also diminished significantly — for instance, Russia has largely solved the payment crisis in relations with China and is no longer facing new secondary sanctions threats from their Chinese counterparts.

The practice of regularly issuing warnings about secondary sanctions to third countries assisting Russia with sanctions evasion, and actually imposing secondary sanctions against those involved, needs to be restored.

An insufficient level of coordination between the US and its international partners on sanctions adoption and enforcement has become a major problem in recent months. As noted above, US-EU communications on coordinating the enforcement of sanctions against Russia have deteriorated considerably: According to EU sanctions envoy David O’Sullivan, there is «no more outreach» between the two sides on sanctions evasion and G7 cooperation has «also lost momentum».¹¹⁶

The US needs to fully restore sanctions policy coordination with other Western democracies, and actually expand it—for instance, by recreating a joint export control mechanism involving the EU, the UK, Norway, Switzerland, Japan, Canada, Australia, and other advanced economies, similar to COCOM (Coordinating Committee for Multilateral Export Controls), which existed during the Cold War era and disbanded in 1994. A COCOM 2.0 may also prove useful for a broader set of purposes, including enforcing US export controls against China. For more on this, see, for instance, «COCOM 2.0: Could a New Multilateral Regime Help Control High-Technology Exports?», published by the Carnegie Endowment for International Peace.¹¹⁷

Some adjustments should also be considered for the US exports licensing process in high-risk export categories. We recommend that BIS shift from a volume-based designation to impact-based targeting, focusing on high-risk technology areas and entities central to Russia’s military-industrial base, and clearly justifying licensing decisions in its Russia-specific reporting. BIS should continue expanding its Entity List and ensure that all microelectronics, semiconductors, and dual-use goods used in Russian defense production are subject to the most restrictive export controls. BIS should also update its public reporting to explain why certain license approvals for Russia remain disproportionately high (BIS reports show an unusually high proportion of approved licenses value, both export and reexport, as compared to the value of direct exports). BIS should flag all license approvals for Russia-related exports that exceed historical risk thresholds and require peer review for reexport waivers involving known transshipment hubs. Congress should launch formal investigations into enforcement gaps and require quarterly reporting from OFAC and BIS on license issuance, enforcement actions, and industry lobbying activity.

Role of cryptocurrency, intermediaries, partner countries

Cryptocurrencies notoriously and broadly enable Russia to evade sanctions: Their use to facilitate transactions involved in sanctions circumvention soared dramatically since 2022 and continues to grow.¹¹⁸ According to international media, cryptocurrencies are widely used as a payment method in oil trade with China, India, and other sanctioned countries.¹¹⁹ While the use of cryptocurrencies involves some chains of intermediaries, which increases transaction costs, this is largely being offset by increasing adoption of cryptocurrencies as an international financial phenomenon.

Russia has also been making moves to enable official legal status for the use of cryptocurrencies in domestic and international transactions,¹²⁰ thus significantly easing their use for the sanctioned companies and banks. The Russian Central Bank recently submitted its proposals for permitting «a limited number of Russian investors to buy and sell cryptocurrencies» and, to this end, «to establish a special experimental legal regime for three years.»

According to the Russian Central Bank, during six months including the fourth quarter of 2024 and the first quarter of 2025, the volume of crypto asset flows estimated to fall to Russians amounted to 7.3 trillion rubles, or around \$80 billion. In 2021, the Russian Central Bank estimated the total annual volume of transactions of Russians with cryptocurrencies as just \$5 billion. As of the end of March 2025, the estimated carry-over balances on Russians' wallets on crypto exchanges amounted to 827 billion rubles (over \$10 billion), of which 62.1 percent are in Bitcoin, 22 percent in Ethereum, and 15.9 percent in USDT and USDC stablecoins. The Bank of Russia does not indicate the list of crypto platforms used to calculate cryptocurrency flows, however, according to data from previous financial risk reports, this list included platforms such as Binance, HTX (former Huobi), Bybit, OKX, Gate, MEXC, KuCoin, Poloniex, Bittrex, Bitfinex, as well as Bing, Bitmart, Bitrue, Bkex, Btcex, Coinw, Coinbase, Phemex, Probit, Whitebit, Exmo, and Garantex.¹²¹

The US government and other Western governments have been taking steps to sanction and persecute some of the individuals and legal entities involved in crypto trade related to sanctions evasion,¹²² but it really seems like a drop in the ocean: It is much easier to set up a crypto trading firm than a shadow oil tanker ownership and operation scheme, and the lax regulatory environment surrounding cryptocurrencies complicates tracing asset ownership and transactions.

Unfortunately, the ease of applying cryptocurrencies for sanctions evasion is a problem that is encompassed in their design: Crypto is specifically advertised as an easy tool of avoidance of government oversight, which it is. Cryptocurrencies are a powerful tool for sanctions evasion, since transactions are not processed by commercial banks, which are key to sanctions enforcement because they track the source of money and check whether individuals or companies appear on entity lists. In contrast, cryptocurrencies are often exchanged through direct encrypted transfers between private wallets without third-party oversight. Increased use of cryptocurrencies in international transactions opens more space and creates more flexibility for sanctioned countries to circumvent the sanctions regime; this includes not only Russia, but also other sanctioned countries like Iran.¹²³

In this regard, the trend toward deregulation of cryptocurrencies by the Trump administration presents a serious constraint for preventing its use by Russia for sanctions evasion purposes.

On the contrary, robust measures are required to make sure that private crypto operators ensure sanctions compliance and employ best practices to confront potential sanctions evasion. The following recommendations for private actors may prove useful:

1. Developing risk-based Anti-Money Laundering (AML) and sanctions compliance programs, including proper risk assessment, establishment of a compliance framework, including policies, procedures, and controls that address high-risk areas effectively, and performing impact assessments to evaluate the potential consequences of identified risks.
2. Implementing transaction monitoring systems aimed at identifying anomalies, such as unusual transaction sizes or patterns, high-risk jurisdictions or entities, rapid transaction layering indicative of money laundering.
3. Conducting thorough KYC and due diligence.
4. Establishing sanctions screening protocols ensuring that businesses do not engage with sanctioned entities, individuals, or jurisdictions, including cross-referencing customers and counterparts against global sanctions lists, including those from OFAC, the EU, the UK, Canada, Japan, Australia, Switzerland, etc., and regularly updating screening systems to reflect new sanctions.
5. Conducting independent audits.
6. Accumulate best practices and train employees on AML and sanctions compliance.

Sanctions being «undersold» in public

One of the major issues potentially leading to the erosion of the sanctions regime is the widespread public perception that sanctions are «ineffective» — despite substantial evidence to the contrary. Notable parts of public opinion and expert and political classes in both the US¹²⁴ and Europe¹²⁵ have lukewarm or no support for the sanctions against Russia, and commentators who argue that sanctions are «ineffective» flourish in the media and social networks.

While many concerns about the efficacy of sanctions are legitimate and should be addressed, as understanding of the need to maintain and properly enforce sanctions against Russia becomes entrenched in the Western public and expert opinion, it will become increasingly difficult for Russia to lobby for easing or dismantling sanctions in the future. In this regard, robust public campaigns by NGOs and the media, aimed at increasing public awareness of the actual achievements of sanctions policy in terms of enhancing the security of the US and the Western world, as well as increasing public awareness of the risks posed by dismantling or the gradual erosion of sanctions (enabling Russia's aggressive policies to thrive beyond attacking Ukraine), will greatly help to advance the sanctions cause.

Scenarios for Evolution

We foresee four main distinct scenarios for the evolution of the sanctions regime, described below, with an assessment of the likelihood of each scenario's implementation and its strategic implications. Scenarios may overlap somewhat (e.g., «gradual dismantling» and «erosion through nonenforcement» have many similarities), but each has certain specific features and patterns.

Scenario 1: Incremental Expansion

The first scenario, Incremental Expansion, envisions a continuation of the current trajectory, where new sanctions continue to be layered onto existing frameworks in response to ongoing Russian aggression and war crimes. Sanctions will generally not be revoked (with only minor possible exceptions not affecting their general performance), and new notable and consequential sanctions (like the EU's Russian natural gas phase out plan, embargoes on Russia's vital export commodities currently not under sanctions, lowering of the price cap on Russian oil, etc.) will be introduced gradually.

We assess the likelihood of scenario 1 as high, because sanctions adopted so far already produce visible cracks in Russia's economy,¹²⁶ and there is a sufficient number of Western democracies that are still committed to maintaining and strengthening the sanctions pressure on Russia.

Scenario 1: Incremental Expansion

Triggers/disruptors	<ul style="list-style-type: none">• Putin's continued aggression in Ukraine• Putin's lack of reaction to Western pressure so far• Potential aggressive actions by Russia beyond Ukraine (against other countries in Europe or in Russia's neighborhood)• Russia's direct involvement in assisting aggressive acts of other dictatorships (Iran, China, North Korea)
Strategic implications	<ul style="list-style-type: none">• Russian economic and financial woes exacerbating• Putin facing lack of resources to continue the war in the foreseeable future (from months to a few years ahead)
Likelihood	<ul style="list-style-type: none">• High

Scenario 2: Strategic Retrenchment

The second scenario, Strategic Retrenchment, assumes that resource constraints, enforcement fatigue, and shifting geopolitical priorities will considerably slow down the adoption of new sanctions, thus limiting further pressure on Russia.

This scenario may be triggered by shifts in political dynamics and public opinion in the Western countries involved in the current sanctions regime, economic downturn prompting a call for rapprochement with Russia, lack of decisive progress on the battlefield in Ukraine, or even a turn of battlefield fortunes toward Russia, with the prospect of Ukraine suffering more territorial and human losses, and being forced to make concessions to Putin.

Some of the factors contributing to this scenario may include:

- Changing public opinion in Western democracies, sanctions becoming unpopular, politicians gradually toning down sanctions rhetoric and actions;
- Economic downturn in Western democracies shifting the focus away from sanctions, toward domestic economic revival, including through possible rapprochement with Russia;
- Lack of resources for proper sanctions enforcement on a growing scale;
- Russia gaining the upper hand on the battlefield, putting into question Ukraine's ability to resist and thwart Russian aggression.

Scenario 2: Strategic Retrenchment

Triggers/disruptors	<ul style="list-style-type: none">• Public and political fatigue from Russia-Ukraine war and sanctions• Change of public opinion and even governments in Western democracies eroding the current political stance against Russian aggression• Economic downturn in Western democracies prompting a call for rapprochement with Russia• Lack of decisive progress on the battlefield in Ukraine, Ukraine moving closer to losing the war
Strategic implications	<ul style="list-style-type: none">• Space widens for Russia to sustain the current difficulties caused by sanctions• Prolonged war in Ukraine, increasing risks of Russia attacking other countries beyond Ukraine
Likelihood	<ul style="list-style-type: none">• Moderate

While at the moment this is not the dominant trend in Western politics and public opinion, it may become so due to changing trends (economy, developments of the situation at the battlefield in Ukraine) and changing political environments in Western democracies, including, among others, the following prospects:

- Results of the presidential elections in France in 2027, propelling hard-right or hard-left sanctions skeptics to power;
- Collapse of the Friedrich Merz cabinet in Germany, triggering German political instability and softening of Germany's stance on sanctions;
- Further drift of the Trump administration toward losing interest in Russia sanctions policy.

All these changes are far from unlikely, however nonmainstream they may seem at the moment, which is why we rank the likelihood of the second scenario as moderate.

Scenario 3: Gradual Dismantling

The third scenario, Gradual Dismantling, imagines a geopolitical reorientation, driven by great power bargaining, under which certain sanctions may be partially and gradually lifted in exchange for Russian cooperation of sorts—agreeing to peace talks in Ukraine, or cooperating on other global issues such as arms control or energy market stabilization. This scenario may also be heavily influenced by domestic political changes in Western democracies, as described above.

We consider the likelihood of the implementation of this scenario as low to moderate for two reasons:

- Current domestic political situation in most Western democracies still heavily favors continuation of sanctions, some factors even exacerbate determination to sanction Russia (like the increased threat of Russia's invasion of EU member states);
- Russia (Putin) is not showing any signs of willingness for a compromise in dialogue with Ukraine and the West, insisting on maximalist imperial demands.

However, driven by domestic political and economic changes in Western democracies, the situation may evolve in this direction, which is why the likelihood of scenario 3 is estimated to be far from zero. As we saw with the example of US politics, warming toward Russia and the idea of relaxing the sanctions may happen very quickly, driven by the domestic political situation. But, as the Trump administration example also shows, for the sanctions dismantling policy to gain traction in the West, unity among key Western countries is needed to support such a policy shift (currently the situation is very far from that) and Russia must be receptive to some form of dialogue and compromise. However, in recent months, Russia hasn't budged from its hardline, fundamentalist and imperialist stance, and its position has actually hardened compared to previous periods.¹²⁷

Scenario 3: Gradual Dismantling

Triggers/disruptors	<ul style="list-style-type: none">• Peace agreement reached between Russia and Ukraine• Political changes in Western democracies leading to decisive rethinking of the current sanctions policies
Strategic implications	<ul style="list-style-type: none">• Russia quickly overcoming most current difficulties, amassing sufficient resources for further military power projection to achieve its geopolitical goals• Russia inching closer to take control over Ukraine and possibly attacking more neighboring countries or even the EU member states
Likelihood	<ul style="list-style-type: none">• Low to moderate

Scenario 4: Sanctions Erosion Through Nonenforcement

Finally, the fourth scenario, Sanctions Erosion Through Nonenforcement, reflects a reality in which the formal structure of sanctions persists, but political will, oversight, and bureaucratic capacity to enforce them steadily collapse.

While this is not a predominant scenario at the moment, it may quickly develop as the sanctions policy may be losing momentum due to a shift in focus in the domestic political and economic situation in Western democracies, as explained above. Since the above-described potential changes in the political environment are not unlikely, we rank the likelihood of the fourth scenario as moderate.

Scenario 4: Sanctions Erosion Through Nonenforcement

Triggers/disruptors	<ul style="list-style-type: none">• Lack of sufficient resources and political will to enforce the growing array of sanctions• Gradual withdrawal of the US from global sanctions regime with simultaneous lack of sufficient sanctions enforcement capacity with other Western democracies• Change of governments in Western democracies with more sanctions skeptics coming to power• Domestic political and economic problems in Western democracies prevailing in focus over sanctions enforcement
Strategic implications	<ul style="list-style-type: none">• Russia gaining the ability to seriously enhance its financial and military capabilities for continuing the war in Ukraine• Russia amassing sufficient resources for more military aggressions against European or other countries beyond Ukraine
Likelihood	<ul style="list-style-type: none">• Moderate

Recommendations

What should US stakeholders do in each of the proposed scenarios?

We argue in this report that the **sanctions pressure against Russia is working and producing visible results, and it is possible to achieve longer-term objectives of stopping Russia's aggressive policies in Ukraine and beyond by maintaining and increasing the sanctions pressure.**

In this regard, we view the scenarios and trends that are associated with maintaining and increasing the sanctions pressure as positive and worth supporting (scenario 1, partly - scenario 2), and the scenarios involving setbacks, failing efficiency of sanctions, and their probable dismantling (scenarios 3 and 4, and partly scenario 2 in its loss of sanctions momentum)—as negative, requiring resorting to damage control mode, and reassessment and mobilization of resources necessary to revitalize the effective sanctions policy in the future.

Here are some recommendations for key stakeholders associated with each of the scenarios. Many measures will be repeated from one scenario to another, as they are required for the long-term effectiveness of the sanctions regime in any case.

Scenario 1: Incremental Expansion

In this scenario, mainstream trends will remain associated with maintaining and increasing the sanctions pressure on Russia, which means that the focus should be on improvement of the efficiency of sanctions policy, closing the loopholes and gaps, increasing coordination of sanctions enforcement between various countries and stakeholders.

Recommendations for Scenario 1

	Urgent priorities	Longer-term priorities
Congress	<ul style="list-style-type: none"> Launch investigations into enforcement gaps and require quarterly reporting from OFAC and BIS on license issuance, enforcement actions, and industry lobbying activity Review the impact of DOGE actions on sanctions enforcement capacity 	<ul style="list-style-type: none"> Codify sanctions to the largest extent possible to prevent unjustified dismantling in the future Assist the government to enhance OFAC and BIS staffing and available resources Launch formal investigations into enforcement gaps and require quarterly reporting from OFAC and BIS on license issuance, enforcement actions, and industry lobbying activity
US government	<ul style="list-style-type: none"> Return to the practice of regularly updating Russia sanctions lists, including with secondary sanctions against third-country parties Enhance OFAC and BIS staffing and available resources Enforce stricter export controls Work with the private sector to step up KYC and end-customer controls regarding military and sensitive technology BIS should shift to impact-based targeting, prioritizing entities central to Russia's military-industrial base and exercising rigorous export controls Cut off all Russian banks from SWIFT Sanction Russian fertilizers, chemical products, full list of nonferrous metals 	<ul style="list-style-type: none"> Increase coordination with other Western democracies, consider recreating COCOM 2.0 Spearhead a reinvigorated transatlantic alignment strategy, particularly in coordinating enforcement timelines with the EU and Japan to prevent circumvention windows Apply diplomatic pressure on countries (e.g., UAE, Central Asia, South Caucasus) identified in US export diversion data Integrate secondary sanctions warnings into all bilateral trade dialogues Consider lowering the oil price cap for Russia within the G7 framework Assist the EU with implementation of the program of gradual phasing out of Russian natural gas and LNG Build a specialized unit for Russia sanctions enforcement, including forensic analysis of financial flows and shadow fleet shipping activity, within OFAC Adjust exports licensing process in high-risk export categories that should be subject to stricter export controls
NGOs, civil society groups	<ul style="list-style-type: none"> Step up investigative efforts to uncover sanction evasion schemes Focus on watchdog work that monitors carveouts, lobby for tighter enforcement, and disseminate evidence of violations to Congress and investigative media 	<ul style="list-style-type: none"> Increase public awareness of the actual achievements of sanctions policy in terms of enhancing the security of the US and the Western world Increase public awareness of the risks posed by dismantling or the gradual erosion of sanctions

Scenario 2: Strategic Retrenchment

In the second scenario, it is supposed that the sanctions enforcement may be losing momentum, which is why the key focus should be on preserving the results already achieved and reviving momentum.

Recommendations for Scenario 2

	Urgent priorities	Longer-term priorities
Congress	<ul style="list-style-type: none">• Initiate public reviews of the Russia policy and effectiveness of sanctions• Launch formal investigations into enforcement gaps• Require quarterly reporting from OFAC and BIS on license issuance, enforcement actions, and industry lobbying activity	<ul style="list-style-type: none">• Fund the expansion of enforcement teams at Treasury and Commerce departments• Conduct public hearings to develop a reinvigorated longer-term sanctions policy
US government	<ul style="list-style-type: none">• Produce assessments of achieving maximum efficiency of sanctions policies with resources that are still available	<ul style="list-style-type: none">• Produce assessments of the impact of stalled sanctions policy and recommendations to reinvigorate it• Produce assessments of Russia's reaction to lost sanctions momentum and its efforts to seize the emerged window of opportunity, develop new set of recommendations on reacting to new circumstances
NGOs, civil society groups	<ul style="list-style-type: none">• Step up investigative efforts to uncover sanction evasion schemes• Focus on watchdog work that monitors carveouts, lobby for tighter enforcement, and disseminate evidence of violations to Congress and investigative media	<ul style="list-style-type: none">• Increase public awareness of the actual achievements of sanctions policy in terms of enhancing the security of the US and the Western world• Increase public awareness of the risks posed by dismantling or the gradual erosion of sanctions

Scenario 3: Gradual Dismantling

In the third scenario, the key focus should be on full-blown damage control, preserving the results of the sanctions policy achieved so far, preventing unjustified concessions to Russia, creating ground for potential reversal of the sanctions dismantling policy should Russia not adhere to the demands of renouncing its imperialist policy goals.

Recommendations for Scenario 3

	Urgent priorities	Longer-term priorities
Congress	<ul style="list-style-type: none"> Assert the constitutional authority of Congress over foreign policy by requiring prior congressional notification and public justification before any rollback of major Russia sanctions, particularly in defense, finance, or energy Bipartisan coalitions should preemptively outline which sanctions are nonnegotiable 	<ul style="list-style-type: none"> Conduct public hearings to assess Russia's compliance with international rules, preparing ground for a swift reaction in case Russia's behavior once again crosses international redlines
US government	<ul style="list-style-type: none"> Produce public assessments of the impact of dismantling of each specific sanction Tie any rollback to hard, verifiable benchmarks related to conflict de-escalation, war crimes accountability, and Russian disengagement from occupied territories Publish declassification summaries to justify any delisting or license expansion Condition any sanctions relief on reciprocal transparency measures from Russia, especially regarding troop withdrawals and access to international monitors. Any offer of relief should be made multilaterally to ensure allies remain aligned Preclear any sanctions relief with the intelligence community to avoid opening trade channels that benefit dual-use industries or military end-users 	<ul style="list-style-type: none"> Prepare set of specific indicators to identify Russia's noncompliance with international rules requiring swift restoration of sanctions policy
NGOs, civil society groups	<ul style="list-style-type: none"> Increase public awareness of the actual achievements of sanctions policy in terms of enhancing the security of the US and the Western world Increase public awareness of the risks posed by dismantling or the gradual erosion of sanctions Raise red flags if sanctions are lifted without accountability benchmarks Prepare alternative road maps showing how targeted relief (e.g., food and medicine) can be used without weakening pressure on the war machine 	<ul style="list-style-type: none"> Prepare expertise supporting future decisive turnaround in lax sanctions policy should Russia commit more acts of aggression and lawless behavior, being stimulated by easing of sanctions and their enforcement

Scenario 4: Sanctions Erosion Through Nonenforcement

The fourth scenario doesn't differ much from the third in terms of its results (although sanctions are not deliberately dismantled), since the effectiveness of sanctions is ensured to a great extent through their robust enforcement and regular adoption of new measures to prevent circumvention. All of these tend to deteriorate in the fourth scenario. The focus here should also be on damage control, as well as on increasing public awareness of the risks associated with gradual erosion of the sanctions regime.

Recommendations for Scenario 4

	Urgent priorities	Longer-term priorities
Congress	<ul style="list-style-type: none">• Conduct public hearings and reviews to assess the status of sanctions enforcement• Take the lead in bringing public and government attention to the negative effects of lax sanctions policy	<ul style="list-style-type: none">• Conduct public hearings to develop a reinvigorated longer-term sanctions policy
US government	<ul style="list-style-type: none">• Produce assessments of achieving maximum efficiency of sanctions policies with resources that are still available	<ul style="list-style-type: none">• Produce assessments of the impact of stalled sanctions policy and recommendations to reinvigorate it• Produce assessments of Russia's reaction to lost sanctions momentum and its efforts to seize the emerged window of opportunity, develop new set of recommendations on reacting to new circumstances
NGOs, civil society groups	<ul style="list-style-type: none">• Increase public awareness of the actual achievements of sanctions policy in terms of enhancing the security of the US and the Western world• Increase public awareness of the risks posed by dismantling or the gradual erosion of sanctions	<ul style="list-style-type: none">• Prepare expertise supporting future decisive turnaround in lax sanctions policy should Russia commit more acts of aggression and lawless behavior, being stimulated by easing of sanctions and their enforcement

Strategic Outlook

The evolving landscape of the U.S. sanctions regime against Russia presents both a challenge and an opportunity. On one hand, the data presented in this report confirms that sanctions have significantly weakened Russia's economic base, reduced its ability to wage war, and degraded key sectors of its military-industrial complex. On the other hand, sanctions are not self-sustaining instruments. They require constant reinforcement, technical agility, and bipartisan political will to remain effective in a hostile and adaptive global environment.

As Russia recalibrates its trade flows, deepens ties with China and the Global South, and develops increasingly sophisticated evasion mechanisms — from crypto-based transactions to maritime shadow networks — the United States and its allies must adapt just as quickly. The days of one-time, symbolic sanctions packages must give way to iterative, intelligence-led enforcement that treats economic coercion as an ongoing contest, not a static penalty. Key pressure points — such as technology access, secondary sanctions, and SWIFT loopholes — must become focal areas for renewed scrutiny.

Domestic political dynamics in the U.S. will also shape the future of sanctions enforcement. Budgetary constraints, bureaucratic reforms, and shifting national priorities could weaken the operational capacity of critical enforcement bodies like OFAC and BIS. The current administration's focus on improving government efficiency is commendable — but sanctions enforcement must be seen not as regulatory redundancy, but as a strategic tool for global influence. Smart investment in a targeted enforcement capacity will ensure that reforms serve national interests rather than inadvertently undermining them.

International coordination remains the linchpin of long-term effectiveness. The sanctions regime must not only align with allies but also send a unified, credible message to adversaries and fence-sitters alike: sanctions violations will be costly, enforcement is not optional, and cooperation with Russia's war machine carries a price. The creation of a "COCOM 2.0"-style multilateral enforcement architecture could become a defining innovation in this next phase.

The stakes could not be higher. Sanctions are not a substitute for hard power, but they are one of the few tools democracies can deploy with strategic precision. If wielded consistently, intelligently, and in alignment with allied efforts, they remain the most effective non-kinetic instrument for deterring authoritarian aggression. This report serves as both a diagnostic and a call to action. What comes next will define not only the trajectory of the war in Ukraine, but the credibility of U.S. economic statecraft in a rapidly fragmenting world.

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