

How Russia Won the Sanctions War With the West

By [Michael Gfoeller And David H. Rundell](#)

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It is now abundantly clear that Russia has defeated the Western sanctions regime that was intended to cripple its economy and force its withdrawal from Ukraine. Instead of collapsing, the Russian economy is growing rapidly. Russia's GDP grew by an in the third quarter of 2023. Final figures for the year are not yet in, but Russian GDP growth for all of 2023 should exceed 3 percent. Ironically, the Russians are doing rather better than those who imposed sanctions on them. In 2023, the U.S. economy grew by 2.4 percent while the German economy shrank, and the as a whole grew by less than 1 percent. Instead of withdrawing from Ukraine, Russia has increased the size of its invasion force from 190,000 troops in February 2022 to .

Between February 2022 and February 2023, Western countries imposed on Russia the most extensive sanctions regime seen since World War II. In all, several thousand sanctions on Russian individuals, businesses, and government institutions caused only a mild recession in 2022 which the Russians quickly turned around. How did they do it? Very simply. The Russians have a lot of gold, grain, oil, and friends, all of which they used effectively to defeat the sanctions. Any realistic war game could have easily predicted all of this.

In March of 2022, G7 member states froze about half of Russia's foreign currency reserves at the time. This was supposed to "turn the ruble into rubble." It did not. Instead, the Russian Central bank moved very quickly to peg the ruble to gold and backed this up with its massive gold reserves and production capacity. The peg was in force for barely three months, but this bought Moscow time to re-orient its energy trade away from

Europe and adjust its overall economy to the sanctions.

People enjoy a chain swing ride during the Christmas and New Year market in front of St. Basils cathedral on Red Square in Moscow, on Dec. 30. TATYANA MAKEYEVA/AFP via Getty Images

Almost immediately, Russia began to shift its energy trade toward China and India by offering discounts. Today, 90 percent of its crude oil exports go to these two nations. Europe, which used to receive 40 percent of Russian crude oil exports, now receives only 4 percent to 5 percent. To evade Western shipping and insurance sanctions, the Russians have assembled an enormous "shadow fleet" of oil tankers, buying and leasing hundreds of vessels that did not comply with sanctions. According to the International Energy Agency, Russia currently exports [7.5 million barrels](#) of oil per day, only slightly less than Saudi Arabia.

Then the Russians got creative in their sanctions-busting by recruiting friends like Iran, Turkey, China, North Korea, and Kyrgyzstan to help

transship high tech goods like microchips, as well as drones and automobiles. For example, imports of Western cars and parts to Kyrgyzstan rose by an [amazing 5,500 percent](#) in the first nine months of 2023.

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Russia remains the world's largest producer of natural diamonds and a significant diamond exporter. Waves of sanctions have had only a limited effect on its diamond production and revenues. Finally, since the collapse of the Soviet Union's collective farm system, Russia has become the world's largest wheat exporter. Despite Western sanctions, Russia's share of global wheat exports actually increased over the past two years. Thanks to global warming, Russia has just had another bumper grain harvest and hopes for even more grain as Siberia warms. Putin does not care about polar bears. He has plenty.

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NATO's wonder-weapons like HIMARS and Leopard tanks failed to fuel an effective Ukrainian counter-offensive. Diplomacy failed to isolate Russia, which is busy reviewing numerous applications to join it in the BRICS organization. Economic warfare has been a bust. This has led some to now consider the mother of all sanctions.

At present, Russian Central Bank assets have been frozen, which means they cannot be used, but still belong to Russia. Some foreign policy advisors are now proposing that these assets should be confiscated and handed over to Ukraine. Regardless of its legality, that is a very dumb idea. Taking the assets of Russia's central bank would encourage just about everyone to find an alternative to the dollar as their reserve

currency. That won't be easy, but if the alternative is losing all your money if you annoy Washington, people will find a way. Nothing would do more to unite the Russian people in their hatred of the West, support for President [Vladimir Putin](#) and determination to continue the war than stealing what they consider to be their money; which, in fact, it is. And how do you think Putin would react? Well, for one, he will confiscate all Western assets in Russia. Is the U.S. Treasury prepared to compensate the mostly German owners of those assets for their losses?

Sanctions are cheap and easy to impose, but they seldom work. While they make it look like you are doing something meaningful, they are, in fact, often little more than economic virtue signaling. Economic sanctions have certainly not changed the outcome in Ukraine. Kyiv is out of men, out of money, out of artillery shells and out of time. The West should stop giving money to a man with a hole in his pocket.

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David H. Rundell is a former chief of mission at the American Embassy in Saudi Arabia and the author of Vision or Mirage, Saudi Arabia at the Crossroads. Ambassador Michael Gfoeller is a former political advisor to the U.S. Central Command who spent 15 years working the Soviet Union, and former Soviet Union.

The views expressed in this article are the writers' own.