

RUSI NEWSBRIEF

Through the Looking Glass: The Russian View of Western Sanctions

Saskia Zandstra and Tom Keatinge

7 September 2022

🕒 Long Read

Western rhetoric emphasises the massive economic impact of sanctions on Russia. But how are sanctions seen from within the country?

The imposition of Western sanctions following Russia's invasion of Ukraine has been swift, coordinated and widespread. Russian banks have been decoupled from international payment systems and capital markets; the Russian Central Bank's international reserves have been frozen; hundreds of Russian companies and individuals have been targeted; and there has been a ban on certain strategic exports and imports. Furthermore, over a thousand companies with operations across Russia have 'self-sanctioned', closing or selling their operations.

The Western narrative on the impact of sanctions is one of significant economic contraction. The IMF projects a decline in Russia's real GDP of 6% in 2022 and leading Yale academics have concluded that the 'Russian economy is reeling', while certain politicians have called for Russia's economy to be pushed 'back into the Soviet era'.

But what is the Russian perspective and narrative in response to these sanctions, how is their impact viewed from Moscow and across Russia's 11 time zones, and what implications does this have for future Western policymaking as the fighting in Ukraine continues unabated? There are signs that Russian opinion is split between those who support the Kremlin and

those who question its assessments. The Kremlin's rhetoric is stoic and its message is confident, articulating economic resilience and a clear way forward in response to sanctions. In contrast, public non-conformist views, which are difficult to source because of censorship, present a more bearish perspective of the long-term consequences of sanctions, especially as they move beyond targeting Putin's supporters to impacting the real economy.

Russia Remains Strong, and is Only Defending Itself Against the West

In response to sanctions, the narrative from the Kremlin focuses on two main messages. The first is that the Russian economy is resilient and well-prepared for Western sanctions.

The Kremlin has been thorough in relaying a composed message of strength to the Russian public through all forms of state-controlled media, expressing continued confidence in the country and its economy in the face of sanctions, and emphasising the government's 'responsible macroeconomic policy over the past few years'. The policy of redirecting resources to serve domestic markets after international companies pulled out of the country; the lending programme to fund 'much-needed initiatives and projects worth around half a trillion roubles'; and the provision of increased liquidity to the economy are but a few examples of the steps the Kremlin and the Russian Central Bank have taken to mitigate the short-term impact of sanctions. Russian companies have also sought to put risk mitigation measures in place by seeking alternate markets to replace exports to the EU, and Russia is portrayed as effortlessly making new connections with other countries sympathetic to its cause.

Alexei Miller, Chairman of the Board of Gazprom, has spoken of Russia's ability to replace the exports to European markets it has lost through the strengthening of pro-Russian alliances with countries such as China and Saudi Arabia. Miller has highlighted global inflation and price volatility as evidence of Western mistakes and believes this will only worsen over time.

Miller has also commented that the sanctioning of Gazprom has given the Russian oil industry the opportunity to create ‘new fuel and energy unions’ with other countries including India and China. Miller has asserted that Russia ultimately has ‘energy security’ and the ability now to ‘determine the course of future alliances’.

“ **Support from the religious establishment in Russia provides Putin with a halo of spiritual blessing and a deep-rooted religious anchor to justify the conflict in Ukraine**

Second, the Kremlin focuses on the belligerence and provocation of Western countries in imposing sanctions and their desire to halt the Russian economy at all costs, with Putin describing the sanctions against Russia as ‘akin to an act of war’. The West is portrayed as the aggressor with Russia only defending itself, as underlined by Putin in a televised address in which he stated that Western politicians have consistently created ‘fundamental threats’ to Russia. As a result, he believes he had no choice but to begin the ‘special military operation’ and take ‘bold and immediate action’ in Ukraine. Putin has called Western leaders ‘short-sighted Russophobes’ who are prepared to cause damage to Russia and other countries to ‘preserve their own global dominance’.

This message is echoed by State Duma Chairman Vyacheslav Volodin, who believes the ‘range of means aimed at withholding [Russia’s] development [to have been] exhausted.’ The depiction of the West as the aggressor is prevalent, as further exemplified by government officials such as Dmitri Peskov, diplomat and Putin’s press secretary, who, in regard to the US Office of Foreign Assets Control’s measures to prevent payments on Russia’s

sovereign bonds, commented that 'a default can be orchestrated, but this is a purely artificial situation created by the US Treasury and not due to any economic difficulty in Russia'. In other words, the West is choosing to wage economic war on Russia.

The narrative of sanctions as a tool of aggression and Western belligerence threatening Russia's security is being widely amplified by Russian radio and TV networks. The popular channel RT News consistently refers in its broadcasts to NATO doing 'everything to provoke Russia', and women have even posted videos on social media in which they cut up their designer handbags as a sign of resentment against the West.

Patriarch's Support for God's Truth

Patriarch Kirill and the senior echelons of the Russian Orthodox Church have also shown support for Putin's 'special military operation' in Ukraine. This support from the religious establishment in Russia provides Putin with a halo of spiritual blessing and a deep-rooted religious anchor to justify the conflict in Ukraine. In March 2022, Patriarch Kirill claimed to the Federal Assembly of the Russian Federation that Russians and Ukrainians come from 'a single Kyiv baptismal font' which is united 'by a common historical destiny'. Kirill also spoke of the 'external hostile political forces' that have been used 'to escalate Russian-Ukrainian hostility', echoing the narrative of Putin's preparatory essay from July 2021, 'On the Historical Unity of Russians and Ukrainians'.

The concept of Western provocation has also been reflected by senior members of the Russian Orthodox Church in their rejection of the sanctions placed on the Patriarch for his support of the war. Vladimir Legoyda, acting head of the press service for the Russian Orthodox Church, has stated that the UK sanctions against Patriarch Kirill are 'against common sense' and 'absurd and futile', accusing the UK of unsuccessfully attempting 'to intimidate the Primate of the Russian Church' and of burning even the 'last bridge' in communication between the two countries. Similarly, the

Patriarchal Exarch of Africa, Metropolitan Leonid of Klin, has said the Canadian sanctions are an example of the West creating havoc wherever it can.

“ **Despite the Kremlin’s assertion that the Russian economy is resilient, the measures taken by the Central Bank to mitigate the effect of sanctions suggest otherwise**

Despite this vocal support for the Kremlin and condemnation of Western sanctions, there is anecdotal evidence that the Russian Orthodox Church is not united in its support of Putin (the church in Ukraine has already broken ranks publicly). Kirill’s position is seen by some in the Church in Russia as contrary to the Christian view that ‘the life of every human is valuable’. In March 2022, 233 Russian Orthodox clerics signed an 'Appeal of the priests of the Russian Orthodox Church' that called for reconciliation, a ceasefire and an end to war, showing that they do not condone Kirill's blessing of the conflict. In another example, after speaking out for peace, John Burdin, a priest in the Kostroma village of Karabanovo, was reported by his parishioners for not supporting the war and later questioned in jail.

The West is Only Hurting Itself

A separate narrative being promoted by the Kremlin both domestically and internationally is that the West is causing more economic damage to itself than to Russia, as Europe will not easily be able to source replacements for imports of energy from Russia. Volodin believes that ‘new packages of sanctions will not do Europe any good’ and are ‘illegal’, and has sought to blame Presidents Joe Biden and Volodymyr Zelensky for actions that will lead

to famine. This attribution of blame and depiction of Europe as suffering more than Russia is further amplified by Foreign Minister Sergei Lavrov, who has introduced the idea of the 'new poor' in Europe, where 'living standards are deteriorating' as a result of the West's own actions.

Putin himself states that the 'global crisis [of food and energy] is largely caused by these sanctions' and paints the EU as disunited, in contrast to Russia which is depicted as a strong and clear-minded nation – a narrative underlined during Lavrov's tour of Africa, which cultivated unity in the face of suffering at the hands of Western sanctions. Emphasising the West's dependence on Russian energy, Putin maintains that sanctions come at the 'expense of [Europe's] own national interest', a view corroborated by figures such as opposition politician and economist Vladimir Milov, who talks of Putin's ability to 'finance his economy and the ongoing military aggression' as long as there is not a complete embargo on Russia's oil resources.

Not Collapse but Decay

Despite the Kremlin's assertion that the Russian economy is resilient, the measures taken by the Central Bank to mitigate the effect of sanctions suggest otherwise. For example, capital controls, subsidised lending programmes for small businesses, and expected legal action by the Central Bank against the freezing of its offshore international reserves reveal an economy under stress.

Conformists and non-conformists in Russia agree that a major economic meltdown is unlikely. However, non-conformists seem more fearful of the long-term economic impact of sanctions, as industries with a reliance on Western products suffer and the rate of Western production cannot be replicated domestically. Valery Kizilov from *The Insider Journal* acknowledges the very significant effect sanctions will have on the financial sector, which will in turn directly affect other sectors such as housing and construction; the motor industry, which is reliant on key Western components; and the scientific sector, where international deals on

equipment and collaboration – once prevalent – have now been suspended. All of this points to a more gradual deterioration and a future where economic hardship will increase.

This more fearful reaction to sanctions is echoed by economists such as Ruben Enikolopov, director of the Russian Economic School, who believes that Russia's isolation is now 'worse than in the Soviet Union', maintaining that while there will not be a market collapse as in 1991, there will be a scarcity of international products. Sergei Hestanov, a well-known Russian economist, believes that the sanctions are just the 'tip of the iceberg', alluding to suffering to come under the new restrictions. Oil expert Michael Krytikin agrees with Milov that Russia is only relatively secure as long as the West is reliant on its oil and gas products, but that once the West imposes a full oil embargo, the Russian economy will suffer a substantial hit.

The ability of the economy to sustain itself through its reliance on oil and natural gas revenues is also a very real fear among ordinary citizens. In interviews on the popular Russian YouTube channel 1420, ordinary Russians express their concern that once the West no longer needs to purchase its natural resources, Russia will have little else to offer. This fear of eventual 'not collapse, but decay' of the Russian economy, and the resulting impact on the quality of Russian life caused by a rise in economic challenges, is the core non-conformist view.

“ The Kremlin's ability to control the narrative through state-controlled media, the criminalisation of anti-war protests, and the continued flow of energy revenues have allowed Putin to deflect the impact of sanctions

Leonid Volkov, top aide to imprisoned Russian opposition figure Alexei Navalny, believes that by starting the war Putin has 'shortened his time in power'. Navalny himself additionally claims that the war was started to distract from financial problems within the country that will lead to 'destroyed lives and continued impoverishment of Russian people'. Whatever the reason, there is no doubt that while the Kremlin points to resilience against sanctions in Russia today and economic challenges in the West, the future of the Russian economy will be determined by the extent to which these fears materialise.

A More Promising Future Elsewhere?

While the impact of propaganda, censorship and new legislative measures to criminalise anti-war protests makes it challenging to research the impact of sanctions on ordinary Russians and their resulting perceptions, other factors such as the 'brain drain' that hit Russia after the first wave of sanctions point to growing concerns for the future. Current Time TV estimates that 15,000 millionaires will leave Russia this year, and Yulia Florinskaya, researcher at RANEPa, reports the exit of about 150,000 people, many of them educated young professionals working in the hi-tech, medical and business sectors. Despite the economy not crashing, many have not returned, which Florinskaya refers to as 'forced migration', demonstrating the continued fear that sanctions will affect people's quality of life and opportunities and Russia's economic future.

Policy Implications

The imposition of sanctions on Russia was framed by many in the West as a 'shock and awe' campaign. It was hoped that the threat of massive economic consequences by Western leaders would change Putin's calculus. The reality was always going to be different. Sanctions are a long-term tool that seek to build pressure over time. Unsurprisingly, Western-imposed sanctions are not triggering the extent of public opposition in Russia to Putin's invasion of

Ukraine that Western leaders sought, because – for now – the country’s economy remains superficially resilient, foreign currency revenues from the sale of oil and gas continue to fill the Kremlin’s coffers, and censorship silences dissent. But fears of the longer-term economic impact on the country are beginning to emerge.

Putin’s narrative will continue to highlight Russia’s economic resilience in contrast to the West and seek to frame sanctions as a tool of Western belligerence, thereby reinforcing his claim that Russia’s security is constantly threatened and that the invasion of Ukraine was in self-defence. But as evidence of economic stagnation emerges, this version of the truth could become increasingly difficult to maintain.

As Putin’s ‘special military operation’ extends beyond six months, the ability of the Kremlin to control the narrative through state-controlled media, the criminalisation of anti-war protests, and the continued flow of energy revenues have allowed Putin to deflect the impact of sanctions. The West should ensure that it monitors and reports on the true effect of sanctions on the Russian economy, that it blunts the Kremlin narrative which seeks to portray sanctions as more harmful to the West than Russia, and that it maintains economic pressure on the country.

That economic hardship lies ahead in the West as a result of its support of Ukraine is certain, particularly until alternative sources of energy can be found; but Ukraine’s allies must stay the course, given the fundamental threat Russia’s war in Ukraine poses to Western security and democracy, until the economic reality in Russia undermines the Kremlin’s post-truth narrative.

The views expressed in this Newsbrief are the authors’, and do not represent those of RUSI or any other institution.

Have an idea for a Newsbrief you’d like to write for us? Send a short pitch to commentaries@rusi.org and we’ll get back to you if it fits into our research interests. Full guidelines for contributors can be found [here](#).

WRITTEN BY

Saskia Zandstra

Centre for Financial Crime and Security Studies

Tom Keatinge

Director, CFCS

Centre for Financial Crime and Security Studies

MEDIA ENQUIRIES

Jack Haines

Media Relations Manager

+44 (0)7917 373 069

jackh@rusi.org