THE EFFECT OF EUROPEAN UNION’S IMPLEMENTATION OF THE RUSSIAN ECONOMIC EMBARGO ON INTERNATIONAL TRADE SECTOR

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Abstract
This study analyzes effect of European Union’s implementation economic embargo on Russia after Russian invasion of Ukraine. Embargoes imposed was stoppage imports of petroleum and natural gas from Russia. This situation impact of circulation oil and natural gas prices on global market because Russia is the world’s largest supplier oil and natural gas. The purpose study is to analyze effect of implementation Russian embargo on international trade sector and examine impact implementation embargo sanctions on Russian economy. The research methodology used is normative juridical. The results show that implementation of embargo against Russia will trigger escalation the price of crude oil and natural gas which are becoming scarce on the global market and significantly reduce availability of grain, wheat, barley and corn commodities while for Russia this case cause increase inflation due to Russia lost most of its shares in international markets.

Keywords: Economy; Embargo; European Union; Russia; Trade.

Introduction
The ongoing clashes between Russia and Ukraine over disputes over identity and control of border areas have led to a disproportionate Russian attack on Ukraine. The Russian invasion has created a global policy crisis that has had the effect of reducing inter-state relations, especially in terms of security and economy, and especially the allocation of resources to neighbouring countries or countries that have relations with Russia and Ukraine.

Many groups considered that the Russian attack was a form of irrational action. The invasion was sparked by Russia's concern over Ukraine being offered to join NATO. The reason for the Russian invasion is still the subject of much debate recently. However, Russia's invasion of Ukraine undermined Ukraine's autonomy, caused casualties, and caused massive property losses for Ukrainian civil society. Russia's invasion of Ukraine caused many domestic problems, especially in state security and the nation's survival. Eventually, the invasion spontaneously affected comprehensive security and stability, resulting in many countries around the world reacting to Russia's invasion of Ukraine.

Before Russia was sanctioned for its invasion, it was known that there were disputes and contradictions between various countries in the world about the steps to be taken to end the invasion. There were 12 other countries, including India,
China, Pakistan, and the United Arab Emirates, refused to impose economic sanctions on Russia. Several countries refused to provide arguments for imposing penalties on Russia and even decided to form an autonomous international body to investigate the aggression (Pamungkas et al., 2022).

The European Union and several developed countries, such as Japan and Australia, explicitly condemned Russia’s invasion of Ukraine. This situation has triggered each country to reduce sanctions in the form of trade restrictions from Russia. The economic sanctions imposed on Russia are in the form of a trade embargo and bilateral cooperation with Russia, controlling financial mechanisms by blocking SWIFT money transmissions from Russia, prohibiting exports of high-tech products to Russia, blocking energy trade, prohibiting Russian primary and secondary debt transactions, as well as imposing penalties against Russian extractive companies on a particular allocation of financial message facilities.

According to the European Union, the actions taken by Russia undermined the consistency of security and did not respect Ukrainian authorities. Responding to Russia’s interference in the Crimea region, the European Union issued a decree on economic sanctions on July 31, 2014, through Council Decree 2014/512/CFSP, which essentially means: (1) reducing the number of exports and imports between Russia and the European Union in the long term; (2) Exports of products from Russia related to energy and certain technologies will be subject to authorization from the European Union; (3) All companies originating from the European Union are not allowed to join the five Russian-owned public banks, i.e. Sverbank, VTB, Gazprombank, Vnesheconombank (VEB), and Russian Agriculture Bank (Rosselkhozbank).

Not only in banking matters, but the European Union has also blocked cooperation with three Russian arms industries, namely Oboronprom, United Aircraft Corporation, and Uralvagonzavod. The European Union also curbs cooperation with three Russian energy industries, namely Rosneft, Transneft, and Gazprom Neft. The imposition of these sanctions is in line with the fundamental principles of imposing European Union sanctions, “Sanctions should be targeted in a way that has maximum impact on those whose behaviour we want to influence. Targeting should reduce to the maximum extent possible any adverse humanitarian effects or unintended consequences for persons not targeted or neighbouring countries. Measures, such as arms embargoes, visa bans and the freezing of funds are a way of achieving this” (Mahendra & Sayyidul Mubin, 2021). With these sanctions, Russia responded with a firm threat to the European Union. Russia has blocked all navigation from Europe to Russia. Russia has also cut off gas supply flows to Poland and Austria. Russia has implemented a strategy of reducing
gas flows to Poland by around 50%, while Austria has received about 15% of the total instead of obtaining it (Hanifah, 2017).

Because of this background, researchers are interested in studying the effects of the implementation of the Russian economic embargo by the European Union on the international trade sector. The identification of the problems to be examined regarding the effect of the implementation of the Russian economic embargo on the international trade sector and the impact of the implementation of embargo sanctions on the Russian economy.

**Research Problems**

Based on the background above, the research questions are as follows: First, How does the implementation of the Russian economic embargo affect the international trade sector? Second, What is the impact of the imposition of embargo sanctions on the Russian economy?

**Research Methods**

In this study, researchers used a normative-juridical approach to adapt legal provisions to legal norms or regulations in real-world practice in the field (Soerjono Soekanto, 1985). The problem approach applied was an analytical normative approach because the discussion in this study was analytical (Rahardjo, 1986). This research also used a statutory approach, the purpose of which was to study legal regulations related to the legal issues being studied (Mahmud Marzuki dan Peter Mahmud, 2011).

In this study, researchers used analytical and descriptive research specifications, which describe the applicable laws and regulations. Then, it linked to the theory and practice of implementing positive law following the problems to be studied. The data studied is secondary data, in which the data is obtained from the results of previous studies. The data collection technique used is a literature study. The data collection tool was carried out through document studies and data analysis using qualitative data analysis.

**Discussion**

The Influence of the Russian Economic Embargo on the International Trade Sector
The European Union, as a regional organization and a combination of many European countries, has imposed economic sanctions on Russia. The European Union implements an embargo policy on imports of oil and natural gas from Russia. This aims to weaken the Russian economy, resulting in internal chaos in the Russian government and society. In addition, the European Union also imposed an export-import embargo on primary needs such as food and fruits, wheat, cement, rubber, wood, and alcoholic beverage products originating from Russia. The European Union also carried out a freeze on the assets of 900 businessmen originating from Russia and a ban on travelling to the European Union. Economic sanctions were also given to 18 companies with assets and investments in the European Union. The freezing of assets for Russian companies and individuals who have assets in the European Union adds to the list of economic sanctions received by Russia (Zulfa et al., 2022).

Russia is a major supplier of oil and natural gas to the European Union. According to the British Broadcasting Corporation's 2022 report, Russia accounts for approximately 40% of natural gas imports and exported more than 2.5 million barrels of crude oil to the European Union in 2020. The EU’s energy import figures from Russia in 2021 reached $108 billion. This shows that the European Union relies heavily on Russia for its oil and gas supplies. The European Union relies on
Russian oil for more than one-fourth of its crude. Meanwhile, other European countries, like Slovakia, rely on Russia for more than 90% of their oil.

Russia plays a crucial role in global supply relations, especially for the United States and the European Union. If Russia ends or reduces its production, this project will affect international energy needs, which will cause energy scarcity and soaring energy prices (Pamungkas et al., 2022).

Officially, the United States, through President Joe Biden, published a ban on oil and gas imports from Russia. The embargo imposed by the United States has contributed to punishing the world economy, which is currently not equivalent. The collapse of the economic standard after the prolonged COVID-19 global pandemic has caused many obstacles and transitions in the supply chain of any country. With the existence of an embargo against Russia as the largest oil and natural gas exporting country in the world, Steinbock (2020) predicts that Russia will respond to these sanctions by suppressing the quantity of supply, which will eventually raise the potential for an escalation in oil and natural gas prices in the international market. From there, reactions emerged from other parties who said that the embargo from the United States and other allied countries should not have been carried out because this would affect the world order indirectly.

Based on the research results of Hossain and Abdullah (2022), they believed that the Russian invasion of Ukraine would harm world financial markets. In this study, it is believed that the European Union region will be the one that feels the most impact due to the high level of dependence on Russia’s natural energy.

The United States’ policy of prohibiting imports of crude oil from Russia to the United States and the European Union affects the international trade sector because Russia is the second largest producer after the United States. In response to the United States policy of an embargo on imports of crude oil from Russia, Russia made a new policy under which exporters must use the Russian currency, or rubles, to pay. Russia boldly adopted a policy against America and Europe. Moscow’s access to foreign exchange is prohibited, causing Russia, as one of the world’s major energy exporters, to oblige other countries to pay in Russian currency, rubles. This policy taken by Russia was a serious blow to the United States and European countries (Setiawan et al., 2022).

The collapse of the Russian economy was triggered by the economic embargo. Besides, it also has an impact on the countries that implement this policy and other countries in the world. The impact will be in the form of stopping imports of crude oil and natural gas from Russia. It cannot be denied that Russia is the largest contributor to crude oil and natural gas in the world. Because of this, other countries began to implement economic embargoes and stop importing oil.
and gas from Russia. Russia responded indirectly by raising the potential for an escalation in the price of crude oil and natural gas on the global market and various other impacts on the accumulation of global economic problems due to the power and authority that Russia holds in the world scheme.

The situation in all countries, especially in the European Union, is seen as one of the countries that will have a major impact on their country's industrial areas because Russia is one of the main suppliers of raw materials such as crude oil in the European Union. Anxiety began to appear over the increase in commodity prices since the start of the Russian invasion. It will be a dilemma to predict how long inflation will last in countries that have implemented embargoes on Russia, especially for countries in the European Union, because it seems that there will be a scarcity of supplies, which in the end will drastically increase the price of oil and gas, and there may also be a stoppage of imports of oil and natural gas from the countries behind the iron curtain. Each of the associated countries should invent and develop a new global production system to set aside Russia to meet their country's needs for crude oil and natural gas, so it can be said with certainty that this situation will lead to an escalation of inflation in these countries (Setiawan et al., 2022).

According to research conducted by Aknolt Kristian Pakpahan, Russia could impose retaliatory sanctions in the form of an export ban, which would then be affected other countries and harm their interests. This will lead to the restructuring of international trade. Even after the war is over, this embargo will remain in effect because Russia’s exports to world markets will be affected and altered by the war between Russia and Ukraine. In addition, from a protection perspective, the effect can be seen immediately. To stem further attacks and respond to increased ultimatums against NATO member states and the European Union region adjacent to Russia, effective and conventional deterrence is needed here, even down to nuclear deterrence.

According to the explanation above, economic relations between one country and another, covering all countries in the world, must have experienced a similar effect caused by the Russian invasion of Ukraine, including countries in the Southeast Asian region. The invasion caused an escalation in global crude oil prices, which would then have an impact on the level of the world economy. Various increases in the prices of raw materials such as petroleum, natural gas, and mining mineral resources have occurred throughout the world (Bakrie et al., 2022).

Researchers argue that it is important to analyze the economic embargo imposed as a sanction on Russia for its actions because the highest increase in crude oil prices from 2014 until now occurred after the Russian attack. Researchers
argue that there is a possibility that the increase in crude oil prices was influenced by the import ban and the cessation of crude oil supplies from Russia. The current situation shows that not only countries that have imposed economic embargoes are feeling the effects, but all countries in the international demand are also getting the impacts and must comply with price regulations in global market cycles where rising oil and natural gas prices occur (Pamungkas et al., 2022).

The Impact of the Implementation of Embargo Sanctions on the Russian Economy

Russia is a major player in the world’s oil, gas, grain, energy, food, and fertilizer markets. Russia is the 3rd largest producer and exporter of crude oil, the 2nd largest exporter of natural gas, and the 3rd largest exporter of coal. Besides, Russia is the largest producer of wheat supplies on the global market and the 2nd largest exporter of sunflower oil. Furthermore, Russia also plays an important role in the world fertilizer trade market and is the largest fertilizer exporter. Russia plays an important role in the world’s energy, food, and fertilizer markets, so it is crucial to anticipate potential conflicts.

Russia collectively accounts for more than half of world oil and grain sales, about one-fourth of wheat and barley, and about one-sixth of all maize traded on global markets. Russia is an essential supplier of food to under-fed and hungry countries in North Africa, the Middle East, sub-Saharan Africa, and South and Southeast Asia. Russia extends assistance of 100 percent of wheat imports to Somalia, more than 80 percent to Egypt, 75 percent to Sudan, and more than 90 percent to Laos. Besides, about 95 percent of sunflower oil imports go to China and India. More than 37 percent of petroleum and natural gas imports go to Southeast Asia. In addition, the majority of countries in South America, Central America, West Africa, and the European Union are highly dependent on Russia for fertilizer imports, especially potassium. As a result, Russia is leading in various markets, including exports of natural gas for the production of nitrogen fertilizers in the European Union and Southeast Asia (Bakrie et al., 2022).

Russia’s intervention in Ukraine’s territorial sovereignty has created new tensions between Russia and Ukraine. Tensions between the two countries reached a fever pitch when Ukraine announced its intention to join the European Union. For Russia, the European Union’s expansion into Eastern Europe (including Ukraine) is an affront to Russian power. Therefore, to maintain its influence in Eastern Europe, Russia must intervene in the Ukrainian conflict, and in the end, Russian intervention will cause the European Union to adopt an economic embargo policy against Russia as a form of protection for Ukraine.
Russia and the Europe Union have long forged an important and strategic relationship in areas such as politics and the economy. Russia and the European Union have different views on democratic, political and legal values. However, Russia and the European Union have the same views in the field of trade cooperation, so this proves that Russia and the European Union are mutually dependent. The European Union is very important in selling gas energy to Russia, because Russia has always been a large-scale European Union supplier of gas, namely 65% of gas production is exported to the European Union. Their cooperation is more inclined towards trade cooperation where the European Union member who is the largest cooperation partner is Germany and followed by Italy, then France (Rajib Aliwafa Zarkasyi, Defri Nanda Fahrezi, Ilham Ahmad Hikamur Rosyid, Krisno Aji, 2022).

One of the actions that violate international law is an invasion of other territories or countries, such as what was done by Russia against Ukraine, which began on February 24, Rajib 2022. With this invasion, Russia, as the offending country, has received various forms of economic sanctions as a response and solution from international actors. The economic sanctions given were in the form of severing export-import relations, freezing assets, impacting investment and the economies of individuals and Russian politician families, limiting Russia's ability to conduct global trade and use various services, and so on. Economic sanctions against Russia have been imposed by several member states, including the European Union and NATO, and even by an international organization, namely the United Nations, whose main mission is to maintain world peace. Of the sanctions issued, they can be classified as economic sanctions against Russia, including (Zulfa et al., 2022):

<table>
<thead>
<tr>
<th>No.</th>
<th>Sanctions</th>
<th>Sanctioned Countries</th>
<th>Sanctioning Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Termination of export-import relations of staple goods</td>
<td>Russia</td>
<td>America, EU, Canada, UK.</td>
</tr>
<tr>
<td>2.</td>
<td>Termination of cooperation relations in drilling for oil and coal and stopping the purchase of Russian oil and natural resources</td>
<td>Russia</td>
<td>America, EU, UK, Japan.</td>
</tr>
</tbody>
</table>
### Table 1: List of Classification of State Economic Sanctions against Russia (Agustiyanti, 2022) and (CNN Indonesia, 2022).

<table>
<thead>
<tr>
<th></th>
<th>3. Blocking of all banks and systems for using Russian Ruble in SWIFT</th>
<th>Russia</th>
<th>America, EU, UK, Japan, Australia.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4. Restrictions on lending to all entities originating from Russia</td>
<td>Russia</td>
<td>America, UK, Canada, EU, Australia.</td>
</tr>
<tr>
<td></td>
<td>5. Freezing the assets, investments, and economies of individuals and families of Russian politicians</td>
<td>Russia</td>
<td>America, EU, UK, Canada, Australia</td>
</tr>
<tr>
<td></td>
<td>6. Restrictions on the import and export of technological goods that are useful for life and the economy</td>
<td>Russia</td>
<td>America, Japan, Taiwan</td>
</tr>
<tr>
<td></td>
<td>7. Restrictions Russia from conducting global trade and using various services.</td>
<td>Russia</td>
<td>America, EU, UK</td>
</tr>
</tbody>
</table>

Russia’s attack on Ukraine led the United States and other Western bloc countries to propagandize further sanctions on Russia. The embargo imposed on Russia began by reducing access to SWIFT’s financial services for Russian public banks in the international trading system. For transactions in international networks, public banks in Russia rely on SWIFT, which is an electronic money transfer system used in Russia to transfer money. Not granting permission for Russia to use SWIFT, means that it will complicate and slow down trade transactions. Of course, this will also make it difficult for Russia to receive payment for oil and gas exports.

The embargo policy on Russia’s crude oil industry will have a bigger impact than blocking natural gas because Russia’s oil revenues are much higher and very important to the public budget of its people. Russia raised over $110 billion in 2021
from oil exports alone, meaning that these sales are equivalent to twice its natural gas sales abroad. Thus, this economic trade embargo will put enormous pressure on the Russian economic sector and reduce Russia’s energy exports, which can cause inflation and devaluation.

The decision of the United States and European Union countries to impose a sanctions embargo on Russia has had a major impact on the Russian economy. This is predictably a total of 40 percent of the total value of the ruble. After the justification of the embargo, Russia lost most of its shares in the international market, which led to an increase in inflation. Christopher M. Herrington, a Professor of Economics at Virginia Commonwealth University, stated that Russia will experience a severe and sustained economic recession, which will worsen over time if Russia remains isolated from the rest of the world economy.

The embargo imposed on Russia has significantly affected its macroeconomic situation. Korhonen (2019: 20) explained that the embargo caused a decline in the Russian economy; from 2014 to 2018, the rate of development of the Russian economy fell by 0.2% per year. On the other hand, Russia’s macroeconomic policies also had a significant impact. During this period, Russia continued to increase its oil production but inevitably sold it cheaply, causing a decrease of around 0.7% in Russia’s annual GDP growth.

In light of this, the embargo imposed by the United States and European Union countries will have a significant impact on the Russian economy. Russia will experience a similar situation as Russia received punishment for the 2014 invasion of the Crimea region. Although Russia may experience a bigger economic shock, the country has just recovered from the previous restrictive sanctions and the impact of the COVID-19 pandemic.

The sanctions imposed by Western countries on Russia have strengthened Russia-China relations. Interestingly, each country has problems. Moscow has been under scrutiny and criticized by the European Union and the United States after it annexed Crimea and is suspected of being involved in a military conflict in eastern Ukraine. Meanwhile, Beijing is facing territorial disputes in the South China Sea region with several Southeast Asian countries. Russia, which is currently at odds with the West over the Ukraine crisis, actually obtained financial and economic benefits, especially in the energy sector, through an agreement with China. Recently, Russia seems to be looking towards the east, especially China (Muhammad & Athifi, 2021).

Even though the economic embargo imposed by the United States and European Union countries on Russia can burden the entire Russian economy, the most important thing that also affects the Russian economy is when countries with
different levels of global isolation block Russia’s canals for exports of oil and natural gas. On the other hand, Western countries and other countries will also take into account many things in imposing an economic embargo as a severe punishment for limiting Russia's energy because it has a great risk in meeting energy needs in international networks.

After Russia invaded Ukraine, the European Union and the United States collaborated to impose various sanctions on the Russian economy, including the latest United States directive ordering to curb all imports of crude oil from Russia. This led to a reduction in crude oil exports from Russia and reduced gas emissions from Russia to the EU. The global energy supply will be depleted because the demand continues to increase annually. This inability to provide energy will shock the entire world community, especially consumers in the European Union, who will feel the impact given their dependence on Russian natural gas and petroleum.

The countries that support Ukraine did carry out an oil embargo against Russia so the supply of oil decreased, which caused oil prices to increase, but the bilateral relations between Russia and Indonesia continued to run well and in harmony. Santoso (2022) explained that several trade barriers between Indonesia and Russia will be removed so the trade target expected by the two countries can be achieved of USD 5 billion. Indonesia’s attitude in dealing with the problem of the Russian invasion of Ukraine is following the attitude of a free and active foreign policy. The intended free and active foreign policy is that Indonesia will not side with other countries when there is colonization, invasion, or conflict because Indonesia does not support this and will actively support world reconciliation (Christian Krisna Yonathan Huka dan Lusianus Heronimus Sinya Kelen, 2022). (Explanation on the Law of the Republic of Indonesia Number 37 of 1999).

Conclusion

The effect of implementing the Russian economic embargo on the international trade sector is very significant. As the world's largest contributor to crude oil and natural gas, Russia has a very crucial role in the global supply chain. Therefore, when other countries began to impose economic embargoes and stop importing oil and gas from Russia, Russia responded indirectly by raising the potential for an escalation in the price of crude oil and natural gas, which are becoming scarce on the global market, and various other impacts on the accumulation of the global economy’s problems due to the power and impact that Russia holds in the world scheme. On the other hand, Western countries and other countries will also consider many things in imposing an economic embargo as a...
severe punishment for limiting Russia’s energy because it has a great risk in fulfilling the demand for international energy supplies.

Meanwhile, the Russian economy has suffered a 40% drop in ruble (Russian currency) value as a result of embargo sanctions. Russia lost a large part of the value of its shares in international markets, which led to an increase in inflation. Russia is potentially facing a deep and sustained economic recession. It will worsen over time if Russia remains isolated from the rest of the world economy.

**Suggestion**

After conducting this research, the researchers consider that the economic embargo against Russia by the European Union has hidden intentions and objectives, which are to gain international community support and isolate Russia in world trade activities. Researchers consider this an illogical and careless attitude that can trigger a third world war and an international economic collapse. Suggestions that can be given by researchers, Indonesia should be a country that always adheres to the principles of world peace and then helps with the mediation of the disputing parties.

**References**


