Sanctions – measured effect

Less nuclear strike, more grinding offensive, sanctions at scale aim to drive the other side to negotiate, but they can only ever be as effective as their weakest enforcer. Where realpolitik – my enemy's enemy is my friend – and national economic interests combine their efficacy is starkly in question. ***Keith Nuthall, Paul Cochrane*** *&* ***Dylan Carter*** *explore the impact of sustained programmes targeted at Russia and Iran.*

Mutual benefits

Multiple sanctions imposed on Russia following its illegal invasion of Ukraine in February 2022 have not had a catastrophic impact on the Russian economy, in part due to clever evasion techniques but also because major trading partners, including China and democratic India, have continued exports and imports with the aggressor.

That trade continues despite the UN concluding last October [2024] that 11,973 civilians, including 622 children, have been killed during the invasion. [1] An open-source study of the war since Russia launched its full-scale invasion by the *BBC* and media group *Mediazona* has concluded more 95,000 Russian soldiers have died, plus between 21,000 and 23,500 pro-Russian Donbas militia fighters. [2] President Volodymyr Zelensky said in February [2025] that 46,000 Ukrainian soldiers have been killed. [3]

Governments deeming the moral cost too high to profit from unfettered trade with Russia have legislated an unprecedented number of sanctions. New York-based AML compliance tech company Castellum.AI estimates that 21,692 sanctions have been imposed on Russia since February 2022, by the USA, the European Union (EU), the UK, Canada, Switzerland, France, Australia and Japan. [4] American think-tank the Atlantic Council has listed 18,381 sanctions on Russia from the USA, UK, the EU, Canada, Switzerland, Australia and Japan.

Decline not collapse

Despite this collective action, Russia's GDP fell only 1.4% in 2022, and expanded 4.1% in 2023 and 2024, according to Russian government statistics. The International Monetary Fund (IMF) is currently forecasting 1.4% growth in 2025, with Russia's economy inflated by massive military spending aided by trade with non-sanctioning countries and illicit circumvention. [5] Erika Szyszczak, of the UK Trade Policy Observatory, wrote in February [2025]: "The slow puncture of the Russian economy seems terribly sluggish – and it comes at a huge cost in terms of human life, economic hardship and global stability." [6]

China & India – commercial advantage

A February [2025] paper for the Washington DC-based Centre for Strategic and International Studies, highlighted the importance of trade with China in undermining sanctions – 2023 Sino-Russian turnover reaching US$237 billion, up 70% on 2021. The figure includes Chinese-made goods, but also transhipped products made by countries sanctioning Russia: "Since the war began, China has supplied over 90 percent of all Russian semiconductor imports, more than half of which have been Western-branded or produced," said the paper. [7]

India's bilateral trade with Russia reached a record high of US$65.7 billion in financial year 2023-24, up 33% year-on-year, and nearly 5.5 times higher than the pre-pandemic trade of US$10.1 billion, said an Indian embassy Moscow briefing note that did not mention Russia's invasion of Ukraine. [8]

Backdoor route

Trade has also grown with Russia's smaller neighbours, like Armenia, Kazakhstan, Kyrgyzstan, Mongolia and Turkmenistan, which have less diplomatic muscle to block trades with Moscow, even if they wanted to. A Dutch government note, released in December [2024], said that in 2022 the export value of sanctioned goods to Eurasian Economic Union (EEU) countries Armenia, Kazakhstan and Kyrgyzstan (an economic union dominated by Russia), plus Mongolia and Turkmenistan, was over 74% up on the 2018-2021 average and in 2023, 90% higher. "Sanctioned goods from the Netherlands are continuing to reach Russia via these third countries," said the report. [9]

Off map

Circumvention trade may be more secretive, however, with Russia's expanding 'shadow fleet' of oil tankers operating outside the western sanctions regime enabling it to export crude oil, especially to China. A February [2025] paper from the US National Bureau of Economic research noted a major expansion of dark shipping after Russia launched its invasion, from 554 vessels in 2022 to 566 in 2023, to 23.8% of the global crude oil tanker fleet. These ships deliberately deactivate AIS (automatic identification system) transceivers, which pinpoint a vessel's location, heading and speed, with the goal to evade western sanctions restricting oil transported from Russia, as well as Iran, Syria, North Korea and Venezuela. Each AIS entry also includes the International Maritime Organisation (IMO) ship identification number, time-stamp and draft, speed, heading, and geographical coordinates. [10] Under IMO's International Convention for the Safety of Life at Sea (SOLAS), AIS should be fitted aboard all ships of 300+ gross tonnage on international voyages, cargo ships of 500+ gross tonnage on domestic trips and all passenger ships. The bureau paper notes how the AIS system processes over 2,000 reports per minute, "providing extensive global coverage of crude oil tanker movements", now invisible to regulators for dark ships. [11] IMO secretary-general Arsenio Dominguez raised serious concerns, in January [2025], that these ships are not just evading sanctions, but also "safety or environmental regulations, avoiding insurance costs or engaging in other illegal activities".

Experts in Kyiv admit sanctions on Russia, while effective, remain vulnerable to evasion, with additional concern against complacency under the Trump presidency: "Sanctions are working and hurting Russia's economy, limiting the regime's policy manoeuvres," said Yuliia Pavytska, manager of the sanctions programme at the KSE Institute (an analytical centre at the Kyiv School of Economics). However, she added: "We are still losing the fight against circumvention. Russia is winning."

As for energy trades, Olena Lapenko, general manager for security and resilience at Ukrainian energy think-tank the DiXi Group highlighted how shadow fleets have undermined oil price caps set by the G7, allowing Russia to sell oil above the US$60 per barrel limit imposed: "Oil gets resold multiple times during voyages, inflating prices beyond the cap," explained Pavytska. "Compliance with the cap has eroded. Almost no oil trades occur below the US$60 limit."
"We need smaller, frequent sanctions against shadow tankers and third-country entities involved in evasion," stressed Pavytska. Both Ukraine experts also welcomed the UK government last September [2024] tightening of regulations for companies providing intra-corporate services to Russian subsidiaries. [12] They also praised the G7's September [2024] industry guidance on preventing Russian sanctions avoidance as an essential step towards addressing evasion. [13]

Cryptocurrencies, too,pose significant challenges. Lapenko noted that small Russian firms "regularly purchase electronics using cryptocurrency," skirting traditional financial oversight. Moreover, she mentioned that Russian firms had switched to using the Chinese Yuan Renminbi (CNY) for trade with China, and that Hungary's populist government continues to transfer money through Gazprombank, exploiting a loophole allowing transactions for energy purchases.

Russia – Cyprus – Interpol: a case study

Commenting on the methods employed by sanctions evaders, Saskia Rietbroek, executive director and founder of the Association of Certified Sanctions Specialists (ACSS), noted: "Here is how the super-rich do it: Mr [Andrey] Melnichenko, billionaire founder of conglomerates EuroChem and SUEK, was placed on the sanctions list in 2022. To get around the sanctions, the Cyprus trust, which controlled these companies was transferred to his wife Aleksandra". Melnichenko's EU sanctions order said he "belongs to the most influential circle of Russian businesspeople with close connections to the Russian government. He is therefore involved in economic sectors providing a substantial source of revenue to the Russian [government], which is responsible for the annexation of Crimea and the destabilisation of Ukraine". It noted that he met with President Putin in February 2022, just after Russia launched its full-scale invasion of Ukraine, which – said the Council – "shows that he is a member of the closest circle of Vladimir Putin and that he is supporting or implementing actions" threatening Ukraine…" [14]

The subsequent transfer of control to his wife was noted in a European Court of Justice (ECJ) case, in a February [2025] rulin, that rejected an attempt by Aleksandra Melnichenko to have EU sanctions imposed on her, in 2022, removed. [15]

The decision followed a January [2025] ECJ ruling, when judges rejected a bid by Mr Melnichenko to have his own sanctions lifted. [16] Noting that through its actions, "the EU gave a clear message" that this circumvention action "was not accepted", Rietbroek, added: "So, what next? The Melnichenkos recruited a new person to manage the trust: no less than highly connected ex-chief of Interpol, Ronald Noble"; he was secretary-general of the global police agency from 2000 to 2014. This appointment was revealed by a statement from Cypriot company AIM Capital, which is 99.38% owned by Linea (CY) Ltd [17], which noted that it held "majority stakes in EuroChem Group AG and SUEK JSC, which are the top-level holding entities for the EuroChem group and the SUEK group, respectively". [18]

Stressing that "the ultimate control of the [AIM] Group lies with Linetrust PTC Ltd, a private trust company that acts as a trustee for an irrevocable discretionary trust known as Firstline Trust, the communiqué claimed: "Under the supervision of the trustee, Linea (CY) Ltd and AIM Capital Ltd have made significant progress in enhancing their compliance strategies, internal control systems, and governance over the past year." And that included the "guidance of the experienced and reputable board of directors of Linetrust PTC… chaired by Mr. Ronald Kenneth Noble, former Interpol Secretary-General", who, with his Cypriot colleagues, "bring a wealth of expertise and leadership to Linea (CY) Ltd and AIM Capital Ltd, enabling them to remain competitive and navigate the complex business landscape," said the statement.

Rietbroek added: "So, now the shares of Russian industrial giants SUEK and EuroChem are controlled by a former high-ranking US government official. If you are placed on the sanctions list and you can hire people like Mr Noble, the agencies will come to the conclusion that your companies are no longer controlled by you."

Iran – resistant and resilient

Such weaknesses solidify the record of sanctions as a weak tool to manifest political change. Until Moscow's full-scale invasion of Ukraine in 2022, Iran was the most sanctioned country in the world. [19] The US imposed sanctions in 1979, in the early days of the newly formed Islamic Republic of Iran, since when they have expanded considerably, while the regime has remained in power. A brief respite in 2015, following the inking of the Joint Comprehensive Plan of Action (JCPOA), also known as the Iran nuclear deal, to limit Iran's nuclear programme in return for sanctions relief, also made little difference. Signed by China, France, Germany, Russia, the UK, the European Union (EU) and the USA, United Nations (UN) sanctions against Iran's nuclear programme were terminated. [20] But in 2018, the first Trump administration pulled out of the JCPOA, leading to the renewal and expansion of US sanctions as part of Trump's "maximum pressure" policy on Iran, which was restored in February 2025. This involves the US Treasury imposing "maximum economic pressure on the Government of Iran, including by sanctioning or imposing enforcement mechanisms on those acting in violation of existing sanctions." [21]

The Islamic Republic is still in place, as is Iran's ability to pursue its nuclear weapons programme, although this might be up for negotiation in talks with the new Trump administration over lifting sanctions.

Unlikely alliances but again, it's business

Meanwhile, Iran has also been supporting Russia's invasion of Ukraine, sparking additional sanctions by the former US Biden administration, with the Office of Foreign Assets Control (OFAC) designating 220 entities and individuals in 2023, and 236 in 2024, for aiding Russia and operating illicit revenue-generating schemes such as smuggling. Targeted persons and entities included organisations procuring military goods and economic sectors like construction, mining, manufacturing and the petroleum industry. [22]

"People have said the [President Joseph] Biden administration did not exercise all its authority. Now it seems that the direction has changed, so while there's nothing really new, it is about implementing and enforcing everything that was on the books," Amir Fadavi, a senior director at risk advisory firm K2 Integrity in Washington DC, told *MLB*.

Prior to Trump's apparent change of heart, his return to power on 20 January [2025] saw more Iran-related designations [23], said Fadavi, including the Office of Foreign Asset Control (OFAC) and the State Department imposing blocking sanctions against one individual, 13 entities and eight vessels for allegedly selling Iranian crude oil, including to China's Shandong Shouguang Luqing Petrochemical Co Ltd (SSLP). Known, said Fadavi, as a "teapot refinery", SSLP is a privately owned refinery that breaches sanctions by operating in the Iranian oil sector. [24]

Designating refineries that accept Iranian oil is the consequence of "there being nothing left to sanction," said Fadavi, "It has become radioactive to engage with Iranian oil, but it's not clear to what extent people in China will follow these rules."

Drones production has been a key focus of US sanctions, with Qods Aviation Industries (QAI) listed on 1 April [2025]. [25] Suppliers of drone technology to Iran have also been sanctioned: the US Bureau of Industry and Security (BIS) added 80 entities from China, the United Arab Emirates, South Africa, Iran, Taiwan, and others to its export control 'entity list' (which operates alongside the OFAC sanctions list) for alleged engagements with Iran's procurement of unmanned aerial vehicles and related technology. [26]

The clock is ticking

The EU has imposed sanctions on Iran for human rights violations and seeking to develop weapons of mass destruction (WMD) since 2011 and 2010 respectively. [27] Under the JCPOA, which expires on 18 October 2025, the E3 (UK, France and Germany) could reinstate UN sanctions on Iran if it does not comply with IAEA (International Atomic Energy Agency) inspections of its nuclear programme, under the so-called 'snapback process'.

"The E3 have until October [2025 to act], otherwise the opportunity for snapback is not there. UN sanctions would be powerful and impactful, as they would affect trade with Iran's neighbours – they would worry about UN sanctions – but they are less impactful than the US sanctions," said Fadavi.

Keep (pace)

Looking ahead in Ukraine, experts caution that sanctions depend on continuous enforcement, which some view is threatened under the Trump's administration, especially as regards Russia. Initially hopeful about Trump's 'peace through power' plan, Ukrainians, especially following the disastrous row between President Zelensky and Trump in the White House, now worry about "pressure on Ukraine rather than on Russia," according to Pavytska. She argued that "sanctions cannot be lifted prematurely," especially given Russia's ongoing missile and drone strikes on Ukraine.

"If there's even a short ceasefire, we're concerned the US administration might rush to lift sanctions," said Lapenko. She emphasised that the primary task now is to maintain sanctions, warning that easing them prematurely would "grant Russia time to rebuild and return with greater aggression".

As Russia adapts, both Ukraine experts speaking to *MLB* agreed that international partners must persistently update enforcement measures and stop playing catch-up with Russian evasion. Lapenko pointed to sanctions against Rosatom, Russia's nuclear conglomerate, as critical, highlighting that Russia uses the non-sanctioned entity as an umbrella for business in non-nuclear sectors, providing new evasion pathways.

"The goal isn't just cutting finances but halting Russia's capability to produce weapons," said Lapenko. "The sanctions must remain until Russia returns all occupied Ukrainian territories."

Notes

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