



03.10.2022 № 01/318-22

THE RESULTS OF MONITORING THE IMPLEMENTATION OF SANCTIONS AGAINST RUSSIA AND TRENDS OF EFFECTIVE RESISTANCE TO THE KREMLIN'S AGGRESSIVE POLICY

September 2022

1. Overall political context

The war in Ukraine moving into a protracted phase, the Kremlin regime is trying to use the levers of influence that remained after seven months of war by resorting to aggressive policies both within the state and on the international arena. And it is not just about the nuclear threat.

On September 21, 2022, Russian president Vladimir Putin announced “partial” or de facto general mobilization in Russia with the latter concerning not only Russian citizens. According to [Article 9 of Federal Law No. 31-FZ](#) all international companies still doing business in Russia are now obliged to assist the Kremlin’s war mobilization by helping to:

- a) conscript soldiers (i.e. conduct military registration of their staff if at least one of the employees is liable for military service), and
- b) equip the Russian army (delivering draft notices to their employees, supplying equipment to assembly points or military units, and providing buildings, communications, land plots, transport, or information for the needs of mobilization).

According to Russian media, foreign businesses, having at least 700,000 employees in Russia, already began preparations for the new reality, including creating special mobilization departments.

As a result, the only reasonable (or legal) solution for all foreign companies operating in Russia is a full and comprehensive exit from the Russian market. After all, if the company abide by the laws of the Russian Federation, it will automatically become an accomplice of the latter in the aggressive war. Otherwise, foreign companies will violate their own internal compliance or will be prosecuted under Russian law, whatever it is.

The civilized world, in turn, seeks to give a quick response to the escalation of Russian aggression against Ukraine. Following Russia’s announcing mobilization and holding pseudo-referendums in the temporarily occupied territories of Ukraine, Western states started working on new restrictive measures. The United States already introduced a new package of sanctions against Russia including dozens of individuals and legal entities with the **US President Joe Biden saying Washington would support Ukraine's efforts to regain control of its territory.**

The United Kingdom also tries to target Russia's economic vulnerabilities by imposing new sanctions on individuals, including Russia's Central Bank Governor Elvira Nabiullina, as well as on the provision of specific services to the aggressor-state. Additional restrictions introduced by London

now apply to nearly 700 goods crucial to Russia's industrial and technological capabilities as well as engineering, architectural, auditing, legal, and advertising services.

Canada has also supported the expansion of sanctions against the Russian Federation by adding 43 new names to its sanction lists.

Even countries with an ambiguous stance on sanctions against Russia abandoned their intentions to ease the pressure on Russian business. In particular, Hungary has, for now, [dropped](#) its demand to lift sanctions imposed by the EU on three Russian oligarchs, namely Petr Aven, Mikhail Fridman's partner in Alfa Bank, Alisher Usmanov, a close personal ally of Vladimir Putin, and Viktor Rashnikov, one of Russia's biggest metallurgical tycoons. The discussion on these three names was postponed for a couple of months.

In September, the Ukrainian Interdepartmental Working Group on Implementation of the State Sanctions Policy, created by the Government at the end of the summer, began its work. The new body should accelerate the imposition of sanctions on war criminals and Russian oligarchs, as well as facilitate the seizure of billions of Russians' assets. The first results became visible on September 30, when the National Security and Defense Council of Ukraine imposed new sanctions on more than 3,600 Russian citizens, including oligarchs, officials, and propagandists.

2. Activities of the Economic Security Council of Ukraine

2.1. Expert opinion

In her [piece](#) for Ukraine Verstehen, the ESCU expert Iлона Khmeleva shared the recipe for Ukraine's success in the war with Russia. The main merit, of course, belongs to the Ukrainian Armed Forces. But one should not forget about another army — the army of civil society, which consists of millions of proactive and patriotic citizens using their interaction with the state to create the so-called "corridor for freedom". Civic lobbying for new sanctions against Russia and pressure on companies that continue to work in Russia are among the most important tasks in this war. According to Iлона Khmeleva the best proof for the idea is the ESCU's activities which has driven out of the Russian market its giants — German SAP and French Thales Group. Both companies were crucial for the Russian digital and banking infrastructure. Yet, there are still lots of companies contributing to Russian military capabilities.

Another ESCU expert Anton Mykytyuk, in a research based on the Russian T-72 tank [explained](#) how Russia's military and industrial complex is totally dependent on foreign microchips and how they are in the end delivered to Russia from the West. Out of 14 microchips installed on the board of the Russian T-72 tank, 13 ones are manufactured by American companies while only 1 chip is Chinese.

2.2. Mondi Group's deal with Kremlin oligarch

Following the news of Mondi Group selling its largest factory in Russia (Mondi SLPK), the ESCU has analyzed the details of the deal and shed light on several of questionable points on the [pages](#) of the Telegraph.

According to the press release of Mondi Group, a global leader in packaging and paper production, one of the company's Russian facilities, the factory in Syktyvkar producing analogues of Tetra Pak's packaging, is planned to be sold to Augment Investments Limited for 95 billion rubles (1.5 billion euros), which more than doubles the previous value of all Mondi's assets in the Russian Federation estimated in 2021.

Augment Investments Limited is controlled by Viktor Kharitonin, a Russian pharmaceutical tycoon and a key manufacturer of the Sputnik V vaccine. According to media, Kharitonin is closely associated with the Kremlin, namely with the Minister of Industry and Trade of the Russian Federation Denis Manturov (under Ukrainian sanctions), whose main responsibility in Putin's "vertical empire" is the parallel imports scheme, or simply, circumvention of sanctions.

In parallel, Mondi Group still has three more plants in Russia, which not only keep working, but also continue to look for new suppliers of raw materials.

2.3. Other companies still supporting Russia

Fair Friend Group is a Taiwan-based industrial conglomerate operating in the fields of machine tool technology and industrial equipment. Some FFG's branches are especially critical to Russian military and industrial complex, namely German MAG and Boehringer. The clients of the latter include JSC Tactical Missiles Corporation (a developer and supplier of anti-ship, anti-radar, and multi-purpose missiles), Vympel GosMKB (air-to-air missiles manufacturer), Raduga GosMKB (strategic winged missiles developer), GNPP Region (guided bombs), OKB Zvezda, and CJSC Aviastar-SP, an aircraft factory in Ulyanovsk which is part of the United Aircraft Corporation.

Trumpf is a Germany-based manufacturer of metalworking machines, lasers, and electronics for industrial purposes. The Russian representative office of Trumpf supplied its products to the JSC State Ryazan Instrument Plant (the largest Russian enterprise for the serial production and support of radar systems and means of communication), the Ufa Instrument-Making Production Association (produces automatic control systems for aircraft), as well as Roscosmos, one of the biggest Russia's state corporations responsible for space industry and satellite navigation systems development.

U-Blox is a Swiss company producing wireless semiconductors and modules for consumer, automotive and industrial markets. U-blox designs and markets chips and modules that support global navigation satellite systems (GNSS), including receivers for GLONASS, a Soviet/Russian satellite navigation system developed by order of the Ministry of Defense of the USSR. The GLONASS system is used mostly for military purposes, namely high-precision weapon coordination. For example, the UAV Orlan-10, used by Russia against Ukraine, contains some of U-Blox's modules.

STMicroelectronics is a Swiss semiconductor contract manufacturing and design company. STMicroelectronics' products are irreplaceable and important for the specified Russian enterprises that work in the military-industrial complex. Along with its Swiss market colleague U-Blox, STMicroelectronics has continued to supply the the UAV Orlan-10 developers with the critical technologies even after the outbreak of the full-fledged war in Ukraine.

Rohde & Schwartz GmbH & Co KG is a German company that develops electronic products for industrial and technical purposes. Rohde & Schwartz GmbH & Co KG operates in Russia through its official representative office LLC RODE & SCHWARTS RUS and a branch in St. Petersburg. The company has traded directly with such Russian companies as JSC Morion, LLC Lotes-TM, and JSC NNPO named after M. V. Frunze. All these enterprises fulfill orders for the Ministry of Defense of and the National Guard of Russia.

Cisco is an American tech giant that sells network equipment for large organizations and telecommunications enterprises. Pending February 24, 2022, almost every large data center in the Russian Federation, including the centers of state-sanctioned companies, used Cisco equipment. Although Cisco announced its withdrawal from Russia and the complete cessation of business operations in the country, the company has made more than 7,000 deliveries to Russia since January 2022, including 486 deliveries in August 2022 alone.

2.4. Success stories

One of the largest automobile concerns in Germany **ZF Friedrichshafen** sold its 51% share in the joint venture with the Russian KAMAZ LLC — ZF KAMA. Being one of the biggest manufacturers of automotive equipment (especially military one) in the Russian Federation, KAMAZ has lost a key supplier of foreign parts and is now forced to seek some lower quality analogues or allocate a substantial budget to develop its own ones.

The Dutch company **Nutreco**, a global leader in animal nutrition and aquafeed, has announced its complete exit from the Russian market, as well as management buyout of all its local assets. Since Nutreco's subsidiary in Russia Throuw Nutrition was critically dependent on the technologies of the parent company, the exit of the former will result in a decreasing capacity of Russian manufacturing facilities.

With the assistance of the Economic Security Council of Ukraine and the National Agency for the Prevention of Corruption (NAPC), the world's largest provider of financial data Refinitiv has expanded its list of high-risk legal entities World Check by adding companies continuing to support Russia. An updated data base of Refinitiv now includes **Danieli, European Bearing Corporation, Amsted Rail - EPK Bearing B.V., TMS Tankers, Minerva Marine, Thenamaris, Delta Tankers, and Dynacom Tankers Management.**

The Economic Security Council of Ukraine (ESCU) is an institution established to develop expertise in identifying and counteracting internal and external threats to Ukraine's economic security.

- Follow us on [Our site/Facebook/Twitter/LinkedIn](#)
- Subscribe to our newsletter secretary@reb.org.ua
- Should any additional information be needed, feel free to address Secretary of ESCU Roman Vybranovskyi vybranovskyi@reb.org.ua, ESCU Experts Ilona Khmeleva khmeleva@reb.org.ua and Anton Mykytiuk mykytiuk@reb.org.ua