

**Statement from the International Working Group on Russian Sanctions on the G-7
Summit**

June 24, 2022

In response to Russia's invasion of Ukraine, Mr. Putin and his government were surprised by the unity and resolve of both Ukraine and the West. The Ukrainian armed forces and people have defended their lands with extraordinary courage. Their fight is not only for Ukraine's sovereignty, but also for the norms and rules of the entire international system. Consequently, and rightly, in response to Russia's invasion of Ukraine, the world's leading democracies came together to enact targeted economic sanctions on Russia as a means to increase the costs of this war and to accelerate its end.

The Kremlin did not expect such a unified and comprehensive response from United States, the European Union (EU), G-7, and other democracies regarding sanctions on Russian government agencies, its central bank, state-owned banks, private banks, state-owned companies, and high-level individuals who have contributed to the Russian war machine. Russian citizens and businesses have lost access to Visa, Mastercard, and other payment services. Russian institutions and sanctioned individuals have also been frozen out of global capital markets.

Many results have been encouraging. Last week, at the St. Petersburg International Economic Forum, the Russian Central Bank Governor Elvira Nabiullina [reported](#) that sanctions were "a threat to 15% of the country's GDP" and "external conditions have changed for a long time indeed, if not forever." Herman Gref, Chief Executive Officer of Russia's largest bank, Sberbank, [warned](#) that it could take more than a decade for Russia's economy to return to 2021 levels.

At the same time, the democratic world is also experiencing macroeconomic challenges, driven in particular by high energy prices and soaring inflation. In parallel, Russia's blockade of Ukrainian food exports has further fueled inflation and threatened global food security. The effects of Russia's war are felt not just in Ukraine, as communities around the world are greatly suffering.

It is important to remember Russia's central role in fueling this global economic pain. Putin's invasion of Ukraine sparked immediate rises in energy prices. Russia's blockade of Odessa and other Ukrainian ports is causing a corn and grain crisis in the developing world. Russia has deliberately chosen to weaponize its leverage over global food supplies without concern for human suffering in neutral countries. Global inflation has many causes, but Russia's war is definitively one of them. An end to Russia's invasion of Ukraine and the restoration of Ukraine's territorial integrity would bring economic relief not only to Ukraine, but to many other countries as well.

The free world must increase sanctions to help end this war as quickly as possible. Any sanctions relief towards Russia before the invasion ends would be a mistake. Appeasement only encourages escalation. Sanctions serve as one of the most effective economic levers of pressure to stop Russia's aggression. If democracies do not pressure the Kremlin now, through the use of full-scale sanctions, they risk encouraging more belligerent behavior in the future – perhaps at even greater cost to the global economy and security worldwide.

Those countries imposing sanctions need better enforcement. More effectiveness is also essential – any individual or company sanctioned by one country should be sanctioned by all. The G-7 and other democracies also need to act decisively to implement new kinds of sanctions. Every day that Putin's army continues to occupy Ukraine is a day that new sanctions should be added. High energy prices and the collapse in Russian imports have produced a large trade surplus for Russia, allowing reserves to stabilize. The ruble is now trading above its pre-war range. The effectiveness of some sanctions has also diminished over time. For instance, the targeting of only selected banks has provided easy opportunities for circumvention, as financial flows are diverted through alternative routes.

G-7 leaders should consider new, innovative ways to further cut off Russia from the Western financial system, as a means to increase the cost of raising finance and making payments. Because Russia lacks a reserve currency and is dependent on the U.S. dollar and other Western currencies to back the ruble, new measures to curb inflows and encourage financial outflows should be part of a more aggressive strategy to exploit this vulnerability.

Since the war began, democracies, by continuing to purchase Russian gas and oil, have sent more money to Russia than to Ukraine. Enhanced [energy sanctions](#) will disrupt and reduce Russia's export earnings. More widespread [individual sanctions](#) are also necessary; no longer should wealthy Russians be able to sign over assets to close family members or associates in order to retain indirect control. All Russian state-owned banks need to feel the force of full financial sanctions. In response to credible reports of war crimes committed by Russian troops, Western leaders should immediately designate Russia as a sponsor of state terrorism and put it on the Financial Action Task Force (FATF) blacklist. In practice, many Western institutions have not yet divested their holdings of Russian rubles or securities. A new framework of transparency and information disclosure would strengthen public and market pressure on companies working with Russia and improve compliance.

When the leaders of the G-7 meet next week, [the International Working Group on Russian Sanctions](#) urges them to take more decisive and innovative measures to increase pressure on Russia's economy as a means to help end this war. Some say there is no more to be done. We disagree. As we outlined in detail in [our first action plan](#), and three subsequent working papers on [energy sanctions](#), [individual-level sanctions](#), and [financial sector sanctions](#), we argue instead that the G-7 can and should do much more. The more aggressive and comprehensive the sanctions are, the quicker this war will end.

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¹ Several working group members participated in the drafting of this statement, and many others agree with the statement, but McFaul is the sole author of this paper and does not speak on behalf of all members. All members of this working group participate in their private capacities and hold a range of views. Not every member necessarily agrees with every sanction measure proposed in this statement. Similar to earlier papers, all working group members are non-governmental experts and do not represent the views of their institutional affiliations.