

# “Discussion Board” Newsletter

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## Sanctions against Russia: a real-size test for the West?



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## QUESTION UNDER DISCUSSION

**"In response to Russia's attack on Ukraine on 24 February 2022, the international community has shown willingness to respond but differences and hesitations about the type of instruments, the actors to target and the level of response. The spectrum goes from possible rapid accession of Ukraine to the EU, to economic sanctions. What kind of sanctions should be taken and by whom (governments, companies) in this situation?"**

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## EDITORIAL

### Sanctions against Russia: a real-size test for the West?

Since Russia invaded Ukraine one month ago, Western countries have shown an unprecedented level of coordination to design sanctions packages restricting Russian access to foreign reserves, trade, transportation, sports and targeting the interests of oligarchs supporting Putin's regime (Valerio Bruno). As Kara Tan Bhala notes, "it seemed unthinkable just a few weeks ago that the West and its allies would ban select Russian banks from SWIFT". This signals the determination of the international community, despite divergence between Asian, African and South American countries (Etienne Perrot).

However, several factors tend to limit the effectiveness of sanctions. First, Domingo Sugranyes explains, "sanctions have been imposed within limits due to dependence on Russian oil and gas". This is particularly the case in Europe where for instance Germany receives more than 50% of their gas from Russia, notes Christine Schliesser. Second, China may discreetly contribute to soften the blow for Russia, for instance through resource deals and lending from state-owned banks. Finally, to some extent, the Russian economy will be able to adjust with domestic industry substituting foreign firms and trade.

As a result of this complexity, opinions diverge on what should be done in the present situation. Yuriy Temirov, university professor in Ukraine, argues that sanctions should first stop the aggression and second isolate Russia, "minimizing its destructive influence on world politics". According to Kara Tan Bhala, "the most extreme of economic sanctions would be justified",

including "a complete two-way trade embargo on Russian merchandise, services, foreign direct investment and foreign portfolio management." In contrast, Edouard Dommen argues, "sanctions fail to achieve the foreign policy objectives of the powers applying them and meanwhile they inflict hardship (including increased mortality) especially on the powerless in the countries targeted."

Current sanctions may be insufficient to change Russia's foreign policy goal or prevent a Russian victory in Ukraine, but they are not vain. They may be our best policy response to contain Russian expansionism in the future while avoiding another great-power conflict in Europe, even if some disagree and propose a different approach (Cornford). Indirectly, sanctions may crystallize a wake-up call for the European Union and higher energy prices (as a result of sanctions) may drive innovation in renewable energy (Schliesser).

[Virgile Perret & Paul H. Dembinski](#)

**“... the supreme economic weapon remains the blockade ...”**

To talk of the “international community” is optimistic. At the UN, China has recognised the “legitimacy” of the Russian position. Asian – apart from Japan – African and South American countries are divided. And even if Germany has given in to the European majority, it is to be feared that it will cause some cracks in the device. In addition to financial sanctions and the interruption of major transaction channels, **the supreme economic weapon remains the blockade, which is more rigorous than the embargo (decided by states) and the boycott (initiated by civil society). The effects of the blockade will be the asphyxiation of the Russian economy and its people with as a result the tightening of economic and strategic ties between Russia and China, and in the West, the accentuation of inflation, which will mainly affect the most fragile populations.**



**Etienne Perrot**

*Jesuit, Dr. Economics sciences, editorial board of the magazine Choisir (Geneva), editorial adviser of the journal Études (Paris)*

**“... sanctions have been imposed within limits due to dependence ...”**

It is difficult to think serenely while the horror of aggression goes on and common people are being punished just because they longed for a better life. **Sanctions have been imposed within limits due to dependence on Russian oil and gas.** For those who still think that a “peace and trade” model is better than a world fractured in closed economic zones, when armed conflict stops – hopefully soon – **there will be an opportunity for the West to disarm economic sanctions (e.g. frozen foreign exchange reserves) in a way which avoids humiliating the adversary and helps to construct peace.** But this scenario is still a vague future possibility, unfortunately. For now, the priority is how to make sanctions more effective.



**Domingo Sugranyes**

*Director of a seminar on ethics and technology at Pablo VI Foundation, past Executive Vice-Chairman of MAPFRE international insurance group*

**“... the most extreme of economic sanctions would be justified ...”**

Rapid and consequential economic sanctions occur on a daily basis subsequent to the horrific Russian invasion of Ukraine. It seemed unthinkable just a few weeks ago that the West and its allies would ban select Russian banks from SWIFT, an act considered to be a “nuclear option”. **Given the devastation, brutality and lack of just cause of the invasion, a proportionate reaction from Ukraine’s allies would be justified under**

**just war theory.** Indeed, while Russian soldiers inflict death and destruction, economic sanctions do not directly result in these outcomes. **As such, the most extreme of economic sanctions would be justified. Such actions can include a complete two-way trade embargo on Russian merchandise, services, foreign direct investment and foreign portfolio management.**



**Kara Tan Bhala**

*President and Founder of Seven Pillars Institute for Global Finance and Ethics*

**“... sanctions fail to achieve the foreign policy objectives ...”**

Sanctions are a tool of power politics particularly popular with the United States but also used by other countries and regional groupings. In the 1980s the hope was that at last a clean, non-violent alternative to war had been found. Sanctions have been studied by several scholars over the years. **Their conclusion is overwhelmingly that they fail to achieve the foreign policy objectives of the powers applying them and that meanwhile they inflict hardship (including increased mortality) especially on the powerless in the countries targeted.** Those who are anxious to find peaceful ways of settling international conflicts need to keep thinking !



**Edouard Dommen**

*Specialist in economic ethics, former university professor and researcher in UNCTAD and president of Geneva's Ecumenical Workshop in Theology*

**“... tell Putin that expiring energy contracts will not be renewed ...”**

Ukraine is a major global export nation of grain. Some African countries buy 40% of their wheat from Ukraine. World Food Programme fears that the bombs in Ukraine may take the global hunger crisis, fuelled already by COVID, to an unprecedented level. This war needs to stop and it needs to stop quickly. **Every day, half a billion Euro go to Russia in payment for Russian oil, gas and coal. This steady stream of money needs to be dried out. Tell Putin that expiring energy contracts will not be renewed. Countries like Germany that receive more than 50% of their gas from Russia can partly compensate this by extending the lifetime of their nuclear power plants.** While social hardship must be cushioned, higher prices will also drive innovation in renewable energy. Here, climate- and geopolitics come together.



**Christine Schliesser**

*Senior Lecturer at Zurich University in Systematic Theology and Ethics and Director of studies at Fribourg University's Center for Faith and Society*

**“... the reputational cost of doing business as usual with Russia ...”**

The economic sanctions affecting more deeply Russia's economy are on the one hand the freezing of its Central Bank assets held abroad and on the other hand the withdrawal of multinational corporations from Russia. Interestingly, the latter have followed almost spontaneously the packages produced by a number of governments, including the US, EU countries and the UK in response to Russia's invasion of Ukraine. **If sanctions affecting the inner circle of “oligarchs” close to Putin are important mostly from a symbolic perspective, the public opinion in “western” countries has made extremely high for the private sector the reputational cost of doing business as usual with Russia, risking of being seen as neutral in relation to a bloody and pointless invasion.**



**Valerio Bruno**

*Researcher in politics and Senior Research Fellow at the Centre for Analysis of the Radical Right (CARR)*

**“... isolating Russia, minimizing its destructive influence on world politics ...”**

To determine the nature of the sanctions against Russia for its aggression against Ukraine, it is necessary to answer the questions: What is the purpose of the sanctions? Within the framework of what policy towards Russia are they carried out? Under the current conditions, sanctions should consist of two related groups. **The first group of sanctions should stop the aggression as soon as possible and punish the aggressor. The second group of sanctions should be carried out within the framework of the strategy of isolating Russia, minimizing its destructive influence on world politics. The need for isolation is due to the impossibility of a democratic transformation of the Russian Federation in the short term.**



**Yuriy Temirov**

*Assoc. prof., Dean of Faculty of History and International Relations, Vasyl Stus Donetsk National University*

**“... the effects of sanctions are at best only partly understood ...”**

The differences and hesitations are in many cases fundamental. As indicated in the General Assembly vote, many developing countries are unwilling to associate themselves with the condemnation of Russia. **Questions have been raised even in the North as to the likely effects and opportunities for workarounds of measures designed to target financial**

**institutions such as access to SWIFT. Moreover the effects of sanctions – for example on supply chains – are at best only partly understood. Blowback from Russia, for example for important primary commodities, is inevitable.** It is plausibly argued that commitments made to Russia concerning NATO during the 1990s have not been observed by the major Western countries. Therefore, the question could be reoriented away from strengthening sanctions to rethinking the current initiatives which are likely to increase military expenditure and to contradict international action regarding climate change.

**Andrew Cornford**

*Counsellor, Observatoire de la Finance; past staff member of UNCTAD, with special responsibility for financial regulation and international trade in financial services*



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**Andrew Cornford** (Counsellor, Observatoire de la Finance; from 1977 until 2003 staff member of UNCTAD, latterly with special responsibility for financial regulation and international trade in financial services)



**Paul H. Dembinski** is the initiator and Director of the Foundation of the Observatoire de la Finance. In parallel, he is partner and co-founder of Eco'Diagnostic, an independent economic research institute working for both government and private clients in Switzerland and elsewhere. Paul H. Dembinski is also Professor at the University of Fribourg.



**Edward Dommen** is a specialist in economic ethics, particularly Calvin's. He has been a university professor, a researcher in UNCTAD and president of Geneva's Ecumenical Workshop in Theology (AOT) – an adult-education programme.



**Dr. Virgile Perret** holds a Ph.D in Political Science from the University of Lausanne and he is specialized in the study of monetary innovation from an interdisciplinary perspective. He collaborates with the Observatoire de la Finance where he is responsible for managing the global Prize “Ethics & Trust in Finance for a Sustainable Future”.



**P. Etienne Perrot**, Jesuit, Doctor in Economics sciences, member of the editorial board of the magazine Choisir (Geneva), editorial adviser of the journal Études (Paris).



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**Domingo Sugranyes Bickel**, KCSG. Graduated from the University of Fribourg, Switzerland. Secretary General of UNIAPAC, Brussels, from 1974 to 1981. With MAPFRE international insurance group from 1981, Executive Vice-Chairman until 2008. From 2009 to 2019, Chairman of Vatican-based Foundation Centesimus Annus Pro Pontifice. Knight Commander of the Pontifical Order of Saint Gregory the Great (April 2019).



**Dr. Kara Tan Bhala** is President and Founder of Seven Pillars Institute for Global Finance and Ethics, the world’s only independent think tank for research, education, and promotion of financial ethics. Dr. Tan Bhala worked nearly twenty in finance, mostly on Wall Street, and has five degrees across three disciplines.



**Yuriy Temirov**, Dr., Assoc. prof., Dean of Faculty of History and International Relations, Vasyl Stus Donetsk National University. Research interest: International Relations with special focus on World Order, International and European Security, Ukraine – Russia relations.



## “DISCUSSION BOARD” – JOIN THE DISCUSSION

**The Observatoire de la Finance** intends to seize this period of pandemic to step back and take a fresh look at our global economic system, dare to ask new questions which the current crisis brings to the fore and propose innovative ways to rebuild a more resilient and sustainable economy and society.

**Our Discussion Board** focuses on commenting issues relevant to finance and economy in relations to society, ethics and the environment from a variety of perspectives, of practical experiences and of academic disciplines. It has been designed to share and discuss information and opinions expressed in a short and concise manner.

**Contributors** ([Discover the list of contributors](#)) are invited to react on a question/issue that is submitted in parallel to a limited group of experts. This happens on a regular basis, through a dedicated mailing list. After the deadline for submission, the reactions are edited and published with signatures in one document on the website of the Observatoire de la finance and on its LinkedIn page. If you would like to join the discussion, you may send an email to the editor, Dr. Virgile Perret <[perret@obsfin.ch](mailto:perret@obsfin.ch)>.

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- Question 25 : [Artificial intelligence: silver bullet in a Pandora's box](#)
- Question 24 : [Inflation on the horizon: cloud or dragon?](#)
- Question 23 : [Standing up to new challenges](#)
- Question 22 : [Who wants to foot the bill?](#)
- Question 21 : [Rowing together to trim down the Gini coefficient](#)
- Question 20 : [Turning up the heat: can private insurance alone mitigate climate change damages?](#)
- Question 19 : [From the gold window to the global casino](#)
- Question 18 : [Turning point for the planet: can the G7 be trusted?](#)
- Question 17 : [Sustainable Finance: Hype or Hope?](#)
- Question 16 : [Universal basic income – an idea boosted by the pandemic?](#)
- Question 15 : [Multi-polarity: the best guarantee against falling \(again\) into the Thucydides Trap](#)
- Question 14 : [Special Drawing Rights: a drop of liquidity in an ocean of needs](#)

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