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West Hits Russia With Sweeping Sanctions, Stops Short of Strictest Measures

By AFP

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U.S. President Joe Biden insisted his sanctions on Russia would hit harder than excluding them from the SWIFT financial messaging system. **The White House / flickr**

Russia was hit with painful new sanctions Thursday after it invaded Ukraine, but the United States and its allies stopped short of imposing even tougher measures to punish Moscow.

The sanctions target Russia's two largest banks, which will have their assets frozen and will be cut off from U.S. dollar transactions, while state energy giant Gazprom and other major companies will not be able to raise financing in Western markets.

In addition, the allies imposed export controls on high-tech items aimed at crippling the country's defense and aerospace sector, while Washington targeted another group of Russian oligarchs.

"This is going to impose severe cost on the Russian economy, both immediately and over time," U.S. President Joe Biden said in an address at the White House.

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However, the penalties fell short of what some observers were expecting, including failing to cut Russia off from SWIFT, the global messaging system used to move money around the world.

That would have hindered the country's ability to profit from the global energy market, which operates largely in U.S. dollars.

"It is always an option but right now that's not the position that the rest of Europe wishes to take," Biden told reporters.

But he said "the sanctions we've imposed exceed SWIFT. The sanctions we imposed exceed anything that's ever been done."

And Biden said penalties directly targeting Russian leader Vladimir Putin remain an option.

"It's not a bluff, it's on the table," he said in response to a question.

'Piggy bank' protecion?

Moscow has taken steps to shield its economy after it was hit with sanctions starting in 2014 when it invaded and annexed Crimea in southern Ukraine, including stockpiling cash and gold.

Russia's public debt amounts to just 18% of the country's GDP, far lower than most major economies, and it has foreign reserves of $643 billion as of the end of last week, according to official data.

Elina Ribakova of the Institute of International Finance, a global banking association, told AFP that the stockpiling was "a very deliberate shift in macroeconomic policy to accommodate geopolitical ambitions."

"They have a piggy bank that can protect them," and support the economy even if they go into deficit," she said.

IIF Executive Vice President Clay Lowery said Russia will feel the pain, and while some steps were omitted there is room to escalate.

"The bottom line is that these sanctions will have a significant impact on Russia's overall economy, and average Russians will feel the cost," Lowery, a former senior US Treasury official, said in a statement.

The sanctions target Sberbank and VTB Bank, the country's two largest accounting for about half the banking system and "$46 billion worth of foreign exchange transactions globally" every day, the Treasury said.

And the Commerce Department said the coordinated export controls mean "denial on sensitive items Moscow relies on for its defense, aerospace, and maritime industries."

Restricted items include semiconductors, computers, telecommunications, information security equipment, lasers, and sensors.

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