

Economic sanctions do not solve any political problems - it is high time for courageous diplomacy!

Joint statement of the German Committee on Eastern European Economic Relations, RSSP, and the German-Russian Chamber of Commerce in Moscow

With great concern we have observed the latest intensification of US economic sanctions against Russia and the debate on possible Russian counter-sanctions. We have taken note of the statement from the US Minister of Finance, Steven Mnuchin, that no “hard working people” in the companies and their dependent partners will be affected by these new US sanctions. However, the fact is that it is precisely these “hard working people” who will be hardest hit by the economic sanctions imposed on the Russian companies and their international partners.

- The majority of the people who will be affected by the extraterritorial imposition of these sanctions on companies are neither responsible for the existing conflict between Russia and the USA, nor are they in a position to resolve this conflict themselves. Business relations between companies will thus become mere pawns sacrificed in the pursuit of political interests. Surveys show that the damage caused by the cancellation of contracts and higher procurements costs in the short term already amounts to several hundred million euros. The long-term losses are expected to be in the billions. It is precisely the “hard working people” in Russian companies and their European partner firms who are paying the price, whose income and jobs are in danger. This development must be stopped. Collateral damage suffered by European companies as a result of the introduction of US sanctions is not acceptable.
- Through the explicit extraterritorial imposition of US sanctions, every internationally operative company is faced with the question of whether to terminate their business relations with listed Russian companies, sometimes built up over decades. In the case of a number of the threatened sanction measures, for example those against international commodity projects, US economic interests clearly play a role. Thanks to their proximity to government, US companies occupy a privileged position with respect to the interpretation of the sanctions and can apply for exemptions. This results in advantages over the foreign competition, for example in the banking sector. Thus we reject the application of such US laws to non-US citizens outside the USA as a violation of international law.
- The bureaucratic workload associated with the observance of US and other international sanction regimes has grown enormously over recent years. The US list of persons subject to international sanctions now covers over 1,100 pages and an estimated 25,000 individuals and companies. For fear of US sanctions, internationally operative banks now question almost all business transactions conducted with Russian partners, which represents a huge threat to the financing of trade and investment. Many companies can hardly afford these investigative measures and are becoming increasingly restricted in their business activities.
- The fear of becoming a victim of arbitrary sanctions could force Russian companies to consider employing intransparent investment constructions. Furthermore, the nationalisation of private companies in order to protect them from the negative effects of sanctions is increasingly likely. Overall, the private corporate sector in Russia will be weakened as a result.
- At the same time, planned Russian counter-sanctions threaten to become a further burden on the Russian and international economy. Thus companies see themselves under pressure from two sides and their future threatened.

- In the chosen form, the economic sanctions further inflame global protectionism. An institution such as the WTO, which was founded to ensure international compliance with trade rules for the benefit of all, is being further weakened. The opposite is required.

Economic sanctions, like those chosen and threatened by the USA, do not solve any political conflicts. Instead they create new problems and endanger the future of many people. In Europe it is elected politicians who are responsible for making decisions on the organisation of European economic relations. Therefore, in the interests of the companies and their employees we represent, we call for an end to the spiral of economic sanctions.

It is high time for courageous diplomacy and solution-oriented policies!