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UK response to Russia/Ukraine crisis: trade sanctions

Shainila Prahdan, Director Export Control, Export Control Joint Unit,
Department for International Trade

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UK export sanctions: success to date and upcoming measures

- Four UK trade sanctions packages (Trade 0-Trade 3) have been announced since Russia's invasion of Ukraine and are being operationalised through designations under and amendments to the FCDO's Russia (Sanctions) (EU Exit) Regulations 2019 ("The Russia Regulations").
- 62% of UK goods exports to Russia in 2021 have now been fully or partially sanctioned, amounting to £4bn in UK-Russia goods trade (2021 HMRC data).
- With Trade 0 and 1, the UK has banned the export of **dual-use technology, critical-industry goods, quantum technologies and advanced materials, oil refining tech, aviation and space goods and technology, and luxury goods**. This amounts to £1.2bn or 43.9% of UK-Russia trade.
- The second package (T2) of trade sanctions covered: **defence and security goods** (chemicals, internal repression and surveillance); **jet fuel; legal tender and cash; maritime goods; oil technology and goods**, and came into force on 23 June. This amounts to £246mn or 8.9% of UK-Russia trade.
- On 9 May, the UK announced a third package of trade sanctions mainly targeting **chemicals, rubbers and plastic, precision instruments and machinery**, as well as the export of **PR, management consulting and accounting services**. We intend to legislate this package in mid-July. This amounts to £257mn or 9.3% of UK-Russia trade.
- All packages have also included import bans, including in the energy sector, and some measures have been expanded to cover Belarus and Non-Government Controlled Ukrainian Territories (ngcUTs).

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Stats summary: UK measures to date have targeted 62% of UK goods exports to Russia and 3.2% of UK services exports to Russia

Sanction packages (as of 20/06/22)			
	Value of good trade fully or partially sanctioned	Shares of goods exports/imports with Russia	
Goods Exports	£	% of exports to Russia	
Trade 0 and Trade 1 goods exports	£1.2bn	43.9%	
Trade 2 – Goods Exports	£246m	8.9%	
Trade 3 – Goods Exports (in development)	£257m	9.3%	
Goods Imports	£	% of imports from Russia	
		Inc gold	Exc gold
Imports covered by tariff measures	£1.8bn	9.9%	25%
Imports covered by bans (exc energy & gold)	£654m	3.6%	9%
Energy-related imports (to be phased in)	£4.5bn	24.7%	64%

Source: HMRC Regional Trade Statistics. Data are for 2021. Estimates are subject to change as licencing and exemption provisions are refined and the content of trade packages in development are refined. Gold accounts for approximately 61% of UK imports from Russia

Services sanctions (as of 20/06/2022)			
Scope	UK Exports to Russia in 2021 (£m)	% Share of total services exports from UK to Russia in 2021	
Announced services measures	£ 55	3.2%	
Remaining services not sanctioned yet	£ 1,563	90.2%	

Source: ONS (2022) UK trade in services: service type by partner country, non-seasonally adjusted; ONS (2022) Exports of trade in services to whole world and Russia for selected service types, 2019 to 2021.

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The UK will strengthen engagement with the US to align and influence future trade packages

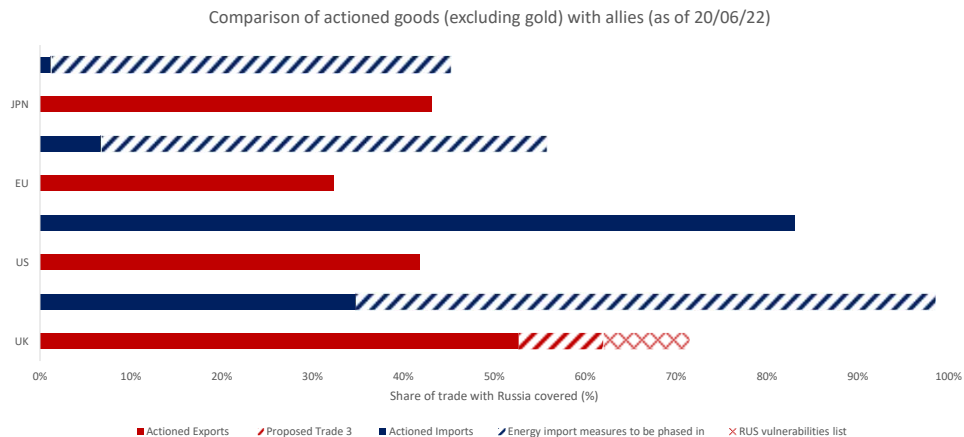
- Since the invasion of Ukraine, the UK extensively engaged with international partners, especially the US, to develop trade measures in a coordinated way, for maximum impact.
- Currently, the US is going further than the UK by prohibiting exports of **Base Metals, Minerals, Wood, Textiles, Stone/Glass, and Precision Instruments**. However, the UK continues to consider these measures as part of future planned packages.
- Our analysis indicates that the US is going beyond the UK on **Luxury Goods, Maritime navigation goods & technology and Cash/Legal Tender**, which the US extended to Belarus, and included in total non-government controlled Ukrainian territories (ngcUts) export ban. However, the UK will introduce a further trade package against Belarus next month, which will introduce an export ban on luxury goods and an export ban on critical industry goods and technology. This is aligned to the US list of Critical Industry goods and includes maritime and aviation navigation equipment, among other items.
- Our analysis indicates that the UK is going beyond the US on **Russia's vulnerabilities list (re-export)** and in relation to the inclusion of **ancillary services** to our goods bans.

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The UK will continue to analyse international measures and work in coordination with partners for maximum impact



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The UK will continue to identify, address and overcome challenges to export sanctions

- **Enforcement:** The UK has a strong border system ensuring that the sanctions are correctly implemented. Targeted licensing grounds with appropriate record-keeping requirements also contribute to the risk-mitigation – which our legislative instruments and secondary legislation should ensure. However, we might consider capacity building for states with laxer systems.
- **Circumvention:** Russia is almost certainly attempting to circumvent sanctions to keep its exports flowing, by diverting its exports to new destinations (less so in sourcing new imports). Allies need to assess the phenomenon, and agree on a collective approach to mitigate the risk. This is essential to ensure that our sanctions have the intended impact on the Kremlin.
- **Business engagement:** We need to ensure business compliance by providing with clear, simple, guidelines on the sanctions, and how they apply to them. We have already made progress in this area but will remain a focus over the following months.

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The UK will continue to use export sanctions as a key economic lever for deterring Russian aggression

- **A further package of trade sanctions against Russia (Trade 4)** will be put forward in Autumn (date TBC). We provisionally expect this to include: further services measures (including on legal services, computer and information services, advertising and audit, gambling), and energy measures on Liquefied Natural Gas (LNG).
- **International engagement:** We will continue coordinating our approach to Russia/trade sanctions, deepening measures with a broad coalition of partners. We will mobilise existing Quad, G7 and bilateral fora, as well as seek out new opportunities for international partnership and influence, specifically India and Kenya.
- We will also need to develop a policy approach to **exiting the sanctions regime**. This should be done in close coordination with key allies (Quad, G7 partners).
- **Beyond Russia**, we will work across Government to ensure consistency of the UK's sanctions. We will start reviewing existing previous UK trade sanctions to assess whether we need to streamline the legal provisions; clarify interlinks between other measures in previous packages; and look at further guidance for economic operators. We should ensure that the sanctions remain up-to-date. Enforcement and circumvention will also be an important part of the work.

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Additional measures putting pressure on the Kremlin's war machine

- In lockstep with our allies, the UK is also introducing the largest economic sanctions that Russia has ever faced:
 - **Restricting finance access** – with asset freezes on 18 of Russia's major banks with global assets worth £940 billion, a prohibition on clearing for Sberbank, and the removal of seven banks from SWIFT. Since the 5th May, the UK no longer recognises the Moscow Stock Exchange (MOEX).
 - **Paralysing Russia's military-industrial complex** for years to come, sanctioning key defence sector organisations, and banning the export of critical technologies.
 - **Sanctioning Putin's supporters and key businesses** (over 1,000 individuals and over 100 entities).
 - **Depriving them of access to their lucrative oil revenues**, by ending the imports of Russian oil and coal by the end of the year and by banning the export of key oil refining equipment and catalysts - degrading Russia's ability to produce and export oil.
 - **Cutting them off from the international community** – stopping Russian aircraft from flying or landing in the UK and banning their vessels from our ports.
- The UK will minimise any unintended consequences of sanctions on delivery of humanitarian support to affected populations, for example through using humanitarian licensing provisions.

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For maximum impact, the UK and US should continue to partner on further sanctions packages

We should continue to work together on three key areas of work:

- **Deepening** trade sanctions, to further coerce and constrain Russia's military and strategic objectives and signal our discontent against Putin's aggression toward the territorial integrity of Ukraine.
 - Action: we should undertake a joint exercise to consider what further export measures (goods and services) we could put in place.
- **Broadening** our coalition of partners through influence and alignment with G7 and others, for maximum impact of measures taken.
 - Action: We should continue to encourage partners to adopt joint measures and limit Russia's international influence.
- **Sharpening** the enforcement of measures already taken to mitigate Russian circumvention of trade sanctions.
 - Action: We should continue to share joint challenges to enforcement and the operationalisation of measures, to identify the best long-term strategy.

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Thank you

Shainila.Pradhan@trade.gov.uk

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