

# The West's Sanctions Hypocrisy: Russia's Import Substitution Programme. Sanctions Backfire

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*Sanctions against Russia have proved to be a farce, with damaging blowback against European economies, continued (but never mentioned) western energy imports from Russia, a big recovery in Russian GDP growth since early 2022 and a major Russian programme of import substitution aiming at long term self sufficiency in goods and services previously bought from the West.*

In the first 7 months of 2023 Russia has been the second biggest supplier of LNG to EU countries:

## Russia is the EU's second-biggest supplier of LNG this year

Origin of LNG exports to EU countries (cubic metres, mn)

Russia US Qatar Nigeria Algeria Norway  
Trinidad and Tobago Other\*



### Banning Gas but Importing Gas Products

While Russian oil is banned, fuels derived from Russian oil are flooding Europe. This is because Russian oil sales to China, India and Turkey have boomed – from where it is turned into oil products which are exported to the West.

India's oil imports from Russia peaked at 69 million barrels in May, almost ten times more than in the same period in 2021 while India shipped 5.1 million barrels of diesel fuel and 3.2 million barrels of jet fuel to the EU in June, compared to 1.68m barrels and 0.51m barrels in June 2021.

Ukraine has called on the West to ban the supply of all refined oil products to G7 countries if they were produced using Russian oil but such a measure would risk serious economic costs on the industrial economies at a time of high inflation and a feared recession.

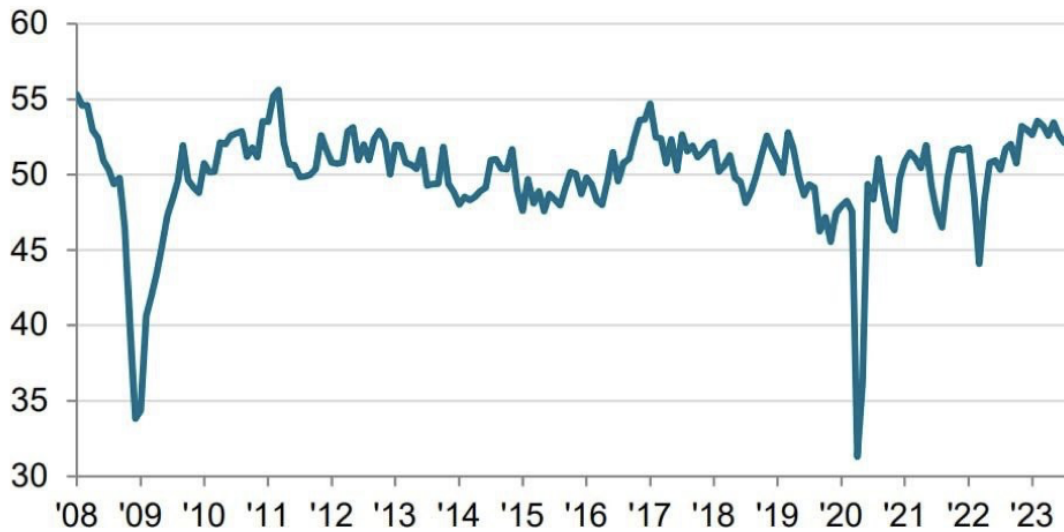
In addition to high sales to Europe the NGO *Global Witness* found that China was a major buyer of Russian LNG. Overall imports to Europe have increased by 40 percent compared to the same period in 2021, and the value of LNG imported between January and July was €5.29 billion.

In a classic case of energy sanctions backfiring Germany stopped Russian gas only to import massive amounts of fertilisers produced from that gas. Cheaper imports of Russian fertilizers have increased by 334%.

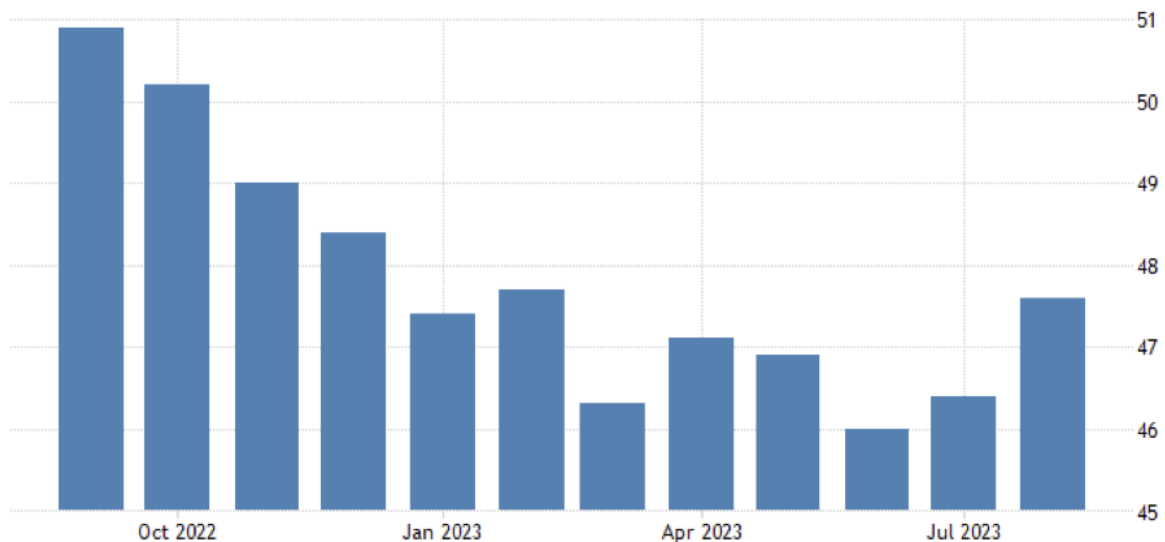
And contrary to the mythology of the West that Russia is “only a gas station” the country's manufacturing has staged a substantial recovery:

## Russia Manufacturing PMI

sa, >50 = improvement since previous month



How this contrasts with the USA's Purchasing Managers Index:



## Hypocrisy of Continuing Western Trade with Russia

While preaching hatred of Russia certain western countries still manage to export vast amounts to the country.

For instance there has been a massive increase in German exports to Kyrgyzstan! Why? - because from there they can be exported to Russia!

Similarly German car exports to Kazakhstan grew by 507% between 2021 and 2022, and to Armenia by 761%.

Exports of chemical products to Armenia increased by 110 percent, and to Kazakhstan by 129 percent. Sales of electric and computer equipment to Armenia grew by 343%. Nearly all for on sale to Russia!

And the USA, as Bloomberg points out still imports massive amounts of uranium from Russia

because Rosatom is still the world's largest supplier of uranium and still supplies almost a quarter of the 92 US nuclear reactors.

20% of US electricity production is from nuclear and the USA is the world's largest producer of nuclear power accounting for about 30% of worldwide nuclear generated electricity.

The USA is totally reliant on Russian uranium supplies for its energy security since the last uranium enrichment facility in the United States closed in 2013, and the nuclear fuel reserve will last for 18 months. On August 24, it was reported that the United States had sharply increased its purchases of uranium-235 from Russia. The volume of deliveries of nuclear fuel increased by 2.2 times. The US paid \$696.5 million for the supplies, a record since 2002.

Another example of continued and hypocritical trade with Russia involves the Estonian Prime Minister, Kaja Kallas, one of the most outspoken Russophobes, demanding that all trade with and business in Russia should cease.

Stark Logistics, a transportation company partially owned by Kallas' husband, Arvo Hallik, is still operating in Russia and the prime minister provided a "loan" of 350 thousand euros to her husband's other company, Novaria Consult, which holds a 24.8% stake in Stark Logistics. Kallas is under pressure to resign.

## Russia's Import Substitution Programme

After the exit of Visa and MasterCard from Russia as sanctions were applied the Russians were able to greatly expand their own Mir national payment system which Russia's Central Bank and the Finance Ministry had introduced in 2015. Mir has greatly expanded since 2022 not least because sanctions meant that Russian banks were banned from the International SWIFT payment system.

Together with fundamental changes in gas and oil trade away from Europe and towards the East, such structural changes in trade and finance are long term and not easily reversible losses to the western interests who previously provided those goods and services.

No wonder the German newspaper *Bild* published details of a conversation between Scholz and Macron who bewailed the fact that Putin had not even mentioned the sanctions in his conversation with them! The list of immediate and long term Russian self sufficiency at the cost of Europe and the West in general is extensive:

### Civilian Aircraft

The prototype of the Russian SJ-100 short-haul aircraft manufactured by the Yakovlev Production Center has made its maiden flight. The test was successful and the French Russian engines used will soon be replaced by purely Russian ones.

### 3D Printers

The Moscow Digital Plant (MDP) was officially opened. It includes:

- manufacturing and designing industrial 3D printers;
- FHZL RUS is a Russian-Chinese enterprise localising the assembly of 3D printers

- "SPIN" - full-cycle additive manufacturing with 3D printing services.

No need to import pasta!

The first pasta production enterprise was launched in Kalmykia - a full-cycle project - from field to counter. The project provides for the development of a plant growing enterprise and the organization of the first pasta production in the region. There will be about 10 types of pasta products, including those made of durum wheat.

Steel production

The Shakhta Pipe Plant was opened in the Rostov Region. Its products are rolled steel sheets. Capacity at the first stage is 8 thousand tons per month, and at maximum load - up to 15 thousand tons per month. The new plant is part of Techmash, which produces steel pipes. West Siberian Iron and Steel Works expanded production of rolling rolls and bands. Previously, the company purchased these components for the rail and beam mill, ball mill and small section mill abroad.

Combine Harvesters

When reporting a record harvest in the Rostov area it was emphasised that the combine harvesters were domestically manufactured not imported.

Military transport aircraft

Another IL-76MD-90A heavy military transport aircraft has been manufactured and delivered to the customer at Aviastar, a division of PJSC "IL." It represents a significantly modernized version of the IL-76MD aircraft, constructed using domestically sourced components. It is specifically engineered for the transportation and parachute deployment of military equipment, personnel, and cargo.

Marine engines

Petrozavodskmash Foundry (Karelia) has completed production of Russia's first cylinder block for the new D500 family of marine engines. Previously not manufactured in Russia, they are not inferior to those of foreign equivalents.

No wonder Russia is on track for between 2.5% and 3% growth in 2023 which is higher than the USA, UK and every EU country except the Czech Republic. The Eurozone is expected to grow by less than 1%. Meanwhile German industry collapses.

Yes, those sanctions were a great idea!

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