

The Impact of International Sanctions on Russia on Trade Relations Between East Asian and European Countries ¹

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ABSTRACT

The article examines the impact of international sanctions imposed on Russia on trade relations between East Asian countries and the European Union. The author examines how the sanctions have changed the structure and volume of foreign trade between the EU and China, Japan, and other countries in the region. Changes in energy flows, in particular oil, gas, coal and liquefied natural gas, as well as export-import relations in other areas, such as chemicals and technical equipment, are analyzed. Particular attention is paid to the increase in energy exports from Russia to China, which has become the largest importer of Russian energy after the introduction of sanctions. The article also examines changes in economic cooperation between the EU and Japan, which has significantly strengthened trade ties with European countries due to sanctions. It is determined that Japan, which is one of the EU's largest trading partners in East Asia, has significantly reduced its dependence on Russian resources and strengthened its strategic partnership with the EU in such areas as energy security, advanced technologies and innovations. At the same time, the cost of goods imported and exported between Japan and the EU has increased due to market instability and the impact of economic sanctions. The article also analyzes the overall impact of sanctions on the economic strategies of the EU and East Asian countries, emphasizing that the imposition of sanctions against Russia has become an important factor that has changed trade flows, pushing countries to diversify markets and seek new economic opportunities. The impact of sanctions on Russian energy exporters and the reorganization of energy supplies to Europe, where countries have been actively looking for alternative sources of energy, are discussed separately. It is determined that China has managed to significantly strengthen its position in European markets, while Japan has focused on the development of domestic resources and technologies.

Keywords: European Union; China; Japan; Russia; sanctions; trade relations; energy resources; economic changes

JEL Classification: F10, F13, F18, F30, O24

1. INTRODUCTION

International sanctions are an important tool for regulating international relations and influencing countries that violate international law or threaten security. After the start of Russia's full-scale

¹ Prepared Within the Project of the Programme EU Erasmus+ «Implementation of European Union mechanisms for combating modern challenges and threats» (101085700 – IMEU – ERASMUS-JMO-2022-HEI-TCH-RSCH) (2022-2025)

aggression against Ukraine, the international community, including the European Union, the United States, and a number of Asian countries, imposed a wide range of economic sanctions. These sanctions have affected not only Russia's domestic economy but also the structure of international trade, causing significant changes in relations between East Asian and European countries. Not only quantitative indicators of trade, but also qualitative characteristics of economic interaction are undergoing significant changes. In particular, there is an accelerated digitalization of trade operations, the development of alternative payment systems, and the formation of new supply chains. Companies are actively looking for ways to diversify their markets and sources of supply, which leads to the restructuring of global production networks. At the same time, the sanctions pressure is stimulating the development of local production and technological autonomy in both regions, which may have long-term consequences for the structure of international trade and global value chains.

The imposition of international sanctions against Russia has created complex challenges for global trade. On the one hand, economic pressure is aimed at isolating Russia, and on the other hand, restrictions on trade with Russia affect countries that remain active participants in international trade. This calls for a study of how sanctions have affected trade relations between East Asia and Europe, as well as the formation of new economic ties in the context of global changes.

2. GENERATION OF THE DATA

The issue of the impact of international sanctions on Russia in the context of trade relations between East Asia and Europe has received considerable attention among scholars and international organizations. In particular, the «Global Sanctions Database (GSDB)» conducted an in-depth analysis of the scope and consequences of the imposed sanctions, providing interactive tools to study their impact on the global economy [1]. The Ministry of Foreign Affairs of Ukraine highlighted the key aspects of the sanctions policy concerning Russia, with a focus on restrictions affecting energy trade [3]. Certain aspects of Euro-Asian trade, including the decline in trade between the EU and Russia, are available on the website of the European Union Statistical Office, «Eurostat» [10].

At the same time, attention was paid to the dynamics of China's import and export relations with Russia and the EU. Studies by «Trading Economics» showed an increase in the share of Chinese imports to Russia in 2023 [12], while «IEA» and «Columbia Center for Global Energy Policy» analyzed in detail the energy sector, which is a critical component of these relations [8], [21]. A contribution to understanding the changes in trade processes was also made by «Nippon.com», which studied Japanese-Russian relations before and after the sanctions [13].

Despite the large amount of existing research, it remains important to further analyze the strategies of adaptation of key players in East Asia and Europe to the new realities caused by the sanctions policy. Purpose of the Article. The purpose of the article is to comprehensively analyze the impact of international sanctions against Russia on trade relations between East Asian countries, in particular China and Japan, and Europe, and to identify key trends and changes in these relations. Particular attention is paid to the study of adaptation strategies of countries and companies under sanctions pressure.

3. RESULTS

International sanctions as an instrument of foreign policy have come a long way - from simple trade embargoes to complex multi-level restrictions. Their ultimate goal is to achieve certain strategic objectives. If we talk about a specific example - sanctions against Russia - their goal is a ceasefire and withdrawal of troops from the occupied territories. The Global Sanctions Database classifies sanctions into six main types, namely: trade sanctions, financial sanctions (e.g., restrictions on access to international payment mechanisms), travel restrictions, arms sanctions, military assistance sanctions, and "other" sanctions (including aid or transport sanctions) [12]. As an indirect consequence of sanctions, multinational corporations also often decide to withdraw from countries against which they are imposed for reputational and moral and ethical reasons, even if this is not legally required. Such companies also voluntarily stop supplying certain markets.

Previous studies, including my bachelor's thesis on the impact of sanctions on Russia on the economies of other countries, have shown that sanctions often cause a realignment of global trade routes and the formation of new economic ties. This is especially true for such dynamic regions as East Asia and Europe, which are key participants in global supply chains. The significant impact of these changes can be explained by the scale and unprecedented number of sanctions imposed on Russia, making it the most sanctioned state in the world [4]. As of November 2024, the European Union has adopted 14 packages of economic and individual sanctions in response to Russia's military aggression against Ukraine [20]. In East Asia, Japan and South Korea have imposed the largest sanctions against Russia, although the exact number is not documented, but this does not affect their effectiveness.

Let's start by analyzing Russia's role in Europe and East Asia, and it has been significant. Before the escalation of the war, Russia was the EU's fifth largest trading partner (Fig. 1). In 2021, the total trade turnover between the EU and Russia amounted to €257.5 billion (\$270.2 billion), with the EU remaining the largest trading partner for Russia, with a share of 36.5% in Russian imports and 37.9% in exports [7].

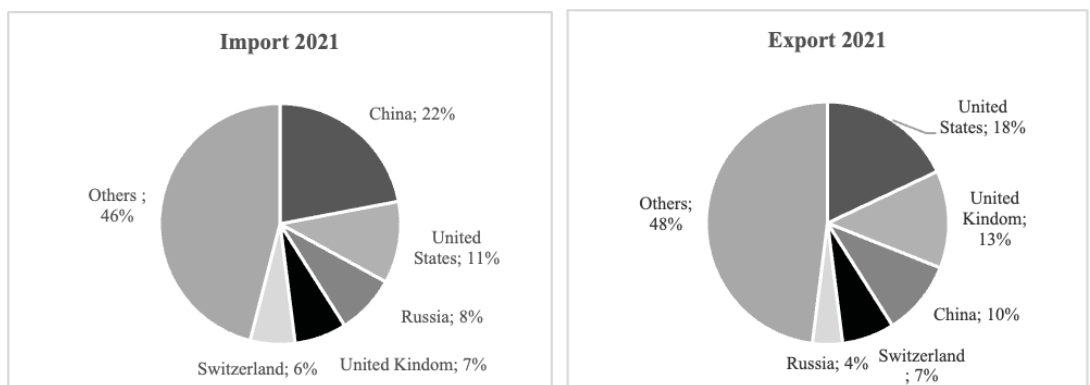


Figure 1 – Trade in goods with top 5 partners, European Union in 2021 (%)

Source: compiled by the authors based on data from database «Eurostat» [22]

Russia has been a major energy supplier to Europe, with over 40% of its oil exports directed to the region and gas making up a substantial portion of the EU's energy imports (Fig. 2, 3) [5]. This reliance positioned Russia as a critical provider of energy resources for European nations, especially Germany, Italy, and France.

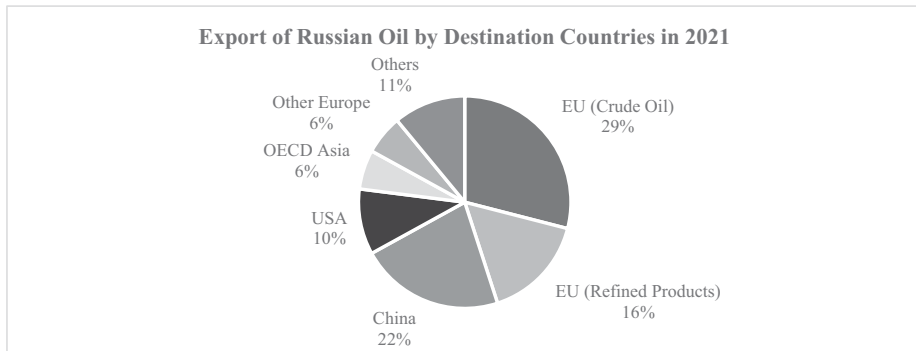


Figure 2 – Graphical representation of the distribution of Russian oil exports by country in 2021.

Source: compiled by the authors based on data from database «Eurostat» [5]

The significant imbalance in energy resource imports is evident, with the EU importing 99 billion € worth of energy resources from Russia, making it the most substantial category (Fig.3). This highlights the EU's dependence on Russian energy supplies in 2021.

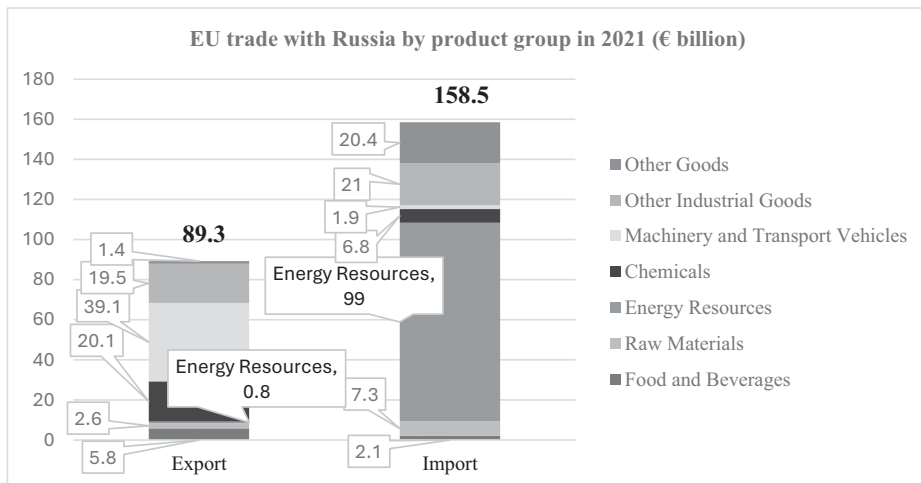


Figure 3 – Graphical display of EU trade with Russia by product group in 2021

Source: compiled by the authors based on data from the database «Eurostat» [10]

In addition to the EU, Russia was also a significant supplier of oil to China (Fig.2). In 2021, Russia imported \$79.3 billion worth of goods from China, with oil and gas accounting for almost 56% of this

volume. This demonstrates China's significant role as a consumer of Russia's energy resources, which, given the political situation, has become even more apparent since the annexation of Crimea in 2014. At the same time, Russia also imported \$19.28 billion worth of electrical and electronic equipment from China, \$18.46 billion worth of machinery, nuclear reactors and boilers, and \$4 billion worth of vehicles [19]. Obviously, the economic ties between the two countries are deep, and China has undoubtedly become Russia's largest export partner since the events of 2014. This situation, on the one hand, seems to create new opportunities for both countries that are not favorable to Ukraine, but on the other hand, it confirms their economic dependence on each other (Fig. 4).

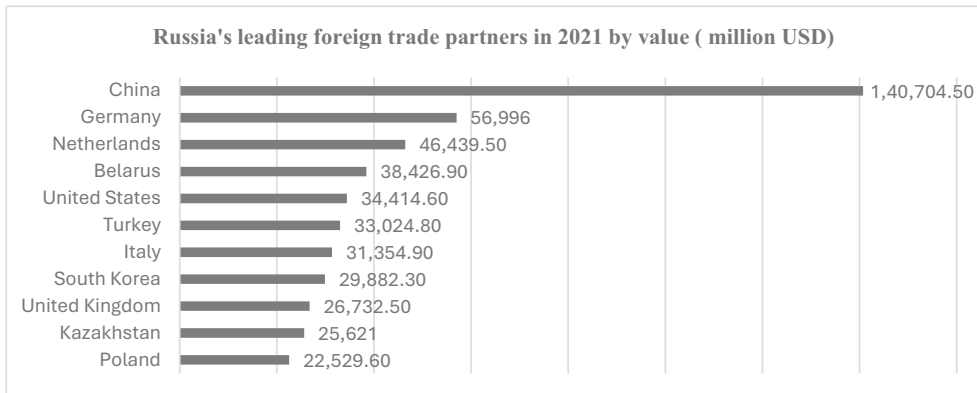


Figure 4 – Graphical representation of Russia's main foreign trade partners in 2021 by value

Source: compiled by the authors based on data from the database «Statista» [19]

Russia was an important trading partner for Japan, accounting for 1.82% of its imports. The main commodities that Japan imported from Russia were energy resources such as liquefied natural gas (LNG), coal and oil, and non-ferrous metals for industrial use. Imports of Russian LNG began in 2009 with the launch of the Sakhalin-2 project, in which Japanese companies Mitsubishi Corporation and Mitsui Corporation participated. The share of Russian gas in Japan's total LNG imports fluctuates, but has typically been around 7-8%. In 2021, the volume of Japanese exports to Russia reached 862.4 billion yen, an increase of 37.4% year-on-year. The main products were automobiles and automotive components. However, it is worth noting that the volume of exports of semiconductors and electronic components that fell under sanctions amounted to only 584 million yen, which is a paltry figure compared to other categories, accounting for only 0.1% of Japan's total exports to Russia [13]. This reflects not only the importance of energy resources for Japanese imports, but also the impact of international politics on the structure of trade relations between countries.

However, after February 24, 2022, when the European Union and East Asian countries, in particular Japan, began to impose various sanctions against Russia, this definitely affected further trade relations between these countries. The EU's December 22 phased ban on imports of Russian oil and coal, which led to a decrease in energy supplies from Russia to Europe, was significant for changes in trade relations [9]. The impact of these measures in the EU can be seen in Figure 5, where Russia is

no longer among the 7 main partners. In the second quarter of 2024, the largest partners were the United States (15.1%), Norway (14.1%), and Kazakhstan (11.7%) (Fig. 5) [8].

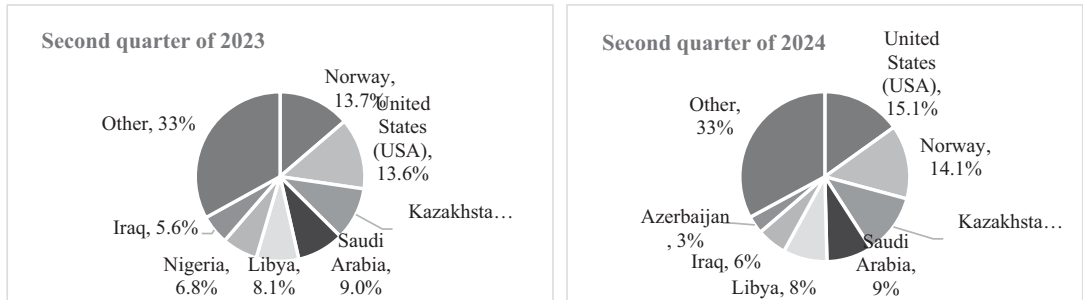


Figure 5 – Graphical representation of the structure of oil imports to the EU by partners

Source: compiled by the authors based on data from the database «Eurostat» [8]

Japan also joined this ban in order to reduce its energy dependence on Russia. This can be graphically seen in Figure 6. Japan completely ceased buying oil and nearly fully stopped importing liquefied natural gas (Fig. 6).

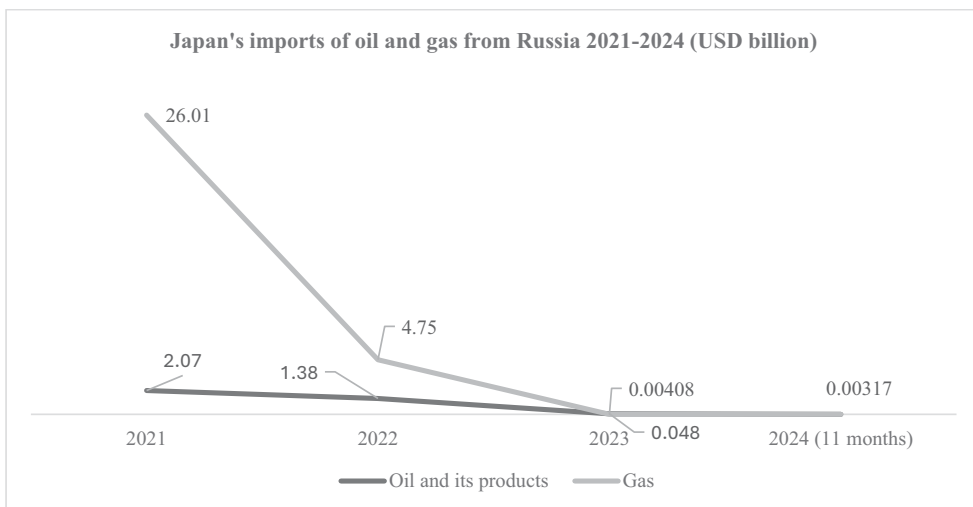


Figure 6 – Japan's oil and gas imports from Russia 2021-2024

Source: compiled by the authors based on data from Trade Statistics of Japan Ministry of Finance [16]

When analyzing the EU's trade relations with East Asian countries, it is worth emphasizing that China has always remained Europe's main trading partner (Fig.1). In 2021, before the outbreak of war, China was the third largest exporter to the EU, with shipments worth €472 billion, and was also the largest importer, purchasing €223 billion worth of products. The bulk of exports were industrial goods, including machinery and vehicles (52%), other industrial goods (20%), and chemicals (15%). At the

same time, imports were dominated by machinery and vehicles (57%), other industrial goods (31%), and chemicals (8%) [7].

After the outbreak of the war in Ukraine and the imposition of sanctions against Russian energy resources, China's role for the EU has only increased. In 2023, Chinese exports to Europe increased as European countries began to look for alternatives to Russian goods (Fig.7). This emphasizes not only China's economic importance to Europe, but also how geopolitical changes can significantly alter trade flows, increasing the EU's dependence on Chinese products under sanctions pressure.

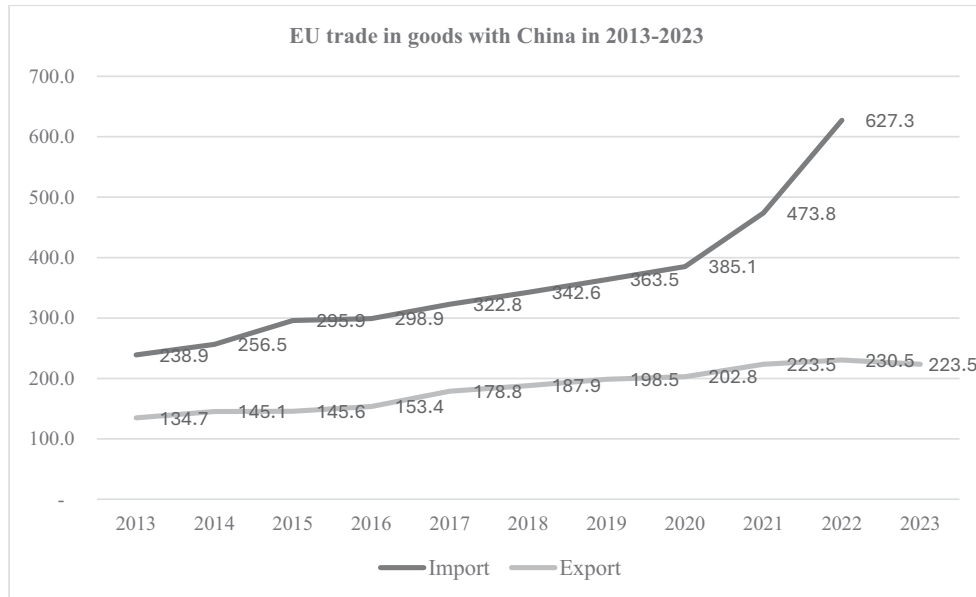


Figure 7 – Graphical display of EU exports and imports of goods with China in 2013-2023

Source: compiled by the authors based on data from the database «Eurostat» [3]

The analysis of product categories showed that after the outbreak of the war, the EU significantly increased its energy imports from China compared to pre-war 2021. In addition, there has been an increase in imports of chemicals, as well as a smaller increase in imports of food and beverages. However, it is worth noting that while the growth in energy supplies was gradual, imports of chemicals and food experienced a sharp jump in 2022, exceeding the level of 2021. At the same time, in 2023, these volumes declined, although they remained higher than pre-war levels. These dynamics are driven by the EU's need to urgently seek alternatives after the imposition of sanctions against Russia, which in turn led to a short-term increase in imports from China (Fig. 7). This process reflects Europe's adaptation to new geopolitical realities, although the impact on trade will remain significant in the long run (Fig.7).

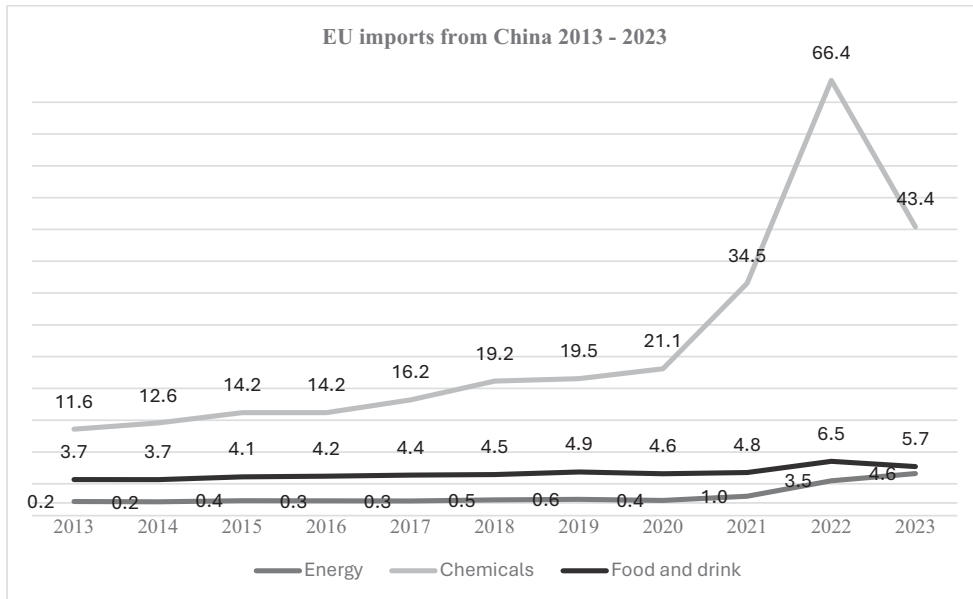


Figure 8 – Graphical representation imports of energy, chemicals and food from China in 2013-2023
Source: compiled by the authors based on data from the database «Eurostat»[3]

At the same time, however, Russia's energy exports to China have also increased significantly in both volume and value since the outbreak of the war. Although Russia has been forced to export energy to China at significant discounts due to sanctions, embargoes, and price caps, the cost of energy exports has increased dramatically. Since the beginning of the war, China has imported about 86 billion euros worth of Russian fossil fuels (of which the vast majority, about 67 billion euros, is oil imports) [14]. In 2022, the value of China's imports of Russian oil, coal, LNG, and pipeline gas was 56 percent higher than in 2021 [17]. Thus, China has become the largest importer of Russian energy after the EU bloc since the beginning of the war and the largest country.

Japan stands as the EU's second most important Asian trading partner after China, and ranks as the EU's 7th largest global trading partner overall. Specifically, Japan is the EU's 6th largest export destination and 8th largest import source for goods. Their economic ties were further strengthened by the EU-Japan Economic Partnership Agreement (JEEPA), established in July 2018 [11]. In 2021, trade flowed nearly equally in both directions: Japan exported €62.2 billion in goods to the EU, while the EU exported €63 billion to Japan. The trade composition was similar on both sides, with key categories including machinery, vehicles, chemicals, and optical and medical instruments. The EU's exports to Japan also notably included food and beverages [16].

After the imposition of sanctions, trade between Japan and the EU increased, but this was more likely due to the increase in the cost of goods (Fig. 9).

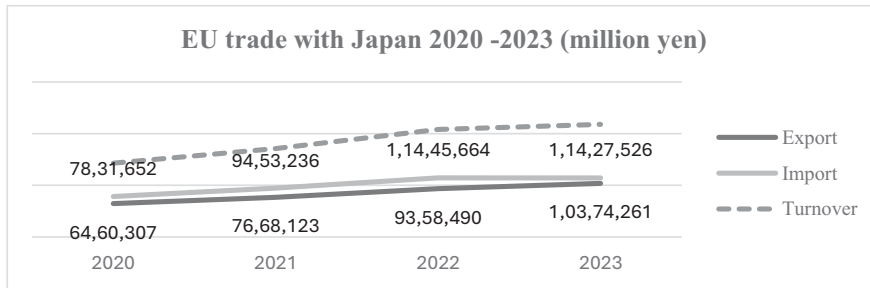


Figure 9 – Graphical representation of EU trade with Japan in 2020 -2023

Source: compiled by the authors based on data from Trade Statistics of Japan Ministry of Finance [15]

Thus, it can be concluded that trade relations between Japan and the European Union have undergone some changes since the imposition of sanctions against Russia, but have remained stable overall. Both sides have reduced their dependence on Russian resources and focused their efforts on finding new markets for their goods. The sanctions have become a catalyst for deepening cooperation between Japan and the EU in such important areas as energy security, technology, and trade. This helped strengthen the strategic relationship as both economies continued to adapt to new geopolitical realities.

4. DISCUSSION AND CONCLUSION

An analysis of trade relations between the EU, Russia, China, and Japan since the outbreak of the war in Ukraine shows how global economic changes and sanctions against Russia have significantly altered both the structure and directions of trade flows.

European countries, in an effort to reduce their dependence on Russian energy, have stepped up diversification of their supplies, in particular by strengthening cooperation with China. China has become not only an important supplier of industrial goods, but also of energy resources, which is especially noticeable after the imposition of sanctions against Russia. The increase in imports of energy, chemicals, and food from China shows that the EU is trying to compensate for the lack of Russian supplies by using alternative sources. At the same time, although imports of chemicals and food from China showed a sharp jump in 2022, they stabilized at a higher level, indicating a long-term change in the EU's trade priorities.

For Russia, China has become a key market for energy exports, despite the discounts that had to be provided due to sanctions and price restrictions. The value of Russian energy exports to China has increased, demonstrating China's ability to compensate for losses in the European market. However, this does not mean that Russia has lost the European market irrevocably, as the decline in energy supplies to Europe did not happen overnight, allowing other suppliers, such as Norway and the United States, to fill a niche.

As for Japan, although its dependence on Russian energy was less than that of Europe, the imposition of sanctions led to a shift in trade flows. Trade relations with the EU remained stable, but this period was the impetus for an increased search for alternative markets and resources, particularly in the areas of energy and technology. As a result, Japan focused on strengthening economic cooperation with the EU, which was reflected in the EU-Japan Economic Partnership Agreement [23].

The imposition of sanctions against Russia has become a catalyst for deeper economic and trade changes on a global scale. Countries that previously had significant trade ties with Russia are now actively seeking new markets and suppliers. This process is particularly important for the EU, which has reduced its dependence on Russian energy resources and established new ties with China and Norway. China has benefited from these restrictions by becoming an important energy supplier to Europe, albeit at a discount. Japan, for its part, continues to maintain the stability of its trade relations with the EU, reducing its dependence on Russian resources and opening up new opportunities for cooperation in energy and technology.

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