



# German exports to Russia in times of EU sanctions

Impact of EU-sanctions on German-Russian trade

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# What is not possible?

(Extract from a consolidated list of EU sanctions)

- **All transactions with 146 natural persons are prohibited:**
  - with some of close allies of President Putin
  - with high-ranking Russian politicians who have pushed for the annexation of Crimea
  - with some leaders of eastern Ukrainian separatists
- **All transactions with the following areas and local authorities are prohibited**
  - Crimea and the so-called „People’s Republic“ Donetsk and Lugansk (therefore including the „RUSSIAN NATIONAL COMMERCIAL BANK“)
- **Prohibition of financing for state banks in Russia, their subsidiaries outside EU countries and some state-owned companies**
- **Restrictions on certain exports to Russia:**
  - supply of arms and military equipment
  - exports of dual-use goods
  - restrictions of certain technologies suited to the oil industry for use in deep water oil exploration and production, Arctic oil exploration and production, or offshore oil projects in Russia

# Financing the Russian economy is more difficult

(Extract from a consolidated list of EU sanctions)

- **Reference: Council Regulation 960/2014 concerning restrictive measures in view of Russia's actions from 9 September 2014 Article 5 Paragraph 3:**
  - (1) It shall be prohibited to directly or indirectly purchase, sell, provide brokering or assistance in the issuance of, or otherwise deal with transferable securities and money-market instruments with a maturity exceeding 90 days, issued after 1 August 2014 to 12 September 2014, or with a maturity of more than 30 days issued after 12 September 2014, directly or indirectly to buy or to sell
  - (3) It shall be prohibited to granting of new loans or credits exceeding 30 days to the legal persons referred to in paragraphs 1 and 2 after 12 September 2014
- **List of institutions referred to in Article 5(a):**
  - Paragraph 1 b): a legal person, entity or body established outside the Union whose proprietary rights are owned for more than 50% by an entity listed in Annex III
  - Banks: SBERBANK; VTB BANK; GAZPROMBANK ; VNESHECONOMBANK (VEB); ROSSELKHOZBANK
  - raw materials companies: e.g. Rosneft, Transneft; Gazprom Neft (**not GAZPROM!**)
  - Arms factory: e.g. OPK OBORONPROM, UNITED AIRCRAFT CORPORATION, URALVAGONZAVOD, JSC SiriusOJSC Stankoinstrument OAO, JSC Chemcomposite, JSC Kalashnikov, JSC Tula Arms Plant, NPK Technologii Maschinostrojenija, OAO Wysokototschnye Kompleksi, OAO Almaz Antey OAO, NPO Bazalt“.
- This makes it clear that **subsidiaries of the above-mentioned Russian banks in countries outside the EU**, such as Kazakhstan, Ukraine, Belarus, Georgia, Armenia, Azerbaijan, Serbia, Bosnia and Herzegovina, Switzerland and Angola, are also affected by EU sanctions

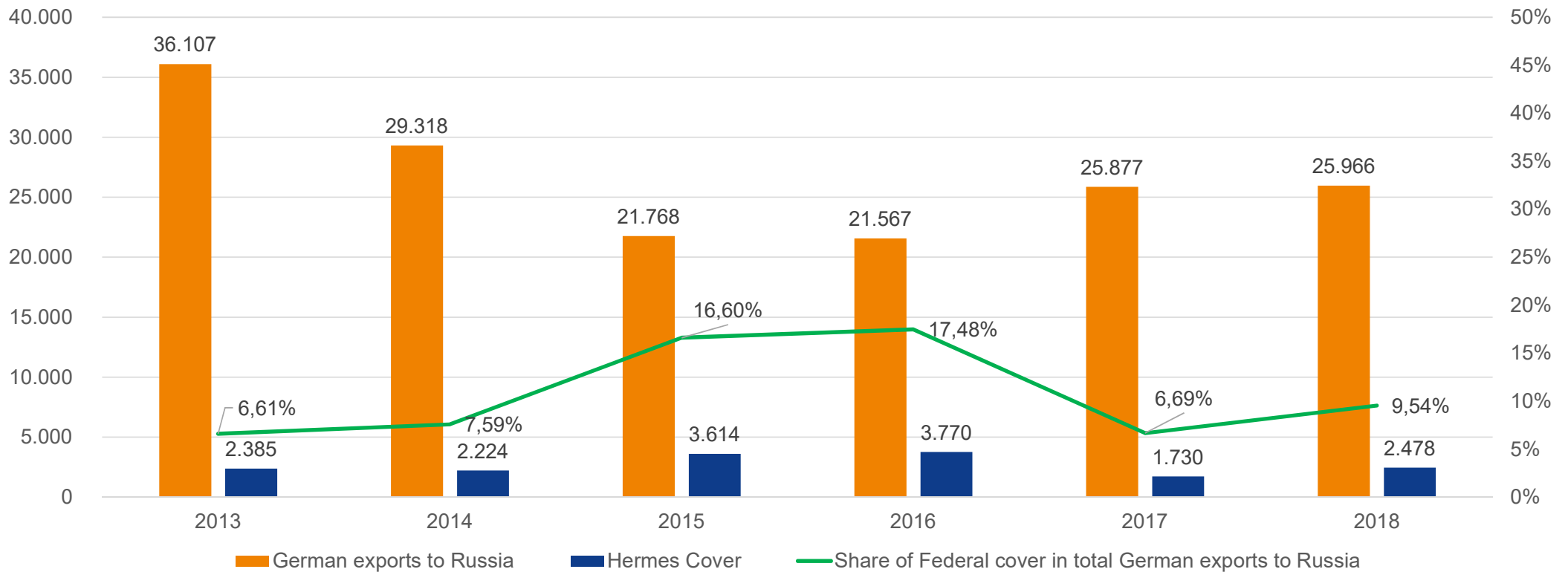
# The financing of German exports to Russia is permitted despite EU financial sanctions

- **Export financing and financing based on letters of credit:**
  - exception for loans or credits specifically and demonstrably intended to finance non-prohibited exports of goods between the Union and Russia
- **Financial services, such as:**
  - deposit business
  - payment services
  - insurance services
  - loans to or from the institutions covered by this Regulation
  - derivatives used for hedging purposes on the energy market
- **Euler Hermes Cover still possible for export financing**

## German exports to Russia in mio. EUR

### Export Guarantees Federal cover for German exports to Russia in mio. EUR

### Share of Hermes cover in total German exports to Russia in %

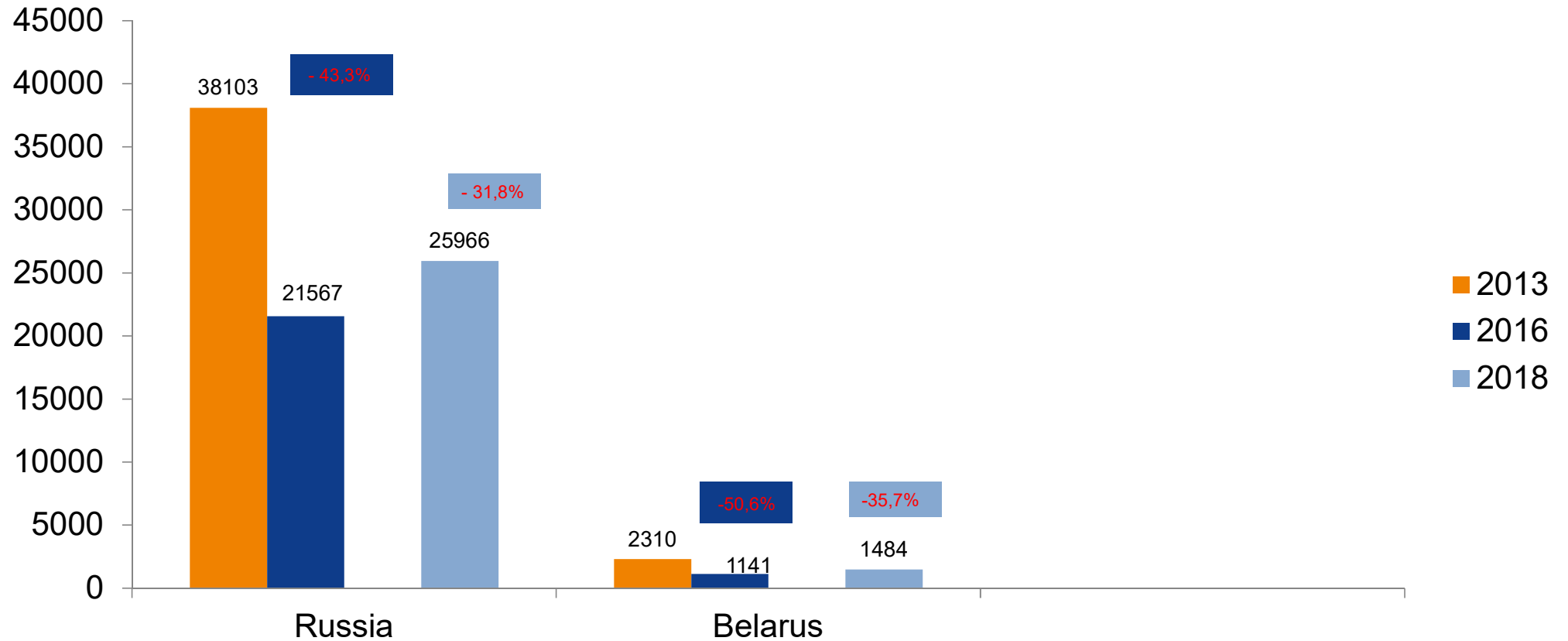


Quelle: agaportal (Annual Reports Export Credit Guarantees of the Federal Republic of Germany), Federal Office of Statistics

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# German exports to Russia have fallen sharply

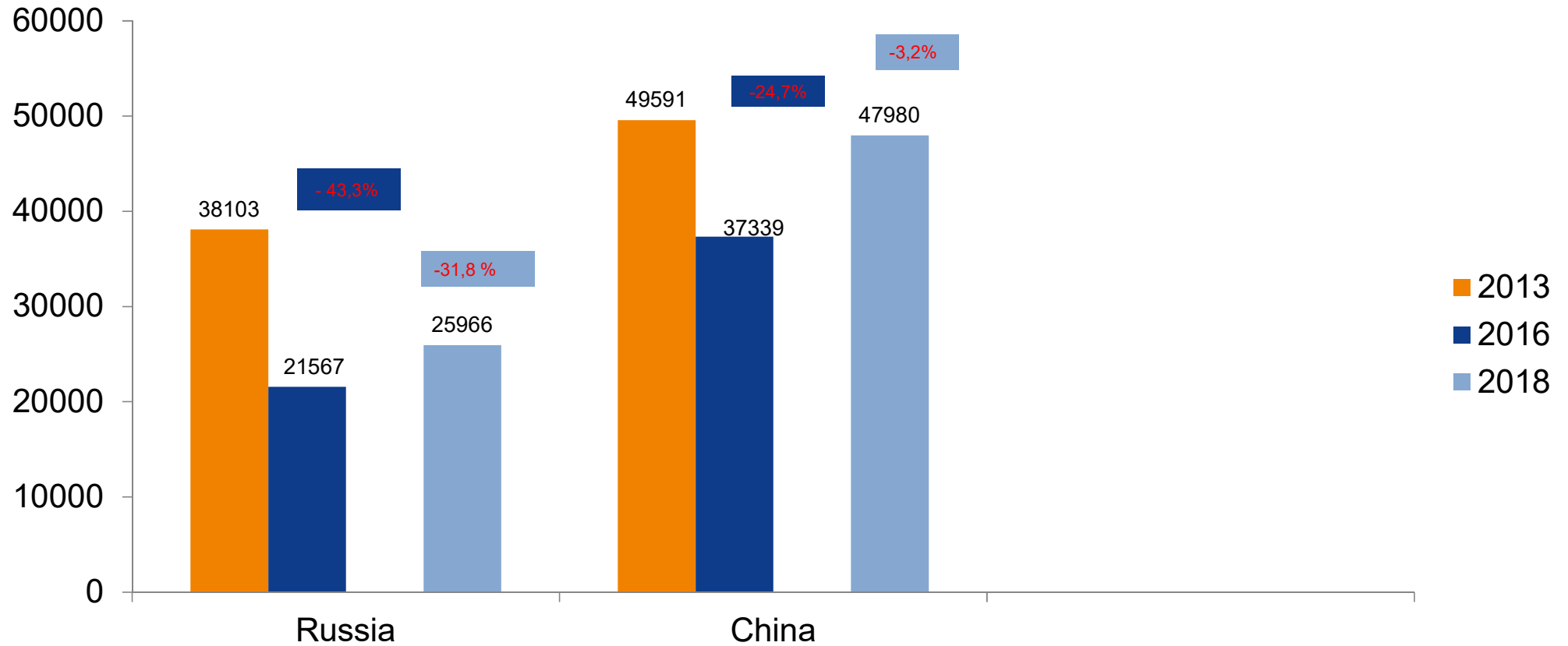
but to a similar extent as in non-sanctioned Belarus (EUR million; base year 2013)



Quelle: Federal Office of Statistics

# German exports to Russia have fallen sharply

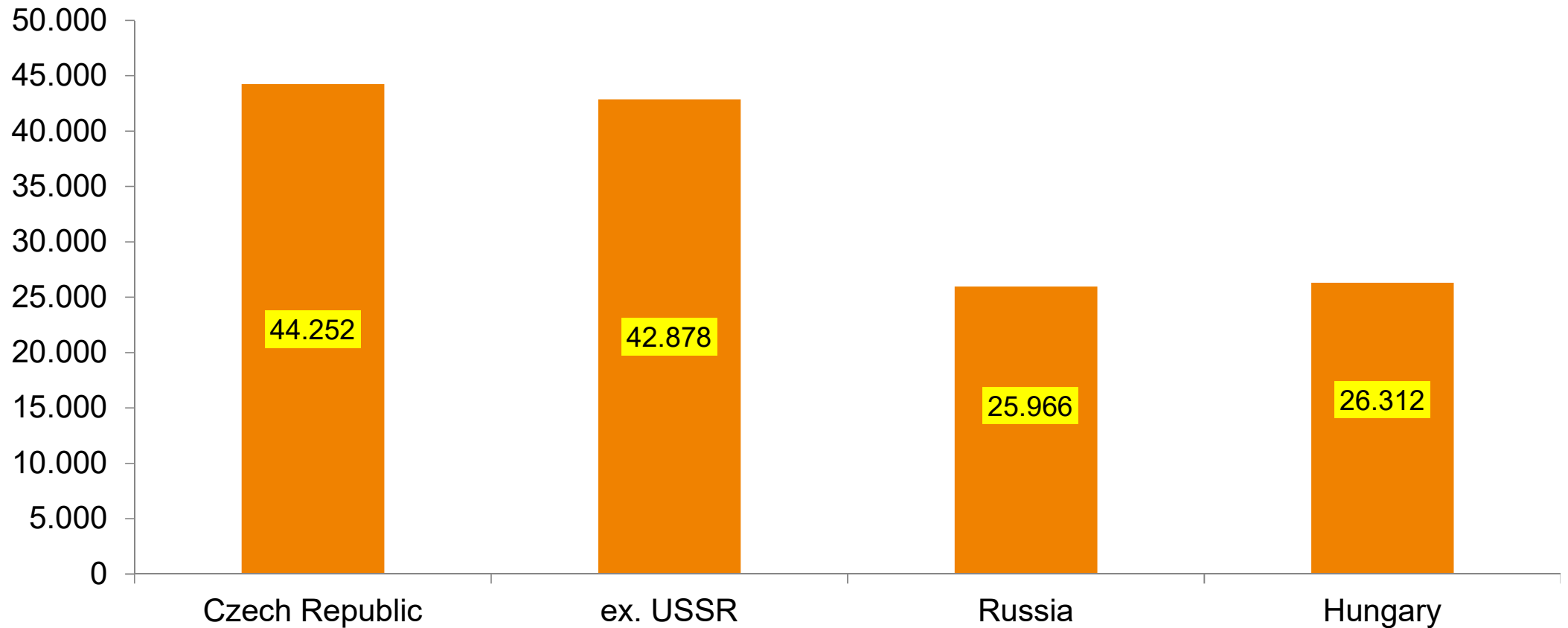
but also - although not sanctioned - Chinese exports (figures in USD) to Russia (base year 2013)



Quelle: Federal Office of Statistics, Worldbank

## German exports to Russia remain far below potential: Russia's share of German exports was only 1.97% in 2018

(Figures in mio EUR)



Quelle: Federal Office of Statistics



## Summary:

- The weak rouble, the sluggish economy (as a direct result of the fall in commodity prices) and Russian import bans on agricultural goods, localization requirements and protectionist measures have had a much greater impact on German exports than EU sanctions
- The danger of US punitive measures against German companies is unpredictable
- Much more serious is the medium-term shift in Russian import flows towards China, Asia (including Turkey) and thus represents a partial loss of the Russian growth market for German exporters (Russia's trade with the People's Republic of China will have grown by 24.5% to about 104 billion dollars in 2018)

## Conclusion:

- the main part of German exports to Russia is not affected by the EU sanctions
- Following the recovery of commodity prices and stabilization of the Russian economy, German exports to Russia have increased by 20% in 2017, a further increase of 0.8% in 2018; and + 2,8% in 2019 (till Nov.)
- a further increase in German exports can be expected in the coming years based upon the economic growth of the Russian economy and the National Projects program of infrastructure investments

# Ranking of trading partners in the foreign trade of the Federal Republic of Germany

Ranking	Exports 2013		Ranking	Exports 2016		Ranking	Exports 11/2019	
	Countries	1 000 Euro		Countries	1 000 Euro		Countries	1 000 Euro
001	France	100 320 500	001	USA	106 918 811	001	USA	110 204 897
002	USA	88 375 000	002	France	101 399 018	002	France	99 664 825
003	UK	75 642 000	003	UK	86 070 905	003	China	87 752 856
004	Netherlands	70 947 000	004	Netherlands	79 101 851	004	Netherlands	84 921 352
005	China	67 025 000	005	China	76 108 956	005	UK	73 571 624
006	Austria	56 178 000	006	Italy	61 427 305	006	Italy	63 198 044
007	Italy	53 321 000	007	Austria	59 787 882	007	Austria	61 327 874
008	Switzerland	47 323 000	008	Poland	54 797 881	008	Poland	61 071 193
009	Poland	42 356 000	009	Switzerland	50 352 735	009	Switzerland	52 358 219
010	Belgium	42 252 000	010	Belgium	41 750 618	010	Belgium	42 680 029
	...			...			...	
<b>011</b>	<b>Russia</b>	<b>36 107 000</b>	<b>016</b>	<b>Russia</b>	<b>21 582 550</b>	<b>014</b>	<b>Russia</b>	<b>24 833 983</b>