

UNIVERSITY OF TARTU

Faculty of Social Sciences

School of Economics and Business Administration

Nikolai Ivanov

THE IMPACT OF SANCTIONS ON THE RUSSIAN-BALTIC TRADE

Bachelor thesis

Supervisor: Docent Viktor Trasberg

Tartu 2019

.....

(signature of supervisor)

Admitted for defense ..... (date)

I have written this paper independently. Any ideas or data taken from the authors or other sources have been fully referenced.

.....

(signature of the author and date)

## Table of Content

Introduction.....	4
1. Rationale and content of economic sanctions in Russian-Baltic trade .....	6
1.1 Defining sanctions.....	6
1.2 Nature and the scope of sanctions between Russia and Baltic countries. ....	8
1.3 Overview of literature on the impact of sanctions regarding trade in Baltic region. ....	11
2. Impact of sanctions on Russian–Baltic trade .....	19
2.1 Current situation in Russian-Baltic trade .....	19
2.2 Case studies of the impact of sanctions on a Russian-Baltic trade .....	41
Conclusion .....	46
References.....	48
Appendices.....	54

## **Introduction**

The recent events in politics and economics in the world have an ambiguous effect on the international trade development of the Russian Federation. In many areas of cooperation, restrictions due to EU countries sanctions are imposed on trade and economic relations, which adversely affect the internal economic situation of the state and the ways for the further development of the economy.

Baltic countries always played a unique role in relations with Russia. After the fall of the Soviet Union Baltic countries is a great example of the statement that economic cooperation can be developed even in the face of political controversy. The relevance of the research topic is that Baltic countries due to its geographical location are a key intermediary between Europe and Russia in terms of trade. It is obvious that sanctions affected trade connections in a region. But what is still under consideration is a measure of the impact of sanctions on Baltic countries export to Russia and Russian export to Baltic countries.

The aim of this thesis is to demonstrate the impact of sanctions on a Russian-Baltic trade.

The author takes into account that sanctions impact is manifold and combined from such variables as economic decline, oil price, exchange rate, the decline in purchasing power and some other. Within the format on BA thesis is impossible to separate all those effects. The focus will be on areas, which are items of Baltic countries sanctions and Russian contra-sanctions.

The result of the research could be used for the prediction of further steps of both parties in this question and the risk assessment of participating in international projects related to the Russian Federation and Baltic countries for potential investors. The tasks of the bachelor thesis are as follows:

- To define the nature and essence of economic sanctions.

- To explain the scope of sanctions between Russia and Baltic countries
- To study previous researches regarding Russian-Baltic trade
- To explain the dynamics of Russian-Baltic trade after the implementation of sanctions.
- To conduct case studies on companies which are active in Russian-Baltic trade

The relevance of the topic of work is at the peak of interest due to the fact, that sanctions against Russia are currently imposed. This topic provokes lively discussions, both in Russian and in Baltic countries media, starting in 2014 and up to today. The main question is the assessment of damage to trade caused by sanctions and, of course, the possibility of maximizing its reduction. In the same time, the research gap is that the impact of sanctions on the trade between Russia and Baltic countries is not studied deeply enough.

The first section of the work shows the analysis of the scientific researches on the issues of sanctions, reasons for its implementation, and particular reasons in the case of Russia-Baltic. In addition, there is an overview of other scholars who worked on this topic.

The second section is the empirical part of a bachelor thesis. It consists of the analysis of the statistics and qualitative research. Data for statistics will be collected from the Observatory of the Economy Complexity (OEC), based on data from United Nations (UN) Comtrade Database. The author will use the Comparative method in order to conduct the analysis. Data for qualitative research will be collected via interviews with persons who represent companies, which are participating in trade between Baltic countries and Russia. In the end, the author explains the hypothesis, one would like to proof in bachelor thesis and predictions regarding it.

Keywords for this bachelor thesis: sanctions, trade, Russia, Baltic countries, Estonia, Latvia, Lithuania, import, export.

## **1. Rationale and content of economic sanctions in Russian-Baltic trade**

### **1.1 Defining sanctions**

For further research, sanctions should be defined and the way how other scholars understand them. According to James M. Lindsay (1986), trade sanctions can be defined as measures in which one country (the initiator) publicly suspends a major portion of its trade with another country (the target) to attain political objectives. What is important to understand is that the author considers sanctions as a political rather than an economic tool. In that line sanctions is a way how one party promotes its own interests.

This idea is also extended in the article written by Peter A. van Bergeijk (2009). According to the author, sanctions are built upon two basic statements. First, sanctions are aimed to cut off the target country of (part of) the gains it experiences from international trade and investment. Second, this threat will affect the target's behavior. In other words, economic sanctions reduce welfare in the target country in order to force a change in its behavior. Sanctions can take many forms: tariffs, export controls, embargoes, import bans, travel bans, freezing assets, cutting aid, and blockades; all of which (with the exception of blockages) being legal barriers to trade.

As a "party", one can understand not only a specific country but also groups of countries or unions as well, for example, the European Union (EU). A tricky moment is that different countries have different interests even if they part of one union. A situation in which sanctions hit not only the target but also some initiators as well might take a place. That leads to a possibility of pseudosanctions – sanctions without any effects on a target, the aim of which is to signal solidarity of all participants of a union. To avoid this, sanctions become more specific-oriented, otherwise known as targeted or smart sanctions, aimed to harm particularly vulnerable points of an opponent (Portela, 2012).

There is also another approach to the understanding of sanctions. As it was mentioned previously initiator could be not only a country but an organization as well, for example, the World Trade Organization (WTO). This organization evaluates sanctions as measures for the responsible party in case of the suspension of concession between its participants (Charnovitz, 2001). The point is that rather than a political tool for own interest protection, sanctions might be considered as a punishment mechanism.

Sanctions take a place of an instrument of influence in foreign policy, act as an alternative to the use of force, and are used to strengthen positions in the negotiation process. Economic sanctions are applied to coercive actions on the part of individual states, in the framework of the fulfillment of the requirements of the countries that are initiating the imposition of sanctions. Often there have been cases of the use of sanctions by the UN Security Council.

The UN Charter provides a clear framework for the use of types and methods of coercion. Prohibits states from using or threatening to use force against each other. The article 41 of chapter VII of the UN charter provides for a complete or partial break in economic relations. It is worth noting that this type of measures qualifies as an economic sanction. Along with this, mechanisms are created for circumventing sanctions or ways to mitigate their impact on the stability of the national economy. (UN charter, n.d.)

Most often, the application of sanctions becomes the subject of divergence of ethical and regulatory views between the objects and the initiators of sanctions. The initiators apply sanctions to legitimate coercion to fulfill international obligations or to comply with certain norms. Countries subject to sanctions perceive them as a threat to the security of their nation.

The concept of sanctions is quite broad and could be explained in different ways, but based on these five articles it could be said that sanctions are political and/or economic measures that prohibit or restrict some aspect of relations between two or more parties. The

purpose of sanctions is to force the targeted party to change their decision or opinion related to one or several particular questions.

## **1.2 Nature and the scope of sanctions between Russia and Baltic countries.**

In a line with the topicality of the thesis, the author will proceed with the economic aspect of sanctions, but in the same time, the political side cannot be ignored as it refers to reasons for Baltic countries sanctions and Russian contra-sanctions as well as it might explain actions made by both parties in terms of international trade. That is why before the procedure with Russian-Baltic sanctions case one should clearly understand how international trade is defined in terms of thesis.

According to Trent J. Bertrand, Maurice Allais, Bela Balassa, Romney Robinson and Paul Wonnacott (2019), international trade is economic transactions of both goods and services between two or more countries. The reason behind international trade is to fulfill the country with those products that the country is not able to produce or produce with low capacity or to exchange them for those items that it produces more than enough. Such transactions in combination with other economic policies tend to increase the standard of living of a nation and economic growth.

A characteristic feature of modern economic growth is a high level of international competition and uncertainty due to ongoing structural transformation of developing country (Kuznetz, 1971). In such conditions, enterprises and both governments need to develop a concept for their development that meets the requirements of the external environment. And sanctions can break these connections that is why it is so important to measure its impact on trade.

Perhaps, European Union sanctions against Russia pretends to be one of the most discussed topics worldwide. But one should clearly understand that those sanctions against



Russia are not just one event but a set of multiple actions from all countries of the EU, including Baltic countries (Gavrilenko, 2016). Those sanctions that were applied in 2014, were modified and extended, besides the implementation of new ones. In that line author, define Baltic countries sanctions against Russia as EU sanctions against Russia. One should also take into account Russian respond to those actions, including contra-sanctions and import substitution. That is why, before the analysis of literature, reasons for sanctions and key events regarding this topic should be studied.

Due to the sanctions imposed by the countries of the European Union against the Russian Federation in connection with the annexation of the Crimea and the escalation of the conflict in Ukraine, the economic balance has changed throughout the world (Stolbovskaya, 2015). In March 2014, EU countries adopted three groups of economic sanctions against Russia, which was connected with the events in Ukraine.

The first group includes financial sanctions, i.e. reduction of investment in the Russian economy: cessation of lending to a number of large Russian banks and corporations for a period of more than one month and a ban on the purchase of their shares and bonds; banning investment in infrastructure, transport, telecommunications, and energy sectors. Those sanctions were applied by the EU council decision № 512 (2014) and council regulation № 833(2014). As an example, one can name restrictions for 5 main Russian banks which are: Sberbank, VTB, Gazprombank, Vnesheconombank, and Rosselkhozbank.

The second group includes a ban on the supply of high-tech equipment for infrastructure projects, as well as for the extraction of oil, gas, and minerals, and a ban on the export of armed equipment to Russia. As a result of the sanctions, business ties between industrial enterprises of Western countries and Russia have been reduced. This group of sanctions was applied with the EU council decision № 659 (2014) and council regulation № 960 (2014). Under those restrictions, 3 main oil producers of Russia were blacklisted which

are: Rosneft, Transneft, and Gazprom. Persons investing in the energy sector in Russia were also blacklisted. (RIA News, 2014).

The third group provided for restrictions on business relations of Russian companies with EU. By that one can understand personal sanctions that are targeted on specific individuals and/or companies, and exists in a way of blacklist against which imposed certain sanctions. Those sanctions were applied in a line with EU council decision № 145 (2014) and council regulation № 269 (2014). At the same time, the imposed sanctions constantly supplemented and changed, through changes in relevant sanction lists.

The response to the sanctions mentioned above was the imposition by Russia of a ban on imported agricultural products, raw materials and food from countries, which implemented sanctions. (Zaernuk, & Alavifar, 2015) Those actions confirmed by Russian federation presidential decree № 560 (2014) and Russian Federation government decree №791 (2014). An important role in this situation was played by import substitution, which in Russia is considered as a type of economic strategy, the goal of which is to protect domestic producers by replacing imported goods and technologies with products of national production. Figure 1 shows the dynamics of the share of imports in the volume of the retail trade in the Russian Federation. And what one can note is that there is a trend for a decrease in import starts from years 2013 -2014 when the first sanctions and both contra-sanctions took a place.



*Figure 1.* The share of imports in the volume of commodity resources of the retail trade in Russia (%).

Source: Compiled by the author based on the Russian federal custom service site (2019).

There are a couple of trends, which can be noticed in that case. Firstly, EU sanctions are rather diversified in contrast with Russian sanctions. Starts from simple - prohibition of entry and transit, and freezing of the assets of individuals, to more serious sectoral sanctions in the banking, defense, and energy sectors.

In the same time, Russian sanctions are oriented on particular products and items, rather than on whole sectors of EU countries economies. The possible reason behind is wider territorial coverage of EU sanctions as they involve not only the entire territory of the EU but potentially the whole world because of their application for all persons from the EU, wherever they are. Russia does not have an opportunity for such a wide spread of its sanctions and concentrates on vulnerable points of trade with the EU.

### **1.3 Overview of literature on the impact of sanctions regarding trade in Baltic region.**

The relevance of this topic is that all EU countries applied the same sanctions, the impact of those sanctions and Russian contra-sanctions on trade might differ from country to country. But why the trade between Russia and Baltic states is so important? Baltic countries previously could be compared with a bridge between Europe and Russia. These relations go deep down in history, as Russia always was oriented on access to Baltic sea. The best confirmation is multiple conflicts with Sweden and Poland for that region through the history.

Nowadays, the situation is that through Estonia passes the shortest way from Europe to the East, while ports of Latvia and Lithuania play a significant role in trade between EU and Russia (Khmilev, 2010). The current situation caused lots of different points of view on the impact of sanctions on international trade between Baltic countries and Russia. The explanation is that the whole situation is highly affected by the political aspect of that

question. As an example one can mention, that in 2016 Baltic countries leaders confirmed that sanctions will be held until Ukrainian conflict will be resolved. (Antonov, 2016). In order to systemize information about the studies that precede this research, Table 1 was compiled:

Table 1

*Articles on impact of sanctions regarding Russian-Baltic trade*

Author, year	Country	Main findings
Kashparov & Smirnova, 2016	Russia	Sanctions did not have a significant negative impact on the Russian economy, but become a challenge for EU countries.
Kovalev, Falchenko & Savelyeva, 2019	Russia	The current situation in Russian-Baltic trade sector after sanctions strongly affected by internal political decisions.
Nureev & Petrakov, 2016	Russia	Good possibility of import substitution for Russia under the current economic conditions, which is a serious threat for countries of EU who trade with Russia.
Fedorov, 2018	Russia	Despite existing decrease in a trade of a region, both parties might be interested in further development
Dreyer & Popescu, 2014	European Union	There is no winner from the current sanction regime and all parties have to find a compromise.
Zygimantas, 2014	European Union	Contra-sanctions is a problem for Baltic states as they do not have an opportunity to rearrange its export to other countries
Oja, 2015	European Union	Real impact of the Russian sanctions on a trade in the Baltic sea region is lower than it seems to be.
Veebel & Markus, 2018	European Union	Sanctions had local effect on particular sectors of economy of Baltic countries but not significant in general
Oxenstierna, 2018	European Union	Sanctions and Contra-sanctions seriously affected Baltic countries economies and force them to redirect its export on other countries.
Brown, 2019	US	Russia-Baltic trade in a quite unstable position due to Russian manipulation with oil and gas prices.
Changwei, Xiaojia & Lu, 2019	China	Sanctions forced Russia to diversify trade routes to East.

Source: compiled by the author.

The article by Kashparov and Smirnova (2016) discusses the economic consequences for the Russian economy of the sanctions of the European Union and the counter-sanctions of Russia. It is intuitive, that being written as a work that represents the opinion of Russian political institutes, the negative effect of sanctions was almost minor, and however, the rather different situation is with EU. While in general countries of EU were not harmed by sanctions a lot, those who were concentrated on the agricultural sector of the trade like Lithuania and Latvia were suffering a lot and started to search for the alternative entrance to Russian market via Belarus. The author collected statistical data from Russian official websites, concentrated on general export and import numbers before and after sanctions and measured changes via percentage in GDP, using the comparative method of analysis. The comparative method is a method for analyzing objects, which compares the new state of an object with the old state or compares the state of one object with another, with which a comparison may be appropriate. (Collier, 1993). The comparative analysis is one of the main methods used in economic research.

The idea of a minor effect of sanctions on a Russian economy even more extended in an article by Kovalev, Falchenko & Savelyeva (2019). Authors provide links between political and economic decisions and at the same time explains that political might and will affect economically as more important. In case of Russia, which marked import substitution instead of international trade as a key factor of a new Russian strategy, despite the possibility for rather high numbers government prefers to increase import from the other countries of the Eurasian Economic Union (EAEU) even if it is not the best option from the economic side of a question. In this paper, the author concentrated on agricultural sector export numbers among countries of EAEU. While the author does not concentrate on Baltic, it explains that the increase in numbers between EAEU members related to a decrease in the same sectors with those countries who implemented sanctions against Russia and its substitution. It could

be said that the author indirectly refers to countries of the EU. The author implements statistical analysis method as well as the comparative method, and also a graphic method, for the representative explanation of EAEU structure. Graphical method refers to the method of data aggregation at the stage of the primary data analysis. A graphic is a drawing showing the relationship of data with geometric images and graphics means. Graphs allow presenting statistical data in a visual form.

Another article by Russian authors Nureev and Petrakov (2016) analyzed the impact of international economic sanctions on the Russian economy and trade development, the reasons for their occurrence and particular spheres where they take a place. The possibilities of import substitution in the current economic conditions were considered as well. Authors divided the impact of sanctions on 5 sectors of the economy. What differs these Authors from previous Russian authors is that they try to look on this situation from both parties (Russia and EU). As for the disadvantages of this paper, one can note that the author does not separate Baltic countries from the EU and rather analyses trade between Russia and a whole EU. Authors tried to define both the pros and cons of import substitution and export-oriented economic development, as well as issues of economic security and sustainable development of Russia are considered. In their conclusion, they attempted to formulate both pessimistic and optimistic forecasts for further development of the existing situation.

Surprisingly, in 4 years after the implementation of sanctions, some researchers still believe that the current crisis in a trade is a temporary one. According to Fedorov (2018), the existing situation in a region has 2 sides. On the one hand, one cannot deny a decrease in trade between Russia and Baltic countries after the implementation of sanctions in 2014, due to the complexity of trade and long history of relations between those parties. But on the other hand, that complexity is an argument why the existing situation might be improved further on. According to the author, both parties have a common interest in the development

of a region and trade in it. In order to confirm his theory, the author analyzes both international relations and trade development between Russia and Estonia, Latvia and Lithuania since the crush of a Soviet Union. In this article, the author uses statistical data analyses via a comparative method.

Looking from the opposite side, Dreyer and Popescu (2014) put the main question of their research paper as the effectiveness of sanctions against Russia. The article defined reasons for economic sanctions of EU against Russia. Analyzes the policy of the Central Bank of Russia in terms of sanctions that have escalated the economic problems of Russia. But besides financial aspects what authors want to say is that sanctions might and probably will lead to loss of the Russian market for Western partners, as countries like China might take their places on a market during the period of sanctions. In this article, the author does not diversify Baltic countries and the EU as all of them its members. After the definition of the main positive and negative aspects of that question, the conclusion is that there is no clear answer to that question due to the mixed picture and additional time requires.

The previous article leaves a question of how Baltic states should rearrange its export from Russia without an answer. According to Zygmantas (2014) that might be a serious challenge as in some key sectors of economies and trade, Baltic countries are not competitive enough in contrast with other countries of the EU. The author also remarks that it is not the first time Baltic states faced with restrictions from Russia. As an example author mentioned a ban on dairy products of Lithuania in 2013 as well as some others. Multiple data collected from Eurostat in order to provide precise numbers for changes in trade sectors. Besides comparative analysis, one might also note that the author converts information into multiple figures and tables in order to systemize the information and make easy – to – read for further researchers.

The article wrote by Oja (2015) looks on a situation with changes in a trade in a region as well. As Russia had to answer on sanctions against it, the government also implemented sanctions against the EU and USA. Those actions for sure had an impact on Russian trade with Baltic countries, but one should define what is the value of these changes. What one should understand is that sanctions did not cause structural changes in trade inside the Baltic region. The author concentrated on the export and import of products and services regarding the GDP level. What differs author from other papers is that in order to diversify export products and re-exported products author use special data, called Trade in Value Added (TiVA). With the use of this data, it is possible to exclude re-exported products out of calculations in order to make numbers fairer.

Veebel and Markus (2018) in their paper agreed with the previous researcher, but in the same time, they set up a hypothesis that small open economies with a few external markets are extremely vulnerable for quick changes. Authors used statistical analyses as well as descriptive and comparative methods. The main accent made on import and export numbers between Russia and each country of the Baltic States. In addition, the author analyzes its relation to GDP changes. In the end, the author sums up that despite in agricultural sector Baltic countries faced with troubles, in general effect was not so crucial. Overall, authors conclude that in a short term situation will save status-quo, as currently, both sides are not interested in the development of trade relations. After all, authors also made predictions regarding further development of relations between Baltic countries and Russia in the line of relations between EU and Russia.

One has to note that even inside EU there are opposite views on a current situation and its further development. According to Oxenstierna (2018) as Baltic countries had the highest shares of export to Russia in comparison with other countries of the EU before the implementation of sanctions. Due to the relatively small size of economies of Baltic countries



restrictions and sanctions in a trade with Russia become a serious challenge for them. Those actions in the end either forced them to make structural changes in export and import or rearrange its trade to other countries. As an argument for the defense of the idea of structural changes author use relevant statistics from Eurostat and analyze it via the comparative method.

According to Brown (2019) substitution of Baltic ports on Russian made by the Russian government cannot be fully completed due to the geographical location of Baltic ports. As an example port of Ventspils besides it is one of the biggest in the whole region, it is also ice-free which provides an opportunity for work for the whole year. However, the situation in total is unstable due to Russian geopolitical actions. The author investigates links between Russian actions against post-soviet countries (including Baltic states) and further perspectives for development. Instead of deep investigation in numbers and economic reasons for that situation, the author concentrates on political aspects of that question via the analysis and synthesis of the similarities, differences, and patterns across that topic.

Finally, Changwei, Xiaojia, and Lu (2019) provide a rather different point of view on that situation. According to article sanctions implemented by the EU and US left no choice for Russia except turn on the East. Another important aspect is that despite massive economic losses turn to the East was not improvisation of a government in order to save the economy. This plan appeared in 2008 after Russian-Georgian conflict, because after the Russian government understands that confrontation with the EU and US might take a place further on. Authors concentrated on Gas and Oil sectors, while those seem to be key ones for the Russian economy. Authors use statistical analyses of data regarding oil, gas, and its changes in numbers from year to year. What one can understand from this paper as Russia will develop its trade with China, it will lead to a decrease in trade with EU and Baltic countries as a part of it.

The main problem one can note from the literature review is a lack of scientific papers regarding trade between Baltic countries and Russia. Most authors prefer to measure this trade in a broad way as part of the trade between Russia and the EU. Another problem is that different authors had quite different opinions regarding outcomes of sanctions. That depends on how the author measure both political and economic factors influence on the situation. This is also related to dimensions in data from different databases taken by different researchers.

Despite multiple outcomes that the authors mentioned, authors agree with each other in some similarities. The initial situation highly influenced by political decisions made by the Russian government. Even if from the economical perspective some decisions seem to be non-logical or at least less profitable than it could be, actions are aimed to support government position regarding its political vector. As for the Baltic countries, they have to follow unite political course of the European Union. The point is that some decisions seem to be harmless for key countries of the EU while for small countries of Baltic they provide extra expenses and losses.

Overall, the Russian government considers those actions as a threat for itself, which leads to non-logical and in some cases even paranoiac reactions and decisions, which disrupt trade linkages in the Baltic Sea region. All of it creates uncertainty in trade between Russia and Baltic countries and leave 2 main questions which go through the literature overview as a red line without solution and should be answered in this thesis. The first one, what is the current situation in trade between Russia and Baltic countries in terms of sanctions regime? Another question is what trade participants in Baltic and Russia should be ready for further on in the nearest future?

## **2. Impact of sanctions on Russian–Baltic trade**

### **2.1 Current situation in Russian-Baltic trade**

Before proceeding with the analyses, the method for analysis should be described. The model-specific approach to studying the trade include among others include aggregate demand-aggregate supply model (the AD-AS) or Trade in Value Added (TiVA). The first one is more of a theoretical macroeconomic textbook model, criticized for missing the empirical realism (Moseley, 2010). The TiVa model allows for finding net export that excludes re-export from other countries of the European Union – important for the complex products parts of which were produced in other countries (Stehrer, 2012). However, one can note that the data set for TiVa model is only up to the year 2011. Which means that if the sanctions take a place only after the year 2014 than this data is irrelevant and not up to date, therefore the author will not use this model as well.

In that line the author decided to use the comparative method for statistical analysis and one can note that most of the authors mentioned in the preceding chapter prefer to use the comparative method as well. The reason behind using the comparative method is that it is sometimes necessary to conduct an analysis which is to study complex, multidimensional and controversial objects requires serious analytical effort (Pickvance, 2005). In that, the analysis should be complex, because it makes no sense to analyze separately objects, processes, and phenomena without a specific economic context.

One can say that there is no isolated objects and processes in foreign trade (McDonald, 2012). No matter how original they are, between them always exists certain commonality, openness to each other and in the same time dependence of one from another. Each object is an element of a large system, were all interconnected with each other. Changing one part of the system leads to changes in its other parts. Therefore, the goal of the

comparative analysis is not so much to investigate the essence of particular objects of trade, how much is to find connections between separate objects.

Therefore, when conducting a comparative analysis of any area it is considered not narrowly objective, but systematically, in interaction various objects (components) of the system. (Esser & Vliegenthart, 2017). Then it could be said that methodological foundations of comparative analysis are concentrated on identifying the nature of relationships, patterns of interaction between objects and economic phenomena.

A comparative method for evaluating objects and phenomena consists of 4 steps (Vartiainen, 2002):

- The collection of all the information obtained. In this case, all data must be objective, accurate and demonstrable.
- Processing of information. In other words, which information should be used.
- Systematization of information. All data should be divided into different categories and give the collected material a structural look.
- Interpretation of the data. Based on the analysis and comparison of information, specific conclusions are made

For the first step author should define the data one will use. While studying the impact of sanctions on the trade one has to necessarily use the statistics available from the national agencies to estimate the volumes of import and export. It means that usually the main secondary data to be used are Russian and EU sources of statistics relevant to the topic.

Russian statistical data can be collected from the Russian federal state statistics or Rosstat, service that performs the functions of forming official statistical information on the social, economic, demographic and environmental situation of the country, as well as control and supervision functions in the field of state statistical activities in the Russian Federation (Rosstat, 2017). What might be a challenge is a credit of trust to national statistics. Statistics

supposed to be the neutral representation of the situation but it might be only on a paper. According to Seninskiy (2017), after The Federal State Statistics Service was again subordinated to the Ministry of Economic Development from the Government of Russian Federation, the credit of trust to data might decrease as it might be more biased.

From the other side, one can choose national statistics services of Baltic countries, for example, Statistics Estonia (SE, 2019). In that line, Eurostat pretends to have more variability and optionality regarding data. However, national statistics still valuable in case of some specific and precise data regarding a particular country. What proofs the quality of Eurostat data is that it received the European Foundation for Quality Management "Committed to Excellence" recognition in November 2016 (Eurostat, 2016). But in the same time, there is a high chance of no author contribution into the outcome using this data, as it is already has been used in previous researches regarding trade in the Baltic region (Oja, 2015; Veebel & Markus, 2018).

Main source author has plans to use is the Observatory of Economic Complexity (OEC). This source was developed as a project of a master thesis of a student from the Massachusetts Institute of Technology (MIT). The main advantage is that it collects data from multiple independent sources and provide an easy-to-understand visual representation of international trade between countries (OEC, 2019). Another advantage is that due to it complexity OEC provides an understanding of mechanics of the economic development (Simoes & Hidalgo, 2011). One more reason behind using that database is that in the case of trade between the Baltic States and the Russian Federation the majority of economic moves are strongly affected by the political decisions. It means that the authors who chose to work with the national statistics have to take into consideration recent changes in international relations and local political events. Therefore, in this paper the author will focus on the

economic side of the trade, meanwhile, complete ignorance of the political aspects would lead to misleading conclusions.

Once the dataset is defined, it should be described which data will be taken. In order to do that one should define key criteria in foreign trade. Foreign trade can be estimated using basic concepts of export, import, and foreign trade balance.

Export is the quantity of goods exported from the country (Amadeo, 2019). Under the export one should understand export abroad of goods, technologies, services for their implementation on the foreign market. Objects of export can be goods produced in the country and goods imported into the country and processed in it. A special form of export is re-export, i.e. export of previously imported goods that have not been processed in this country (UN trade statistics, 2016).

Import is the quantity of goods imported into a country from abroad (Amadeo, 2019). In other words, imports are the importation of goods, technologies, services for their implementation in the domestic market, as well as for transit to third countries. The import volume includes the return import from abroad of unprocessed domestic goods – reimport (UN trade statistics, 2016).

Overall, the export operation of the country of sale equal to the import operation of the country of the purchaser. The fact of export and import of goods is confirmed in a moment of crossing the border and is reflected in customs and foreign trade statistics. In terms of analysis, that means that there is no need to search for data of the Russian Federation import from the Latvia, Estonia, and Lithuania if one previously found data of export of the Baltic countries to Russia. Necessary to admit that in this thesis author will measure trade percentage from the side of Baltic countries.

One more important concept for the comparative analyses is the balance of foreign trade. The formula for the balance of foreign trade is the total value of export minus the total

value of import (Kenton, 2018). The balance of foreign trade can be positive or negative and rarely reduces to zero. A negative trade balance means the occurrence of a passive trade balance. And, on the contrary, the positive balance characterizes the active trade balance of the country.

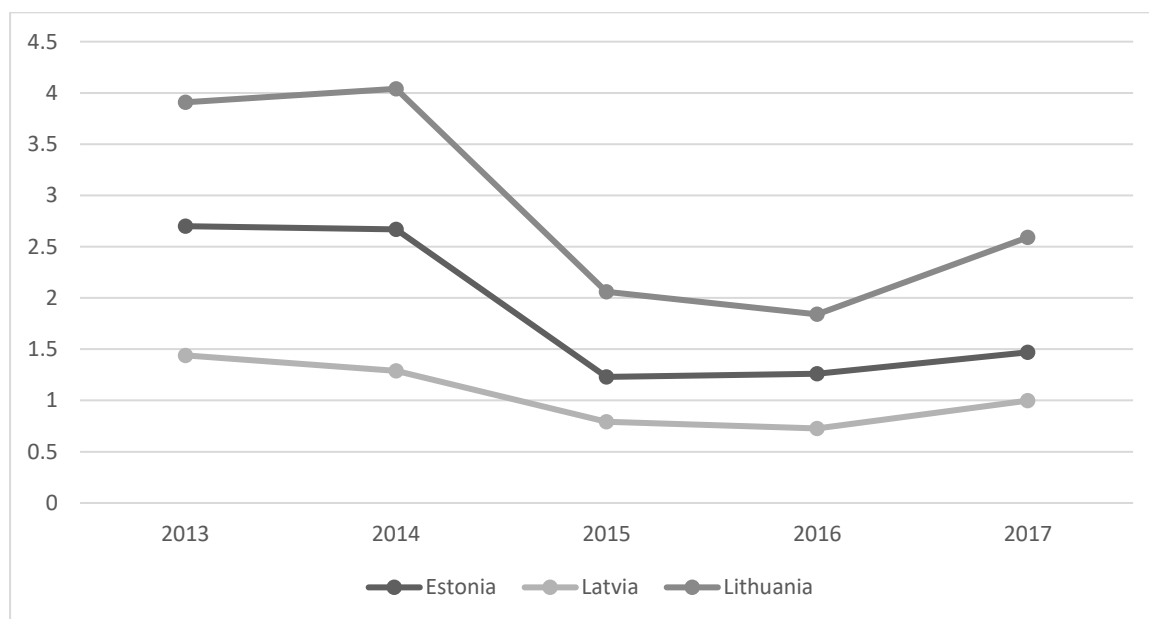
Further on, the author set up a timeline borders for the comparative analysis. The first package of sanctions take a place in the year 2014 that is why one should take data starts from the year before sanctions were implemented up to the one with the most recent data available. That means the information will be taken into account for the year 2013 up to 2017, based on the chosen database.

In addition, to work with data regarding changes in key criteria of international trade author also have to analyze structural changes in trade between Russia and Baltic countries. The idea in that line is to measure the impact of sanctions on the development of a trade in a region. The OEC database classified 21 groups of both export and import.

In the same time, the author assumes there is no need to look at those criteria from the Russian side. The point is that as the percentage of export and import values of all 3 Baltic countries is rather low in comparison with some other trade partners of Russia, that is why this information might be interpreted in a wrong way, while author better should concentrate on the point of the view of Latvia, Lithuania, and Estonia.

In order to systemize data regarding the export of Baltic countries to Russia, figure 2 was compiled. The author combined export values to Russian federation for all 3 Baltic countries i.e. Estonia, Latvia and Lithuania and made a graph model. What one can note is that after the implementation of sanctions in 2014 export values went down significantly. It could be said that Baltic countries lose not less than 1/3 of its exports to Russia. To be more precise than Estonia lose approximately 46% percent, Lithuania almost 34% while Latvia loses 31% of its export to Russia. Meanwhile, Zygmantas (2014) admitted that mainly

Estonian, Latvian and Lithuanian products are not competitive for the rest of EU markets due to the low volume of capacity. That leads to a problem with the redirection of exports.



*Figure 2.* Export from Baltic states to Russia from 2013 to 2017 in billion dollars (\$)

Source: Compiled by the author based on the data from OEC (2019)

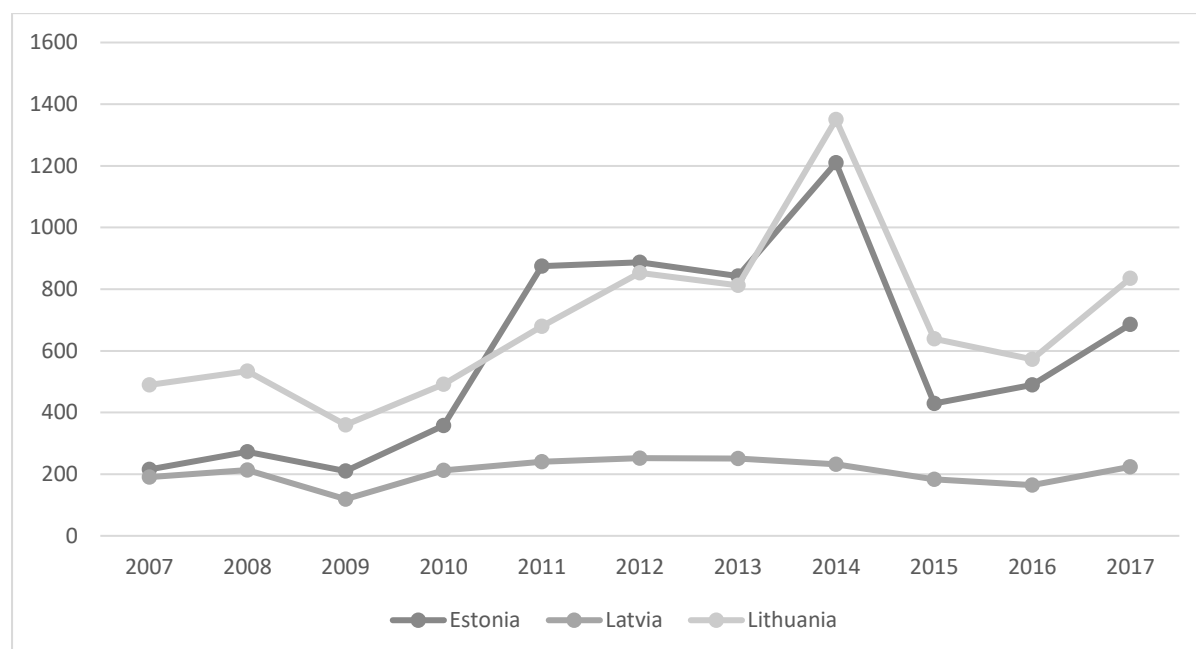
If one compares all 3 Baltic countries than Estonia with the drop of a Russia as a destination for export from the first place in 2013 to the third in 2017 loses 2 billion of dollars (bln) in total export value (OEC,2019) and one could assume that around half of it related to Russia looking back in figure 2. In contrast, Lithuania for the same period loses 1.7 bln. Contribution of Russian export in this fall is 78% of the total value. As for Latvia, Russia remained on the same second position in export, losses for the same period are only 0.6 bln and Russian impact in that line is around  $\frac{3}{4}$  of the total value. Despite Latvia had much lower losses than other Baltic countries one should understand that at the same time Latvia had the lowest export numbers to Russia even before the implementation of sanctions.

In the same time, before the evaluation of structural changes in the export of Baltic countries to Russia, the author also should measure the impact of Russian contra-sanctions. The question one might ask is what is the difference in the dynamics between those items of



Baltic States export to Russia that currently under those sanctions in compare with those that are not? Once again, according to Russian Federation presidential decree №560 (2014) and Russian Federation government decree №791 (2014) import of textile, animal products, and vegetable products from EU were banned for one year. Further on this ban was extended and still exists, however, the author has to mention that some products from this “stop-list” were allowed on a market, for example, frozen vegetables and beef but with limitations from Russian federation government decree №472 (2016). Meanwhile, such items as Machines and Chemical products were not included in the ban. As for the foodstuffs item, it was banned partially as such products as spirit drinks are not under the ban.

To see the dynamics of these items, the author builds graphs for all 3 countries for the past 10 years from 2007 up to 2017. The author made a separate graph in figure 3 for machines as numbers for that item for Estonia and Lithuania are rather higher than any other item and leads to the problem with the visualization of data.

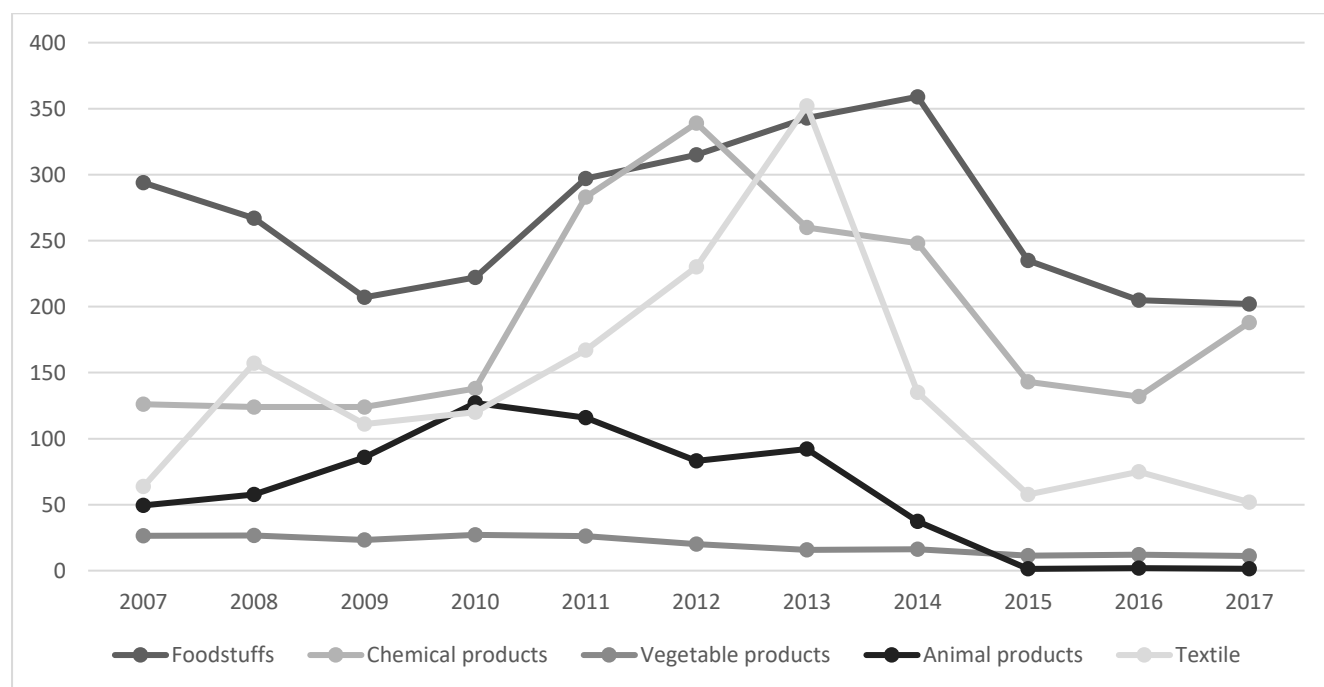


*Figure 3.* The dynamics of Baltic countries export of machines item to Russia in millions of dollars (\$)

Source: compiled by the author based on data from OEC (2019)

One can note an outstanding role of machines item in Estonian and Lithuanian export to Russia starts from 2009 and a significant drop between 2014 and 2015 however, that drop could be explained not by Russian contra-sanctions but by sanctions of EU as a part of restrictions of technologies export. In the same time, the peak of that drop was in 2015 and so far export of machines start to grow up to the level that was before the implementation of sanctions. As for Latvia, those numbers in contrast with the other two countries is rather low, however, still, one can note the same increase and drop in numbers by years.

In order to visualize comparison of other selected items of Estonian export to Russia that currently under the sanctions and those that do not figure 4 was compiled by the author in a way of a graph.



*Figure 4.* The comparison of Estonian export to Russia of items which are under Russian sanctions with items that are not under sanctions in millions of dollars (\$)

Source: compiled by the author based on data from OEC (2019)

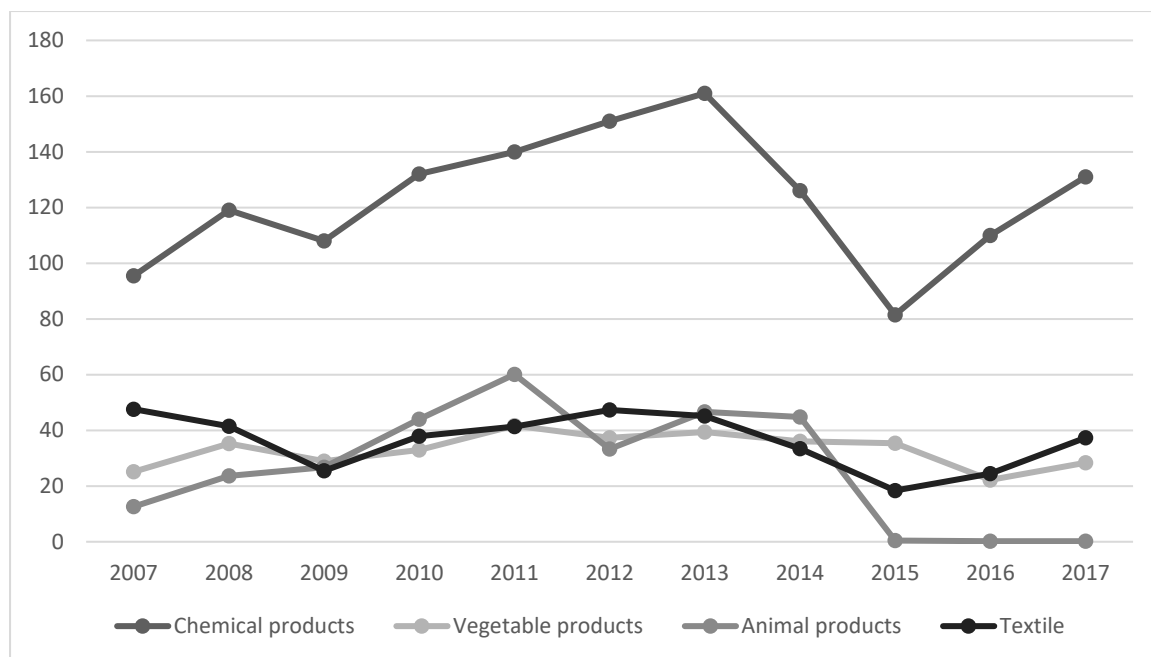
Once again, the author will not take into account data for vegetable products, as it is not an important part of Estonian export to Russia. As for Animal products, one can note drop almost to zero starts from 2014, which goes along with the implementation of Russian contra-

sanctions. The same situation is with textile export with the drop from 2013 to 2017 almost 7 times lower.

As for the foodstuffs, that drop in export is less significant than in other items and could be explained by a partial ban of products referred to that group, from the Russian federation side. Fall in numbers for chemical products also not crucial for the industry, but with a note that drop in export started before the implementation of sanctions and so far one can note the growth in this item.

Overall, the graph shows that drop in Estonian items of export to Russia that were under sanctions and Russian contra-sanctions was rather significant in comparison with items that were out of restrictions from both parties. Looking back to previous years it is possible to say that before 2013 dynamics of all items were rather stable with a growing. In the same time, the author accepts that some drops in numbers of those items were before 2013 as well, but they were not so significant, which might refer to the idea of the strong impact of sanctions on Estonian export to Russia.

The author compiled figure 5 in order to present the graph for selected items of Latvian export to Russia. Food items were not included in the graph as those numbers are much higher than any other item of Latvian export to Russia. However, according to data from OEC (2019), the author has to mention stable grow in that item numbers from 2009 (153 mln of \$) to 2013 (496 mln of \$) and a significant drop from 2014 (488 mln of \$) to 2015 (258 mln of \$). In the same time, starts from 2016 (213 mln of \$) one can note again significant grow up to 2017 (376 mln of \$), which refers to the idea that impact of Russian sanctions is partial on that item.



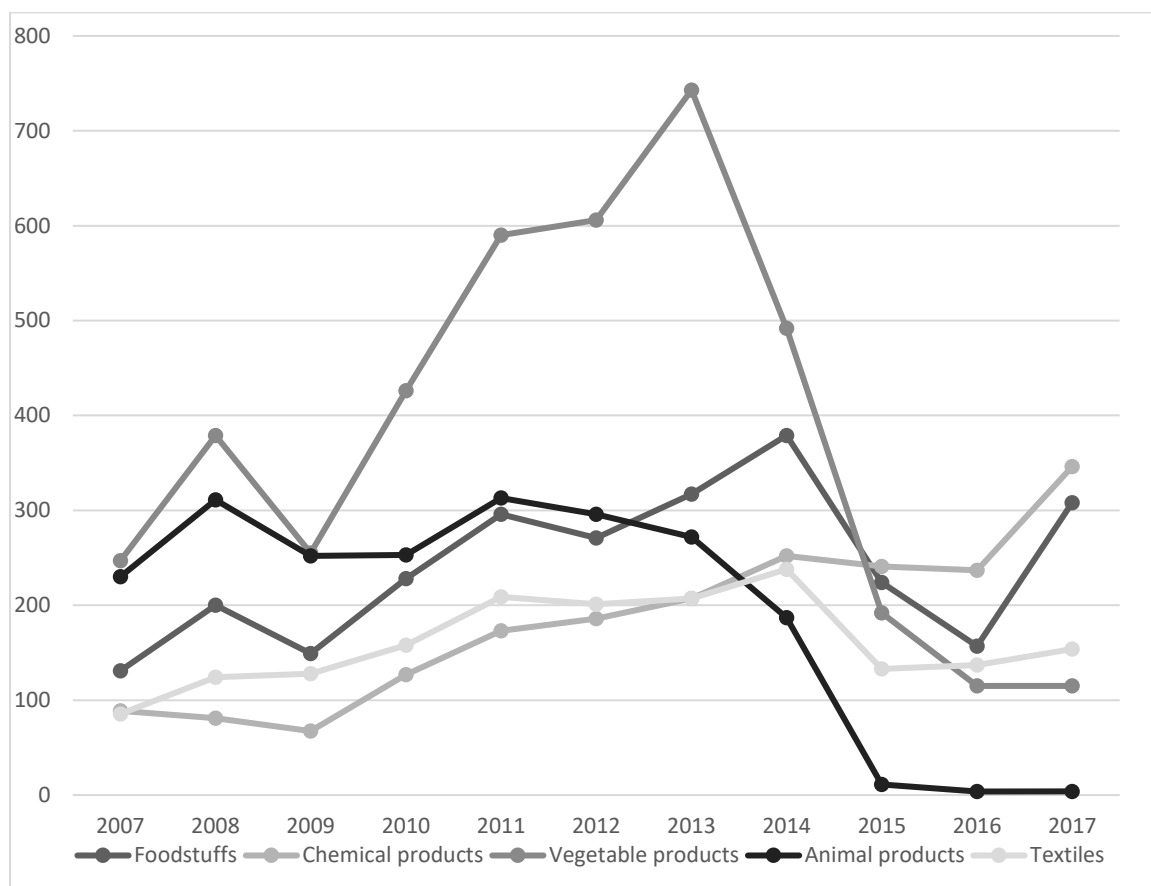
*Figure 5.* The comparison of Latvian export to Russia of items which are under Russian sanctions with items that are not under sanctions in millions of dollars (\$)

Source: compiled by the author based on data from OEC (2019)

One can note a couple of similarities with Estonian export to Russia. First of all, that Chemical products currently also show a tendency for a grow after a drop and already reached numbers that were in 2014.

Another similarity is the same drop almost to zero of animal products export, however it less important for Latvian export and approximately on the same level of significance with vegetable products and textiles. They are important but not crucial aspects of Latvian export. The difference is that both vegetable and textile show the tendency for current grow up to the numbers which were before the implementation of Russian sanctions against EU, and that goes against the idea of the strong impact of sanctions on a Latvian export to Russia. In the same time, one can say that there was not any such a massive drop in numbers, besides drop in animal products export between 2011 and 2012, in past 10 years as after the implementation of sanctions.

Figure 6 is a visualization for selected items of Lithuanian export to Russia in a way of a graph, compiled by the author.



*Figure 6.* The comparison of the Lithuanian export to Russia of items which are under Russian sanctions with items that are not under sanctions in millions of dollars (\$)

Source: compiled by the author based on data from OEC (2019)

In the case of Lithuania, the export of animal products to Russia the same way with both Latvia and Estonia dropped almost to zero in compare with numbers before the implementation of Russian sanctions. Vegetable products, which used to be a crucial part of Lithuanian export to Russia, before the sanctions, fall down almost 7 times in comparison with numbers for 2013. One more item that is under the Russian sanctions is textile, also shows a drop with the numbers in 2013, however one can note a minor grow in compare with 2016.

The current situation with foodstuffs export is quite debatable. On the one hand, current numbers are not so far from the highest numbers before the Russian sanctions. On the other hand, the author has to admit a significant drop between 2014 and 2016. Based on that data, possible to assume that once again impact of sanctions on that item is partial

A rather different situation is with the Chemical products, as it was not under the sanctions. There was not any significant drop in that item export, moreover one can even say about stable growth with a minor stagnation between 2014 and 2016.

Lithuania is an example of how sanctions might have a serious impact on the export of a country. In general, all items related to the Russian sanctions showed a significant drop in numbers after 2014, while those items that are not related to the sanctions or related partially demonstrates the tendency for a grow.

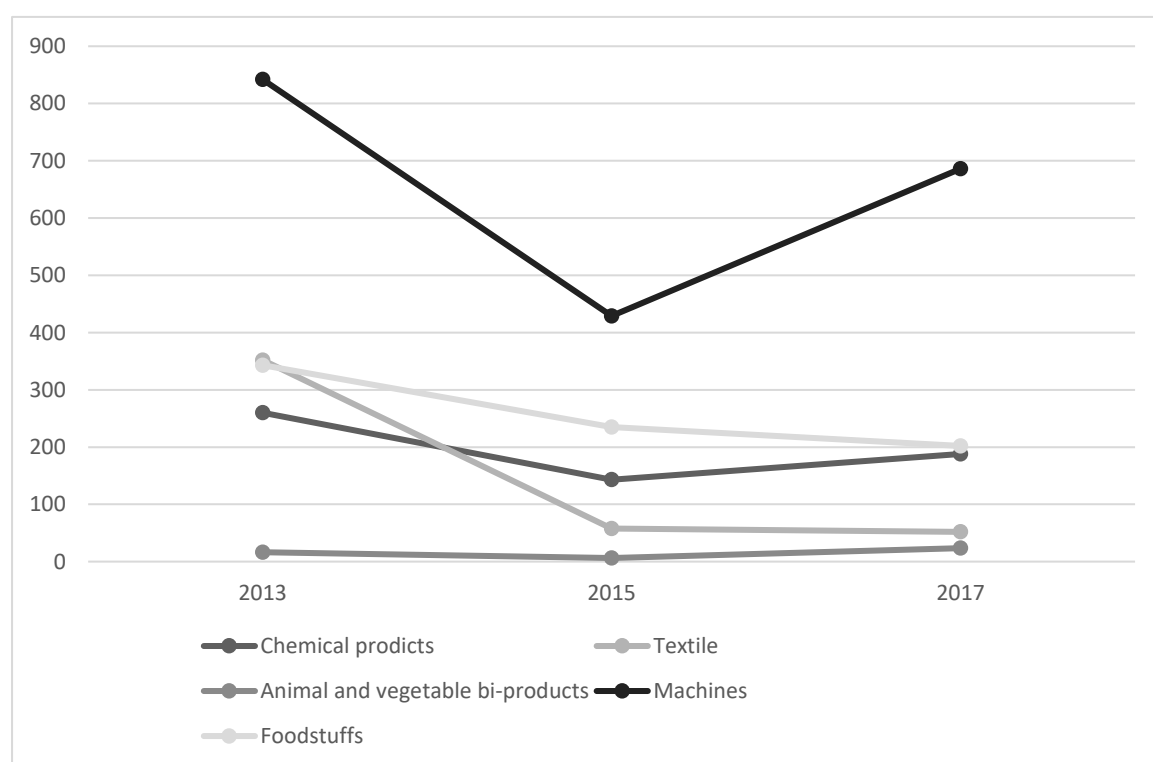
Overall, there is not enough information based on that data to give a clear answer regarding the impact of sanctions on the export of Baltic countries to Russia. On the one hand, there are no doubts regarding the impact of sanctions on a Lithuanian export to Russia as well as on some items for all 3 countries such as machines or animal products. On the other hand, there are no certainties regarding the general impact of sanctions on a Latvian export to Russia and results for Estonia might be interpreted in both ways.

What is more important, EU sanctions against Russia do not relate with particular items of trade and as it was mentioned previously diversified on 3 categories. Those sanctions that aimed at key sectors of Russian economy restricts items partially, only those products and technologies that used or might be for the military or energetic sector and in that line impact of EU sanctions should be evaluated via structural changes in export of Baltic countries in order to give a clear answer.

As for structural changes in export of Estonia to Russia, Author compiled Appendix A. In order to calculate percentage difference between the year before the sanctions were

implemented and the latest year in data Author used simple formula:  $x = ((b-a)/a) * 100$ , where b is an item value for the year 2017, a is an item value for the year 2013 and x is a percentage difference. Also, the author assumes that despite data were collected for all 21 categories some of them is useless for assessment of structural changes due to minor value.

In the case of Estonia, the author will not take not account such items as arts and antiques, precious metals, stone and glass, vegetable products, weapons, and wood products. One can note a decrease in almost all categories while animal and vegetable by-products increased on 41.57%, but that one is rather an exception from the total picture. Moreover, its contribution to total value cannot be highlighted as an important one. In order to represent that data figure 7 was compiled by the author as a graph model, including key items in Estonian export and those items that start to grow significantly.



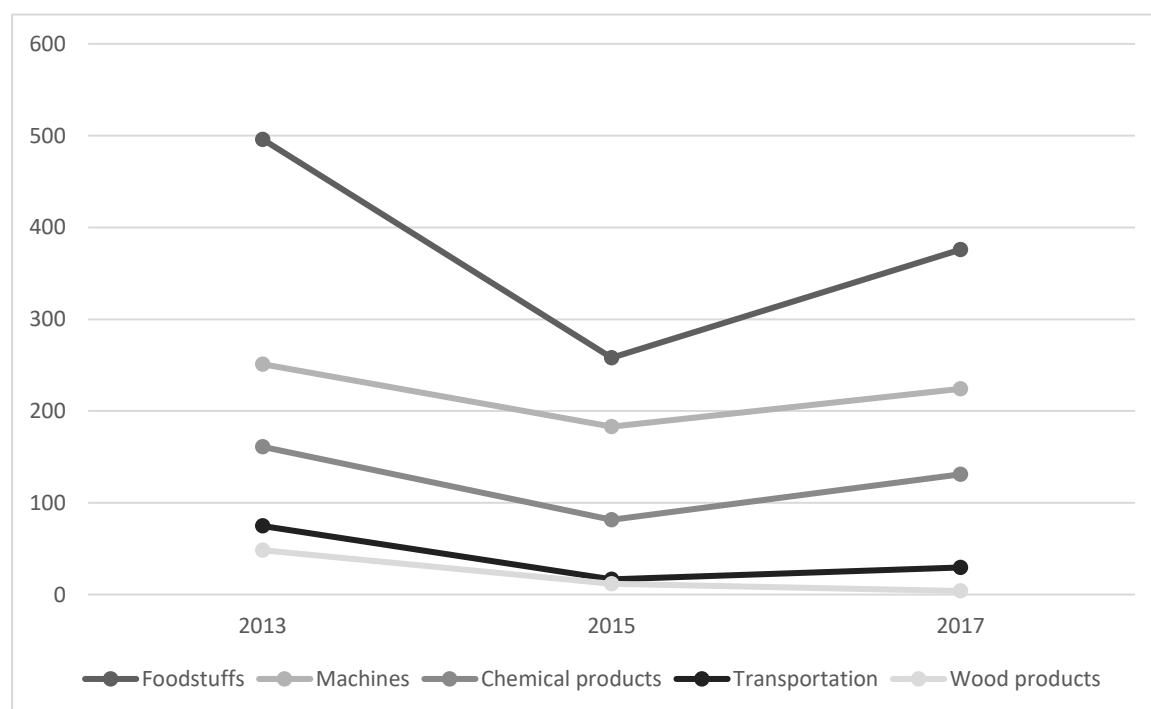
*Figure 7. Changes in the Estonian export to Russia in millions of dollars (\$)*

Source: compiled by the author based on data from OEC (2019)

As for the others in some of them, that fall was much more significant than in others like in animal hides, animal products, mineral products, paper goods, and textiles. The point

is that as those items lost more than  $\frac{3}{4}$  of its value they hardly can be named as an important one for the export anymore, except textile, which even with the loss of 85% is still among the first third of main export items. The outcome that currently there are no structural changes in Estonian export to Russia as key items remained the same, while items which show a growing are not important for the economy, except chemical products, at least for now.

Appendix B represents structural changes in export of Latvia to Russia. For Latvia, such items as animal and vegetable bi-products, animal hides, arts and antiques, footwear and headwear, instruments, miscellaneous, precious metals, and weapons are not crucial for export to Russia. Once again one can notice a total decrease in almost all items. As for the changes, significant fall was in animal products (-99.49%), mineral products (-92.88%) and wood products (-91.93). In analogy with Estonian export to Russia author compiled a Figure 8 for visualization of data.



*Figure 8.* Latvian export to Russia in millions of dollars (\$)

Source: compiled by the author based on data from OEC (2019)



However, it cannot be said that those changes are structural as those items are not valuable enough for the export of Latvia to Russia. As an exception, one can name wood production, with the drop on -91.93%, which is 2013 used to be in top 5 export items. In the same time, average changes in percentage are lower on a contrast with Estonia which explains why Latvian total loss in export to Russia almost twice lower than in Estonia. It is also possible to say that Latvia passed a breakeven point in export with Russia in 2015 and currently slowly starts to restore number, which was before the implementation of sanctions.

Data for analysis of changes in the structure of export to Russia for Lithuania presented in appendix C. From data for assessment, one can ignore the role of animal and vegetable bi-products, animal hides, arts and antiques, mineral products, precious metals, wood products and weapon. The most significant changes took place in animal products (-98.59%) and vegetable products (-84.52%). Both of them used to be crucial parts of Lithuanian exports to Russia. Instead of them, Lithuania increases export of chemical products (67.15%) and instruments (40.2%). Author to represent that numbers compiled Figure 9.

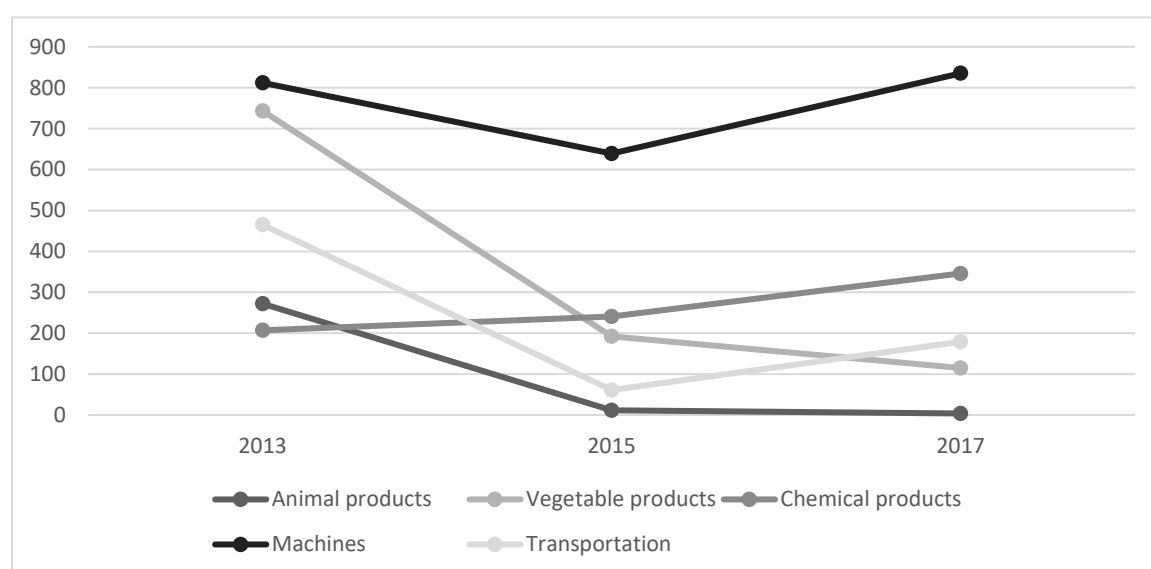


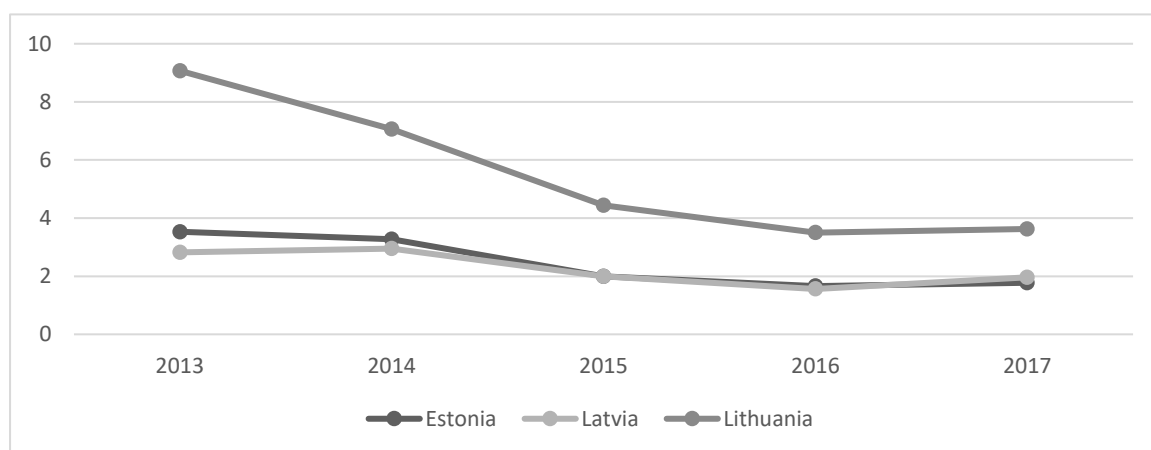
Figure 9. Lithuanian export to Russia in millions of dollars (\$)

Source: compiled by the author based on data from OEC (2019)

In that line, it could be said that Lithuania faced with structural changes of its export to Russia during the period of sanctions, even if it is restored the main item of an export (machines) on the same level with the one which was before sanctions were implemented.

Overall, only Lithuania had to deal with structural changes regarding export to Russia, out of all Baltic countries, which probably explains why the contribution of Russian export in total fall of Lithuanian exports is around 78% of the total value. For other countries, those numbers are also high which shows the importance of that market for the export of Baltic countries and explains why it is so difficult to submit this market on another. One can also note that the middle point of a decline in export for all countries was between 2015 and 2016. Starting from that point export of Latvia, Lithuania, and Estonia to Russia start to increase slowly, however yet it is too early to say that rather it is a breakpoint in the trade or just an exception in a tendency.

Figure 10 represents the import of Baltic countries from Russia in 2013- 2017. In order to do that import values of all 3, Baltic countries i.e. Estonia, Latvia and Lithuania from Russian federation was collected and a graph model was made



*Figure 10.* Import of Baltic countries from Russia in 2013- 2017. in billion dollars (\$)

Source: Compiled by the author based on the data from OEC (2019)

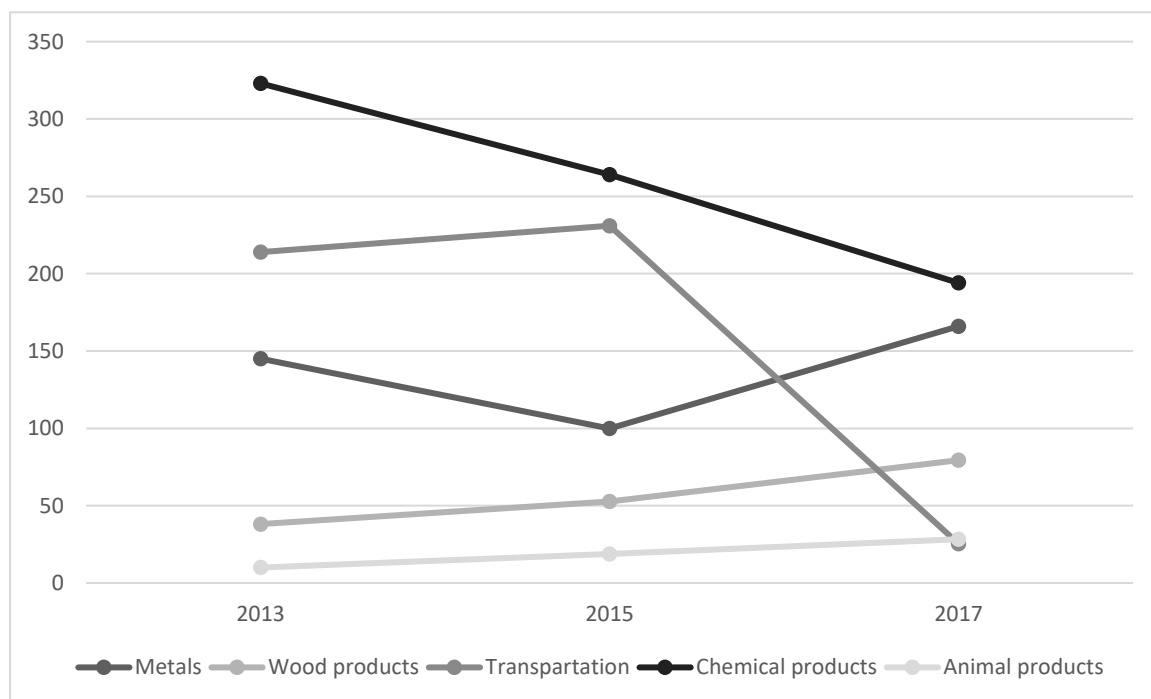
The first thing one can note is the difference in values for Lithuania and 2 other countries of the Baltic region. For the year 2013, i.e. before sanctions took a place Lithuanian

numbers of import (9.07 bln) from Russia was approximately higher on 2/3 in compare with Estonia (3.54 bln) and Latvia (2.82 bln). That is why statistically; drop in imports from Russia to Lithuania was higher than others and it is approximately about 60% while for Estonia and Latvia it is 50% and 30% respectively.

Before sanctions, Russia was the largest importer for Lithuania with 26 % of total import, but up to 2017 Russian give up the first place to Germany. The total loss in import is -3.7 bln, which is lower than the loss in import from Russia only (-5.44 bln). That means Lithuania actually find other importers to cover occurred gap in a field of trade. As for Estonia, Russia as well gives up the place of the main importer to Estonia to Germany in 2017 with only 10% of a share. The total loss in that case almost the same with Lithuania, which is 3.6 bln but the share of the Russian import here is a little more than a half. For Latvia, on the contrast with the other Baltic States, Russia before sanctions were not the main importer. In 2017 even with a decrease in a total share situation remained stable and Russia still, keeps the position of a second importer to Latvia, while for that period loss in total import was 2.1 bln. Share of Russian import changes in total import loss is 41%, which is lower than in other Baltic countries.

Appendix D represents data for the assessment of structural changes in Lithuanian import from Russia. The author will not take into consideration such items as animal hides, animal products, arts and antiques, footwear and headwear, instruments, miscellaneous, paper goods, precious metals, stone and glass, textiles, vegetable products, and weapons as their percentage in import is rather small. However, one should notice a strange trend in a rapid increase of the share of animal products (183%), while Lithuania used to export animal products to Russia in rather high amounts. The explanation is that by animal products one may understand different products. In that case, Russia imports to Lithuania fish, while Lithuania used to export milk production (OEC,2019). Another rapid grow is in wood

products (108,4%), that information presented in Figure 11, which the author made as a graph model.



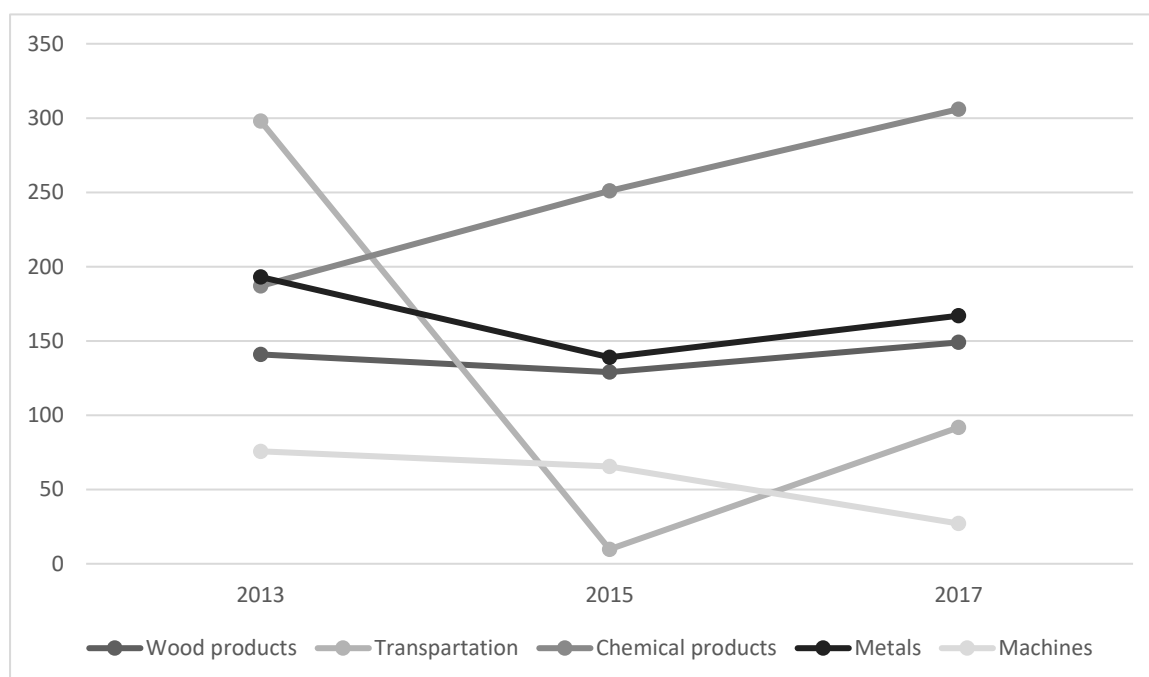
*Figure 11.* Lithuanian import from Russia in million dollars (\$)

Source: Compiled by author based on the data from OEC (2019)

As for losses in percentage, the author assumes that mineral products import should be outlined from the rest as its percentage in import far away from any other item. And fall on – 64.91% in this item plus significant loss in transportation on -88.13% give enough evidence to assume the existence of massive structural changes in import from Russia. The reasons behind according to Zygimantas (2014) is that currently Lithuania implementing different programs such as “LitPol Link” in order to reduce the dependence of a country from Russia.

In the case of Estonia author compiled appendix E for assessment of the existing situation in import from Russia. Firstly, one should ignore such items as animal and vegetable bi-products, animal hides, animal products, arts and antiques, foodstuffs, footwear and headwear, instruments, miscellaneous, paper goods, plastics and rubbers, precious metals,

stone and glass, textiles, vegetable products, and weapons. Despite it is more than 2/3 of all items, their share in import is relatively small. As for the other items, once again the outstanding role of mineral products in the Baltic States import from Russia confirmed. Import changes in Estonia pretty much the same with Lithuanian, the same item in a plus as wood products (5,67%) and the same items in a minus as transportation (-69.19). The only difference is a grow in a share of import of chemical products (63.64) and figure 12 represents that changes.



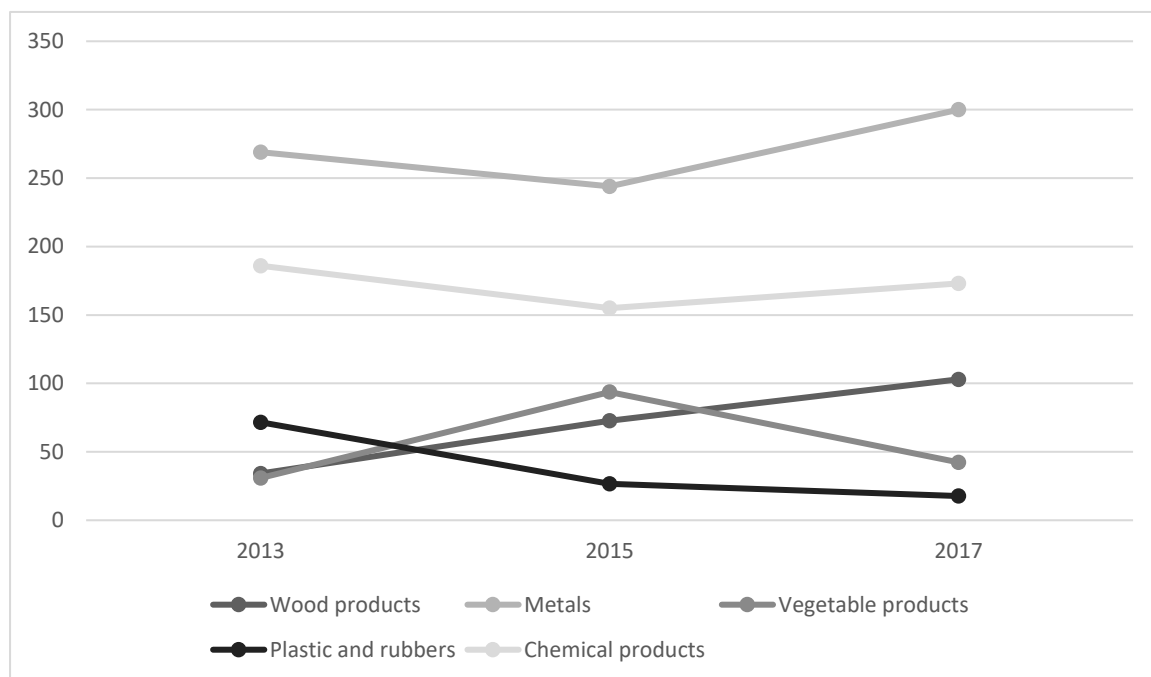
*Figure 12.* Estonian import from Russia in million dollars (\$)

Source: Compiled by the author based on the data from OEC (2019)

Same changes in main items with Lithuania also provides an idea of structural changes in Estonian import from Russia. Once again, it is easy to notice that the peak of decrease in import numbers was in 2015 and since that year numbers went up.

Data for Latvian import from Russia compiled by the author in appendix F. In a line with other countries of import analysis, insufficient items will be excluded. They are animal hides, animal products, arts and antiques, footwear and headwear, instruments, miscellaneous, paper goods, precious metals, stone and glass, textiles and weapons, which is

more than a half of all items. Looking on those which remained one can notice grow in wood products (201.17%) vegetable products (36.57%) and metals (11.52%). The author in a way of graph for visual representation compiled figure 13.



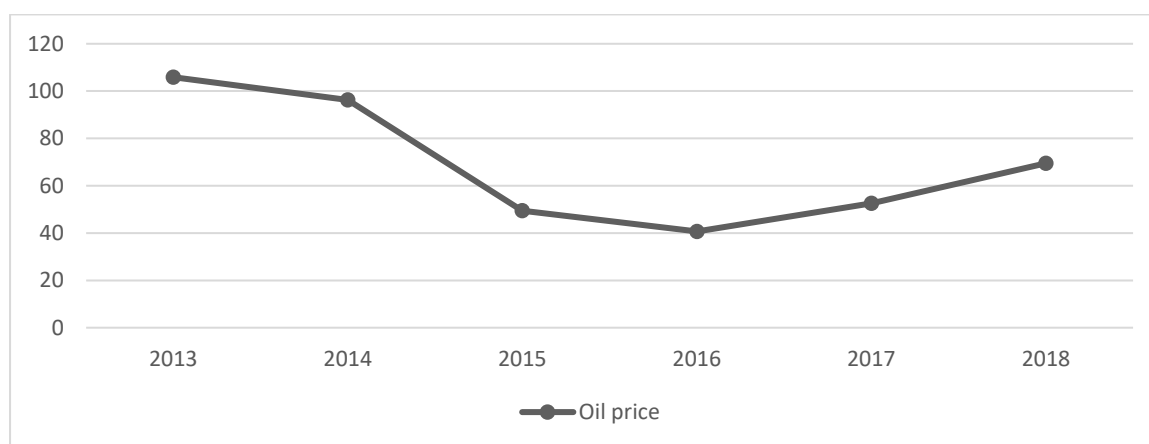
*Figure 13.* Latvian import from Russia in million dollars (\$)

Source: Compiled by the author based on the data from OEC (2019)

In the case of Latvian import from Latvia, it is hard to confirm or deny structural changes after the implementation of sanctions. Based on the graph one can say those main items remained on the same level or even improved its positions, in the same time share of mineral products even with the decrease on – 42.05% still is higher than any other. The point is that a decrease in such an outstanding item for sure means structural changes for import. Also, There is a structural change in the decrease of a share of plastic and rubbers on -75.28%, which might be called significant as well.

There are a couple of assumptions the author able to make after analysis of Baltic countries import from Russia. First of all, mineral products (gas, oil) playing an outstanding role in Russian import. According to Brown, (2019), no alternative for Baltic countries for gas and oil import put them in a vulnerable position, especially with the decrease of that

import. In the same time, EU sanctions on machines and technologies for oil and gas production might be a reason for that decrease. However, one should also take into account significant changes in oil prices in recent years. In order to visualize that information figure 14 was compiled in a way of a graph. From 2013 (105.87 \$ per barrel) prices went down more than twice up to 2016 (40.68 \$ per barrel). That means sanctions are not the only reason for changes in trade between Russia and Baltic countries, other external factors also might take a place.

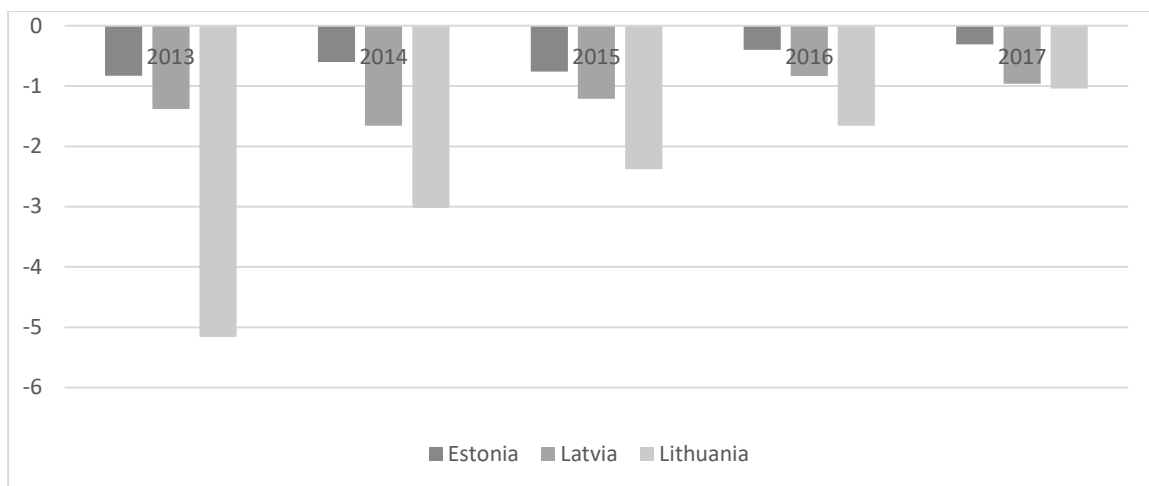


*Figure 14.* The dynamics of average OPEC oil prices (in \$ per barrel)

Source: Compiled by the author based on the data from Statista (2019)

Another decrease is in transportation, from -59% and more, depends on the country. In the same time, one can notice a trend for the growth of a volume of wood products. All of it allows making an assumption of serious structural changes in Baltic countries import from Russia after the implementation of sanctions.

Figure 15 was compiled by the author in a form of the histogram with grouping provides calculation regarding the trade balance of Baltic countries in a trade with Russia.



*Figure 15.* Trade balance of Baltic States in trade with Russia from 2013 to 2017 in billion dollars (\$)

Source: Compiled by the author based on the data from OEC (2019)

It is easy to understand out of the figure that all 3 countries have a negative or passive trade balance. It means that the country depends on the import rather than on export. The passive trade balance is considered undesirable and is usually evaluated as a sign of the weakness of the foreign trade positions of the country. In the same time after the implementation of the sanctions trade balance for all Baltic countries starts to move from minus to zero. That means Baltic countries currently try to decrease its vulnerability and to rearrange their trade connections with Russia in other directions.

In connection of analysis with previous researches regarding the impact of sanctions on the Russian-Baltic trade, the author found out that currently, the situation is quite complicated for assessment. The analysis shows significant changes in a structure of Baltic countries import from Russia and in the same time minor changes in a structure of Baltic countries export to Russia. On the one hand, that indirectly confirms the idea of Changwei, Xiaojia, and Lu (2019), with the change of vector of Russian foreign trade. That means a decrease in trade between parties will proceed further on (Oxenstierna, 2018). On the other hand, statistics clearly show that the peak of a crisis in trade was already passed in 2015-2016



and the situation slowly start to improve. That goes directly with the article written by Fedorov (2018), which says that both parties will find out a solution for the existing situation as they have common interests in a region.

Overall, after the comparative analysis author able to set up 2 opposite hypothesis. First one is that currently there is a strong impact of sanctions on trade between Russia and Baltics and because of it trade will go down further on in short-term perspective. Another one is that sanctions had a local effect on trade. Russia and Baltic countries already passed the breakeven point and numbers will go up further on from a short-term perspective. Both points of view have arguments for defense and, in order to choose final hypothesis, additional information strongly required.

## **2.2 Case studies of the impact of sanctions on a Russian-Baltic trade**

Despite comparative analysis of statistics starts from the year before sanctions took a place in 2013 and understanding of a what are the key changes in the trade between Russia and the Baltic countries, author still have to answer second question, which was set up in theoretical part: what trade participants in Baltic and Russia should be ready for further on in a nearest future? Without answering this question, it is not enough data to choose a final hypothesis, that is why author decided than in order to collect additional information it is reasonable to receive opinions of people who directly related with trade in between Russia and Baltic. Another reason is to test results of a comparative analysis of impact of sanctions on a Russia-Baltic trade.

The author will proceed to the qualitative part of the research. Namely, the goal is to conduct 5 extended interviews with the executives of firms that operate on this trade route. Again, taking the approach of an interview with the representatives of companies who works in this field was not yet done by any of the papers mentioned in this work.

Possible flows of such work could include the lack of views collected from the interviews. Since the author would like to conduct full-scale interviews that should last over 15 min and longer, it would not be feasible to collect a large number of those within the limited period given.

The questions asked during the interview were concerned regarding comparing of the statistical data to the real numbers, companies' perceptions about the situation on a market, Influence of political decisions on a market and companies itself and further predictions regarding this situation and what possibilities does the business have in these terms. Appendix G is a sample of interview structure, which was made by the author.

First theme of an interview is personal information, aimed to describe a person of interview. Those questions are regarding duties of a interviewee and his position in a company. Names of interviews will be substituted on a interview 1,2,3 and so on as some respondents do not agree to share this sensitive information. Some questions in this group aimed to measure how deep that person opinion represents company vectors and ideas. The point is that for example customer support agents are not able to provide reliable information regarding further plans of a company development. Questions regarding gender and age made in order to see demography of a respondents.

Second topic is questions related with statistics and current situation in a Russian-Baltic trade. Those group of question in general represents the company. The idea is to stress results of comparative methods. One can also define how each company related with Russia-Baltic trade in that part. Author separated questions regarding company and market in general to avoid situation where results might be interpreted too narrow or too broad.

Last group of questions is related with further predictions regarding situation. Those predictions based on questions regarding further plans of a company for development. Also regarding how important authors consider the impact of sanctions on a trade in region. This

part is rather personal perceptions of interviews, based on experience in trade between Russia and Baltic sea countries.

The interview will allow the author to evaluate the reality of after-the-sanctions trade from the business players who had perceived the impact of sanctions in their day-to-day working environment. It also helps to answer the question, which was arise previously. And as an outcome to choose one final hypothesis for the thesis.

In order to present information regarding interviewees

Interviewee	Age	Sex	Country	Company	Position	Interview length	Interview date
Interviewee 1	62	Male	Latvia	Alpha Osta	Owner	16 min 50 sec	21.04
Interviewee 2	40	Male	Latvia	ADM Baltic Tranzits	Director (CEO)	39 min	22.04
Interviewee 3	31	Male	Estonia	WASTERE FINERY OÜ	Director (CEO)	18 min 33 sec	15.04
Interviewee 4	27	Male	Estonia	APL agencies Estonia OÜ	Team leader of customer support	19 min 21 sec	06.05
Interviewee 5	28	Male	Russia	Siemens Russia	Specialist of press-center	20 min 15 sec	30.04

Source: compiled by author

What can be noticed from the table is that there are no representatives from Lithuania. That might become a minor gap in the collaboration of data from the interviews and statistics. In the same time author, assume that views from 3 countries out of 4 countries which involved in trade between Russia and Baltic countries, will cover the whole topic. This goes in a line with the finding from the comparative analysis, that Russian export to Lithuania and Estonia are quite similar.

Answers of interviewees were combined together and presented in the form of a table in appendix H. Regarding the current situation in the field of trade between Russia and Baltic countries almost all informants went in line with statistical data. To be more precise, the

statistical drop in Baltic countries import from Russia as well as a decrease in export of Baltic countries to Russia were confirmed. In the same time, looking back to theoretical part one can stress article wrote by Veebel and Markus (2018), as author received confirmation from informants that drop in one sector of trade (transportation) leads to drop in others as well (chemical, vegetable) and in that line sanctions had a significant effect on the trade in region.

Another important message from Theme 2 of interviews is that in current situation companies both in Baltic countries as well as in Russia working on rearrangement on other markets. Especially important in that line information received from interviewee 4 as his company works both in Baltic states and Russia. While Baltic companies searching for entrance on other EU countries markets, Russian companies searching for entrance on Asian markets. This goes against article wrote by Zygimantas (2014), that Baltic countries would have problems with rearrangement on other markets due to a weak competitive position. However, one could say that the article was written 5 years ago, and for that time Baltic countries were able to resolve its issue either by investigation of new markets or improvement of competitive position.

Theme 3 was related to the question of what trade participants in Baltic and Russia should be ready for further on in the future. First of all, the author noticed that several respondents opinions go along with the article wrote by Kovalev, Falchenko & Savelyeva (2019). The point is that the question of cancellation of sanction currently depends on the will of the Russian government. Despite its related with the topic of a thesis indirectly, one also can notice that according to respondents' Russian producers currently have a great opportunity for the development and a chance to replace import products from other countries. The way how it is related with the thesis is that indirectly it confirms the idea of Nureev and Petrakov (2016) that current situation in perspective is a threat for the development of the trade in the region.

The author also noticed differences between local Baltic companies and international companies. Despite all the companies, consider sanctions as a threat, international companies measure their impact less strong than local. The reason behind is that international companies have an ability for other entrance on a Russian market, besides Baltic countries, which provides them more visible opportunities and perspectives on contrast with local ones.

Once the question of further perspectives was set up, based on interviews Author able to say that companies in Baltic mostly planning or already started to expand on other markets. Reasons behind are that entrepreneurs do not really see any possibilities for the development of trade between Russia and Baltic countries, at least in a short-term perspective. That information actually declines the article wrote by Fedorov (2018) and in the same time goes along with the article wrote by Oxenstierna (2018) which says that trade in a region will go down in the perspective with the decline of the importance of that trade for both parties.

Finally, one can combine theory from Oxenstemanian, Kashparov and Smirnova and Brown, with the results from the comparative analysis, which confirms structural changes in trade inside the region and qualitative research which rejects opposite hypothesis based on the idea wrote by Fedorov (2018). In that line, Author in that bachelor thesis confirmed hypothesis that currently there is a strong impact of sanctions on trade between Russia and Baltics and because of it trade will go down further on in a short-term perspective. As for those findings that go against that hypothesis, the author assume them as an exception from the current situation that also should be taken into account while the assessment of an existing situation. However, the author truly believes that a pragmatic analysis of Russian-Baltic trade by both parties will lead to a positive dynamic in the mutual dialogue from a long-term perspective.

## Conclusion

Looking back on the aim of this Bachelor thesis, the analyses demonstrate that Baltic-Russian trade is considerably declined after the sanctions were established. It is possible to say that that decline had a combined effect, but one can not deny that sanctions played their role. The biggest decline could be seen in those trade sectors that are under EU sanctions or Russian contra-sanctions. Overall, that confirms the idea that sanctions are a natural barrier for any development of trade.

At present, the stability of a state is determined by the level of development of its economy, therefore the restriction of trade ties makes sanctions a powerful instrument of influence. On the other hand, the state on which sanctions are imposed has the opportunity to embark on the path of economic development based on internal resources, adopting appropriate development programs.

Sanctions in the Russian-Baltic trade sector clearly shows that sanctions by itself might take different forms depends on the reasons behind them and from the purposes they applied for. It also should be taken into account, that sanctions were not a separate shock event but a bundle of actions of EU countries and backward actions from Russia. Those actions have a lasting effect due to recent changes in sanctions that were already applied and implementation of new restrictions.

The author in this bachelor thesis fulfills the gap in previous researches regarding this topic, as there are not enough researchers regarding the impact of sanctions on a Russian-Baltic trade separately from the impact of sanctions on a Russian-EU trade. One should admit that despite sanctions of Baltic countries is the part of EU sanctions applied to Russia and Russian contra-sanctions applied to all EU countries, in the same time impact of those sanctions on trade between Russia and Estonia, Latvia and Lithuania should be measured

separately from the whole EU. The idea behind is different key elements of trade for each country.

Once again, data from the statistics leads to several conclusions and they are quite different from each other, or even controversial. One conclusion is a strong impact of sanctions on trade between Russia and Baltics and because of it, trade volume will continue to fall in the short-term perspective. Another one is that sanctions had a local effect on trade. Russia and Baltic countries already passed the breakeven point in that crisis and numbers will go up further on.

In that line that case studies (interviews) conducted from representatives of companies with the real experience regarding this topic is so important. Such an approach for the collection of information from the first hand supports statistical analyses and gives an opportunity to see a broader situation.

What could be assumed based on both interviews and statistics is that Russian government expects that current situation will open up new horizons and prospects for the development of key sectors of the Russian economy, which can be achieved through overcoming various obstacles to the development of domestic production of necessary products, technologies, components, and equipment.

In their turn, business in both Baltic countries and Russia decided to rearrange its trade connections to other markets, as the existing situation cannot be resolved at once, as there is a strong impact of sanctions on trade between Russia and Baltics and because of it trade will go down further on in a short-term perspective. In the same time, the current decline in trade does not mean the end of the dialogue between countries and moreover, might mean that further steps of both parties regarding trade between Russia and Baltic countries are still not decided. All these refer to the idea that the economic aspect of an existing situation will dominate on a political further on but only in a long-term perspective.

## References

1. Amadeo, K. (2019). *Exports and Their Effect on the Economy*. Retrieved from:  
<https://www.thebalance.com/exports-definition-examples-effect-on-economy-3305838>
2. Amadeo, K. (2019). *Imports and How They Affect the Economy*. Retrieved from:  
<https://www.thebalance.com/imports-definition-examples-effect-on-economy-3305851>
3. Antonov, E. (2016). *Премьеры стран Балтии выступили за продление санкций против РФ.*/ Prime Ministers of the Baltic States called for the extension of sanctions against the Russian Federation./ Retrived from: <https://tass.ru/mezhdunarodnaya-panorama/3858849>
4. Bergeijk, P.A. van (2009). *Economic diplomacy and the geography of international trade*. Edward Elgar Publishing.
5. Brown, S. (2019). Russia's Use of the Energy Weapon: How Russia Manipulates Ukraine, Georgia, and the Baltic States. *Scholarly Horizons: University of Minnesota, Morris Undergraduate Journal*, 6(1), 1.
6. Caveign, D. (2019). *President Kaljulaid meets Russian President Putin*. Retrieved from:  
<https://news.err.ee/931310/gallery-president-kaljulaid-meets-russian-president-putin>
7. Changwei, P., Xiaojia, Z., & Lu, S. (2019). US hegemony and Sino-Russia energy security cooperation. In *E3S Web of Conferences*(Vol. 77, p. 01002). EDP Sciences.
8. Charnovitz, S. (2001). Rethinking WTO trade sanctions. *American Journal of International Law*, 95(4), 792-832.
9. Collier, David, The Comparative Method (1993). *Political Science: The state of the discipline II*. Amer Political Science Assn.
10. Dreyer, I., & Popescu, N. (2014). Do sanctions against Russia work. *European Union*



*Institute for Security Studies, 35.*

11. Esser, F., & Vliegenthart, R. (2017). Comparative research methods. *The International Encyclopedia of Communication Research Methods*, 1-22.
12. Eur-Lex. (2014). *Council decision №145*. Retrieved from: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2014:078:0016:0021:EN:PDF>
13. Eur-Lex. (2014). *Council decision №512*. Retrieved from: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2014\\_229\\_R\\_0003&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2014_229_R_0003&from=EN)
14. Eur-Lex. (2014). *Council decision №659*. Retrieved from: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014D0659&from=EN>
15. Eur-Lex. (2014). *Council regulation №269*. Retrieved from: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0269&from=EN>
16. Eur-Lex. (2014). *Council regulation №833*. Retrieved from: [https://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2014\\_229\\_R\\_0001&from=EN](https://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2014_229_R_0001&from=EN)
17. Eur-Lex. (2014). *Council regulation №960*. Retrieved from: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0960&from=EN>
18. Eurostat. (2016). *Overview*. Retrieved from: <https://ec.europa.eu/eurostat/about/overview>
19. Fedorov, G. (2018). Российская Федерация в балтийском регионе: Политические отношения и экономическое развитие в 1992-2017 гг./ Russian Federation in the Baltic region: political relations and economic development in years 1992 2017./ *Polis: Journal of Political Studies*, (3).
20. Gavrilenko, A. (2016). Влияние санкций на отдельные отрасли российской экономики./ The impact of sanctions on certain sectors of the Russian economy./ *Научно-методический электронный журнал Концепт*, 11, 2801-2805.
21. Graphic method of economic analysis. (n.d.). Retrieved from: <https://goo.gl/Siu9eS>
22. Kashparov, D. & Smirnova, O. (2016). Экономические последствия санкций ЕС

- против России и российских контрсанкций./ The economic consequences of EU sanctions against Russia and Russian counter-sanctions./ *Вопросы экономики и управления*, (5-1), 97-99.
23. Kchmilev, V. (2010). *Современные международные отношения: учебное пособие.*/ Modern international relations: a textbook./ Томск: Изд-во Томского политехнического университета.
  24. Kenton, W. (2018). *Balance Of Trade – BOT*. Retrieved from:  
<https://www.investopedia.com/terms/b/bot.asp>
  25. Kovalev, V., Falchenko, O., & Savelyeva, I. (2019, January). Import Substitution as a Strategy for the New Industrialization of the Russian Agricultural Sector in the Eurasian Economic Union. In *2nd International Scientific conference on New Industrialization: Global, national, regional dimension (SICNI 2018)*. Atlantis Press.
  26. Kuznets, S. (1971). Modern Economic Growth: Findings and Reflections. Nobel Prize Lecture.
  27. Lindsay, J. M. (1986). Trade sanctions as policy instruments: A re-examination. *International Studies Quarterly*, 30(2), 153-173.
  28. McDonald, B. (2012). International Trade: Commerce among Nations. *Finance and Development*.
  29. Moseley, F. (2010). Criticisms of aggregate demand and aggregate supply and Mankiw's presentation. *Review of Radical Political Economics*, 42(3), 308-314
  30. Nureev, R. & Petrakov, P. (2016). Экономические санкции против России: ожидания и реальность./ Economic sanctions against Russia: expectations and reality./ *Мир новой экономики*, (3).
  31. OEC. (2019). *About the site*. Retrieved from:  
<https://atlas.media.mit.edu/ru/resources/about/>

32. Oja, K. (2015). No milk for the bear: the impact on the Baltic states of Russia's counter-sanctions. *Baltic Journal of Economics*, 15(1), 38-49.
33. Oxenstierna, S. (2018). *The sanctions against Russia. Are there winners and losers around the Baltic Sea?* Retrieved from: <https://bit.ly/2DtKJIB>
34. Pickvance, C. (2005). The four varieties of comparative analysis: the case of environmental regulation.
35. Portela, C. (2012). *European Union sanctions and foreign policy: when and why do they work?*. Routledge.
36. Publication Pravo. (2016). *Постановление №472.*/ Russian federation government decree №472./ Retrieved from: <https://bit.ly/2JBmqpI>
37. RIA News. (2014). *Санкционные списки против российских граждан и компаний.*/ Sanctions lists against Russian citizens and companies./ Retrieved from: <https://goo.gl/5yEZhm>
38. Rosstat. (2017). *Постановление о федеральной службе государственной статистики.*/ Decree on the Federal State Statistics Service./ Retrieved from: [http://www.gks.ru/free\\_doc/new\\_site/rosstat/post\\_rosstat.htm](http://www.gks.ru/free_doc/new_site/rosstat/post_rosstat.htm)
39. Russian federal custom service. (2019). *Статистика внешней торговли Российской Федерации.*/ Statistics of foreign trade of the Russian Federation./ Retrieved from: <https://goo.gl/gFdJJM>
40. Seninskiy, S. (2017). *"Правильная" статистика.*/ "Correct" statistics./ Retrieved from: <https://www.svoboda.org/a/28412630.html>
41. Simoes, A. J. G., & Hidalgo, C. A. (2011, August). The economic complexity observatory: An analytical tool for understanding the dynamics of economic development. In *Workshops at the twenty-fifth AAAI conference on artificial intelligence*.

42. Static. (2014). *Постановление №791.*/ Russian federation government decree №791./  
Retrieved from: <http://static.government.ru/media/files/41d4fb897de81b5cd804.pdf>
43. Static. (2014). *Указ Президента №560.*/ Russian federation presidential decree №560./  
Retrieved from: <http://static.government.ru/media/files/41d4f8cdfeeb731522d2.pdf>
44. Statista. (2019). *Average annual OPEC crude oil price from 1960 to 2019.* Retrieved  
from: <https://www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/>
45. Statistics Estonia. (2019). *Statistical database user guide.* Retrieved from:  
[http://andmebaas.stat.ee/Content/themes/SE/static/help/WBOS%20User%20Guide%20\(EN\).PDF](http://andmebaas.stat.ee/Content/themes/SE/static/help/WBOS%20User%20Guide%20(EN).PDF)
46. Stehrer, R. (2012). *Trade in value added and the valued added in trade.* Verein" Wiener  
Inst. für Internat. Wirtschaftsvergleiche"(WIIW).
47. Stolbovskaya, A. (2015). Импортозамещение в России: не проблема, а задача./ Import  
substitution in Russia: not a problem, but a task./ *Интеллектуальные ресурсы-  
региональному развитию*, 3(1-3), 44-47.
48. Trent J. Bertrand, Maurice Allais, Bela Balassa, Romney Robinson & Paul Wonnacott.  
(2019). *International trade.* Retrieved from:  
<https://www.britannica.com/topic/international-trade>
49. *UN charter.* (n.d.). Retrieved from: <http://www.un.org/en/sections/un-charter/un-charter-full-text/>
50. UN trade statistics. (2016). *Re-exports and Re-imports.* Retrieved from:  
<https://unstats.un.org/unsd/tradekb/Knowledgebase/Reexports-and-Reimports>
51. Vartiainen, P. (2002). On the principles of comparative evaluation. *Evaluation*, 8(3), 359-371.
52. Veebel, V., & Markus, R. (2018). The bust, the boom and the sanctions in trade relations

with Russia. *Journal of International Studies Vol, 11(1)*.

53. Zaernuk, V., & Alavifar, C. (2015). Оценка эффективности введения санкций: мировой опыт./ Evaluation of the effectiveness of the implementation of sanctions: global experience./ *Финансовая аналитика: проблемы и решения*, (42 (276)).
54. Zygimantas, M. (2014). *High dependence does not mean high energy insecurity*.  
Retrieved from: <https://e-markets.nordea.com/research/attachment/15705>
55. Zygimantas, M. (2014). *The effect of Russian economic sanctions on Baltic States*.  
Retrieved from: <https://e-markets.nordea.com/research/attachment/17231>

## Appendices

### Appendix A

#### Structural changes in Estonia exports to Russia after sanction implementation

Items	Years					Changes in %
	2013	2014	2015	2016	2017	
Animal and vegetable bi-products	16.6	18.4	6.25	3.19	23.5	41.57%
Animal hides	68.7	34	11.6	8.52	5.76	-91.62%
Animal products	92.1	37.4	1.35	1.88	1.54	-98.33%
Arts and atiques	0.135	0.44	0.162	0.575	2.42	1692.59%
Chemical products	260	248	143	132	188	-27.69%
Foodstuffs	343	359	235	205	202	-41.11%
Footwear and headwear	50.1	26.6	7.11	19.9	17.4	-65.27%
Instruments	72.9	71.4	31.5	43.3	48.1	-34.02%
Machines	842	1210	429	489	686	-18.53%
Metals	95.9	84	55.4	63.9	69.8	-27.22%
Mineral products	48.7	31	19.5	6.33	4.89	-89.96%
Miscellaneous	96.8	53.8	42	45.7	35.3	-63.53%
Paper goods	42	18.3	11.9	11.5	9.16	-78.19%
Plastics and rubbers	152	189	102	47	55.9	-63.22%
Precious metals	2.04	2.28	0.847	1.43	0.344	-83.14%
Stone and glass	28.5	16.5	9.83	5.86	6.43	-77.44%
Textiles	352	135	57.7	74.9	51.9	-85.26%
Transportation	96.3	112	47.8	88	41.1	-57.32%
Vegetable products	15.7	16.2	11.3	12.1	11.1	-29.30%
Weapons	3.24	2.62	1.51	0.26	1.03	-68.21%
Wood products	17.4	10.7	5.38	3.98	4.48	-74.25%

*Notes:* Items measured in million dollars (\$)

Source: compiled by author based on data collected from OEC (2019)

## Appendix B

## Structural changes in Latvia exports to Russia after sanction implementation

Items	Years					Changes in %
	2013	2014	2015	2016	2017	
Animal and vegetable bi-products	0.817	0.603	0.373	0.181	0.902	10.40%
Animal hides	3.83	3.24	2.37	2.27	2.31	-39.69%
Animal products	46.6	44.8	0.419	0.244	0.239	-99.49%
Arts and antiques	0.287	0.364	0.199	0.798	0.474	65.16%
Chemical products	161	126	81.5	110	131	-18.63%
Foodstuffs	496	488	258	213	376	-24.19%
Footwear and headwear	6.43	4.51	1.71	2.01	2.08	-67.65%
Instruments	20.4	16.6	33.8	28.3	17.6	-13.73%
Machines	251	232	183	165	224	-10.76%
Metals	38.7	29.3	21.6	29.4	34.1	-11.89%
Mineral products	31.6	33	19.5	2.05	2.25	-92.88%
Miscellaneous	22	20.7	10.2	13.3	11.5	-47.73%
Paper goods	44.6	37.4	25.3	19.8	23.6	-47.09%
Plastics and rubbers	70	71.9	49.8	50.1	53.8	-23.14%
Precious metals	10.6	9.86	9.65	7.88	7.29	-31.23%
Stone and glass	28	21.3	11.3	10.9	10.3	-63.21%
Textiles	45.1	33.4	18.4	24.4	37.3	-17.29%
Transportation	74.7	32.6	16.6	21.2	29.7	-60.24%
Vegetable products	39.4	36.1	35.4	22.2	28.4	-27.92%
Weapons	0.145	0.142	0.159	0.169	0.066	-54.48%
Wood products	48.3	44.8	11.9	3.56	3.9	-91.93%

*Notes:* Items measured in million dollars (\$)

Source: compiled by author based on data collected from OEC (2019)

## Appendix C

## Structural changes in Lithuania exports to Russia after sanction implementation

Items	Years					Changes in %
	2013	2014	2015	2016	2017	
Animal and vegetable bi-products	6.75	6.33	3.4	8.88	10.5	55.56%
Animal hides	24.1	25.4	15.6	12	12.2	-49.38%
Animal products	272	187	11.2	3.85	3.84	-98.59%
Arts and antiques	1.33	0.477	0.769	2.39	2.62	96.99%
Chemical products	207	252	241	237	346	67.15%
Foodstuffs	317	379	224	157	308	-2.84%
Footwear and headwear	54.7	39.8	18.6	16.9	22.3	-59.23%
Instruments	102	173	117	113	143	40.20%
Machines	812	1350	639	573	835	2.83%
Metals	151	122	81.4	85.8	136	-9.93%
Mineral products	39.1	27.1	35.7	14.2	11.8	-69.82%
Miscellaneous	143	144	81.2	84.5	80.4	-43.78%
Paper goods	94.9	83.5	46.8	48	46.6	-50.90%
Plastics and rubbers	158	147	91.4	98.2	127	-19.62%
Precious metals	1.09	1.08	1.15	0.899	1.41	29.36%
Stone and glass	73.8	65.2	43.2	35.7	45.1	-38.89%
Textiles	207	238	133	137	154	-25.60%
Transportation	465	234	61.1	80.5	179	-61.51%
Vegetable products	743	492	192	115	115	-84.52%
Weapons	0.278	0.138	0.062	0.022	0.026	-90.65%
Wood products	40.2	29.6	18	12.8	15	-62.69%

*Notes:* Items measured in million dollars (\$)

Source: compiled by author based on data collected from OEC (2019)



## Appendix D

## Structural changes in Lithuania imports from Russia after sanction implementation

Items	Years					Changes in %
	2013	2014	2015	2016	2017	
Animal and vegetable bi-products	52.4	51.9	31	32.8	37.5	-28.44%
Animal hides	0.258	0.636	0.797	0.478	0.881	241.47%
Animal products	10	9.4	18.7	32.4	28.3	183.00%
Arts and antiques	0.006	0.026	0.003	0.043	0.149	2383.33%
Chemical products	323	265	264	180	194	-39.94%
Foodstuffs	44.6	44.6	24.4	33.6	25.2	-43.50%
Footwear and headwear	0.827	0.846	0.3	0.384	0.509	-38.45%
Instruments	11.7	6.3	7.76	6.25	5.01	-57.18%
Machines	84.3	82.8	53.9	35.6	53.5	-36.54%
Metals	145	116	99.9	136	166	14.48%
Mineral products	7980	6250	3490	2740	2800	-64.91%
Miscellaneous	8.48	10.2	7.02	9.92	7.51	-11.44%
Paper goods	24	24.2	23.3	22.9	28.1	17.08%
Plastics and rubbers	78.8	93.1	66.7	76.8	83.8	6.35%
Precious metals	1.25	1.72	4.89	15.1	28.3	2164.00%
Stone and glass	14	18	15.8	15	19.4	38.57%
Textiles	6.73	8.13	9.35	8.4	6.29	-6.54%
Transportation	214	202	231	41.5	25.4	-88.13%
Vegetable products	31.9	27.1	41.7	35.9	37.8	18.50%
Weapons	0.134	0.003	0.003	0	0	-100.00%
Wood products	38.1	51	52.8	69.4	79.4	108.40%

*Notes:* Items measured in million dollars (\$)

Source: compiled by author based on data collected from OEC (2019)

## Appendix E

## Structural changes in Estonia imports from Russia after sanction implementation

Items	Years					Changes in %
	2013	2014	2015	2016	2017	
Animal and vegetable bi-products	4.09	1.83	2.15	0.742	1.12	-72.62%
Animal hides	5.48	4.58	1.18	0.51	0.418	-92.37%
Animal products	6.96	6.47	7.98	8.18	6.74	-3.16%
Arts and antiques	0.825	0.122	0.015	0.56	0.048	-94.18%
Chemical products	187	287.	251	257	306	63.64%
Foodstuffs	13	14.8	9.52	18	13.6	4.62%
Footwear and headwear	2.22	0.621	0.44	0.553	0.537	-75.81%
Instruments	1.42	4.51	1.45	1.51	2.31	62.68%
Machines	75.7	64.5	65.5	36.1	27.1	-64.20%
Metals	193	139	139	138	167	-13.47%
Mineral products	2540	2490	1310	965	931	-63.35%
Miscellaneous	4.43	3.41	4.28	4.63	6.35	43.34%
Paper goods	12.3	15.8	17.1	18.2	23	86.99%
Plastics and rubbers	20.3	18	15.9	14	17.5	-13.79%
Precious metals	0.9	1.48	1.16	1.52	2.02	124.44%
Stone and glass	11.9	11.4	11.6	15.3	20.1	68.91%
Textiles	4.94	3.13	2.51	3.65	6.11	23.68%
Transportation	298	42.7	9.76	38.5	91.8	-69.19%
Vegetable products	5.79	3.21	4.1	6.24	4.09	-29.36%
Weapons	1.06	0.546	0.895	0.974	1.31	23.58%
Wood products	141	156	129	133	149	5.67%

*Notes:* Items measured in million dollars (\$)

Source: compiled by author based on data collected from OEC (2019)

## Appendix F

## Structural changes in Latvia imports from Russia after sanction implementation

Items	Years					Changes in %
	2013	2014	2015	2016	2017	
Animal and vegetable bi-products	42.8	37.2	23.1	12	16.2	-62.15%
Animal hides	18.3	16.4	2.18	0.047	2.4	-86.89%
Animal products	0.241	0.01	0.163	0.064	0.356	47.72%
Arts and antiques	0.025	0.004	0.014	0.01	53.1	112.00%
Chemical products	186	179	155	133	173	-6.99%
Foodstuffs	55.9	66.7	43.8	49.7	51.9	-7.16%
Footwear and headwear	0.987	3.65	0.243	0.331	0.348	-64.74%
Instruments	6.61	7.31	6.63	3.15	5.67	-14.22%
Machines	40.1	31.4	48	51.5	38.8	-3.24%
Metals	269	254	244	224	300	11.52%
Mineral products	1950	2050	1210	855	1130	-42.05%
Miscellaneous	2.26	3.32	3.29	4.28	5.07	124.34%
Paper goods	19.7	21	20.5	19.4	17.9	-9.14%
Plastics and rubbers	71.6	26.8	26.7	15.8	17.7	-75.28%
Precious metals	9.43	11.7	12.2	9.59	9.35	-0.85%
Stone and glass	12.4	14	11.8	14.7	19.1	54.03%
Textiles	9.14	7.08	3.75	3.94	11.8	29.10%
Transportation	52.7	58.5	21.6	14.7	21.6	-59.01%
Vegetable products	30.9	94.7	93.7	60.4	42.2	36.57%
Weapons	0.009	0.018	0.046	0.128	0.131	1355.56%
Wood products	34.2	59.9	72.8	91.5	103	201.17%

*Notes:* Items measured in million dollars (\$)

Source: compiled by author based on data collected from OEC (2019)

## Appendix G

### Interview plan

Interviewer:

Interview date:

Interview length:

Interviewee

Company:

Position:

#### **Theme 1 (personal info)**

We can start. First of all, I would like to say thank you that you find some free time for this interview. And let me explain the main idea of that interview.

1. Would it be alright if I recorded our talk? The file will only be used in respect to the Bachelor thesis and will not be distributed in public.
2. Could you present your name, surname as well as the name of the company?
3. Could you describe the company your work in?
4. For how many years you working in the company?
5. Could you describe your duties in the company?

#### **Theme 2 (Statistics)**

1. Could you describe how is your company connected with Russia Baltic trade
2. Could you give precise numbers regarding trade with Russia?
3. Could you comment on data, dynamics
4. What you can say about changes from 2014?
5. Do the company have to rearrange its connections in terms of trade after sanctions?

#### **Theme 3 (Further predictions)**

1. What are your predictions regarding further development?
2. Do the company plan to expand in terms of Russia Baltic trade or change its vector?
3. You consider sanctions as a threat or an opportunity?
4. What are your predictions regarding sanctions?
5. How the market should react?

## Appendix H

Combined table for interviewees responds

Theme	Question (briefly)	Alpha Osta	ADM Baltic Tranzits	Siemens Russia	APL Estonia	WasteRefi nery
Theme 2 Current situation	Reason for changes in trade	Sanctions	Sanctions	Sanctions	Sanctions	Sanctions
	Company role in a Russia- Baltic trade	Chemical products, Vegetable products (Import from Russia)	Transporta tion (Logistics to Russia)	Machines, Instrument s, Transporta tion (Company uses Baltic ports for trade with Russia)	Transporta tion (Logistics to and/or from Russia)	Mineral products (Oil import from Russia)
	Changes on a market after 2014	Significant drop due to drop on a transportat ion market	Significant drop due to legislation barriers	Legislatio n barriers for export of machines and technologi es	Rearrange ment of trade roots after 2014	Significant drop  Due to additional taxation and barriers
	Structural changes in a company after 2014	Rearrange of company from chemical products import to vegetable products	Company rearrange to Ukrainian market	Company decided to move production lines for Russian market to Russia	No significant changes related to Russian- Baltic trade	Company have to minimize its expenditur es, made reduction of employees

	Precise numbers in a current changes	8 to 9 mln of tones in 2013 and after 0.7-1 mln of tones	More than 100 of wagon per month, now there are around 15	Company aim is to have 100% local production lines in Russia up to 2013	Company become a part of CMA-CGM company in 2016 and today is the 3 largest company in container transportation and shipping	Current profit is 3 times lower than in the 2013
Theme 3 (Future predictions)	Political threat or economic?	Economic	Economic	Economic	Economic	Economic
	Threat or the opportunity?	Threat only as opportunities are rather small	Threat and in the same time an opportunity but not for all	Threat which leads to extra losses	For such a company current situation is both a threat and an opportunity but not significant	Sanctions force to search for opportunities
	Further predictions regarding sanctions?	In a long-term sanctions will be cancelled due to economic reason	Sanction regime might exist for a long period of time as political decisions affects	Company do not expect cancellation of sanctions in a short-term	If the sanctions will not be cancelled in a nearest future, business will find a way to overcome them	Sanctions cancellations depends on political decisions of Russian government
	Further company plans	Project of a new elevator  Will stay on the	Expansion on a new markets	In general company currently in a process of restructuring	Development of Japan Russia	Expansion on a new markets

	existing market		tion, plans for local product lines and services in Russia	Express (JRX)	
Further predictions regarding trade in a region	Trade between Russia and Baltic countries will go down further on due to lack of space for the developme nt	In a short term there is no perspectiv es in a Russian- Baltuc trade due to rearrange ment of both parties its trade connection s	For a company trade between Russia and Baltic are not crucial, once local production lines in Russia will be settled, there will be no need for the use of Baltic ports.	As port of Muuga is ice-free, on a contrast with Russian ports on a Baltic, trade will exists even under the sanctions, however the volume will be lower	Hard to predict which sectors of trade will go up or down but in general trade barriers might be minimized but in a long term.

*Notes.* Full questions presented in Appendix G

Source: compiled by author

**Non-exclusive licence to reproduce thesis and make thesis public**

I, Nikolai Ivanov,

1. herewith grant the University of Tartu a free permit (non-exclusive licence) to

reproduce, for the purpose of preservation, including for adding to the DSpace digital archives until the expiry of the term of copyright,

The impact of sanctions on a Russian-Baltic trade

supervised by docent Viktor Trasberg

2. I grant the University of Tartu a permit to make the work specified in p. 1 available to the public via the web environment of the University of Tartu, including via the DSpace digital archives, under the Creative Commons licence CC BY NC ND 3.0, which allows, by giving appropriate credit to the author, to reproduce, distribute the work and communicate it to the public, and prohibits the creation of derivative works and any commercial use of the work until the expiry of the term of copyright.
3. I am aware of the fact that the author retains the rights specified in p. 1 and 2.
4. I certify that granting the non-exclusive licence does not infringe other persons' intellectual property rights or rights arising from the personal data protection legislation.

Nikolai Ivanov

**13/05/2019**