How Western Business and Policy Gaps Fuel Russia's War Machine and What Must Change

B4Ukraine

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Three years into Russia's full-scale war, Western businesses and policymakers still face a choice: cut off the economic lifelines sustaining the Kremlin's war machine—or continue enabling it. Profits must not come before the lives of Ukrainians and their pursuit of freedom and liberty. It's time to examine the persistent issues sustaining the Kremlin's war as well as the available policy solutions needed to defund and disarm Russia's war machine. Removing resources behind Russia's aggression is the cheapest and most sustainable way to achieve "just and lasting peace" for Ukraine, a declared policy goal of the Trump administration.

Unsanctioned Companies: The Persistent Corporate Presence in Russia

What is the problem?

Contrary to public perception, there was no mass corporate exodus from Russia following its full-scale invasion of Ukraine. As of November 2024, 1,599 multinational corporations still operated in Russia through local subsidiaries. Only 28% of firms exited through sale of liquidation of assets. These businesses provide a vital economic lifeline to the Russian economy, contributing corporate taxes and supplying goods, services, and technology that sustain the Kremlin's war effort. Moreover, companies operating in Russia are required by law to assist in military conscription, further entangling them in the war machine. Foreign multinationals paid at least $41.6 billion in taxes to Russia in 2022–2023, with an estimated additional $20 billion expected in 2024.

$60BN in taxes paid in 2022–2024 = nearly 1/2 of Russia's 2025 military budget

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20,000 Iskander ballistic missiles

4,600 Kh-101 cruise missiles

1,200,000 Shahed kamikaze drones

Where do we stand three years into the war?

Many Western firms continue to pay substantial profit taxes to Russia. In 2023, 930 G7 and EU firms ranked among the highest taxpayers, with 17 of the top 20 contributors coming from these nations. EU-based firms alone generated $81.4 billion in revenue, with profit tax contributions remaining steady at $3 billion. The U.S. and Germany, two of Ukraine's largest bi-lateral donors, are the biggest corporate contributors to Russia's war economy. Moreover, Western companies from countries Russia labels as "unfriendly" are already paying higher profit taxes compared to businesses from "friendly" nations. In stark contrast, firms operating within Russia's military-industrial sector are benefiting from newly introduced tax breaks, subsidies, and access to preferential leasing programmes. Meanwhile, Western firms in Russia are facing increasing risks, including asset seizures and a profit tax hike to 25%.

Top corporate enablers of Russia's war

Profit tax paid in 2023, in mn USD

#	Company	Profit tax
01	Raiffeisen	491.0
02	Chery Automobile	221.9
03	Philip Morris	219.6
04	Japan Tobacco International	182.3
05	UniCredit Bank	154.2
06	Pepsi	134.9
07	Leroy Merlin	125.0
08	Mars	99.0
09	Uniper SE	78.7
10	OTP Bank	68.6
11	Procter & Gamble	67.2
12	Industrial and Commercial Bank of China (ICBC)	63.8
13	Mondelez	62.4
14	Citi (Citigroup)	53.1
15	Knauf Gips	51.8
16	Cargill	50.0
17	Hellenic Bottling Company	49.3
18	Adidas	42.3
19	Johnson & Johnson	42.3
20	Haval Motor	42.3

Source: KSE

In anticipation of the removal of the US sanctions as part of the "peace" talks between the Kremlin and the Trump administration, many companies are now contemplating a return to the Russian market. B4Ukraine calls on all Western businesses to stay out of Russia until Ukraine's sovereignty and territorial integrity are restored, reparations paid, and accountability imposed for war crimes and crimes against humanity.

What do we want decision-makers and businesses to do?

- **Governments:** Impose targeted sanctions on key industries and sectors still operating in Russia.
- **Public Sector:** Restrict government procurement contracts to companies that remain in Russia.
- **Business Leaders:** Recognize that the risks of staying in Russia outweigh the benefits, including legal uncertainties, reputational damage, and financial penalties.

Russia's Fossil Fuel Trade: Funding War Through Energy Exports

What is the problem?

Despite international sanctions, in the third year after the full-scale invasion of Ukraine Russia's fossil fuel exports remain resilient, generating €242 billion in revenue. Crude oil remains the primary source of income (€104 billion), even under the EU-G7 price cap. The Kremlin continues to exploit sanctions loopholes, redirecting exports to China, India, and Turkey. Meanwhile, the EU has yet to fully sanction Russian liquefied natural gas (LNG).

Russia's Fossil Fuel Revenue Since The Full-Scale Invasion

€847 billion

Source: CREA

Where do we stand three years into the war?

The EU continues to consume Russian fossil fuels

Since 2022, the EU imported over €200 billion worth of Russian fossil fuels, with exemptions allowing landlocked countries like Czechia, Hungary, and Slovakia to continue receiving pipeline oil. Moreover, the EU's imports of Russian LNG surged in the third year after the full-scale invasion, despite its stated goal of eliminating reliance on Russian energy by 2027. According to CREA, these LNG imports generated €7 bn for the Kremlin in the third year since the invasion, bringing the total to almost €33 bn since the full-scale invasion. France increased its Russian LNG imports by 46%. **However, only 6% of the EU's gas needs came from Russian LNG in the third year after the invasion. This fact should enable the block to implement a full ban on Russian LNG without delay.**

EU's Russian LNG imports in 2024 = €7 bn

Russian LNG accounted for only 6% of total EU gas consumption in 2024

EU should ban Russian LNG!

Source: CREA

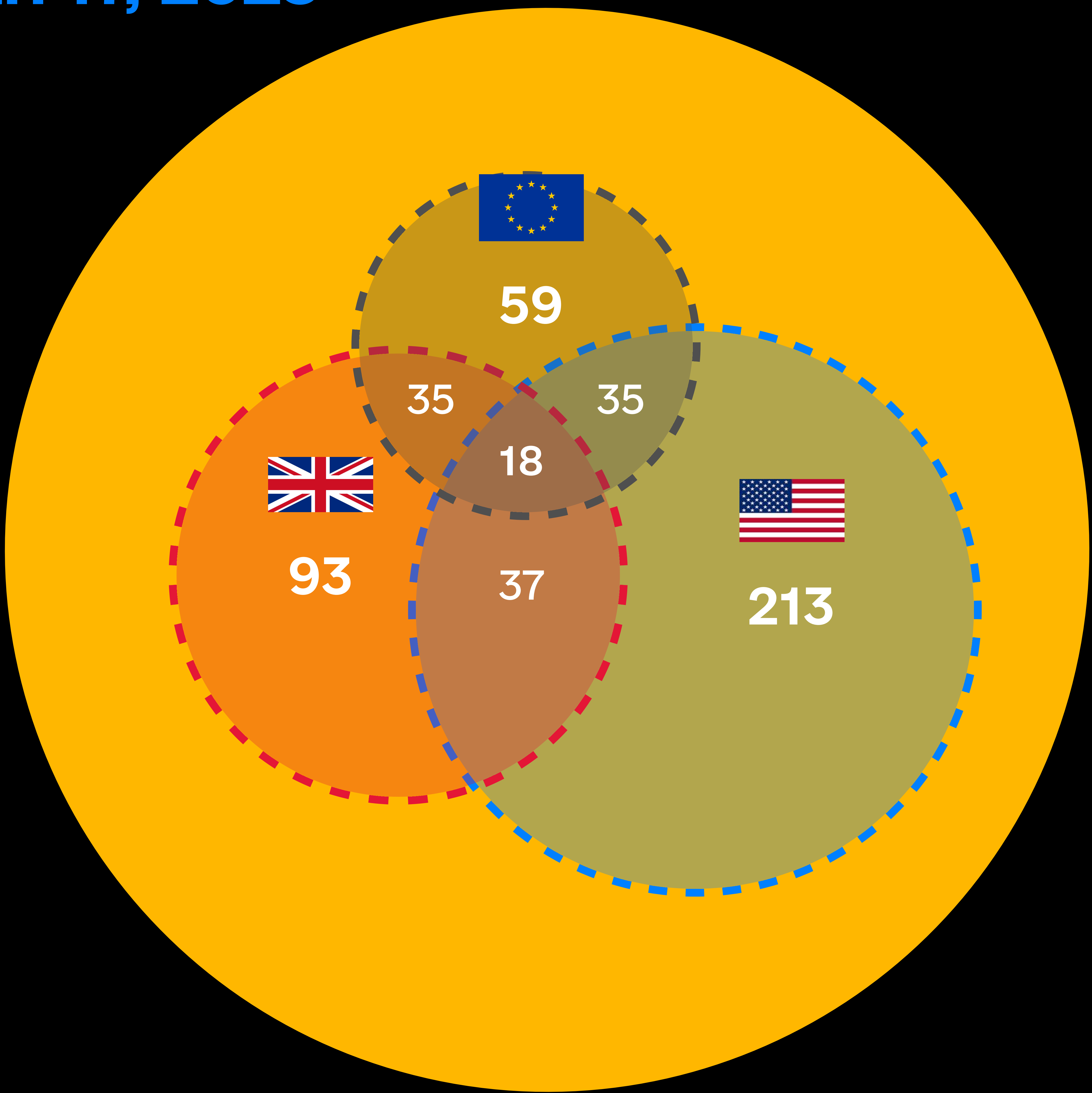
Russia's shadow fleet continues to grow

Additionally, Russia's reliance on a "shadow fleet" of aging, underinsured tankers to circumvent sanctions has grown significantly. According to CREA, the effect of sanctions on Russian Urals grade crude was 70% lower in the third year than the year prior. This is mainly due to Russia's increased use of 'shadow' tankers to transport oil to its new markets, enabling it to bypass the oil price cap.

CREA's analysis also revealed that in the third year since the invasion, Russia **relied on 558 Russian 'shadow' vessels to transport 61% of its total seaborne oil exports valued at €83 bn.**

According to KSE, there are currently **276 individual sanctions designations on specific shadow fleet vessels** by the US, EU and the UK. 73 new vessels were just added to the sanctions list in the newly agreed 16th package of EU sanctions on Russia expected to be adopted on Monday, February 24th. While this is a very positive development, the overall number of individual vessel sanctions is far below what is needed to address the rapid growth in the shadow fleet, whose estimated size could be around 600 tankers. The minimal overlap of such sanction designations also undermines their effectiveness.

276 sanctioned oil tankers as of Jan 17, 2025



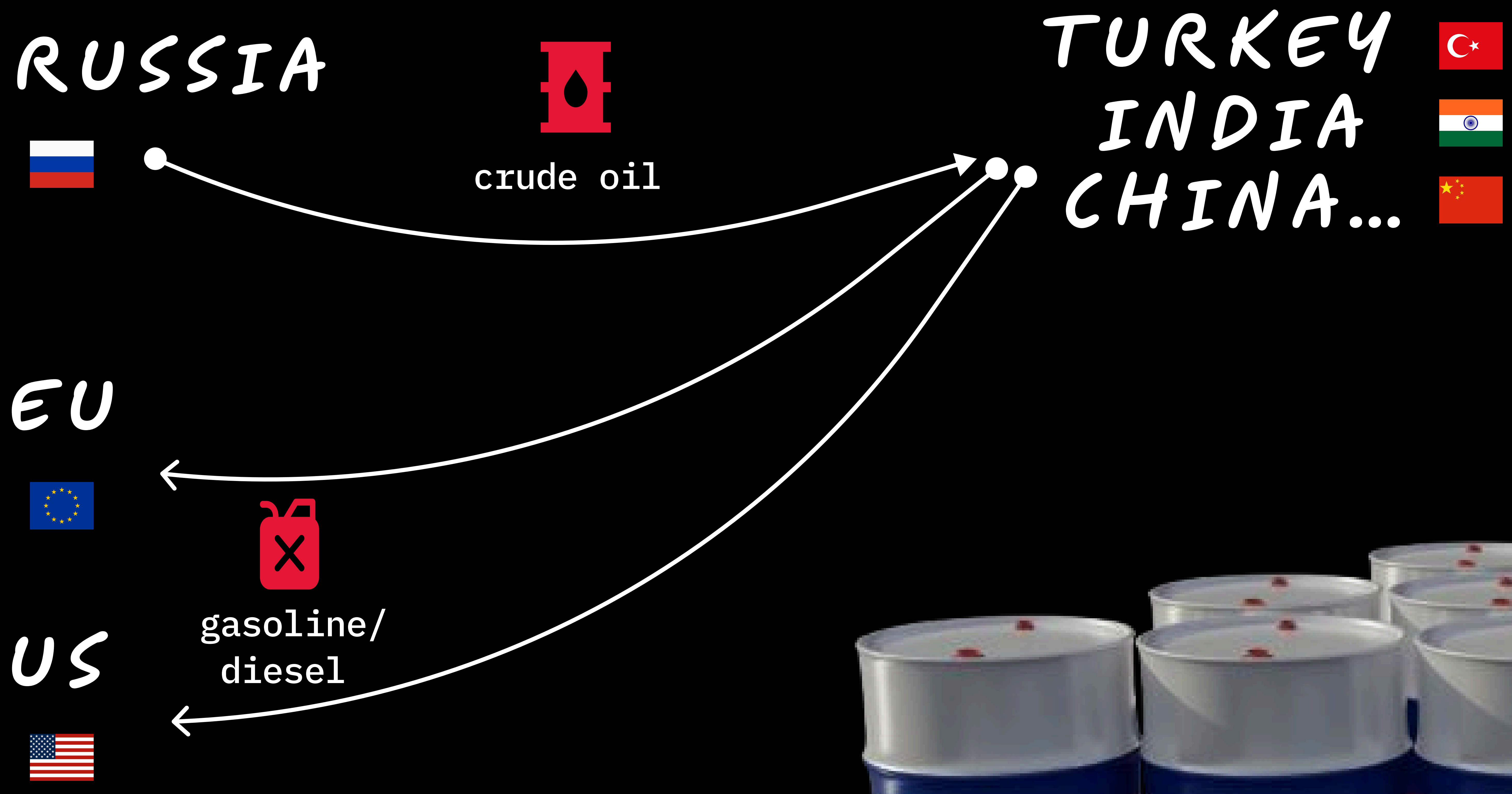
Source: KSE

The "refining" loophole persists

The "refining loophole" lets Russia export oil via third states such India or Turkey, which refine and resell it to Europe or the US, still funding the Kremlin. According to CREA, in the third year after the invasion G7+ countries' imported €18 bn of oil products from six refineries in India and Turkey of which an estimated €9 bn was refined from Russian crude. Such G7+ imports made from Russian crude generated an estimated €4 bn in tax revenues for Russia.

According to CREA, stronger sanctions countering Russian circumventions and targeted towards growing revenue streams can slash Russian fossil fuel export revenues by EUR 51 bn annually, effectively cutting earnings by 20%.

'Refining loophole' explained



What do we want decision-makers and businesses to do?

- **Governments:** Close the refining loophole by banning imports of refined oil products derived from Russian crude.

- **Public Sector:** Expand sanctions against the shadow fleet and enhance enforcement of price cap measures to prevent Russia from exploiting weak enforcement mechanisms. Impose a full ban on Russian LNG in Europe.

- **Business Leaders:** End the reliance on Russian LNG by increasing investment in alternative energy sources and ensuring full implementation of the RePowerEU commitment to eliminate Russian energy dependence.

Western Technology:
Powering Russia's War Machine

What is the problem?

Russia's war machine is powered by Western technology, particularly computer numerical control (CNC) machines critical for producing missiles, tanks, and artillery. Before 2022, Russia imported up to 90% of CNC machines and 95% of components from foreign sources. Despite sanctions, these imports continue via intermediaries, primarily China, Turkey, and India. In 2023-2024 alone, Russia imported 22,000 CNC machines and related components worth $18.2 billion, including products from European manufacturers such as Siemens, Heidenhain, and Fanuc.

Who manufactured CNCs that Russia purchased?

Country of origin	Volume of supplies in mn USD
1. China	2,619 / 63%
2. Taiwan	371 / 9%
3. South Korea	228 / 5.5%
4. Turkey	220 / 5%
5. Italy	169 / 4%
6. Germany	139 / 3%
7. Japan	130 / 3%

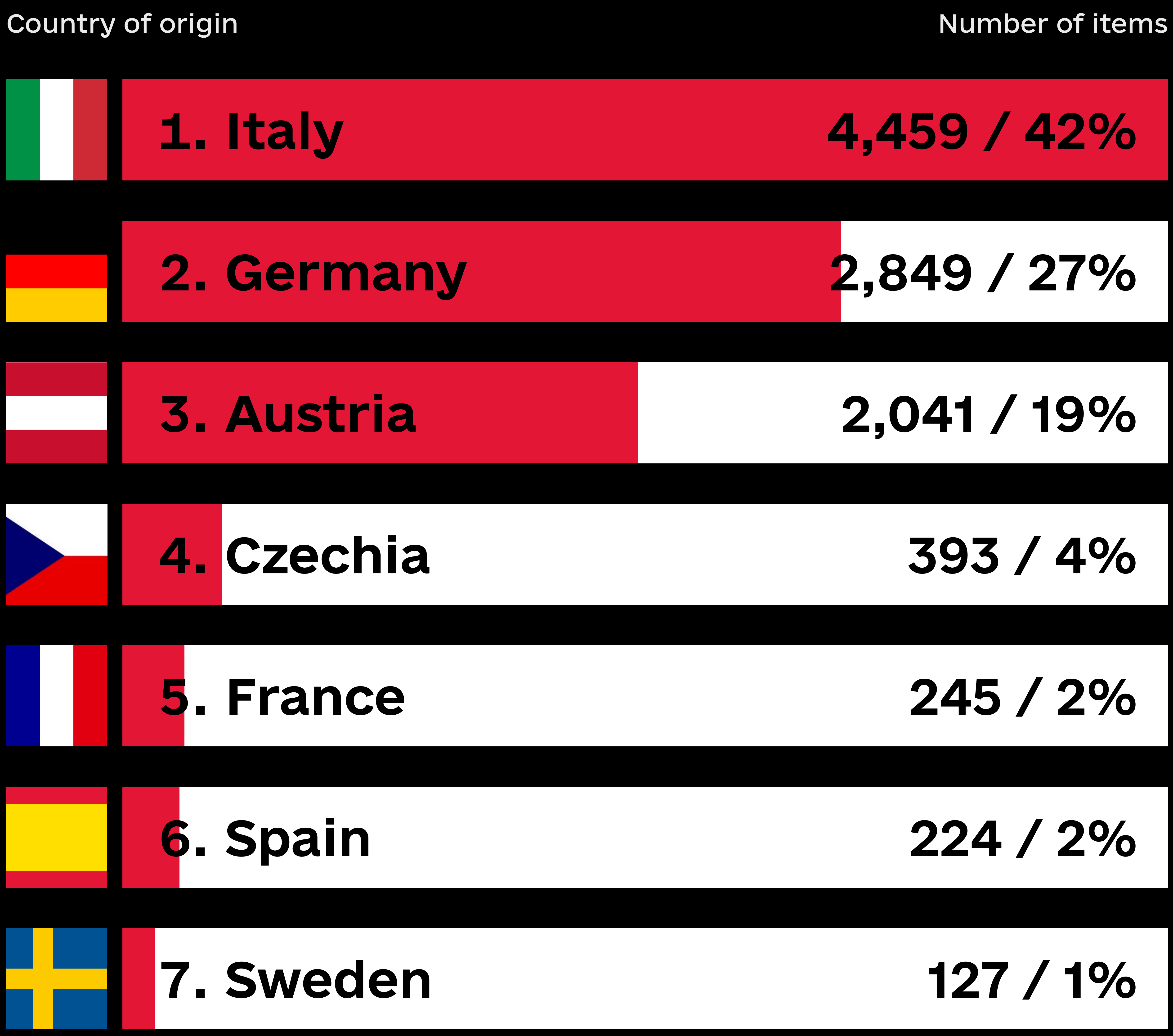
Source: ESCU, January 2023 — July 2024 data

Where do we stand three years into the war?

Between January 2023 and July 2024, EU-based companies accounted for $1.1 billion in CNC-related exports to Russia, mainly through subsidiaries in third countries. Germany and Italy were responsible for nearly 70% of these transactions.

Meanwhile, Russia's production of drones and long-range strike systems continues to rely on components imported from China. According to the Ukrainian government, 60% of all components in Russian battlefield weapons originate from China, many of which are manufactured by subsidiaries of Western firms.

Top EU countries by number of CNCs imported into Russia



Source: ESCU, January 2023 — July 2024 data

What do we want decision-makers and businesses to do?

- **Governments:** Implement a full ban on CNC exports and re-exports by Western subsidiaries in third countries, ensuring that no loopholes allow dual-use technology to reach Russia.

- **Public Sector:** Strengthen enforcement mechanisms by increasing trade monitoring and introducing penalties for firms that facilitate indirect exports of critical military technology.

- **Business Leaders:** Improve oversight of supply chains by adopting stricter compliance measures, conducting due diligence on third-party distributors and ceasing operations with intermediaries linked to Russia's defense sector.

Three years into the war, the actions—or inaction—of Western governments and corporations continue to shape Ukraine's fight for sovereignty. The evidence is clear: multinational corporations, energy trade loopholes, and technology exports are all sustaining Russia's war economy. Urgent policy action is needed to close existing gaps, enforce sanctions effectively, and hold corporate enablers accountable. B4Ukraine calls on decision-makers to act decisively in cutting off Russia's financial and technological lifelines to ensure Ukraine's ultimate victory.