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The Ukraine Support Tariff:

How Europe Can Support Ukraine and Weaken Russia

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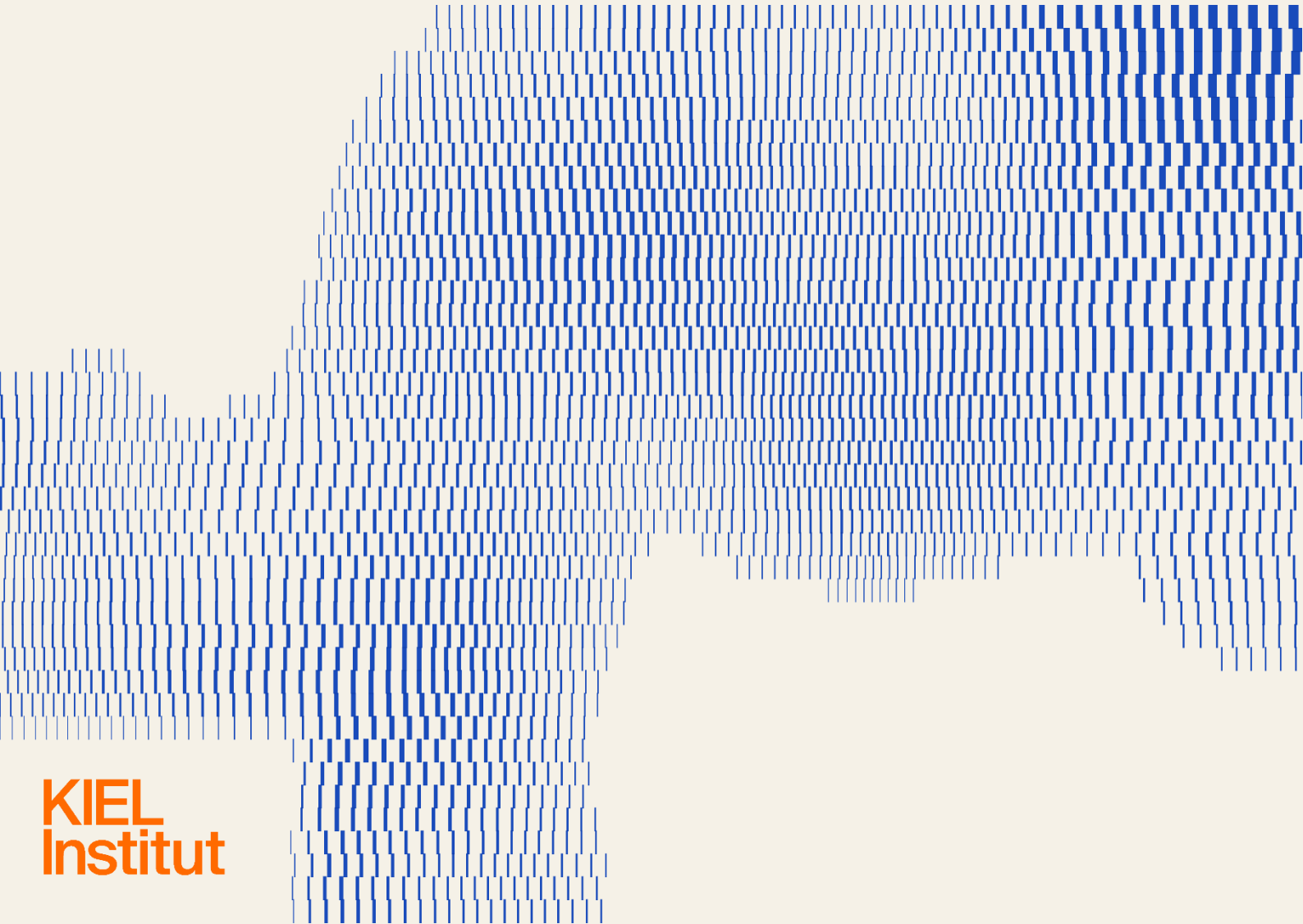

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Overview/Überblick

- A “Ukraine Support Tariff” on the remaining €57.2 billion in EU–Russia trade could generate €6–16 billion per year at moderate rates of 30–50% (partial equilibrium) and €3–11 billion (general equilibrium)—exceeding the €3 billion from frozen Russian asset interest income.
- General equilibrium simulations confirm that Europe has asymmetric leverage over Russia: Russia’s value added falls 3–4 times more than the EU’s, making the tariff sustainable as long-term leverage. Trade diversion to China is modest. Extreme tariff rates (300%+) are counterproductive, as long-run revenue falls to near zero.
- Economically, we analyse a combined import tariff and export-side levy on remaining EU–Russia trade. Institutionally, the import leg is more straightforward under EU trade law, while the export leg is less straightforward and would likely require a distinct legal route. That asymmetry matters for implementation, but not for the economic logic of the combined proposal.

Keywords: Ukraine Support Tariff, EU–Russia Trade, Tariff Revenue, Laffer Curve, General Equilibrium

- Ein "‘Ukraine-Unterstützungszoll"’ auf den verbleibenden EU-Russland-Handel von knapp €60 Mrd. pro Jahr könnte bei Zollsätzen von 30–50% jährlich €6–16 Mrd. (partielles Gleichgewicht) bzw. €3–11 Mrd. (allgemeines Gleichgewicht) erbringen—mehr als die €3 Mrd. aus den Zinserträgen eingefrorener russischer Vermögenswerte.
- Allgemeine Gleichgewichtssimulationen zeigen asymmetrische Kosten: Russlands Wertschöpfung sinkt erheblich; das Instrument ist als langfristiges Druckmittel tragfähig. Handelsumlenkung nach China bleibt begrenzt. Extreme Sätze (300%+) sind kontraproduktiv.
- In diesem Papier analysieren wir ein kombiniertes Paket aus Importzöllen und Exportabgaben auf den verbleibenden EU–Russland-Handel. Institutionell ist die Importseite unter dem EU-Handelsrecht unkomplizierter, während die Exportseite rechtlich anspruchsvoller ist und voraussichtlich eine eigene rechtliche Ausgestaltung erfordert. An der ökonomischen Logik des kombinierten Vorschlags ändert diese Asymmetrie nichts – wohl aber an der Umsetzung.

Schlüsselwörter: Ukraine-Unterstützungszoll, EU–Russland-Handel, Zolleinnahmen, Laffer-Kurve, Allgemeines Gleichgewicht

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1 Introduction

Despite twenty sanctions packages adopted since 2022[1] – and a twenty-first under preparation centered on the shadow fleet (Kyiv Post, 2026a) — substantial bilateral trade persists between the EU and Russia four years after the invasion. In 2025, EU imports from Russia totalled €27.2 billion and EU exports to Russia reached €30.0 billion—a combined €57.2 billion in bilateral goods trade.[2] While this represents a decline of roughly 78% from pre-war levels, the remaining volume is far from negligible and continues to finance and enable Russia's war effort. The remaining €57.2 billion of trade are an untapped source of both revenue and leverage for Europe.

The "Ukraine Support Tariff" is defined here as a combined trade measure: tariffs on EU imports from Russia paired with an export-side levy on EU shipments to Russia.[3] Economically, the combined design broadens the revenue base and increases leverage. This paper quantifies the revenue potential of such a combined measure. A high tariff rate of 90% could generate up to €12 billion per year in revenue in the initial period. A more moderate tariff of 45% would still yield close to €7 billion in revenue in the first years.[4] The economic effects of the tariff would be highly asymmetrical, giving the EU geoeconomic leverage: the economic costs for Russia would be 3–4 times higher than for Europe, imposing significant costs on the Russian economy.

The Ukraine Support Tariff would serve multiple purposes. First, it would generate revenue to finance Ukraine's military defence, reconstruction, and humanitarian needs, complementing existing commitments including the use of extraordinary revenues from immobilised Russian sovereign assets (European Commission, 2024). Second, the tariff would impose additional economic costs on Russia, further undermining Russia's resources to sustain the war of aggression. Third, the tariff gives Europe a more flexible pressure instrument that can be raised to increase pressure or lowered as part of a negotiated settlement.

We employ two complementary methodologies to quantify the effects of the Ukraine Support Tariff. First, a partial equilibrium analysis computes Laffer curves over a range of tariff rates and trade elasticities, providing transparent upper-bound estimates (based on the most recent Eurostat COMEXT trade data). Second, a general equilibrium analysis using the KITE model

[1] Most recently the twentieth, on 23 April 2026 (Council of the European Union, 2026)

[2] Authors' calculations from Eurostat COMEXT data, full-year 2025 (Eurostat, 2025). The Commission's Russia country page reports €58.1 billion (€27.9 billion imports, €30.2 billion exports) for 2025 goods trade, plus a separate €9.6 billion in services trade (European Commission, 2026); the small discrepancy reflects extraction and product-coverage differences and does not change the economics. Throughout we refer to goods trade only.

[3] This brief is an economic policy proposal, not a definitive legal opinion. For the purposes of economic analysis, we study a combined measure on both imports from and exports to Russia. Legally, the two legs are asymmetric: a Russia-specific import tariff appears more readily grounded in existing EU trade law, whereas an export-side levy would likely require a separate and less settled legal design.

[4] The tariff rate should not be set at punitive levels to raise sufficient revenue. Recent proposals for extreme rates—such as a 500% tariff proposed in the US Senate (Associated Press, 2025)—destroy the tax base, eliminate trade flows, and bring no revenue. As our analysis shows, in the long run (general equilibrium), revenue falls to near zero at tariff rates of 300% and above.

(Hinz et al., 2025) captures second-round effects—terms-of-trade adjustments, input-output linkages, and trade diversion through third countries.[5] Our central finding is that even moderate tariff rates of 30–50% generate substantial revenue—€6–16 billion (PE) and €3–11 billion (GE) annually—while imposing asymmetric costs: Russia's real value added falls 3–4 times more than the EU's, making the tariff sustainable as a long-term instrument of economic pressure.

The question of who bears the economic cost—the tax incidence—is far less of a concern today than it would have been in the immediate aftermath of the invasion. Four years have passed since the initial shock. Firms that needed to redirect supply chains away from Russia have had ample time to do so; those that continue trading with Russia are doing so by choice. Recent evidence from US tariff policy is instructive: Hinz et al. (2026) show that 96% of the burden of US tariffs falls on domestic importers. In the case of a Ukraine Support Tariff, any cost passed on to EU consumers or firms reflects the true economic price of continued engagement with the aggressor—a price that, four years in, the EU should be willing to make explicit, because continued economic engagement with Russia undercuts the EU's goal of supporting Ukraine.

The proposal is complementary to ongoing efforts to tighten the economic screws on Russia. The Council adopted the twentieth sanctions package on 23 April 2026, covering energy revenues, shadow-fleet vessels, financial services, crypto, and third-country circumvention (Council of the European Union, 2026); a twenty-first package is reportedly under preparation, focused on preserving the Russian oil price cap and tightening the shadow-fleet regime (Kyiv Post, 2026a). In parallel, NATO Secretary-General Rutte's proposal to commit 0.25 % of allied GDP to Ukraine was blocked by several major allies in late May 2026 (Kyiv Post, 2026b). Unlike sanctions, which restrict trade without generating revenue, and unlike voluntary contributions, which depend on member-state budgets, a Ukraine Support Tariff turns the remaining trade itself into a revenue stream—adding a self-financing layer to the existing toolkit.

2 The State of EU–Russia Trade in 2025

Four years after Russia's full-scale invasion, and despite twenty adopted sanctions packages – with a twenty-first in preparation – the European Union and Russia still maintain a substantial trade relationship. Using the latest full-year Eurostat COMEXT data for 2025, we document the scale and composition of remaining trade flows (Eurostat, 2025).

Aggregate volumes. Total EU–Russia goods trade amounted to €57.2 billion in 2025, comprising €27.2 billion in EU imports from Russia and €30.0 billion in EU exports to Russia. The trade balance has shifted markedly from pre-war patterns: before the invasion, the EU ran a large deficit with Russia driven by energy imports. By 2025, the relationship is roughly balanced, reflecting both the drastic reduction in Russian energy sales to Europe and continued European

[5] The PE analysis uses 2025 trade values from Eurostat COMEXT (EUR). The GE analysis is calibrated to the OECD ICIO 2022 framework (in USD), updated with 2024/2025 bilateral trade shares from COMEXT and BACI; revenue figures are converted from USD to EUR at 1 EUR = 1.08 USD so that PE and GE estimates are directly comparable in levels.

exports of machinery, chemicals, and manufactured goods. Direct EU exports to Russia remain substantial; separately, EU-origin goods may also reach Russia indirectly through third countries such as Türkiye, Kazakhstan or the UAE, but those flows are outside the direct EU–Russia tariff base and require anti-circumvention enforcement.[6]

Import composition. EU imports from Russia remain dominated by mineral products (HS Section V: €17.7 billion), primarily residual gas and oil flows that some member states have been slower to phase out. Russian nuclear-related imports remain a separate energy-security issue and are not part of HS Section V. Base metals (Section XV: €4.4 billion) and chemicals (Section VI: €3.0 billion) form the next largest categories.

Export composition. EU exports to Russia are more diversified. Chemicals and related products (Section VI: €14.6 billion) constitute the largest category, followed by prepared foodstuffs, beverages, and tobacco (Section IV: €4.2 billion), and machinery and mechanical appliances (Section XVI: €2.6 billion). Vehicles and transport equipment (Section XVII: €2.3 billion) and textiles (Section XI: €1.5 billion) round out the major export categories.

Figure 1 displays the bilateral trade breakdown by HS section, illustrating the asymmetric commodity structure: concentrated on the import side and diversified on the export side.

The composition of remaining trade has important implications for the design of a Ukraine Support Tariff. The concentration of imports in energy products means that a tariff on imports would fall disproportionately on a small number of product categories and member states. Combining import tariffs with export taxes spreads the revenue base more evenly and captures the substantial export flows that continue despite sanctions (Felbermayr et al., 2023).

3 The Effects in Partial Equilibrium

3.1 Methodology

We compute the annual revenue from a uniform ad-valorem Ukraine Support Tariff applied to both EU imports from Russia and EU exports to Russia. For a tariff rate τ and a trade elasticity θ, the standard partial equilibrium revenue formula is:

$$R(\tau, \theta) \;=\; \tau \cdot \big(M + X\big) \cdot (1+\tau)^{-\theta} \tag{1}$$

where $M = €27.2$ billion denotes EU imports from Russia and $X = €30.0$ billion denotes EU exports to Russia, both measured in 2025 values (Eurostat, 2025).

[6] Widening the scope from the EU to the non-EU NATO economies (Canada, Iceland, Turkey, the United Kingdom, and the United States) almost doubles the trade base: these countries report a further roughly €50 billion of bilateral goods trade with Russia in 2025, of which around €45 billion is Turkey alone—dominated by Turkish oil and gas imports from Russia (UN Comtrade, full-year 2025, partner Russia). The central analysis nonetheless stays with the EU base, since the EU has the direct legal competence to act; Sections 3 and 4 briefly report how the PE and GE results scale to a hypothetical coordinated coalition with the same trade base as NATO. NATO is not itself a customs union or trade-law jurisdiction; this is purely a scale benchmark, made more salient after NATO Secretary-General Rutte's proposal to commit 0.25 % of allied GDP to Ukraine was blocked in late May 2026 (Kyiv Post, 2026b).

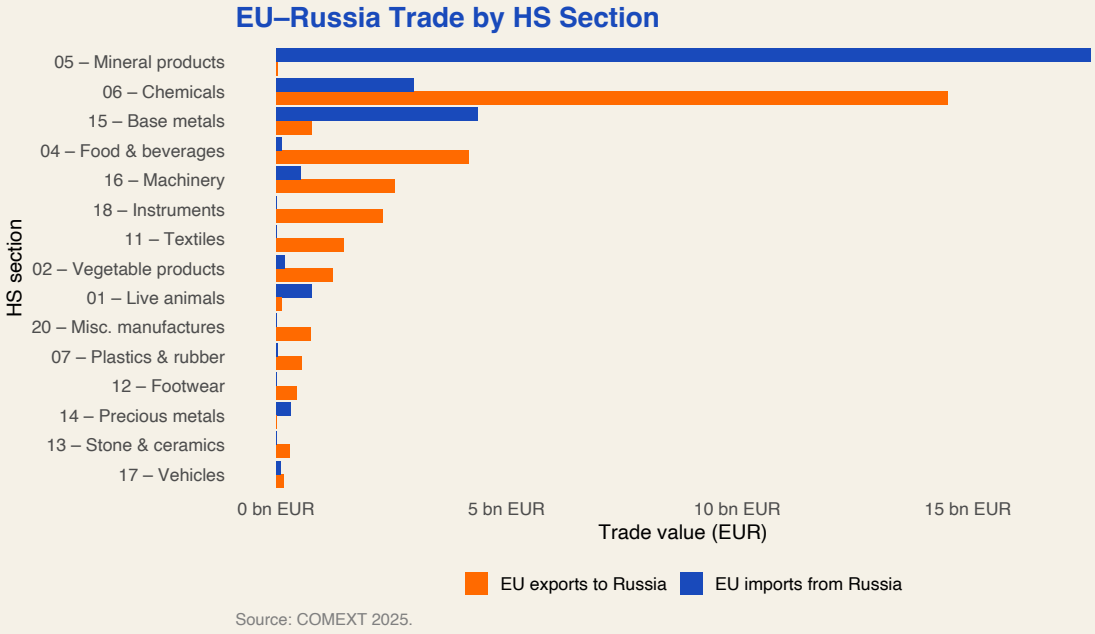

Figure 1: EU–Russia trade by HS section (2025). Imports are dominated by mineral products; exports are diversified across chemicals, foodstuffs, and machinery. Source: COMEXT 2025.

The trade elasticity θ governs how strongly bilateral trade volumes respond to price changes. A higher θ implies that trade adjusts more rapidly and completely to a tariff increase, reducing the tax base and therefore revenue. We follow the trade literature in considering a range of elasticities: $\theta \in \{1.5, 2, 3, 4\}$ (Simonovska and Waugh, 2014; Head and Mayer, 2014; Caliendo and Parro, 2015).

These elasticities can be interpreted in terms of adjustment horizons. A low elasticity ($\theta = 1.5$) corresponds to short-run trade that adjusts slowly—firms are locked into contracts, supply chains cannot be redirected immediately, and substitution possibilities are limited. This applies over horizons of less than one year. A central elasticity ($\theta = 2$) captures medium-run adjustment over 1–2 years. Higher elasticities ($\theta = 4$) describe long-run adjustment over 5–10 years, where firms have fully restructured supply chains and found alternative trading partners.

3.2 Results

Figure 2 presents the Laffer curves for each trade elasticity. Revenue first increases with the tariff rate as the mechanical revenue gain from higher rates dominates, then declines as the erosion of the trade base overtakes the rate increase.

Table 1 reports the revenue-maximizing tariff rates and peak revenues for each elasticity. Several features are noteworthy.

Revenue is substantial across the entire elasticity range. Even under the most elastic scenario ($\theta = 4$, corresponding to long-run full adjustment), peak revenue is €6.0 billion per year—roughly twice the current yield from frozen Russian asset interest income. Under the least elastic scenario ($\theta = 1.5$), peak revenue reaches €22.0 billion.

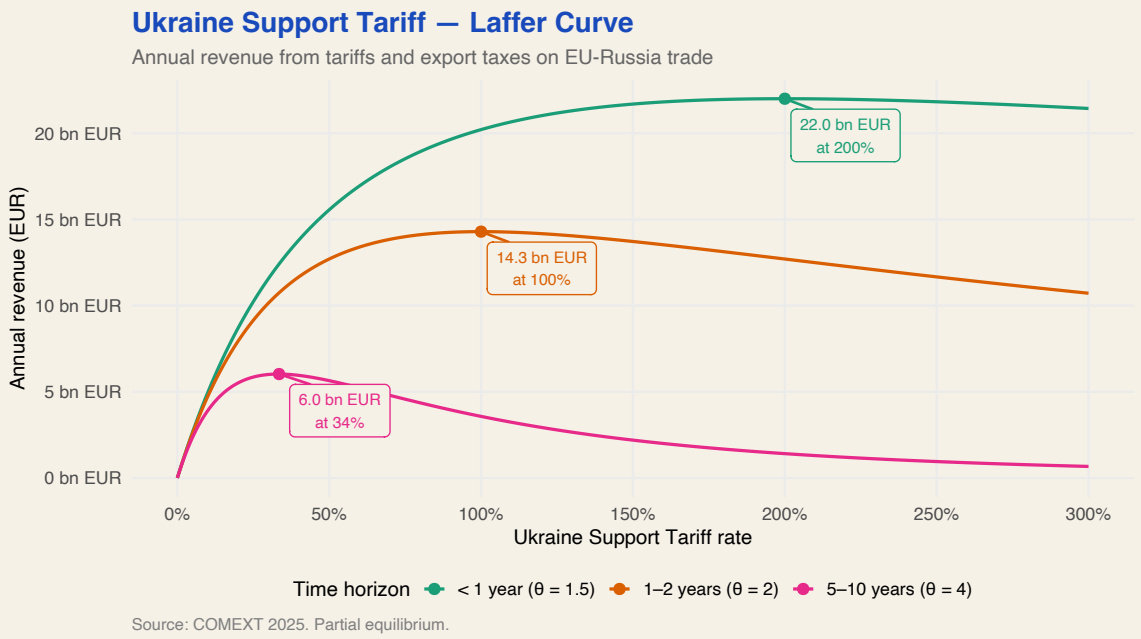

Figure 2: Ukraine Support Tariff—Laffer curves. Annual revenue from tariffs and export taxes on EU–Russia trade, for three trade elasticities (θ). Dots mark revenue-maximizing rates. Source: COMEXT 2025. Partial equilibrium.

Table 1: Revenue-maximizing Ukraine Support Tariff rates (partial equilibrium)

	Trade elasticity θ			
	1.5	2	3	4
Optimal tariff rate (%)	200	100	50	33.5
Peak revenue (€ bn)	22.0	14.3	8.5	6.0
of which import tariff	10.5	6.8	4.0	2.9
of which export tax	11.5	7.5	4.4	3.2

Notes: Revenue computed from Equation (1) using COMEXT 2025 trade values. Import tariff revenue is based on $M = €27.2$ bn; export tax revenue on $X = €30.0$ bn. The Laffer curve figure shows three elasticities for visual clarity; the table includes all four. Figures are gross border revenues before member-state collection-cost retention (25 % under the EU's traditional own-resources rules), administration and enforcement costs, and any humanitarian carve-outs; net transfers to Ukraine require a separate EU budgetary act.

Moderate rates generate most of the revenue. A 30% tariff rate generates €6–12 billion annually (depending on θ). A 50% rate yields €6–16 billion. This is a standard feature of Laffer curves: revenue rises steeply at low rates and flattens near the peak, meaning that policymakers can capture the bulk of potential revenue without pushing rates to their theoretical optima.

The central estimate ($\theta = 2$) suggests a 100% rate maximizes revenue at €14.3 billion. At this elasticity, a 50% rate already captures 89% of peak revenue (€12.7 billion), and even a 30% rate captures 71% (€10.2 billion). There is thus limited revenue to be gained from rates above 50% under central assumptions.[7]

[7]Extending the same partial-equilibrium calculation to a hypothetical coordinated coalition with the same trade

These partial equilibrium estimates provide a gross upper bound, before any humanitarian or sectoral carve-outs. EU sanctions practice contains explicit derogations for pharmaceuticals, medical goods, food, and agricultural products, and a Ukraine Support Tariff would in practice respect these.[8] An import-only fallback—should the export-side levy be legally or politically delayed—would still raise material revenue: import-tariff revenue alone ranges from €2.9 billion at $\theta = 4$ to €10.5 billion at $\theta = 1.5$ in Table 1. The next section examines how general equilibrium adjustments such as trade diversion, terms-of-trade effects, and input-output linkages modify the central, combined-base results.

4 The Effects in General Equilibrium

4.1 Methodology

The partial equilibrium estimates in Section 3 treat EU–Russia trade in isolation. In practice, tariff changes trigger general equilibrium adjustments: changes in relative prices shift demand and supply across all trading partners, input-output linkages transmit effects through production networks, and trade diversion reroutes flows through third countries. To capture these mechanisms, we employ the KITE model (Hinz et al., 2025), a quantitative general equilibrium trade model in the tradition of Caliendo and Parro (2015).

The KITE model features multiple countries and sectors with intermediate input linkages, bilateral trade costs, and heterogeneous trade elasticities across sectors. It is calibrated to the OECD Inter-Country Input-Output (ICIO) tables for 2022, updated with 2024/2025 bilateral trade shares from COMEXT and BACI data to reflect post-sanctions trade patterns.

We simulate a symmetric Ukraine Support Tariff—an import tariff on EU imports from Russia combined with an export tax on EU sales to Russia—across a grid of rates from 5% to 300% in fine steps. Each rate is evaluated at three time horizons, implemented through elasticity scaling: short-run (SR, one-quarter of standard elasticities, corresponding to adjustment within less than one year), medium-run (MR, one-half, 1–2 years), and long-run (LR, standard elasticities, 5–10 years). This yields a total of 126 equilibria (42 scenarios $\times$ 3 horizons), each solved as a full counterfactual of the global economy.

base as NATO (EU plus Canada, Iceland, Turkey, the United Kingdom, and the United States) raises peak revenue at the central elasticity ($\theta = 2$) from €14.3 billion to €27.0 billion—roughly a factor of 1.9, reflecting in particular Turkey's residual energy trade with Russia. A NATO-without-USA variant yields €25.9 billion at $\theta = 2$. We treat the EU figures as the central estimates; the NATO numbers serve as an order-of-magnitude benchmark for the recently blocked 0.25 %-of-GDP proposal (Kyiv Post, 2026b).

[8] The largest single sensitivity is pharmaceuticals: Eurostat reports roughly €9.7 billion of EU pharmaceutical exports to Russia in 2025, i.e. around 17 % of the €57.2 billion combined base (European Commission, 2026). Since revenue scales linearly with the base at any fixed τ, excluding pharmaceuticals reduces every revenue figure by roughly 17 %.

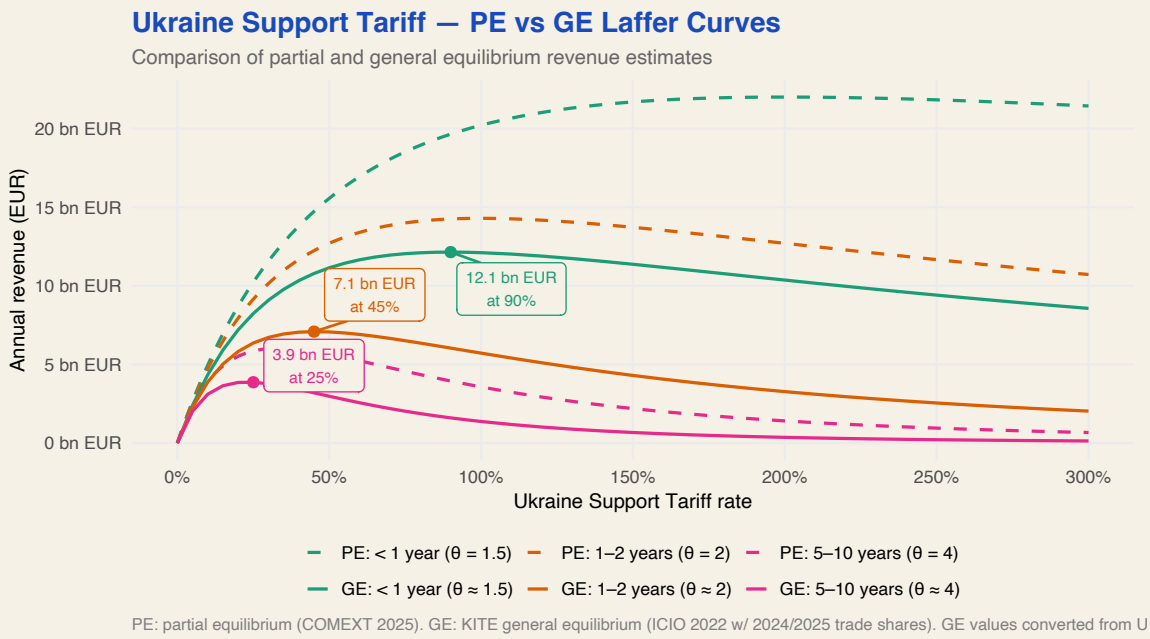

Figure 3: Ukraine Support Tariff—Partial vs. general equilibrium Laffer curves. Dashed lines: PE (COMEXT 2025). Solid lines: GE (KITE model, ICIO 2022 with 2024/2025 trade shares; values converted from USD at 1 EUR = 1.08 USD). Dots mark GE revenue-maximizing rates.

4.2 General Equilibrium Laffer Curves

Figure 3 compares the partial and general equilibrium Laffer curves. The qualitative pattern is the same—revenue rises steeply at low rates and declines after the optimum—but the GE optima are systematically lower.

Table 2 summarises the GE headline results. Revenue-maximizing rates are 90% (short-run), 45% (medium-run), and 25% (long-run), compared to 200%, 100%, and 33.5% in partial equilibrium. The lower GE optima reflect the additional channels through which the trade base erodes: firms reroute through third countries, input-output linkages amplify the effective price increase, and terms-of-trade adjustments redistribute welfare.[9]

At moderate rates, PE and GE estimates converge: a 30% tariff generates €4–9 billion in GE compared to €6–12 billion in PE; a 50% tariff generates €3–11 billion (GE) versus €6–16 billion (PE). This convergence at moderate rates is a robust feature: the additional GE channels—trade diversion, I-O linkages, terms-of-trade effects—have limited scope to erode the base when the tariff is not too far from its optimum. The policy recommendation for a 30–50% rate is therefore robust across both methodologies.

[9]Extending the tariff to a hypothetical coordinated coalition with the same trade base as NATO raises peak GE revenue from roughly €12.1 billion / €7.1 billion / €3.9 billion (SR/MR/LR) to about €19.1 billion / €11.0 billion / €6.0 billion—a smaller uplift than the partial-equilibrium base ratio of 1.9 would suggest, because GE trade-diversion channels erode the larger, Turkey-driven base more strongly. A NATO-without-USA variant captures almost the same gain (€18.6 billion / €10.8 billion / €5.9 billion). We report the EU figures as the central estimates because the EU has the direct legal competence to act; the NATO numbers serve as a benchmark for the blocked 0.25 %-of-GDP proposal (Kyiv Post, 2026b).

Table 2: General equilibrium headline results: Ukraine Support Tariff

	Time horizon		
	SR (<1 yr)	MR (1–2 yr)	LR (5–10 yr)
Optimal tariff rate (%)	90	45	25
Peak revenue (€ bn)	12.1	7.1	3.9
of which import tariff	5.3	3.0	1.6
of which export tax	6.8	4.1	2.2
Revenue at 30% (€ bn)	9.1	6.7	3.8
Revenue at 50% (€ bn)	11.1	7.1	3.0
Revenue at 300% (€ bn)	8.6	2.0	0.1

Notes: SR = short-run (1/4 standard elasticity); MR = medium-run (1/2 elasticity); LR = long-run (standard elasticity). Revenue in billions of EUR; KITE model values are converted from USD at 1 EUR = 1.08 USD. Figures are gross border revenues before member-state collection-cost retention, administration and enforcement costs, and any humanitarian carve-outs; net transfers to Ukraine require a separate EU budgetary act. Source: KITE model, ICIO 2022 with 2024/2025 trade shares from COMEXT and BACI.

The contrast with extreme rates is stark. At 300%, long-run GE revenue collapses to just €0.1 billion—barely 3% of the €3.9 billion long-run optimum. This result has direct policy relevance: political proposals for 500% tariffs on Russian goods would not merely reduce revenue below the optimum but would virtually eliminate it, destroying the tax base while also forfeiting the economic leverage that remaining trade provides.

4.3 Asymmetric Macroeconomic Effects

A central advantage of the general equilibrium framework is that it quantifies the macroeconomic costs borne by each party. Figure 4 reports changes in real value added at the revenue-maximizing tariff rate for each time horizon. The cost asymmetry is notable: Russia's real value added falls by 0.18% to 0.44% depending on the time horizon, while the EU bears costs of only 0.05% to 0.12%—a ratio of roughly 3:1 to 4:1. This asymmetry is the economic foundation of the tariff's viability as a sustained instrument of leverage: the EU can maintain it indefinitely with minimal self-harm, while Russia bears costs several times larger. A graduated tariff—raised to increase pressure, lowered as part of a settlement—exploits this asymmetry to maximum effect.

A key concern with any unilateral tariff is that trade may simply be rerouted through third countries, particularly China. The KITE model endogenously captures these diversion effects. Figure 5 shows the results at the short-run optimal rate (90%): EU–Russia bilateral trade declines substantially while trade diversion to China is present but modest. The tariff thus achieves genuine economic pressure rather than mere rerouting.

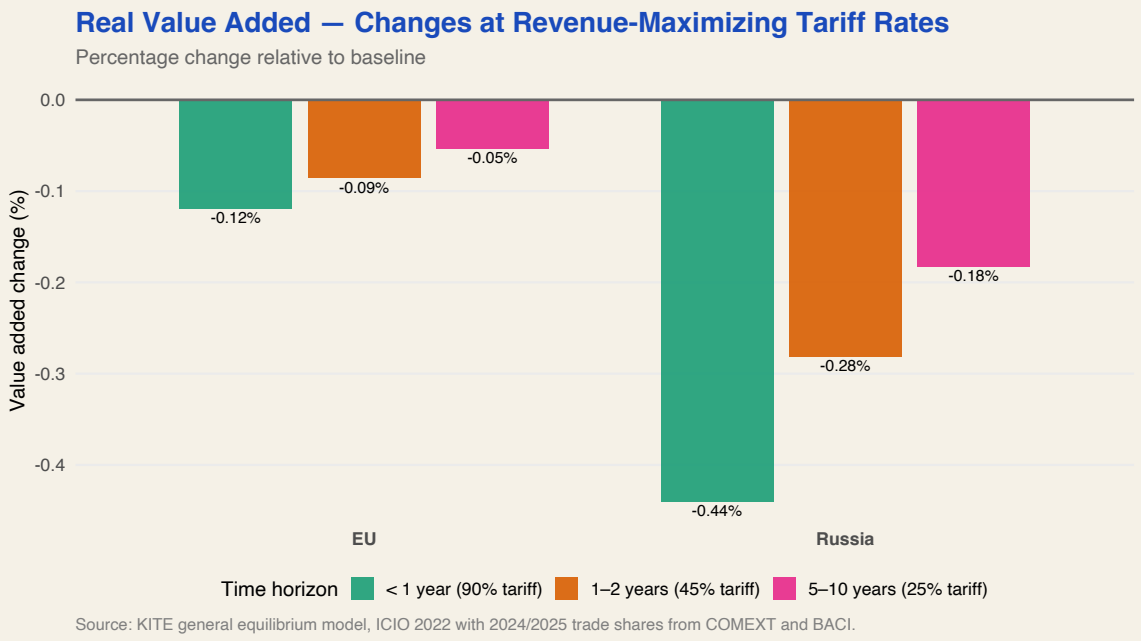

Figure 4: Changes in real value added at revenue-maximizing Ukraine Support Tariff rates. Source: KITE model simulations, ICIO 2022 with 2024/2025 trade shares.

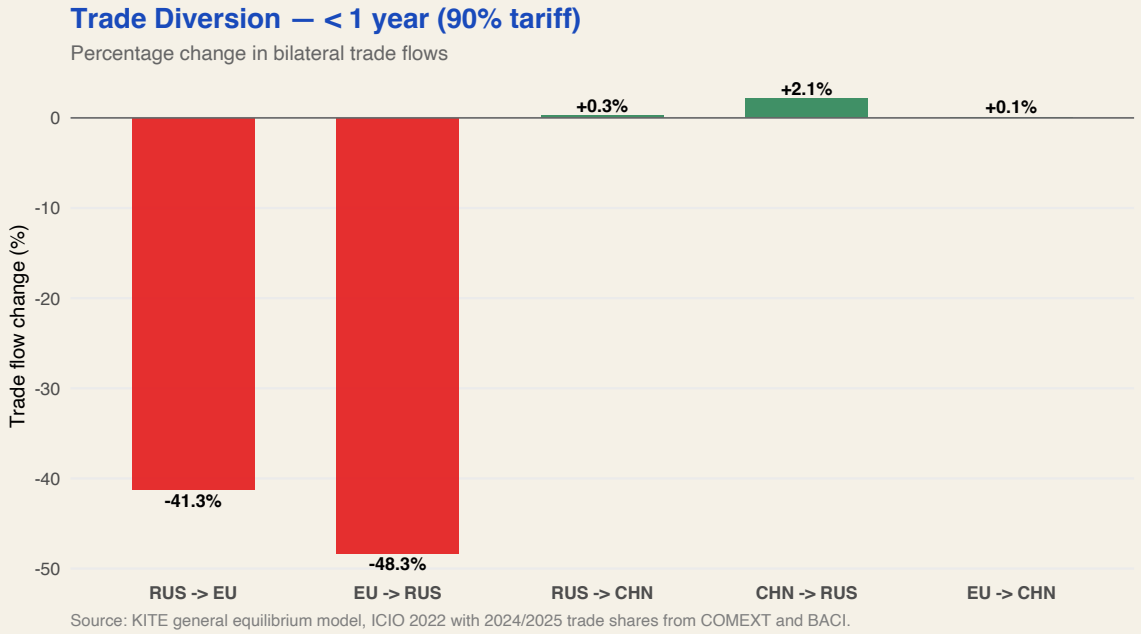

Figure 5: Trade diversion at the short-run optimal tariff rate (90%). Bilateral EU–Russia trade contracts sharply; third-country diversion to China remains modest. Source: KITE model simulations.

5 Policy Implications

A flexible instrument of leverage. The asymmetric cost structure—Russia's value added falls 3–4 times more than the EU's—makes the Ukraine Support Tariff viable as a sustained pressure instrument. Europe can maintain it indefinitely with minimal economic self-harm while imposing meaningful costs on Russia. This gives European policymakers a graduated tool: raise

the rate to increase economic pressure, lower it as part of a negotiated settlement. The tariff thus functions not merely as a revenue mechanism but as a calibrated lever in Europe's broader strategic toolkit.

A sustainable funding stream for Ukraine's defence and reconstruction. Annual gross revenues of €6–16 billion (PE) or €3–11 billion (GE)—even at moderate tariff rates of 30–50%—would represent a significant and sustained funding stream for Ukraine. These funds need not be limited to reconstruction: they could finance military aid, humanitarian assistance, and financial support more broadly. For context, European commitments to Ukraine have averaged roughly €70 billion per year over 2022–2025, split approximately equally between military and financial/humanitarian aid (Trebesch and Nishikawa, 2026). A Ukraine Support Tariff at moderate rates would *meaningfully increase* Europe's capacity to support Ukraine. By comparison, extraordinary revenues from approximately €210 billion in immobilised Russian sovereign assets are estimated at around €2.5–3 billion per year and are now largely earmarked for repayment of the G7/EU Extraordinary Revenue Acceleration (ERA) loans, with a smaller share for the European Peace Facility (European Commission, 2024). The tariff would add a separate gross revenue stream, subject to EU budgetary allocation. Set against the recently blocked NATO 0.25 %-of-GDP proposal (roughly $143 billion per year in aspiration), the tariff is far smaller in absolute size, but it has the decisive advantage that it does not require new national budget contributions at the point of collection—and it operates alongside, not instead of, the EU's ongoing sanctions effort (most recently the twentieth package adopted on 23 April 2026, Council of the European Union, 2026; a twenty-first is reportedly under preparation, centred on the Russian oil price cap and the shadow fleet, Kyiv Post, 2026a).

Calibrated rates maximize revenue; extreme rates are counterproductive. The Laffer curve analysis—in both PE and GE—shows that revenue rises steeply at low rates and flattens well before the theoretical optimum. A rate of 30–50% captures the bulk of potential revenue while remaining robust to uncertainty about trade adjustment speed. Extreme proposals such as the 500% secondary tariff proposed in the US Senate on imports from countries that continue to buy Russian oil, gas, or uranium (Associated Press, 2025) would destroy the tax base and eliminate Europe's remaining economic leverage over Russia. At 300%, long-run GE revenue is just €0.1 billion; at 500%, it would be essentially zero. The goal should be to maximize revenue and sustained pressure, not to signal toughness through economically self-defeating rates.

Combining import tariffs with export taxes broadens the base. All revenue figures in this paper include both import tariffs and export taxes. EU exports to Russia (€30.0 billion) slightly exceed imports (€27.2 billion) in 2025. Applying the tariff to both trade directions roughly doubles the revenue base compared to an import-only tariff and distributes the burden more evenly across member states and sectors. It also reinforces the strategic signal: economic engagement with Russia carries a cost in both directions.

Institutional route. The import side is institutionally the cleaner one: the EU has exclusive competence in the Common Commercial Policy, recent Russia-specific import-duty increases show that targeted tariff increases are feasible through EU trade law, and implementation could build

on the Common Customs Tariff, TARIC, and existing customs collection by member states. The import-tariff core could therefore be implemented first and would still raise material revenue on its own; the export-side levy roughly doubles the base but requires a separate legal design and stronger anti-circumvention rules. The export side is legally less straightforward: EU export law is built around the freedom of exports subject to specific restrictions, safeguards, and authorisation tools, so an ad-valorem export-side levy on sales to Russia would likely require a distinct legal basis or novel design. Because customs duties are EU "traditional own resources," directing proceeds to a dedicated Ukraine facility would require a separate budgetary allocation mechanism rather than following automatically from the trade measure itself. Implementation should be paired with anti-circumvention measures—final-destination checks, no-Russia re-export clauses, related-party pricing scrutiny, and coordination with sanctions enforcement against third-country intermediaries in China, the UAE, Türkiye, Kazakhstan and elsewhere, in line with the third-country tightening already pursued under the twentieth sanctions package (Council of the European Union, 2026). The proposal therefore complements rather than substitutes for sanctions: its import core may be easier to pursue through EU trade law than through the CFSP sanctions route, while the export-side extension would require a more bespoke pathway.

Tax incidence is not the main channel. A natural concern is that the burden of a Ukraine Support Tariff would fall on EU firms and consumers rather than on Russia. Hinz et al. (2026) find that 96 % of the cost of US tariffs is borne by American importers, and the same statutory-incidence logic would apply here. But tax incidence is not the main channel through which the measure weakens Russia. Russia is harmed through lower bilateral trade volumes, reduced access to EU markets and inputs, lower real value added in general equilibrium, and the redirection of revenue from continued Russia-related trade to Ukraine's defence and reconstruction. To the extent that the statutory burden does fall on EU firms and consumers, four years after the initial shock those that continue trading with Russia in 2026 are doing so by deliberate commercial choice; the tariff makes the price of that choice explicit. Unlike US tariffs on allied or neutral partners, the measure targets trade with an aggressor state.

Distributional considerations. The burden of a Ukraine Support Tariff would fall unevenly across member states, reflecting different trade exposures. Countries with remaining energy import dependencies on Russia (notably Austria, Hungary, and some Central European states) would bear a larger share of the import tariff burden. The export tax burden would be more dispersed, falling primarily on exporters of machinery, chemicals, and agricultural products. Redistribution mechanisms within the EU budget or side payments may be necessary to build broader political support.

6 Conclusion

The remaining €57.2 billion in EU–Russia trade represents an untapped source of both revenue and leverage that Europe can no longer afford to leave on the table. A Ukraine Support Tariff is a feasible, significant, and politically coherent mechanism for financing Europe's support for

Ukraine—military, humanitarian, and reconstruction—from the proceeds of continued economic engagement with the aggressor. The revenue potential is substantial, the macroeconomic costs to Europe are minimal, and the policy aligns EU fiscal interests with its strategic objectives.

This paper has quantified the revenue potential of a Ukraine Support Tariff—tariffs and export taxes on remaining EU–Russia trade—using two complementary approaches. Our partial equilibrium analysis demonstrates that annual revenues of €6–16 billion are achievable at moderate tariff rates of 30–50%, with peak revenues of €6–22 billion depending on trade adjustment speed. Our general equilibrium analysis using the KITE model confirms these findings: at the same moderate rates, GE revenues of €3–11 billion are achievable, with peak revenues of €4–12 billion. These magnitudes are economically significant—exceeding the roughly €2.5–3 billion per year in extraordinary revenues from immobilised Russian sovereign assets (which are largely earmarked for ERA-loan repayment, European Commission, 2024) and meaningfully increasing Europe's capacity to support Ukraine on top of existing commitments that have averaged roughly €70 billion per year (Trebesch and Nishikawa, 2026).

The analysis underscores a key insight: even if trade adjusts substantially to the tariff, significant revenue can be generated during the transition period. In the short run, when supply chains are rigid and substitution possibilities are limited, revenue is particularly large. Over time, as trade redirects and volumes decline, revenue falls but the strategic objective—reducing economic ties with Russia—is simultaneously advanced. Revenue is therefore best understood as a multi-year transitional stream: if the policy succeeds, and as the REPowerEU phase-out of Russian energy proceeds—Russian gas already fell from 45 % to 12 % of EU gas imports and Russian oil to around 2 %, with remaining flows scheduled to leave the EU market within roughly two years (European Commission, 2025)—the import base will shrink. That is not a failure of the instrument: it trades fiscal revenue against accelerated decoupling. The tariff thus serves both its fiscal and its political purpose at every point along the adjustment path.

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