

Economic Sanctions: Are They Punishing the Wrong People? A Case Study of Sanctions Against Russia’s Aggression in Ukraine

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I. INTRODUCTION

Economic sanctions are used to enforce international law. Sanctions serve as a peaceful alternative to war and have become an important instrument in international diplomacy; frequently deployed to influence the behavior of nations.¹ However, economic sanctions are unintentionally hurting the wrong people. Economic sanctions as a tool of coercive diplomacy have wide-ranging implications not only for the target country but also for the imposing countries, private citizens, corporations, and the global economy.

The legality of economic sanctions under international law has been a topic of debate.² These sanctions have faced significant criticism for being an illegal tool of international diplomacy.³ For example, the extra-territorial reach of unilateral economic sanctions—where one country imposes measures against another country (along with penalties for noncompliance)—interferes with the international law principles of non-intervention and state sovereignty⁴ and the customary norms of nonintervention.⁵ Furthermore, economic sanctions have resulted in severe impacts on the lives of private citizens with no humanitarian

¹ Jill Jermano, *Economic and Financial Sanctions in U.S. National Security Strategy*, 7 PRISM 64, 65 (2018).

² Iryna Bogdanova, *Targeted Economic Sanctions and WTO Law: Examining the Adequacy of the National Security Exception*, 48 LEGAL ISSUES ECON. INTEGRATION 171, 171 (2021).

³ *Id.*

⁴ See Julia Schmidt, *The Legality of Unilateral Extra-Territorial Sanctions Under International Law*, 27 J. CONFLICT & SEC. L. 53, 56 (2022) (“However, when economic pressure or coercion is directed against other sovereign actors in order to change their policies, at a certain point this economic pressure can turn into unlawful economic coercion and may constitute a violation of the principle of non-intervention.” Also stating that “[i]n June 2021, 184 states voted in favour of a UN General Assembly Resolution” which in its preamble criticizes the extraterritorial reach of unilateral sanctions providing that “the extraterritorial effects of which affect the sovereignty of other States, the legitimate interests of entities or persons under their jurisdiction and the freedom of trade and navigation,” urging all states to refrain from enacting or enforcing laws and measures of this nature, in line with their commitments under the UN Charter and international law.

⁵ Paul de Waart, *Economic Sanctions Infringing Human Rights: Is There a Limit?*, in ECONOMIC SANCTIONS UNDER INTERNATIONAL LAW: UNILATERALISM, MULTILATERALISM, LEGITIMACY, AND CONSEQUENCES 125, 135 (Ali Z. Marossi & Marisa R. Bassett eds., 2015).

safeguards, like those available to prevent human rights violations during wartime.⁶

Economic sanctions are a diplomatic coercion tool that countries use to effect change and influence the behavior of nations.⁷ Sanctions are used to protect national security interests and to defend against threats to international law.⁸ Sanctions are a centuries-old tool employed as an alternative to military intervention, warfare, or nuclear war to affect government behaviors.⁹

Understanding the impact of economic sanctions is vital, as they frequently have unintended consequences for untargeted parties, including private citizens of targeted nations, businesses, and even the global economy.¹⁰ Repeatedly engaging in actions that yield results contrary to the original intention is counterproductive.¹¹ Sanctions do not always have the desired effect on government behavior,¹² although they have had some impact on the target nations, they have hardly provided a solution to the problems for which the sanctions were imposed to change.¹³

Sanctions appear to be punishing the wrong people. They cause a significant impact on the economy of the imposing nation, and their corporations. They contribute to disruptions in the global economy and adversely affect the lives of private citizens, often resulting in various human rights violations. Russia, a

⁶ Nathanael Tilahun & Obiora Okafor, *Economic Sanctions and Humanitarian Principles: Lessons from International Humanitarian Law*, YALE J. INT'L L. ONLINE (June 26, 2023), <https://www.yjil.yale.edu/economic-sanctions-and-humanitarian-principles-lessons-from-international-humanitarian-law/>.

⁷ Jermano, *supra* note 1, at 65.

⁸ GARY CLYDE HUFBAUER ET. AL., ECONOMIC SANCTIONS RECONSIDERED 10 - 11 (Peterson Inst. Int'l Econ. ed., 3rd ed. 2007)(stating that “[s]anctions were usually imposed to disrupt military [actions] or to complement a border war effort,” and that sanctions during World War II and beyond—imposed by the League of Nations and other sender countries—were imposed to settle disputes, enforce foreign policies and deter military actions. Stating further that efforts to weaken another country's military capabilities typically involve specific measures [aimed at protecting] national security, such measures often focus on "identifying military hardware and so-called dual-use technologies that the adversary can be denied." Note that these items are usually restricted through export bans, trade sanctions, or other mechanisms designed to prevent the adversary from acquiring resources that could enhance its military power.).

⁹ See Jonathan Masters, *What are Economic Sanctions?*, COUNCIL FOREIGN REL., (June 24, 2024 10:40 AM)<https://www.cfr.org/background/what-are-economic-sanctions>.

¹⁰ Bahareh Jafarian, *Extraterritorial Sanctions, Transnational Corporate Activity, and State's Duty to Protect*, 1 MCGILL GLSA RSCH. Series 1, 6 (2021).

¹¹ See Johnstone Muye Juma, *The Use of Sanctions in Enforcing International Law: A Shift to Individual Responsibility*, SSRN 1, 1 (July 27, 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4520685 (stating that rather than meet the goal of improving human rights and democracy, economic sanctions have had severe impacts, and that “it has become necessary to come up with alternative measures where while enforcing economic sanctions as a tool in enforcing international law”).

¹² See *id.* (“[h]owever, rather than meet these goals in some instances it has led to severe impact and violations of human rights and has further, thrown such states into disarray, this is due to the fact that those in command aren't the ones feeling the impact but rather the people who do not take part in decision making suffer.”).

¹³ See *id.*

major player in the global economy, has had multiple sanctions levied against it in recent years following its unprovoked war against Ukraine. These sanctions on Russia are hurting the wrong people. Target nations in sanction regimes are devising means and strategies to prepare for economic sanctions.

Russia prepared for the sanctions and has been thriving amidst the many economic sanctions against it, beyond the goal of the sanctions.¹⁴ Instead, these sanctions are hurting the imposing nations, the private citizens in Russia, and the global economy. Due to the unintended implications of economic sanctions, there is a need for a more effective international policy to influence nations' behavior.

It appears that despite their unintended effects and ineffectiveness in addressing the issues they were imposed to resolve, there has been a growing use of economic sanctions in international diplomacy.¹⁵ It is crucial to reduce reliance on economic sanctions as target states seem to be increasingly minimizing their vulnerabilities to sanctions by reducing external dependencies, which could weaken global interconnectedness.¹⁶ There is a need to employ other measures to promote international peace and interest.

Sanctions are imposed under the laws and regulations of the imposing nation or entity. In the United States ("U.S."), both Congress and the President can impose sanctions.¹⁷ Congress can impose sanctions through Acts of Congress under its constitutional powers.¹⁸ Most of the United States' sanctions are imposed by the president through executive orders under the United States Constitution¹⁹ and the International Emergency Economic Powers Act ("IEEPA"). The IEEPA gives the President the power to impose sanctions in

¹⁴ Max Fisher, *Putin, Facing Sanction Threats, Has Been Saving for This Day*, N.Y. TIMES (Feb. 3, 2022), <https://www.nytimes.com/2022/02/03/world/europe/putin-sanctions-proofing.html>.

¹⁵ John Forrer, *Economic Sanctions: Sharpening a Vital Foreign Policy Tool*, ATL. COUNCIL'S GLOB. BUS. & ECON. PROGRAM, 1, 2 (June 2017), https://www.atlanticcouncil.org/wp-content/uploads/2017/06/Economic_Sanctions_web_0614.pdf (explaining that "poorly designed economic sanctions" will fail to achieve "the foreign policy goals they were intended to help achieve," and may amplify their unintended effects on citizens and businesses, yet they remain a popular foreign policy tool for several reasons. However, "a comprehensive and contemporary assessment of a target country's vulnerability to economic sanctions", along with their unintended impacts and actual consequences needs to be done for greatly designed sanction.).

¹⁶ See Fisher, note 14 (stating that Russia has taken several measures to sanction proof their economy, reducing trade in US Dollars and expanding its trades in Russian Rubble); see also Logan Wright, Agatha Kratz, Charlie Vest, and Matt Mingey, *Retaliation and Resilience: China's Economic Statecraft in a Taiwan Crisis*, ATL. COUNCIL GEOECONOMIC CENTER 1, 32 – 33 (April 1, 2024), <https://www.atlanticcouncil.org/wp-content/uploads/2024/04/Chinas-Economic-Statecraft-in-a-Taiwan-Crisis.pdf> (explaining that China is developing "tools to respond to foreign economic restrictions, including sanctions and export controls." Like Russia, they are also promoting the use of its currency in international trades.).

¹⁷ Jonathan Masters, *U.S. Foreign Policy Powers: Congress and the President*, COUNCIL ON FOREIGN REL., <https://www.cfr.org/backgrounder/us-foreign-policy-powers-congress-and-president> (March 2, 2017, 2:28 PM).

¹⁸ U.S. CONST. art. I, § 8.

¹⁹ U.S. CONST. art. II, § 2.

order to promote the national security of the United States, its foreign interests, and the growth of its economy.²⁰

The European Union (“EU”) sanctions are imposed by the Council of the European Union (“the Council”) on its initiative, or when recommended to the Council by the High Representative of the Union for Foreign Affairs and Security Policy (“HR”), or the Member States.²¹ The Council’s sanction decision and regulation on the sanctions must be adopted before the sanctions can be imposed.²²

In the United Kingdom, sanctions are mainly imposed under the Sanctions and Anti-Money Laundering Act of 2018.²³ The sanctions may be imposed for several reasons, including to comply with United Nations (“UN”) and other international obligations, sustain foreign policy and national security goals, maintain international peace and security, and to prevent terrorism.²⁴ The U.K. sanctions measures are also imposed under several other Acts of the U.K. Parliament and Regulations.²⁵

This Note examines the unintended effects of economic sanctions on the imposing nations, the private citizens of the target nations, and the global economy. Furthermore, this Note will analyze the legal framework within which sanctions may be imposed, the legality of economic sanctions under international law, the current sanctions in place against Russia, the strategies employed by Russia to counteract the adverse effects of sanctions, the unintended effects of the sanctions such as the harming of the people they were not designed for while the target nation thrives, and continues the wrongful act for which the sanction was imposed to correct. This Note will offer a valuable insight into the true impact of economic sanctions, while recommending a more effective and equitable international policy in an ever-evolving global landscape.

II. BACKGROUND

To comprehensively grasp the issue and argument presented in this Note, Part II enlightens readers on pivotal definitions that will be recurring throughout this Note, exploring the historical background, types, and evolution of economic sanctions. Additionally, we will examine the legal framework and international law considerations surrounding economic sanctions, and finally, a case study of Russia and its sanction relations.

²⁰ International Emergency Economic Powers Act, 50 U.S.C § 1701 (2024).

²¹ *The EU sanctions process explained*, EUR. COUNCIL OF THE EUR. UNION, <https://www.consilium.europa.eu/en/infographics/the-eu-sanctions-process-explained/> (Apr. 3, 2024).

²² *See id.*

²³ Sanctions and Anti-Money Laundering Act 2018, c. 13 (UK).

²⁴ *Id.* at c. 1, 1.

²⁵ *UK Sanctions Regime*, L. SOC’Y (Sep. 19, 2024), <https://www.lawsociety.org.uk/topics/anti-money-laundering/sanctions-guide>.

A. Definitions

1. Sanctions

Sanctions are coercive measures imposed on people and entities that have violated international law to influence their behavior and force a change in the conduct of governments, nations, and people.²⁶ Sanctions have also been defined as “the consequence that attaches by law to wrongful conduct- and conversely, wrongful conduct is the legal condition for the imposition of a sanction.”²⁷

Sanctions manifest in diverse forms. They commonly encompass: economic, diplomatic, military, sport, individual-focused, and environmental sanctions.²⁸ For the context of this Note, we will focus on economic sanctions.

2. Economic Sanctions

Economic sanctions “are commercial and financial penalties that typically ban customary trade and financial relations.”²⁹ Economic sanctions can be through bans, embargoes, or boycotts.³⁰ The penalties imposed through economic sanctions include levying import duties on goods to the sanctioned country, restricting the export of particular goods from the country, blocking the sanctioned country’s ports, etc.³¹

Economic sanctions may be comprehensive. There are country-based sanctions, or targeted, also known as “smart” or “secondary” sanctions.³² Economic sanctions are comprehensive when they prohibit all commercial

²⁶ See *What Are Sanctions?*, LEXISNEXIS, <https://www.lexisnexis.com/en-us/professional/risk-management/glossary/sanctions.page#:~:text=Sanctions%20refer%20to%20a%20variety,or%20achieve%20specific%20policy%20objectives> (last visited Oct. 27, 2024) (stating that “sanctions refer to a variety of measures imposed by one country or a group of countries against another country, organization, or individual to encourage a change in behavior, punish non-compliance with international norms or laws, or achieve specific policy objectives.”); see also EDWARD J. COLLINS-CHASE, CONG. RSCH. SERV., R47829, *SANCTIONS PRIMER: HOW THE UNITED STATES USES RESTRICTIVE MECHANISMS TO ADVANCE FOREIGN POLICY OR NATIONAL SECURITY OBJECTIVES* 1 (2023); see also Michael Galant, *US Sanctions Policy: Frequently Asked Questions*, CTR. FOR ECON. & POL’Y RSCH. (May 10, 2024), <https://www.cepr.net/report/us-sanctions-policy-frequently-asked-questions/>.

²⁷ Antonios Tzanakopoulos, *Sanctions Imposed Unilaterally by the European Union: Implications for the European Union’s International Responsibility*, in *ECONOMIC SANCTIONS UNDER INTERNATIONAL LAW: UNILATERALISM, MULTILATERALISM, LEGITIMACY, AND CONSEQUENCES* 145, 147 (Ali Z. Marossi & Marisa R. Bassett eds., 2015).

²⁸ *What Are Sanctions?*, *supra* note 26.

²⁹ *What Are Sanctions?*, *supra* note 26.

³⁰ *What Are Sanctions?*, *supra* note 26.

³¹ *What Are Sanctions?*, *supra* note 26.

³² Alexander Kriebitz, *Economic Sanctions* in *ENCYCLOPEDIA OF SUSTAINABLE MANAGEMENT* 1252, 1252–57 (Springer Int’l Pub. 2022).

activity within an entire country.³³ On the other hand, targeted sanctions prohibit transactions by and with particular businesses, groups, or individuals.³⁴

B. *Types, Evolution, and Legal Framework Economic Sanctions*

Economic sanctions are penalties levied by one country or international organization against another country, political leaders, specified individuals, or organizations.³⁵

In this section, the paper will discuss the several types of and the evolution of economic sanctions, examining examples from other sanctions regimes. Additionally, it will explore the legality of economic sanctions under international law, the legal framework and policy considerations for imposing sanctions under the United States legal system, the European Union sanctions regulations, and the United Kingdom sanctions laws.

1. Types of Economic Sanctions

Various types of economic sanctions exist, each serving distinct purposes and reasons.³⁶ Based on the desired goals, these sanctions can be employed alone or in combination with others.³⁷ The predominant types are trade sanctions, asset freezes, financial sanctions, travel bans, and boycotts.³⁸

a. *Trade Sanctions*

Restriction on trade is one of the most commonly used types of economic sanctions.³⁹ Trade sanctions are a broad ban on exports or imports to or from a target country.⁴⁰ The primary purpose is to inflict damages to the economy of the target by isolating it from the global market⁴¹ and restricting its access to goods and technology.⁴² The types of trade sanctions include Export Controls, Import Controls, and Military Embargoes.⁴³

³³ Noura Abughris, *A Brief History of Economic Sanctions*, CARTER-RUCK, <https://www.carter-ruck.com/insight/a-brief-history-of-economic-sanctions/> (last visited Oct. 28, 2024).

³⁴ *Id.*

³⁵ Mathew Emmanuel Pineda, *Types of Economic Sanctions*, PROFOLUS (May 3, 2024), <https://www.profolus.com/topics/types-of-economic-sanctions/>.

³⁶ Mathew Emmanuel Pineda, *Advantages and Disadvantages of Economic Sanctions*, PROFOLUS (May 26, 2024), <https://www.profolus.com/topics/advantages-and-disadvantages-of-economic-sanctions/>.

³⁷ *Id.*

³⁸ Ann Logue, *What Are Economic Sanctions? Economic Sanctions Explained in Less Than Four Minutes*, THE BALANCE (July 29, 2022), <https://www.thebalancemoney.com/economic-sanctions-5224103>.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ Daneile Liberto, *Embargo: Definition, Examples, and Effects*, INVESTOPEDIA (May 26, 2023), <https://www.investopedia.com/terms/e/embargo.asp>.

⁴² *Guidance: UK Sanctions*, GOV.UK (Oct. 10, 2024), <https://www.gov.uk/guidance/uk-sanctions>.

⁴³ Pineda, *supra* note 35.

Under Export Controls, the sanctioning country prohibits businesses within its jurisdiction from exporting goods and services to the target country.⁴⁴ On the other hand, under Import Controls, a sanctioning nation can restrict imports from a target country by rejecting its products and sourcing from alternative suppliers.⁴⁵ The aim is to reduce import-related revenues, weaken import-dependent businesses, and deepen trade deficits.⁴⁶ Finally, under Military Embargo, like Export Control, the sanctioning nation places a ban on arms trade with a target nation.⁴⁷ An economic sanction focusing on an arms trade ban aims to weaken the military capabilities of the targeted country.⁴⁸

b. Asset Freezes

Asset freezes refers to the blocking of funds, financial assets, and economic resources owned or controlled by sanctioned individuals and entities.⁴⁹

In this type of economic sanction, the sanctioned country, entity, or individual cannot access, use, or transfer their assets held in the imposing nation.⁵⁰

c. Financial Sanctions

Financial sanctions restrict or prohibit financial transactions of a sanctioned entity or nation.⁵¹ Financial sanctions may be imposed comprehensively, targeting the entire financial system of the sanctioned entity or nation. Or the financial sanction may be targeted, focusing on specific individuals, organizations, or sectors.⁵²

The rationale of financial sanctions is to deny the target nations the benefits of trade and economic transactions with the imposing nation.⁵³ Financial sanctions also place restrictions on bank transfers and other cross-border financial services between the sanctioned country and the imposing country.⁵⁴

⁴⁴ Pineda, *supra* note 35.

⁴⁵ Pineda, *supra* note 35.

⁴⁶ Pineda, *supra* note 35.

⁴⁷ Pineda, *supra* note 35.

⁴⁸ Pineda, *supra* note 35.

⁴⁹ S.C. Res. 2231, ¶6(c) (July 20, 2015); *see also* Lindsey Cullen, *Asset freezing and asset seizing under the UK sanctions regime*, WILMERHALE: WILMERHALE W.I.R.E. UK, (August 21, 2024), <https://www.wilmerhale.com/en/insights/blogs/wilmerhale-w-i-r-e-uk/20240820-asset-freezing-and-asset-seizing-under-the-uk-sanctions-regime>.

⁵⁰ Masters, *supra* note 9.

⁵¹ *What are Financial Sanctions?*, VINCIWORKS, <https://vinciworks.com/blog/what-are-financial-sanctions/?pu=delta> (last visited Oct. 28, 2024).

⁵² *What is a sanctions?*, INDIA TODAY, (Mar. 10, 2022 17:52 IST), <https://www.indiatoday.in/information/story/what-is-a-sanctions-1923817-2022-03-10>.

⁵³ *What are Economic and Financial Sanctions?*, EREN LAW, <https://erenlaw.com/practice-areas/economic-financial-trade-sanctions/what-are-economic-and-financial-sanctions/> (last visited Oct. 28, 2024).

⁵⁴ Logue, *supra* note 38.

d. Travel Bans

Travel bans are sanction restrictions that prevent targeted individuals from traveling to certain countries.⁵⁵ They restrict the movement of individuals from a sanctioned entity or country to the imposing country or its allies.⁵⁶ As with other types of economic sanctions, a travel ban can be comprehensive, prohibiting all travel to and from the sanctioned entity or country. Or the travel ban can be targeted by targeting specific individuals or groups.⁵⁷

e. Boycotts

Boycotts involve deliberately refusing to buy or use products or services from a sanctioned entity or nation.⁵⁸ Boycotts can be comprehensive, targeting all goods and services from the sanctioned entity or country, or they can be targeted by focusing on specific products or industries.⁵⁹

Boycotts are often used in response to human rights violations, environmental concerns, and/or political issues.⁶⁰ Additionally, they can serve as a potent tool for raising awareness about these issues and exerting pressure on the sanctioned entity or country to modify its behavior.⁶¹

The several types of sanctions enable their imposition based on the specific objectives and behaviors they aim to influence, as well as the rationale for imposing them. Nevertheless, it is crucial to note that all these sanctions come with unintended consequences.⁶²

2. Evolution of Economic Sanctions

Economic sanctions have been used since early history.⁶³ Economic sanctions such as embargoes—whereby a nation, community, or government bans trade with other people—are one of the earliest forms of economic sanctions used centuries ago.⁶⁴

⁵⁵ Masters, *supra* note 9.

⁵⁶ Masters, *supra* note 9.

⁵⁷ Masters, *supra* note 9.

⁵⁸ *Economic Sanctions, Embargoes, and Boycotts*, AMGEN, <https://www.amgen.com/about/how-we-operate/policies-practices-and-disclosures/international-trade/economic-sanctions-embargoes-and-boycotts> (last visited Oct. 28, 2024).

⁵⁹ *Id.*

⁶⁰ Barry Kolodkin, *Examples of Sanctions in International Relations*, THOUGHTCO, (Aug. 10, 2019), <https://www.thoughtco.com/what-are-sanctions-3310373>.

⁶¹ *Economic Embargoes, Trade Sanctions, Prohibited Parties, and Anti-Boycotting Laws*, YALE UNIV., <https://world-toolkit.yale.edu/regulated-activity/economic-embargoes-trade-sanctions-prohibited-parties-and-anti-boycotting-laws> (last visited Sept. 5, 2024, 6:24 PM).

⁶² *Economic Sanctions, Embargoes, and Boycotts*, *supra* note 58; see also Logue, *supra* note 38.

⁶³ Michele Metych, *Economic Sanctions*, BRITANNICA (Sept. 20, 2023), <https://www.britannica.com/topic/economic-sanctions>.

⁶⁴ *Id.*

The first recorded economic sanction was in 432 B.C. when the Athenian Empire banned Megara's merchants and traders from its marketplace.⁶⁵ This ultimately had a huge impact on Megara's economy and its ally Sparta.⁶⁶ The Athenians are said to have issued the Megarian Sanction Decree as retribution for the Megarians' past actions against Athens.⁶⁷ They aimed to punish Megara for disrespect of their sacred land of Demeter, the alleged killing of an Athenian herald sent to reprimand them, and for harboring escaped Athenian slaves.⁶⁸ Some historians argue that this sanction Decree significantly contributed to the prolongation and escalation of the Peloponnesian War of 431-404 B.C.⁶⁹

Economic sanctions gained prominence during the 20th Century,⁷⁰ evolving into a tool of war intended for deterrence and as an alternative to military conflict.⁷¹ After World War II, there was a pressing need for global peace.⁷² Economic sanctions evolved on the grounds of preventing warfare and military intervention while deterring states, organizations, and governments from wrongful conduct.⁷³

In the earlier history of economic sanctions, comprehensive sanctions were widely used to limit the target country's trade and business relations.⁷⁴ Nations such as Russia, Iran, Syria, North Korea, Cuba, Vietnam, Belarus, and the Crimea, Donetsk, and Luhansk regions of Ukraine, have all had comprehensive sanctions (or their equivalent) imposed upon them.⁷⁵

Iran, like Russia, has had multiple sanctions imposed on it.⁷⁶ For instance, the sanctions imposed by the U.S. on Iran had limited impact and enforcement for a considerable period.⁷⁷ The first sanction on Iran dates back to 1979 following the capture of U.S. embassy hostages.⁷⁸ This led to a negotiation for the release of the hostages, and as part of the terms of the negotiations, the

⁶⁵ Abughris, *supra* note 33.

⁶⁶ Abughris, *supra* note 33.

⁶⁷ Philip Chrysopoulos, *How Economic Sanctions in Ancient Greece Backfired, Prolonging War*, GREEK REP. (December 14, 2022), <https://greekreporter.com/>.

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ Abughris, *supra* note 33.

⁷¹ Nicholas Mulder, *The History of Economic Sanctions as a Tool of War*, YALE UNI. PRESS (Feb. 24, 2022), <https://yalebooks.yale.edu/2022/02/24/the-history-of-economic-sanctions-as-a-tool-of-war/>.

⁷² *Id.*

⁷³ *Id.*

⁷⁴ Abughris, *supra* note 33.

⁷⁵ Abughris, *supra* note 33; see *Comprehensive Sanctions*, UNC, <https://research.unc.edu/compliance/export-controls/application/comprehensive-sanctions/> (last visited Sept. 5, 2024).

⁷⁶ Daniel Pilarski, *Comprehensive Sanctions: Iran, Syria, North Korea*, CHAMBERS & PARTNERS (Sept. 25, 2020), <https://chambers.com/articles/comprehensive-sanctions-iran-syria-north-korea>.

⁷⁷ *Id.*

⁷⁸ *See id.*

sanctions were ultimately lifted in 1981.⁷⁹ But throughout the years, several other sanctions have been imposed on Iran, providing more opportunities for diplomatic negotiations.⁸⁰

In 2015, Iran entered negotiations with the U.S., the EU, and other sanctioning parties, agreeing to scale down its nuclear program.⁸¹ This culminated in the Joint Comprehensive Plan of Action (JCPOA), commonly known as the "Iran Nuclear Deal," which resulted in the lifting and waiving of most sanctions against Iran.⁸² However, in 2018, the U.S. reneged on the agreements in the Nuclear Deal and imposed more targeted sanctions on Iran.⁸³ Iran responded by refusing to comply with its agreement to scale down on its nuclear activity.⁸⁴

Conversely, as an attempt to continue its implementation of agreements under the Nuclear Deal, the EU enacted the "Blocking Statute."⁸⁵ This "Blocking Statute" prohibited EU individuals and entities from complying with the U.S. secondary sanctions on Iran contrary to the agreements in the Nuclear Deal.⁸⁶

While it initially appeared that these sanctions against Iran were effective in driving the desired change for which they were imposed, their impact was short-lived. Although these sanctions are still in place, their enforcement has been inconsistent.⁸⁷ The inconsistent enforcement is due to several reasons, including the involvement of intermediaries or third-party nations in trade. Moreover, countries with significant economic connections to Iran might not fully adhere to sanctions because of the possible negative effects on their own economies.

Currently, according to the Global Sanctions Database, fifty-four countries are subject to sanctions imposed by the United Nations, the U.S., the EU, and other nations.⁸⁸ This is about 27 percent of the total countries in the world. Today, one out of four countries are subject to sanctions, versus one in fifty in the 1960s.⁸⁹ Despite the ongoing existence of these economic sanctions, they are not consistently enforced.⁹⁰

⁷⁹ *See id.*

⁸⁰ *See id.*

⁸¹ Pilarski, *supra* note 76.

⁸² Pilarski, *supra* note 76.

⁸³ *See* Pilarski, *supra* note 76.

⁸⁴ *See* Pilarski, *supra* note 76.

⁸⁵ Pilarski, *supra* note 76.

⁸⁶ Pilarski, *supra* note 76.

⁸⁷ Pilarski, *supra* note 76.

⁸⁸ Francisco R. Rodríguez, *The Human Consequences of Economic Sanctions*, CEPR (May 04, 2023), <https://cepr.net/report/the-human-consequences-of-economic-sanctions/>.

⁸⁹ *Id.*

⁹⁰ *Id.*

Although sanctions are imposed on a nation to correct wrongful acts and influence government behavior, these sanctions, especially comprehensive sanctions, often result in significant adverse effects on the sanctioned nation's economy, their citizens' well-being, and the global economy.⁹¹ These adverse impacts led to the development of targeted sanctions, which still have the same adverse effects on unintended targets.⁹²

3. International Law and the Legality of Economic Sanctions

International law, also known as public international law and the law of nations, encompasses a set of rules, norms, and standards that are generally recognized as binding between sovereign states.⁹³ To promote peace and order between nations, international law governs trade, economic relations, human rights, war, and diplomacy between nations.⁹⁴

International law is generally the product of mutual agreement between nations. The United Nations Charter is the guiding document in international law. According to Article 38 of the Statute of the International Court of Justice, there are four major sources of international law.⁹⁵ These are conventions or treaties, customary law, general principles of law, and judicial decisions or scholarly writings.⁹⁶

Sanctions under international law have been defined as coercive measures imposed by competent international organizations for breach of international law to compel the targeted entity to restore legality.⁹⁷ Sanctions may be imposed either unilaterally or multilaterally. Unilateral sanctions are sanctions imposed by countries and entities other than the United Nations (UN), either individually or collectively.⁹⁸ Multilateral sanctions are sanctions imposed by the UN Security Council under Chapter VII of the UN Charter.⁹⁹ This is referred to as "multilateral" because it shows the collective will of the UN member nations.¹⁰⁰ Sanctions are imposed when the UN Security Council determines

⁹¹ Abughris, *supra* note 33 (quoting Kofi Annan, the former Secretary General to the United Nations in his 1997 report to the UN, stating that "country-based sanctions tend to inflict the most harm on vulnerable civilian groups and can cause great collateral damage to third states.").

⁹² Abughris, *supra* note 33.

⁹³ *International Law*, CORNELL L. SCH. LEGAL INFO. INSTITUTE, https://www.law.cornell.edu/wex/international_law.

⁹⁴ *Id.*

⁹⁵ Statute of the International Court of Justice, art. 38.

⁹⁶ *Id.* at art. 38, ¶1.

⁹⁷ de Waart, *supra* note 5, at 135.

⁹⁸ Schmidt, *supra* note 4, at 58.

⁹⁹ Rahmat Mohamad, *Unilateral Sanctions in International Law: A Quest for Legality*, in *ECONOMIC SANCTIONS UNDER INTERNATIONAL LAW: UNILATERALISM, MULTILATERALISM, LEGITIMACY, AND CONSEQUENCES* 71, 73 (Ali Z. Marossi & Marisa R. Bassett eds., 2015).

¹⁰⁰ Schmidt, *supra* note 4, at 58.

that certain actions that breach the peace have occurred.¹⁰¹ In such instances, the Council has the authority to decide on the appropriate measures to address the situation.¹⁰²

As previously mentioned, the legality of unilateral economic sanctions have been heavily criticized due to their violation of multiple international laws. Some of these violations include interference with the international law principles of state sovereignty¹⁰³ and the customary principles of nonintervention.¹⁰⁴ Article 2(4) of the UN Charter prohibits countries from using threats or force “against the territorial integrity or political independence” of another country. In *The S.S. Lotus*, case, the Permanent Court of International Justice (PCIJ) reiterated the state sovereignty principles and stated that:

“[f]ar from laying down a general prohibition to the effect that States may not extend the application of their laws and the jurisdiction of their courts to persons, property, and acts outside their territory, it leaves them in this respect a wide measure of discretion which is only limited in certain cases by prohibitive rules; as regards other cases, every State remains free to adopt the principles which it regards as best and most suitable.”¹⁰⁵

This PCIJ’s decision shows that states’ jurisdiction outside their territory is limited. Unilateral sanctions are considered *prima facie* illegal.¹⁰⁶ However, the Law of State Responsibility allows certain permissible measures for countries to impose unilateral sanctions.¹⁰⁷

The International Law Commission (“ILC”) Draft Articles on State Responsibility provides for the legal consequences to states for internationally wrongful acts committed by states.¹⁰⁸ It further outlined the international responsibility of states arising from any such internationally wrongful act.¹⁰⁹ If the sanctions imposed by a country meet the requirements of the lawful

¹⁰¹ U.N. Charter, art. 39 (“[t]he Security Council shall determine the existence of any threat to the peace, breach of the peace, or act of aggression and shall make recommendations, or decide what measures shall be taken in accordance with Articles 41 and 42, to maintain or restore international peace and security.”).

¹⁰² *Id.*

¹⁰³ Schmidt, *supra* note 4, at 55–56.

¹⁰⁴ de Waart, *supra* note 5, at 135.

¹⁰⁵ S.S. Lotus (Fr. v. Turk.), Judgment, 1927 P.C.I.J. (ser. A), No. 10, at 19 (Sept. 7).

¹⁰⁶ Daniel H. Joyner, *International Legal Limits on the Ability of States to Lawfully Impose International Economic/Financial Sanctions*, in *ECONOMIC SANCTIONS UNDER INTERNATIONAL LAW: UNILATERALISM, MULTILATERALISM, LEGITIMACY, AND CONSEQUENCES* 83, 90 (Ali Z. Marossi & Marisa R. Bassett eds. 2015).

¹⁰⁷ *Id.*

¹⁰⁸ Articles on Responsibility of States for Internationally Wrongful Acts, G.A. Res. 56/83, Annex, U.N. Doc. A/RES/56/83/Annex (Dec. 12, 2001).

¹⁰⁹ *Id.*

countermeasures set out in the ILC Draft Articles, then that will be considered a lawful sanction under international law.¹¹⁰

Furthermore, economic sanctions have been criticized for their human rights implications. This has resulted in several impacts on the lives of private citizens with no humanitarian safeguards like those available to prevent human rights violations during wartime.¹¹¹ The issue arises whether states have extraterritorial human rights obligations.¹¹² It has been argued that states have human rights obligations to people outside their territory or control when they engage in any coercive action outside of their states whether during a time of war or peace.¹¹³

It has also been argued that multilateral sanctions “should not enjoy a privileged legal treatment” because they still lead to various human rights violations like unilateral sanctions.¹¹⁴ The controversy on the legality of economic sanctions continues to be a debate especially because of the impacts of these sanctions on the unintended targets.

4. Legal Framework and Policy Consideration of the Sanctions Regimes in the United States, the European Union, and the United Kingdom

Although economic sanctions are often criticized for their lack of effectiveness and unintended consequences on unintended targets, they are still frequently used as a diplomatic measure in response to armed conflicts, criminal acts, or human rights abuses because they are cost-effective and can be quickly imposed.¹¹⁵ Sanctions are imposed by the laws and regulations of the imposing nation or entity. In this section, we will explore the legal and regulatory frameworks governing the sanction regimes of the United States (“U.S.”), the European Union (“EU”), and the United Kingdom (“U.K.”).

a. U.S. Sanctions: Legal Framework and Policy Considerations

The U.S. has been committed to its foreign policy interest and has played a leading role in international politics since World War II.¹¹⁶ The U.S. foreign policy interest aims to strengthen the nation's national security and advance U.S. interests on the international stage while promoting robust economic growth and prosperity domestically.¹¹⁷

¹¹⁰ Joyner, *supra* note 106.

¹¹¹ Tilahun & Okafor, *supra* note 6.

¹¹² Joyner, *supra* note 106, at 91.

¹¹³ *Id.*

¹¹⁴ Armin Steinbach et al., *Economic Sanctions and Human Rights: Quantifying the Legal Proportionality Principle*, 36 HARV. HUMAN RIGHTS J. 1, 5 (2023).

¹¹⁵ Michele Metych, *Economic Sanctions*, BRITANNICA: HISTORY & SOCIETY <https://www.britannica.com/topic/economic-sanctions> (Sept. 20, 2023).

¹¹⁶ BRYAN R. EARLY, *BUSTED SANCTIONS: EXPLAINING WHY ECONOMIC SANCTIONS FAIL 4* (Stanford Uni. Press ed., 2015).

¹¹⁷ *Id.*

Both Congress and the President have the power to impose sanctions on foreign nations, individuals, or entities.¹¹⁸ Congress may impose sanctions by Acts of Congress under its constitutional powers.¹¹⁹ The President possesses the authority to impose sanctions through executive orders, deriving this power from the United States Constitution,¹²⁰ which designates the President as the head of state and representative of the U.S. in international affairs.¹²¹

Additionally, the International Emergency Economic Powers Act (“IEEPA”) grants the President the statutory authority to impose sanctions.¹²² This Act, enacted by Congress, empowers the President to impose economic sanctions on persons and entities when it is determined that there exists an “unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States.”¹²³

The U.S. sanctions laws and regulations are mainly implemented by the U.S. Department of the Treasury, the Office of Foreign Assets Control (“OFAC”), and the U.S. Department of State.¹²⁴ The U.S. sanctions regimes are also implemented under several other Acts and Regulations. For example, the U.S. has implemented the Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014, the Iran Threat Reduction and Syria Human Rights Act of 2012, the North Korea Sanctions and Policy Enhancement Act of 2016, and the Russian Harmful Foreign Activities Sanctions Regulations.¹²⁵

b. EU Sanctions: Legal Framework and Policy Considerations

Unlike the U.S., which is a sovereign nation, the EU is a consortium of European nations formed to promote political and economic cooperation among

¹¹⁸ *U.S. Foreign Policy Powers: Congress and the President*, COUNCIL ON FOREIGN REL. (March 2, 2017, 2:28 PM), <https://www.cfr.org/backgroundunder/U.S.-foreign-policy-powers-congress-and-president>.

¹¹⁹ U.S. CONST. art. I, § 8.

¹²⁰ U.S. CONST. art. II, § 2.

¹²¹ See Andrew Boyle, *Checking the President’s Sanctions Powers*, BRENNAN CENTER FOR JUST. (June 10, 2021), <https://www.brennancenter.org/our-work/policy-solutions/checking-presidents-sanctions-powers>.

¹²² *Id.*

¹²³ 50 U.S.C § 1701 (2024).

¹²⁴ *Overview of U.S. Sanctions Laws and Regulations*, NORTON ROSE FULBRIGHT 1, 3 (Feb. 6, 2024), <https://www.nortonrosefulbright.com/en-us/knowledge/publications/5522bd68/overview-of-us-sanctions-laws-and-regulations>; see also *Economic Sanctions Policy and Implementation*, U.S. DEPT. STATE, <https://www.state.gov/economic-sanctions-policy-and-implementation/>, (last visited Sept. 5, 2024) (stating that “the Office of Economic Sanctions Policy and Implementation is responsible for developing and implementing foreign policy-related sanctions adopted to counter threats to national security posed by particular activities and countries.”).

¹²⁵ NORTON ROSE FULBRIGHT, *supra* note 124, at 6.

its member states.¹²⁶ Being an association of European nations, it employs a somewhat different approach to sanction implementation.

Under the EU sanction regime, The European Council of the European Union (the Council) may impose sanctions either on its initiative, or based on recommendations from the High Representative of the Union for Foreign Affairs and Security Policy (HR), or upon the recommendations from member states.¹²⁷ To impose sanctions on a person, organization, or a nation, these two Acts, the Council's Decision on Sanctions and Regulation on Sanctions must be adopted.¹²⁸ These Acts are adopted on the same day and come into force on the day of their adoption.¹²⁹ This is to ensure that both Acts are effective at the same time.¹³⁰

To adopt a Council Decision, the HR proposes measures, which are then given to the relevant Council preparatory bodies to examine and discuss. The Committee of the Permanent Representatives of the Governments of the Member States to the EU (Coreper II) then must agree on the Legal Act.¹³¹ The Coreper II is comprised of each member state's permanent representatives and chaired by the permanent representative of the country holding the presidency of the General Affairs Council.¹³² The Council then adopts the decision, and the decision is published in the Official Journal of the EU.¹³³

To adopt a Council Regulation on sanctions, the HR and the commission present a joint proposal for a council regulation.¹³⁴ The relevant council preparatory bodies examine and discuss the proposed measures.¹³⁵ The Coreper II then agrees on the Legal Act.¹³⁶ The Council then adopts the regulation, and the regulation is published in the Official Journal of the EU.¹³⁷ Finally, the Council informs the European Parliament.¹³⁸

¹²⁶ *European Union: Aims and Values*, EUROPEAN UNION, https://european-union.europa.eu/principles-countries-history/principles-and-values/aims-and-values_en (last accessed Sept. 5, 2024); *see also* KRISTIN ARCHICK, CONG. RSCH. SERV. RS21372, THE EUROPEAN UNION: QUESTIONS AND ANSWERS 1 (2022).

¹²⁷ *EU Sanctions Process Explained*, *supra* note 21.

¹²⁸ *EU Sanctions Process Explained*, *supra* note 21.

¹²⁹ *EU Sanctions Process Explained*, *supra* note 21.

¹³⁰ *EU Sanctions Process Explained*, *supra* note 21.

¹³¹ *EU Sanctions Process Explained*, *supra* note 21.

¹³² *Coreper II*, EUR. COUNCIL OF THE EUR. UNION, <https://www.consilium.europa.eu/en/council-eu/preparatory-bodies/coreper-ii/#:~:text=Coreper%20II%20is%20composed%20of%20each%20member%20states%27,holding%20the%20presidency%20of%20the%20General%20Affairs%20Council> (last visited Sep. 5, 2024).

¹³³ *EU Sanctions Process Explained*, *supra* note 21.

¹³⁴ *EU Sanctions Process Explained*, *supra* note 21.

¹³⁵ *EU Sanctions Process Explained*, *supra* note 21.

¹³⁶ *EU Sanctions Process Explained*, *supra* note 21.

¹³⁷ EUR. COUNCIL OF THE EUR. UNION, *supra* note 133.

¹³⁸ EUR. COUNCIL OF THE EUR. UNION, *supra* note 133.

Sanctions and restrictive measures imposed can be lifted for two main reasons:¹³⁹ Firstly, where there is a negotiation, and as part of the negotiations, the sanctioned country or person may request that the sanctions be lifted.¹⁴⁰ Secondly, persons or country sanctioned can request that the sanctions be lifted in two ways: “(1) By submitting a request to the Council, with supporting documentation, requesting that the decision to list them be reconsidered, and (2) By challenging the Council’s decision before the General Court of the European Union under Article 275 and 263 of the Treaty on the Functioning of the European Union.”¹⁴¹ Depending on the decision of the Council or the Court the sanctions may be amended, extended, or lifted.¹⁴²

c. U. K. Sanctions: Legal Framework and Policy Considerations

The U.K. sanctions can be imposed under the Sanctions and Anti-Money Laundering Act of 2018.¹⁴³ This Act provides the main legal basis for imposing, updating, or lifting the U.K. sanctions.¹⁴⁴ The objectives of the U.K. sanctions regime are to comply with United Nations and other international obligations, sustain foreign policy and national security goals, maintain international peace and security, and prevent terrorism.¹⁴⁵ Section 1 of the Act provides that the “appropriate Minister may make sanctions regulations where that minister considers that it is appropriate to make the regulations.”¹⁴⁶

Sanctions in the U.K. are unilaterally imposed on individuals, and entities, or implemented in adherence to sanctions mandated by the United Nations.¹⁴⁷ Additionally, certain sanctions measures are imposed under other Acts Parliament,¹⁴⁸ including the Immigration Act of 1971,¹⁴⁹ the Export Control Order 2001,¹⁵⁰ and the Terrorist Asset-Freezing etc. Act 2010.¹⁵¹

However, U.K. sanctions on Russia were imposed under Russia (Sanctions) (EU Exit) Regulations 2019, which came into force on December 31, 2020, to

¹³⁹ EUR. COUNCIL OF THE EUR. UNION, *supra* note 133.

¹⁴⁰ EUR. COUNCIL OF THE EUR. UNION, *supra* note 133.

¹⁴¹ *EU Sanctions Process Explained*, *supra* note 21.

¹⁴² *EU Sanctions Process Explained*, *supra* note 21.

¹⁴³ Sanctions and Anti-Money Laundering Act 2018, c. 13 (UK), <https://www.legislation.gov.uk/ukpga/2018/13/contents>.

¹⁴⁴ *Guidance: UK Sanctions*, GOV.UK (Oct. 10, 2024), <https://www.gov.uk/guidance/uk-sanctions>.

¹⁴⁵ *Id.*

¹⁴⁶ Sanctions and Anti-Money Laundering Act 2018 (UK) § 1.

¹⁴⁷ *Id.* at § 1 (1), § 1 (2).

¹⁴⁸ *UK Sanctions Regime*, THE LAW SOCIETY (19 Sep. 2024), <https://www.lawsociety.org.uk/topics/anti-money-laundering/sanctions-guide>.

¹⁴⁹ Immigration Act 1971, c. 77 (UK), <https://www.legislation.gov.uk/ukpga/1971/77/contents>.

¹⁵⁰ The Export Control Order 2008, SI 2008/3231 (UK).

¹⁵¹ Terrorist Asset-Freezing etc. Act 2010, c. 38 (UK), <https://www.legislation.gov.uk/ukpga/2010/38/contents>.

ensure that the “sanctions relating to Russia continue to operate effectively.”¹⁵² The regulation is updated as necessary to account for new or updated sanctions on Russia.¹⁵³ The recent update to the Regulation came into force on June 30, 2023, and contains the recent U.K. sanctions imposed on Russia to have Russia cease its ongoing attack on Ukraine.¹⁵⁴

C. Case Study Russia: Its Background, Economy, and Its Sanction Relations

“In response to the Russian attack on Ukraine, the U.S., the EU, the U.K., and several other governments worldwide have [imposed] severe sanctions targeting Russia’s economy.”¹⁵⁵ This section aims to provide a succinct analysis of Russia’s historical context, economic landscape, and role in the global market. Additionally, this Note will present a chronological overview of the sanctions imposed on Russia, scrutinizing their repercussions on the nation’s economy and evaluating their effectiveness in compelling an end to Russia’s military invasion of Ukraine.

1. Russia’s Background, Economy, and Impact on the Global Market

Russia is the largest country in the world, cutting across two continents, Europe, and Asia.¹⁵⁶ Russia is a nation of great geopolitical importance.¹⁵⁷ Several factors are responsible for its geopolitical significance, including its vast natural resources, its strategic location, and its military power.¹⁵⁸ Russia has massive amounts of natural resource, including oil, natural gas, coal, and timber.¹⁵⁹ These resources are critical to the global economy¹⁶⁰ and “Russia is a big player in the world energy markets.”¹⁶¹ Russia’s economy is heavily

¹⁵² *UK Sanctions Regime*, *supra* note 148.

¹⁵³ *UK Sanctions Regime*, *supra* note 148.

¹⁵⁴ See generally *The Russia (Sanctions) (EU Exit) (Amendment) (No. 3) Regulations 2023* (U.K.).

¹⁵⁵ Zack Eckstein, *How Sanctions on Russia are Affecting the U.S. Economy*, FORDHAM J. CORP. & FIN. L. (March 26, 2022), <https://news.law.fordham.edu/jcfl/2022/03/26/how-sanctions-on-russia-are-affecting-the-u-s-economy/>.

¹⁵⁶ MAPS OF RUSSIA, <https://www.worldatlas.com/maps/russia> (last visited Nov. 4, 2024).

¹⁵⁷ *The Modern Geopolitics of Russia*, RANE WORLDWIDE (Feb 19, 2024), <https://worldview.stratfor.com/article/modern-geopolitics-russia>.

¹⁵⁸ *Id.*; see also Joseph Kipro, *What Are The Major Natural Resources Of Russia?* WORLDATLAS (March 27, 2019), <https://www.worldatlas.com/articles/what-are-the-major-natural-resources-of-russia.html>.

¹⁵⁹ See Kipro, *supra* note 158; see also *Natural Resources, Economy of Russia*, ADVANTOUR, <https://www.advantour.com/russia/economy/natural-resources.html> (last visited Sept. 9, 2024); Craig Anthony, *10 Countries With the Most Natural Resources*, INVESTOPEDIA (May 10, 2024), <https://www.investopedia.com/articles/markets-economy/090516/10-countries-most-natural-resources.asp>.

¹⁶⁰ See Kipro, *supra* note 158.

¹⁶¹ David Victor, *The Role of Energy Markets in the War in Ukraine*, ECONOFACT (Sept. 16, 2022), <https://econofact.org/the-role-of-energy-markets-in-the-war-in-ukraine> (showing the statistics for Russian Export Earnings).

dependent on oil and gas exports, which account for more than half of its federal budget revenues.¹⁶²

As per the International Energy Agency (“IEA”), Russia stands among the top three crude producers globally, contending for the leading position alongside Saudi Arabia and the United States.¹⁶³ In 2021, revenues from oil and natural gas comprised 45 percent of Russia’s federal budget.¹⁶⁴ According to the World Bank, Russia’s economy saw a strong rebound after the pandemic in the first half of 2021 and was expected to grow by 4.3 percent in 2021.¹⁶⁵ The country has a large public sector that helped buffer against unemployment during the pandemic.¹⁶⁶ Russia’s federal budget saw increases in revenues, with oil and gas revenues up by 60 percent, and value-added tax and income taxes by around 30 percent each.¹⁶⁷ The overall budget deficit “shrank from 3.8 percent at end-2020 to around 1 percent in the third quarter of 2021.”¹⁶⁸ “The [Russian] banking sector has proven resilient throughout the COVID-19 pandemic . . . as economic recovery now helps improve balance sheets, while rapid credit growth has begun to ease.”¹⁶⁹

Nevertheless, sanctions imposed on Russia have had a substantial impact on its economy, particularly in the energy sector.¹⁷⁰ Russia’s economy has seen reduced exports, loss of foreign direct investments, a fall in income, and the GDP.¹⁷¹

¹⁶² *Id.*

¹⁶³ *Oil Market and Russian Supply*, IEA, <https://www.iea.org/reports/russian-supplies-to-global-energy-markets/oil-market-and-russian-supply-2> (last visited Sep. 9, 2024).

¹⁶⁴ Stephanie Baker, *The economic war on Russia has been a grand experiment for sanctions*, MARKETPLACE (Sep 3, 2024), <https://www.marketplace.org/2024/09/03/economic-war-russia-sanctions-oil-gas-prices-energy-crisi/>.

¹⁶⁵ WORLD BANK GRP., 46TH RUSSIA ECONOMIC REPORT 7 (2021), <https://documents1.worldbank.org/curated/en/099050011302118976/pdf/P17756206d40310aa0a5e109d6fa60bc55a.pdf>.

¹⁶⁶ *Economic Change in Russia*, CTR. STRATEGIC & INT’L STUD., <https://www.csis.org/programs/europe-russia-and-eurasia-program/archives/economic-change-russia> (last visited Sep. 9, 2024).

¹⁶⁷ WORLD BANK GRP., RUSSIA ECONOMIC REPORT xiii (Dec. 1, 2021), <https://www.worldbank.org/en/country/russia/publication/rer>.

¹⁶⁸ *Id.*

¹⁶⁹ *Id.*

¹⁷⁰ Heli Simola, *What Effects have Sanctions had on the Russian Economy?*, WORLD ECON. F. (Dec. 22, 2022), <https://www.weforum.org/agenda/2022/12/sanctions-russian-economy-effects/>.

¹⁷¹ WORLD BANK GRP., SOCIAL PROTECTION FOR RECOVERY: EUROPE AND CENTRAL ASIA ECONOMIC UPDATE 149—150 (Oct. 2022), <https://openknowledge.worldbank.org/bitstream/handle/10986/38098/FullReport.pdf>; see also Apurva Sanghi et. al., *How has Russia’s economy fared in the pandemic era?*, WORLD BANK GRP. (June 8, 2021), <https://www.worldbank.org/en/news/opinion/2021/06/08/how-has-russia-s-economy-fared-in-the-pandemic-era>.

2. Timeline of Economic Sanctions Imposed on Russia

Following its annexation of Crimea and the current involvement in the Ukraine conflict, Russia has been a target of economic sanctions by several nations since 2014.¹⁷²

In 2014, the United States (U.S.), European Union (EU), and Canada imposed sanctions on Russia's energy, banking, and defense sectors, as well as on individuals and entities linked to the annexation of Crimea.¹⁷³ As a result of Russia's failure to cease its conflict in Crimea, in 2015, the EU extended its sanctions on Russia until January 2016.¹⁷⁴ In 2016, the U.S. also extended its sanctions on Russia until March 2017.¹⁷⁵ In 2017, the U.S. imposed new sanctions on Russia in response to its alleged interference in the 2016 U.S. presidential election.¹⁷⁶

In 2018, the U.S. imposed financial sanctions on Russia for meddling in the 2016 U.S. elections.¹⁷⁷ Additionally, the U.S. also imposed sanctions against Russia in response to the poisoning of former Russian spy Sergei Skripal and his daughter in the U.K.¹⁷⁸ In 2019, the U.S. imposed financial sanctions on Russia prohibiting the grant of loans or funds to Russia for chemical and biological weapons.¹⁷⁹

In 2022, following Russia's unprovoked military invasion of Ukraine, a series of sanctions were imposed on Russia by the U.S., EU, Canada, the U.K.,

¹⁷² *What are the Sanctions on Russia and are They Hurting its Economy?*, BBC (May 25, 2023), <https://www.bbc.com/news/world-europe-60125659>.

¹⁷³ Ewen MacAskill, Ian Traynor & Dan Roberts, *EU and U.S. Impose Sanctions on Russian and Ukrainian officials*, GUARDIAN (Mar. 17, 2014, 11:00 AM), <https://www.theguardian.com/world/2014/mar/17/eu-imposes-sanctions-21-russian-ukrainian-officials-crimea>; see also, Council Decision 2014/145/CFSP, 2014 O.J (L 78), 16–21.; see also *Crimea Crisis: Canada to Join U.S., E.U. with new Russian sanctions*, CBC NEWS (March 17, 2014), <https://www.cbc.ca/news/world/crimea-crisis-canada-to-join-u-s-eu-with-new-russian-sanctions-1.2575297>.

¹⁷⁴ Agence France-Presse, *New EU Sanctions Hit 2 Russian Deputy DMs*, DEFENSENEWS (Feb. 16, 2015), <https://www.defensenews.com/global/europe/2015/02/17/new-eu-sanctions-hit-2-russian-deputy-dms/>.

¹⁷⁵ Carol E. Lee & Paul Sonne, *U.S. Sanctions Russia Over Election Hacking; Moscow Threatens to Retaliate*, WALL ST. J. (Dec. 29, 2016), <https://www.wsj.com/articles/u-s-punishes-russia-over-election-hacking-with-sanctions-1483039178>.

¹⁷⁶ Matt Flegenheimer, *New Bipartisan Sanctions Would Punish Russia for Election Meddling*, N.Y. TIMES (June 13, 2017), <https://www.nytimes.com/2017/06/13/us/politics/senate-sanctions-russia.html>.

¹⁷⁷ Amanda Macias & Mike Calia, *U.S. sanctions several Russian officials and entities, including oligarch linked to former Trump campaign chief Paul Manafort*, CNBC (Jan. 22, 2019, 3:11 PM), <https://www.cnbc.com/2018/04/06/us-sanctions-russians-including-oligarch-linked-to-former-trump-campaign-chief-paul-manafort.html>.

¹⁷⁸ Julia Borger, *U.S. to impose sanctions against Russia over Salisbury nerve agent attack*, GUARDIAN (Aug. 8, 2018, 18:34 PM), <https://www.theguardian.com/world/2018/aug/08/us-russia-sanctions-nerve-agent-attack-salisbury>.

¹⁷⁹ *Second Round of Chemical and Biological Weapons Control and Warfare Elimination Act Sanctions on Russia*, U.S. DEPT. STATE (Aug. 2, 2019), <https://2017-2021.state.gov/second-round-of-chemical-and-biological-weapons-control-and-warfare-elimination-act-sanctions-on-russia/>.

Australia, South Korea, New Zealand, Taiwan, Singapore, and many other nations and entities.¹⁸⁰ These sanctions were imposed on the Russian government, Russian corporations, and Russian individuals with close ties to Putin, and oligarchs.¹⁸¹ This paper, will focus on the sanctions imposed on Russia by the U.S., the EU, and the U.K.

In February 2022 when the Russian President ordered the military invasion of Ukraine, the United Kingdom, the United States, and the European Union imposed several financial sanctions on several Russian banks and corporations and their subsidiaries to restrict Russia's access to funds.¹⁸² They also placed export controls on software, equipment, and technology to Russia, and placed a capital market restriction on Russian banks.¹⁸³

Furthermore, the U.K., EU, and the U.S. (the trio) imposed additional restrictions on Russian banks, discontinuing the banks from the SWIFT banking system.¹⁸⁴ The SWIFT banking system is a global messaging system that allows banks to communicate across the world.¹⁸⁵ In the same month, the U.S. banned the imports of Russian oil, gas, and other energy into the U.S., and the EU banned the supply of energy-related equipment and new investments in the Russian energy sector.¹⁸⁶ Also in March, the U.K. and the U.S. expanded their sanctions against Russia and issued sanctions against Russian railways and defense industry.¹⁸⁷

In April 2022 the U.S., U.K., and the EU imposed more financial sanctions on Russian banks and restrictions on cryptocurrency transfer. The EU and the U.K. further imposed an import ban on Russian coal and steel products and pledged to end their dependency on Russian coal and oil by the end of 2022. In the same month, the U.S., the EU, and the U.K. further imposed more sanctions on individuals and Russian Oligarchs.¹⁸⁸

From May until August, the U.S., the EU, and the U.K. imposed a series of sanctions banning any management, accounting, or legal services to Russia and Russian individuals.¹⁸⁹ They imposed further sanctions allowing the confiscation

¹⁸⁰ Richard Martin, *Sanctions Against Russia – A timeline*, S&P GLOBAL (Sept. 18, 2023), <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/sanctions-against-russia-8211-a-timeline-69602559>; see also Michelle Toh, et. al., *The list of global sanctions on Russia for the war in Ukraine*, CNN: BUSINESS (Feb. 28, 2022), <https://www.cnn.com/2022/02/25/business/list-global-sanctions-russia-ukraine-war-intl-hnk/index.html>.

¹⁸¹ See Martin, *supra* note 180.

¹⁸² Martin, *supra* note 180.

¹⁸³ Martin, *supra* note 180.

¹⁸⁴ See Martin, *supra* note 180.

¹⁸⁵ See AGATHE DEMARAIS, *BACKFIRE: HOW SANCTIONS RESHAPE THE WORLD AGAINST U.S. INTERESTS* 107 (COLUMBIA UNI. Press ed., 2022).

¹⁸⁶ Martin, *supra* note 180.

¹⁸⁷ Martin, *supra* note 180.

¹⁸⁸ Martin, *supra* note 180.

¹⁸⁹ Martin, *supra* note 180.

of assets of sanctioned individuals and entities.¹⁹⁰ In March and June, the U.S., the EU, and the U.K. also imposed sanctions on Russian diamonds, mined and refined gold, and Jewelry from Russia.¹⁹¹

From September to December 2022, the trio extended the sanctions on Russia, Russian banks, and Oligarchs.¹⁹² On December 3rd, the EU imposed a \$60 per barrel price cap on oil and gas production and minerals from Russia.¹⁹³ On the 2nd of November, the U.S. imposed more sanctions targeting Russia's industrial, mining, and energy sectors.¹⁹⁴

In February 2023, the EU imposed a ban on the purchases of Russian oil and gas.¹⁹⁵ In April 2023, the U.S. imposed sanctions on entities in 20 jurisdictions, including companies with Russian parent companies, and companies that are offering some services to Russia.¹⁹⁶ On November 2, 2023, the U.S. extended sanctions on Russia's oil and gas sector, while on November 8, 2023, the U.K. issued extended sanctions on Russia's gold sector.¹⁹⁷

These sanctions prohibit citizens of the U.S., the U.K., and the EU member nations, corporations, subsidiaries, or entities affiliated from engaging in any transactions under the sanctioned provisions with Russia or the individuals and corporations subject to sanctions in Russia.

3. Impact of the Sanctions on Russia

The impact of economic sanctions on a target country varies depending on the type of economic sanction imposed, the purpose for which it was imposed, the duration of the sanction, the economy of the target nation, and the strategies employed to weather the sanctions.¹⁹⁸ Like Russia, the impact of the economic sanctions on target countries may reduce their economic and financial ability to trade with third-party countries, but they have not been successful in bringing the change for which the sanction was intended to compel.¹⁹⁹

In the aftermath of imposing numerous sanctions on Russia in response to its attack on Ukraine, predictions were indicating that the Russian economy

¹⁹⁰ Martin, *supra* note 180.

¹⁹¹ Martin, *supra* note 180.

¹⁹² Martin, *supra* note 180.

¹⁹³ Martin, *supra* note 180.

¹⁹⁴ Martin, *supra* note 180.

¹⁹⁵ Martin, *supra* note 180.

¹⁹⁶ Martin, *supra* note 180.

¹⁹⁷ Martin, *supra* note 180.

¹⁹⁸ U.S. GOV'T ACCOUNTABILITY OFF., GAO-20-145, ECONOMIC SANCTIONS: AGENCIES ASSESS IMPACTS ON TARGETS, AND STUDIES SUGGEST SEVERAL FACTORS CONTRIBUTE TO SANCTIONS' EFFECTIVENESS 1, 13 (2019).

¹⁹⁹ Dursun Peksen, *Socio-Economic and Political Consequences of Economic Sanctions for Target and Third-Party Countries*, OFFICE U.N. HIGH COMM'N HUMAN RIGHTS, <https://www.ohchr.org/sites/default/files/Documents/Events/Seminars/CoercitiveMeasures/DursunPeksen.pdf> (last visited Oct. 18, 2024, 8:47 PM).

might experience significant devastation.²⁰⁰ Contrary to expectations, the Russian economy has been weathering the sanctions and persisting in its growth.²⁰¹ Although the sanctions have inflicted some pain on Russia's economy, they have not caused a catastrophic economic collapse or caused Russia to cease its aggression against Ukraine.²⁰² While these measures may be eroding Russia's economic base, they have not had any effect in persuading Putin to reverse his policy or withdraw the military invasion.²⁰³

It has been argued that Russia has prepared itself for the recent sanctions imposed on it.²⁰⁴ Following the Sanctions, it received when it moved its troops into Crimea in 2014, Russia has been taking action to sanction-proof the Russian economy.²⁰⁵ They have taken several steps including diversifying the economy, seeking alternative markets, trading in currencies other than the dollar, forming relationships, and bilateral trade agreements.²⁰⁶

III. ECONOMIC SANCTIONS ARE PUNISHING THE WRONG PEOPLE

Economic sanctions are among the toughest actions nations can take, short of going to war.²⁰⁷ However, the effectiveness of economic sanctions has been relatively poor.²⁰⁸ While they may be intended to target specific individuals or entities, they often end up hurting the imposing nations, the global economy, and the citizens of the target nations rather than the intended targets.²⁰⁹

This section will show that economic sanctions are punishing the wrong people by analyzing the unintended impact of economic sanctions on the imposing nations, the global economy, and private citizens. The increasing move away from trade in dollars and the development of more ally relationships will

²⁰⁰ REBECCA M. NELSON, CONG. RSCH. SERV., IF12092, *THE ECONOMIC IMPACT OF RUSSIA SANCTIONS 1* (2022).

²⁰¹ *Id.*

²⁰² Noah Berman & Anshu Siripurapu, *Are sanctions against Russia making a difference?* PBS NEWSHOUR (Feb. 21, 2023 6:53 PM), <https://www.pbs.org/newshour/politics/are-sanctions-against-russia-making-a-difference>.

²⁰³ *Id.*

²⁰⁴ Chris Morris, *Russia's plan to fight back against Western sanctions*, BBC NEWS (Feb. 22, 2022), <https://www.bbc.com/news/business-60480904>.

²⁰⁵ *Id.*

²⁰⁶ Frank Umbach, *Russia's strategy to evade Western energy sanctions*, GIS (Sept. 30, 2022), <https://www.gisreportsonline.com/r/russia-evade-sanctions/>.

²⁰⁷ *What are the sanctions on Russia and have they affected its economy?* BBC NEWS (Feb. 23, 2024), <https://www.bbc.com/news/world-europe-60125659>.

²⁰⁸ EARLY, *supra* note 116, at 5.

²⁰⁹ Murtaza Hussain, *As Screws Tighten on Russia, A Warning About Civilian Harm of Sanctions*, THE INTERCEPT (April 28, 2022, 7:00 AM), <https://theintercept.com/2022/04/28/russia-sanctions-civilian-harm-reform/>.

result in an increased risk of sanctions busting and weaken the impact of the sanction coalition²¹⁰ on the financial sector.

A. *Impact on the Imposing Nations*

Although, sanctions have had a minor impact in influencing the behavior of the target government, nevertheless, it has never resulted in the intended goal of the sanction.²¹¹ However, these sanctions have left a significant impact on the imposing nation yielding substantial consequences that echo throughout its economic landscape.²¹² These sanctions against Russia have not only caused economic distress in Russia's economy but have also inflicted some pain on the EU, the U.S., the U.K., and the global economy as well.²¹³ As one author describes it, it has been a "double-edged sword," impacting the economy of the target nation and the imposing nations alike.²¹⁴

1. Disruption in the Energy Imports from Russia Has Dealt a Huge Blow to the Energy Supply of the Sanction Coalition

The EU nations and the U.K. greatly depend on energy imports from Russia,²¹⁵ with about forty percent of its gas imports being from Russia.²¹⁶ Throughout history, Russia has been the world's primary exporter of natural gas and the second-largest supplier of oil, following Saudi Arabia.²¹⁷ In 2021, about half of Russia's oil, gas, and coal were exported to Europe.²¹⁸ Because of the West's dependence on the energy supply from Russia, the sanctions imposed on

²¹⁰ "Sanction coalition" in this Note refers to the imposing entities or the various nations and associations that have imposed various sanctions on Russia. These includes among others, the United States, the United Kingdom, Canada, New Zealand, Japan, and the European Union, with the United States imposing most of the sanctions.

²¹¹ See Juma, *supra* note 11.

²¹² Ira Kalish, *How Sanctions impact Russia and the global economy*, DELOITTE INSIGHTS (Mar. 15, 2022), <https://www2.deloitte.com/us/en/insights/economy/global-economic-impact-of-sanctions-on-russia.html>.

²¹³ See Evan J. Criddle, *Turning Sanctions into Reparations: Lessons for Russia/Ukraine*, HARV. INT'L L. J. ONLINE (2023), <https://journals.law.harvard.edu/ilj/2023/01/turning-sanctions-into-reparations-lessons-for-russia-ukraine/>.

²¹⁴ *Id.*

²¹⁵ Eckstein, *supra* note 155; see also David Victor, *The Role of Energy Markets in the War in Ukraine*, ECONOFACT (Sept. 16, 2022), <https://econofact.org/the-role-of-energy-markets-in-the-war-in-ukraine> (showing statistics for the Russian export earnings).

²¹⁶ Victor, *supra* note 215.

²¹⁷ Stefan Ellerbeck, *What progress is the EU making on ending its reliance on Russian energy?*, WORLD ECON. F. (June 29, 2022), <https://www.weforum.org/agenda/2022/06/russia-eu-energy-imports/>.

²¹⁸ Hooper et al., *Europe is a key destination for Russia's energy exports*, U.S. ENERGY INFO. ADMIN. (Mar. 14, 2022), <https://www.eia.gov/todayinenergy/detail.php?id=51618> (providing statistics of energy exports from Russia in 2021); see also Christopher Miller, *How Sanction-Proof is the Russian Economy?*, ECONOFACT (Mar. 17, 2022), <https://econofact.org/how-sanction-proof-is-the-russian-economy> (showing statistics for the share of Russia in the EU and the UK Energy demand).

Russian energy have not been indirect and not extensive;²¹⁹ however, the sanctions are impacting many of the Western nations.

As part of the sanctions the EU imposed on Russia, the EU said it would cut its energy import from Russia.²²⁰ The EU sanctions would block all Russian oil imports by sea, and some nations like Poland and Germany said they would also end pipeline imports.²²¹ This has significantly affected the energy supply in the European nations with countries like Hungary and Slovakia heavily dependent on the pipeline supply of oil from Russia.²²²

Furthermore, the imposing nations have incurred additional costs because of the sanctions on Russian energy. The International Energy Agency, reports that Russia's invasion of Ukraine has led to higher energy prices globally.²²³ However, higher fossil fuel prices provide strong reasons to accelerate towards sustainable alternatives.²²⁴ The EU nations and the U.K. have been making efforts to transition to clean and renewable energy. This has not been fully realized yet.

To achieve the intended effect on the Russian economy by reducing its energy revenue through energy sanctions, the sanction coalition imposed a sixty dollars per barrel price cap on Russian oil.²²⁵ Recognizing that non-sanctioning states like China and India could still procure Russian energy, they placed a price cap prohibiting their countries from paying more than the stipulated price per barrel.²²⁶ Nevertheless, for effective enforcement, the sanction coalition had to implement regulatory measures on global shipping firms and insurance firms operating within their respective countries.²²⁷ This effort to effectively

²¹⁹ See Nigel Gould-Davies, *Russia, the West, and Sanctions*, in 62 SURVIVAL: GLOBAL POLITICS STRATEGY 7, 11 (Feb. 2020); see also Clifford Krauss, *Ukraine and the Mirage of Energy Independence*, N.Y. TIMES (Feb. 25, 2022), <https://www.nytimes.com/2022/02/25/business/ukraine-russia-us-oil-gas.html>.

²²⁰ See Nicholas Gordon, *The EU says it will cut 90% of Russian oil imports by the end of the year. Here's why it can't get rid of that remaining 10%*, FORTUNE (May 31, 2022, 5:16 AM), <https://fortune.com/europe/2022/05/31/eu-bans-rU.S.sia-oil-imports-pipeline-hungary-orban-slovakia/>.

²²¹ *Exclusive: Poland seeking German support to sanction Russian Druzhba oil pipeline*, REUTERS (Nov. 25, 2022, 7:00 PM), <https://www.reuters.com/business/energy/poland-germany-near-deal-keep-russian-oil-pledge-with-schvedt-sight-2022-11-25/>.

²²² Ellerbeck, *supra* note 217.

²²³ *Russian supplies to global energy markets*, IEA (Feb., 2022), <https://www.iea.org/reports/russian-supplies-to-global-energy-markets#>.

²²⁴ See *id.*

²²⁵ Press Release, U.S. Dept. of Treasury, FACT SHEET: Disrupting and Degrading – One Year of U.S. Sanctions on Russia and Its Enablers, (Feb. 24, 2023), <https://home.treasury.gov/news/press-releases/jy1298>.

²²⁶ *Russia bans oil sales to countries using price cap*, BBC (Dec. 27, 2022), <https://www.bbc.com/news/world-europe-64102180>.

²²⁷ Christopher J. Neely & Jason Dunn, *Reviewing the Impact of Energy Sanctions on Russia*, FED. RSRV. BANK OF ST. LOUIS (Feb. 16, 2023), <https://www.stlouisfed.org/on-the-economy/2023/feb/reviewing-impact-energy-sanctions-russia>.

implement and uphold these sanctions resulted in additional costs for the sanction coalition.²²⁸

The lack of energy import from Russia has resulted in several energy crises in Europe and has affected private citizens. For example, because of Germany's heavy reliance on Russian energy, Germany is at high risk of facing an energy crisis.²²⁹ Following the Fukushima nuclear earthquake disaster in Japan in 2011, Germany decommissioned its nuclear power plant.²³⁰ As a result of this suspension of its nuclear alternative energy plant, Germany relied on coal-fired power plants to produce electricity, which has resulted in pollution from carbon emissions.²³¹ Germany had obtained cheap natural gas and coal from Russia, but because of the sanctions, that has been cut short.²³²

The German economy thrives on low-cost energy, and its absence has resulted in a significant surge in energy prices.²³³ The EU nations have been considering several other renewable energy options and have approved plans to reduce their gas use.²³⁴ This is to help mitigate the shortage of energy imports from Russia. However, this has not been achieved, hence the hardship from the gas shortage is still significantly felt.²³⁵

The sanction imposed on Russian energy has also impacted the lives of private citizens.²³⁶ For example, the EU's imposition of the energy ban has resulted in a surge in inflation, particularly impacting member states with significant dependence on Russian energy supplies.²³⁷ The energy ban imposed by the EU has brought intolerable inflation.²³⁸ The cost of various items has increased significantly.²³⁹ The price of natural gas increased by about fifteen percent, and electricity prices increased by about ten percent.²⁴⁰ According to

²²⁸ *See id.*

²²⁹ Ting Lan et al., *The Economic Impacts on Germany of a Potential Russian Gas Shutoff* (IMF Working Paper No. WP/22/14, July 2022).

²³⁰ *See* DEMARAIS, *supra* note 185, at 116.

²³¹ *Id.*

²³² David McHugh, *Europe is facing an energy crisis as Russia cuts gas. Here's why*, PBS NEWS (Sep. 6, 2022, 12:55 PM), <https://www.pbs.org/newshour/world/europe-is-facing-an-energy-crisis-as-russia-cuts-gas-heres-why>.

²³³ *Id.*

²³⁴ *Id.*

²³⁵ *See id.*; *see also* *Germany takes new steps to tackle the energy crisis*, REUTERS (Aug. 24, 2022), <https://www.weforum.org/agenda/2022/08/energy-crisis-germany-europe/>.

²³⁶ Yangyang Chen et al., *Impact assessment of energy sanctions in geo-conflict: Russian-Ukrainian war*, 9 *Energy REP.*, 3082, 3091 (2023).

²³⁷ *Id.*

²³⁸ *Id.*

²³⁹ *Id.*

²⁴⁰ Chen et al., *supra* note 236, at 3091.

Eurostat, the annual inflation rate in the EU in August 2022 was about nine percent.²⁴¹

The United States has also felt the impact of the Russian gas import shut-off. According to the Congressional Research Service, while analyzing the economic impact of the sanctions on Russia, it noted that the “reduced Russian energy supplies have led to a higher gas price and exacerbated the inflation in the U.S.”²⁴² The price of crude oil increased to about one hundred dollars per barrel, hitting the one-hundred-dollar mark for the first time since 2014.²⁴³ Although the U.S. energy export from Russia is less than three percent, the disruption in energy imports impacted the gas prices.²⁴⁴

2. Impact on Multinational Corporations

Multinational corporations are legally obligated to adhere to the sanctions.²⁴⁵ The sanctions imposed on Russia have resulted in high-stakes regulatory compliance for corporations.²⁴⁶ Numerous multinational corporations, having established business ventures, factories, and operations in Russia, found themselves compelled to exit the Russian market.²⁴⁷ This departure resulted in substantial financial losses for these entities. Companies such as Apple, Shell, British Petroleum, and Disney have all halted their operations in Russia.²⁴⁸

British Petroleum is a British oil and gas company, organized into ten entities with operations in many nations including Russia.²⁴⁹ After dedicating thirty years to developing its business in Russia, British Petroleum encountered a significant loss of around twenty-five billion dollars from the sale of its stake in Rosneft, a state-owned Russian gas company, exiting Russia.²⁵⁰

²⁴¹ *Id.*

²⁴² NELSON, *supra* note 200.

²⁴³ Ashutosh Pandey, *Oil breaches \$100, gold soars, stocks fall*, DEUTSCHE WELLE (Feb. 24, 2022), <https://www.dw.com/en/oil-breaches-100-gold-soars-as-russia-attacks-ukraine/a-60897707>.

²⁴⁴ *Id.*

²⁴⁵ Jiazhen Guo et al., *Update: U.S. Sanctions on Russia Have Extraterritorial Implications*, MORGAN LEWIS LAWFLASH (March 03, 2022), <https://www.morganlewis.com/pubs/2022/03/update-us-sanctions-on-russia-have-extraterritorial-implications>.

²⁴⁶ Eckstein, *supra* note 155.

²⁴⁷ NELSON, *supra* note 200.

²⁴⁸ Hamza Fareed Malik, *Many of the world's biggest companies have abandoned Russia over its war in Ukraine. Here are the 10 largest that have cut ties with the country — 3 of them wrote off \$30 billion in assets in just 3 days*, MKT. INSIDER (Mar 6, 2022, 4:00 AM), <https://markets.businessinsider.com/news/stocks/russia-ukraine-invasion-companies-abandon-ties-sanctions-bp-exxon-disney-2022-3>

²⁴⁹ BRIT. PETROLEUM, PERFORMING WHILE TRANSFORMING BP ANN. REP. AND FORM 20-F 2022, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-annual-report-and-form-20f-2022.pdf>.

²⁵⁰ John E. Katsos, Jason Miklian, & John J. Forrer, *In Light of Russia Sanctions, Consider Your Conditions for Doing Business in Other Countries*, HARV. BUS. REV. (March 15, 2022),

Multinational companies of the sanction coalition are losing their competitive edge. Multinational corporations cannot do business with Russian entities or Russia and they are losing their market control. For example, the sanctions have imposed restrictions that bar Americans from participating in transactions related to new equity and debt in prominent Russian companies operating within the energy, shipping, and financial sectors.²⁵¹ Consequently, this prohibition hinders Americans from purchasing Russian corporate bonds and engaging in investments in Russian stocks.²⁵² In addition to the limitation of trade with the sanctioned nations, sanctions have a lasting effect even after the sanctions are lifted.²⁵³ This is because the target nations regard the companies from the imposing nations as “unreliable” and refuse to do business with them.²⁵⁴ As a result, these corporations lose businesses and clients, which in turn gives companies “in other countries a competitive advantage” and market control.²⁵⁵

Multinational corporations operating in Russia have lost revenue and assets.²⁵⁶ For example, Renault Group, a French automobile manufacturer company, with operations in thirty-five countries.²⁵⁷ Renault suffered a substantial loss due to the sanction. Russia is Renault’s second-biggest market, with a majority stake in the Russian AvtoVAZ.²⁵⁸ Renault relies on its Russian market for twelve percent of its revenue; however, the company lost about thirty-seven percent of its market value because of the sanctions.²⁵⁹

In response to the sanctions against it, Russia imposed retaliatory sanctions on the sanction coalition, which resulted in freezing and seizing the assets of the companies from countries it considers “unfriendly nations”, encompassing the

<https://hbr.org/2022/03/in-light-of-russia-sanctions-consider-your-conditions-for-doing-business-in-other-countries>.

²⁵¹ See Michael T. Gershberg & Gregory Bernstein, *U.S. Imposes Additional Sanctions and Export Controls on Russia in Response to Russia's Invasion of Ukraine*, FRIED FRANK INT'L TRADE & INV. ALERT, 1—2(Feb. 28, 2022), <https://www.friedfrank.com/siteFiles/Publications/FFITISecondTrancheofRussiaSanctions02282022.pdf>.

²⁵² Eckstein, *supra* note 155.

²⁵³ Gary Clyde Hufbauer et al., U.S. *Economic Sanctions: Their Impact on Trade, Jobs, and Wages*, PETERSON INST. FOR INT'L ECON.(Apr. 1997), <https://www.piie.com/publications/working-papers/us-economic-sanctions-their-impact-trade-jobs-and-wages>.

²⁵⁴ *Id.*

²⁵⁵ *Id.*

²⁵⁶ Malik, *supra* note 248.

²⁵⁷ *Renault Group, next gen automotive company*, RENAULT GROUP, <https://www.renaultgroup.com/en/our-company/> (last visited Oct. 18, 2024).

²⁵⁸ Tara Patel, *A \$1 Billion Deal With Putin Traps Renault in Russia Quandary*, NDTV (March 4, 2022, 10:50 PM), <https://www.ndtvprofit.com/amp/onweb/a-deal-with-putin-leaves-automaker-renault-trapped-in-russia>.

²⁵⁹ *Id.*

sanction coalition.²⁶⁰ For instance, Russia has seized assets belonging to European energy companies such as Finland's Fortum and Germany's Uniper.²⁶¹ This move is consistent with its broader strategy of targeting assets from nations that have imposed sanctions against it.²⁶² Russia also implemented a ban on dividend payments, restricted profit distributions to shareholders from "unfriendly" countries, and imposed restrictions on loan and financial obligations involving companies from these nations.²⁶³ These are the countries from the sanction coalition. For example, PepsiCo, a U.S. soft drink company,²⁶⁴ and Philip Morris, a U.S. cigarette brand,²⁶⁵ have their revenue and assets trapped in Russia. These companies lost seven hundred and seventy-five million dollars and seven hundred and eighteen million dollars, respectively.²⁶⁶

Corporations that are the unintended target of the sanctions have been impacted by these sanctions.²⁶⁷ The limitation of doing Business in Russia has resulted in a disruption in the competitiveness of these companies. The opportunities that these companies and businesses may have participated in have gone to their competitor companies outside the sanction coalition.

²⁶⁰ See Jennifer Sor, *Russia seizes assets at European state-owned energy firms in retaliation against 'unfriendly' countries*, BUSINESS INSIDER (Apr 26, 2023, 9:13 AM), <https://markets.businessinsider.com/news/currencies/russia-ukraine-sanctions-putin-war-assets-seize-retaliation-trade-ban-2023-4>; see also *Putin Allows Seizure of 'Unfriendly' Foreign Assets*, THE MOSCOW TIMES (April 26, 2023), <https://www.themoscowtimes.com/2023/04/26/putin-allows-seizure-of-unfriendly-foreign-assets-a80940>.

²⁶¹ Sor, *supra* note 260.

²⁶² *Russia passes decree to allow seizure of U.S. assets*, THE HINDU (May 23, 2024, 10:30 PM), <https://www.thehindu.com/news/international/russia-passes-decree-to-allow-seizure-of-us-assets/article68208998.ece> (stating that "[r]ussian President Vladimir Putin on May 23 signed a decree allowing the confiscation of assets inside Russia belonging to the United States, its citizens and companies...").

²⁶³ See Vasilisa Strizh, Grigory Marinichev, & Alexey Chertov, *Update: Russia Extends Restrictions on Dividend Distributions on Limited Liability Companies*, MORGAN LEWIS (May 09, 2022), <https://www.morganlewis.com/pubs/2022/05/update-russia-extends-restrictions-on-dividend-distributions-on-limited-liability-companies>; see also *Decree of the President of the Russian Federation No. 95 "On the temporary procedure for fulfilling obligations to Certain foreign creditors". A brief overview*, O2 CONSULTING (June 03, 2022), <https://o2consult.com/en/news/decree-of-the-president-of-the-russian-federation-no-95-on-the-temporary-procedure-for-fulfilling-ob/>; see also Ruslan Vasutin & Igor Arakelov, *New procedure for distributing profit (dividends) to "unfriendly" members (shareholders) of Russian companies*, DENUO (Sept. 18, 2023), <https://denuo.legal/en/insights/news/230917/>.

²⁶⁴ *Pepsico: Who we are*, PEPSICO, <https://www.pepsico.com/who-we-are/about-pepsico> (last visited Sep. 9, 2024).

²⁶⁵ *Philip Morris International: About Us*, PHILIP MORRIS, <https://www.pmi.com/who-we-are/who-we-are-overview> (last visited Sep. 9, 2024).

²⁶⁶ Malik, *supra* note 248.

²⁶⁷ Eckstein, *supra* note 155 ("[M]ultinational corporations that do business in Russia face difficult decisions and high-stakes regulatory compliance issues. For example, U.S. corporations with employees in Russia will be hard-pressed to pay them due to the SWIFT sanctions, and may be placed in the difficult position of having to institute mass layoffs and asset abandonment. . . . Notably, large European and American corporations such as Ikea and TJX (owner of T.J. Maxx and Marshalls) have abruptly left the Russian Market in part to avoid violating sanctions.").

3. Strengthening Deeper Economic Relationships with Countries Outside the Sanctions Coalition

Economic sanctions are imposed to compel target nations to alter their behavior, discouraging wrongful actions detrimental to global peace and stability.²⁶⁸ The imposing nations can apply various economic and financial pressure on the target nation, compelling it to cease any criminal activities, warfare, human rights violations, and other wrongful behaviors.

For sanctions to be more effective, there is a need for a wider sanction coalition.²⁶⁹ The imposing nations need to expand their relationship with more nations and get them to be on board with the imposition of the sanctions. Furthermore, they should prevent third-party nations from inhibiting enforcement of the sanctions.²⁷⁰ Third-party nations, which are nations that are not part of the sanction coalition or included in the target nations, could ally with the target nations. Where this occurs, the risk of sanctions busting increases significantly, hence making the sanctions less effective. Sanction busting occurs when target nations seek trade, goods, technology, or finances denied to them by the sanctioned coalition from third-party states to help mitigate the risks of the sanctions.²⁷¹ These ally nations can supply sanctioned goods, finances, and other support to the target nation diluting the effects of the sanctions.²⁷²

Russia has been strengthening its relationship with other nations outside the coalition to improve its economy in the wake of the sanctions.²⁷³ Russia continues to improve and expand its relationship with third-party nations, seeking new relationships with nations it was not previously allied with, to dilute the effect of the sanctions.²⁷⁴ The value of Russia's imports has risen to almost the pre-sanctions levels; as Russia has become more dependent on countries outside of the sanction coalitions for its imports, countries such as China and other eastern nations have increased their exports to Russia.²⁷⁵

²⁶⁸ See Jonathan Masters, *What are Economic Sanctions?*, COUNCIL OF FOREIGN RELATIONS (June 24, 2024, 10:40 AM), <https://www.cfr.org/backgrounder/what-are-economic-sanctions>.

²⁶⁹ See Joschka Wanner et al., *Sanctions Coalitions: Stronger Together*, VOXEU COLUMN (Oct. 30, 2022), <https://cepr.org/voxeu/columns/sanctions-coalitions-stronger-together>.

²⁷⁰ Bryan R. Early, *Sleeping with Your Friend's Enemies: An Explanation of Sanctions-Busting Trade*, 53 INT'L. STUD. Q. 49, 50 (2009).

²⁷¹ See Bryan R. Early, *Unmasking the Black Knights: Sanctions Busters and Their Effects on the Success of Economic Sanctions*, 7 FOREIGN POL'Y ANALYSIS 381, 383 (2011).

²⁷² Nigel Gould-Davies, *supra* note 219, at 9.

²⁷³ Leman Memmedova, *The Importance of BRICS in Russia's 2024 Strategy*, ANKASAM (Jan. 20, 2024), <https://www.ankasam.org/the-importance-of-brics-in-rU.S.sias-2024-strategy/?lang=en>.

²⁷⁴ *Id.*

²⁷⁵ Demosthenes Ioannou et. al., *A year of international trade diversion shaped by war, sanctions, and boycotts*, EUROPEAN CENTRAL BANK (April 12, 2023), <https://www.ecb.europa.eu/press/blog/date/2023/html/ecb.blog.230412~1d6e657dd5.en.html>.

Russia has been diversifying its export partnerships, especially for oil and food products.²⁷⁶ It has turned to new buyers such as Türkiye, India, and China in particular to remedy the deficit caused by reduced imports from the West.²⁷⁷ Gas deliveries to China through the Power of Siberia Gas Pipeline increased by forty-eight percent, according to the Russian Deputy Prime Minister Alexander Novak.²⁷⁸ Russia has expanded its trading relationship with China, and Türkiye, and increased its exports to Brazil, India, Africa, and the Middle East.²⁷⁹

The sanctions against Russia have become a further push to strengthen BRICS.²⁸⁰ BRICS is a group of major emerging economies – Brazil, Russia, India, and China, and including South Africa from 2010 – that was formed in 2006 to promote investment opportunities and economic growth.²⁸¹ It has been argued that BRICS is an anti-sanction organization.²⁸² Russia relies on BRICS and trades with the BRICS nations to overcome the sanctions.²⁸³

The result of Russia's reliance on BRICS nations has continued to strengthen BRICS as an anti-sanction organization. More nations are risking a fallout with the U.S. and the EU as they seek to join BRICS to mitigate any effect of sanctions.²⁸⁴ These increased relationships and the influence of BRICS weaken the influence of the imposing nations on the third-party countries while also making sanctions less effective, both on the target nations and future sanctions on any of the third-party nations.

²⁷⁶ Gregoire Sauvage, *Why is the Russian economy holding up against Western sanctions?* FRANCE 24 (Feb. 23, 2023), <https://f24.my/9HAn>.

²⁷⁷ *Russia Seeks New Ways to Sell Its \$20-Billion-a-Year Gold Output*, BLOOMBERG NEWS (April 1, 2022), <https://www.bloomberg.com/news/articles/2022-04-01/russia-seeks-new-ways-to-sell-its-20-billion-a-year-gold-output?embedded-checkout=true>.

²⁷⁸ Sauvage, *supra* note 276.

²⁷⁹ See *id.*; see also Niels Graham, *Chinese exports have replaced the EU as the lifeline of Russia's economy*, ATLANTIC COUNCIL (Feb. 22, 2024), <https://www.atlanticcouncil.org/blogs/econographics/chinese-exports-have-replaced-the-eu-as-the-lifeline-of-russias-economy/>.

²⁸⁰ See Trixie Sher Li Yap & Florence Tan, *APPEC: Sanctions against Russia bringing BRICS closer, executives say*, REUTERS (Sept. 4, 2023, 6:16 AM), <https://www.reuters.com/world/appec-sanctions-against-russia-bringing-brics-closer-executives-say-2023-09-04/> (stating that the sanctions against Russia are “driving the BRICS [nations] closer together”).

²⁸¹ Pepe Escobar, *BRICS was created as a tool of attack: Lula*, ASIA TIMES (Aug. 29, 2019), <https://asiatimes.com/2019/08/brics-was-created-as-a-tool-of-attack-lula/>.

²⁸² *Id.*

²⁸³ Jan Van Der, *BRICS Partners May offer Russia a Way Out of Sanctions Impasse*, RFI (June 6, 2022), <https://rfi.my/8WWG>.

²⁸⁴ See Andréina Chávez Alava, *Venezuela and Russia Strengthen Ties, Lavrov Supports BRICS Membership* (Feb. 22, 2024), <https://venezuelanalysis.com/news/venezuela-and-rU.S.sia-strengthen-ties-lavrov-supports-brics-membership/> (“The Russian Minister went on to add that Moscow would support Venezuela’s endeavor to join the BRICS group, created in 2009 by Brazil, Russia, India, China and South Africa to counteract the US and European economic and political hegemony.”).

4. De-dollarization

As an attempt to evade sanctions, there has been an increasing move away from trade in the U.S. dollar and European euro.²⁸⁵ The U.S. dollar is a widely available currency and plays a dominant role in international trade and cross-border transactions.²⁸⁶ This is a result of the lack of financial channels in other currencies.²⁸⁷ Trade in local currencies is ineffective as the central banks of most nations have no ties or system in place to exchange the currencies.²⁸⁸ For example, in an export or import transaction between Russia and China, suppose there was no available channel to exchange the Russian ruble directly for the Chinese renminbi.²⁸⁹ Hence, it is necessary to have a third currency to carry out trade between nations.²⁹⁰ Most nations just enter the agreement directly in U.S. dollars or convert, say, Russian rubles to U.S. dollars and then to the Chinese renminbi.²⁹¹

Cross-border transactions carried out in U.S. dollars are usually done through a U.S. bank, making such transactions subject to U.S. sanctions.²⁹² Countries are beginning to explore various trade options other than U.S. dollars to diversify their financial ties and avoid the risks of sanctions.

Russia and the other BRICS nations are pushing for trade in local currencies and commodities-backed currencies, such as gold. Russia and China have increased their gold reserves significantly, which has contributed to driving up the gold price.²⁹³ The economic effects of these transactions are difficult to predict because the sanctions imposed on Russia have made these transactions less transparent.²⁹⁴ However, this trade option is beginning to see growth as this move by Russia and BRICS encourages other nations to follow suit.²⁹⁵

²⁸⁵ Robert Greene, *The Difficult Realities of the BRICS' Dedollarization Efforts—and the Renminbi's Role*, CARNEGIE ENDOWMENT FOR INT'L PEACE 1, 2 (Dec. 2023), https://carnegieendowment.org/files/202312-Greene_BRICS.pdf.

²⁸⁶ *Id.*

²⁸⁷ See DEMARAIS, *supra* note 185, at 126.

²⁸⁸ DEMARAIS, *supra* note 185, at 126.

²⁸⁹ DEMARAIS, *supra* note 185, at 126.

²⁹⁰ DEMARAIS, *supra* note 185, at 126.

²⁹¹ DEMARAIS, *supra* note 185, at 126.

²⁹² See generally DEMARAIS, *supra* note 185.

²⁹³ Harry Dempsey & Chris Cook, *Swiss-Owned company's Russian gold trades expose gap in western sanctions*, SWISSINFO.CH (April 17, 2023), <https://www.swissinfo.ch/eng/bU.S.iness/swiss-owned-company-s-rU.S.sian-gold-trades-expose-gap-in-western-sanctions/48441180>.

²⁹⁴ See generally DEMARAIS, *supra* note 185.

²⁹⁵ See generally DEMARAIS, *supra* note 185.

The Shanghai Cooperation Organization (SCO),²⁹⁶ is an organization of emerging economies that includes Russia, China, India, Pakistan, and Iran.²⁹⁷ The organization's aims among others are to protect against cross-border threats and to cooperate among member states to address their economic issues.²⁹⁸ The SCO announced in May 2023 its development of a mechanism to expand the process of conducting trades in non-dollar currencies.²⁹⁹

The de-dollarization efforts and the move away from EU-ro-based financial channels would in the long term affect the dominance of these payment channels in cross-border transactions. Additionally, this would limit the influence of the sanction coalition as financial sanctions which are easily imposed on such transactions would not be available.

B. Impact on Private Individuals

Economic sanctions target resources that the people rely on and thus have had a significant impact on the lives of private individuals, particularly affecting the citizens of the targeted nation. According to a report from the Center for Economic and Policy Research ("CEPR"), "economic sanctions harm people in target countries, including by contributing to increases in mortality, poverty, and inequality, and to declines in per capita income and human rights."³⁰⁰ Economic sanctions have a serious effect on the lives of the individuals in the target nations.

In the early development of sanctions, comprehensive sanctions were imposed, affecting all the citizens of the target nation. However, in recognition of the significant impact on private individuals, "smart" or "targeted" sanctions were developed.³⁰¹ As a result of the development of "smart" sanctions, sanctions

²⁹⁶ *Iran looks east after China-led bloc OKs entry*, FRANCE 24 (Sept. 18, 2021 15:34 PM), <https://www.france24.com/en/live-news/20210918-iran-looks-east-after-china-led-bloc-oks-entry> (stating that as of 2021, the Shanghai Cooperation Organization stands as the largest regional organization globally, encompassing approximately 80% of Eurasia's landmass and 40% of the global population. Its combined GDP accounted for roughly 20% of the world's GDP).

²⁹⁷ *Shanghai Cooperation Organization*, REPUBLIC OF TÜRKIYE: MINISTRY OF FOREIGN AFF., <https://www.mfa.gov.tr/shanghai-cooperation-organization.en.mfa#:~:text=The%20aim%20of%20the%20organization,and%20illegal%20migratio n%3B%20to%20reinforce>.

²⁹⁸ *Id.*; see also U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION, THE SHANGHAI COOPERATION ORGANIZATION: A TESTBED FOR CHINESE POWER PROJECTION 2 (Nov. 12, 2020), https://www.uscc.gov/sites/default/files/2020-11/Shanghai_Cooperation_Organization-Testbed_for_Chinese_Power_Projection.pdf.

²⁹⁹ Greene, *supra* note 284, at 2.

³⁰⁰ Dan Beeton, *New Report Finds that Economic Sanctions Are Often Deadly and Harm People's Living Standards in Target Countries*, CEPR (May 04, 2023), <https://cepr.net/press-release/new-report-finds-that-economic-sanctions-are-often-deadly-and-harm-peoples-living-standards-in-target-countries/#:~:text=Washington%2C%20DC%20E%2080%94%20A%20new%20report%20from%20the,declines%20in%20per%20capita%20income%20and%20human%20rights>.

³⁰¹ See Daniel W. Drezner, *Sanctions Sometimes Smart: Targeted Sanctions in Theory and Practice*, 13 INT'L STUDIES REV. 96, 96 (2011).

imposed are currently targeted at specific individuals, corporations, or government officials.³⁰²

To mitigate unintended consequences on private individuals, sanctions consistently incorporate a humanitarian exception. This exception exempts certain industries and businesses, such as food and healthcare, from the sanctions regime.³⁰³ However, despite the presence of the humanitarian exception, the effect of economic sanctions on private individuals persists. These continued effects on private individuals occur because sanctions targeting the revenue, imports, and exports of the target nation directly impact its citizens.³⁰⁴ Furthermore, sanctioned industries may encompass "intermediary goods" essential for producing goods necessary for the well-being of the population.³⁰⁵

For instance, in examining the impact of sanctions on Afghanistan, Iran, and Venezuela on private individuals, the CEPR report revealed that sanctions restricting government access to foreign exchange hindered their capacity "to provide essential public goods and services."³⁰⁶ This, in turn, resulted in significant adverse effects on both the private sector and non-governmental entities.³⁰⁷ The reach of the sanctions extended beyond the government, also affecting the citizen's access to essential public infrastructure.

The sanctions against Russia have resulted in the loss of jobs, banking and financial difficulties, the closure of airspaces and restrictions on travel, and have even limited athletes' participation in international sporting activities such as the Olympics. With the Sanction Coalition imposing restrictions on business dealings with Russia,³⁰⁸ numerous international companies operating in the country ceased or suspended their operations in compliance.³⁰⁹ The consequence of these withdrawals is widespread loss of work for employees of the affected international companies.³¹⁰

Russian removal from the SWIFT interbank communication system, as part of the sanctions, led to significant banking and financial challenges. This exclusion triggered a surge in interest rates, exacerbating economic pressure on

³⁰² *Id.*

³⁰³ Rodríguez, *supra* note 88.

³⁰⁴ Rodríguez, *supra* note 88.

³⁰⁵ See Rodríguez, *supra* note 88.

³⁰⁶ Rodríguez, *supra* note 88.

³⁰⁷ Rodríguez, *supra* note 88.

³⁰⁸ Eckstein, *supra* note 155; see also Gershberg & Bernstein, *supra* note 251.

³⁰⁹ *Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain*, YALE SCH. MGT. (Sep. 21, 2024), <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>.

³¹⁰ Judy Woodruff & Ryan Chilcote, *How Western Sanctions are Affecting the Lives of Russians*, PBS (March 18, 2022, 6:45 PM), <https://www.pbs.org/newshour/show/how-western-sanctions-are-affecting-the-lives-of-russians>.

private citizens.³¹¹ In retaliation to the sanctions, Russia imposed further difficulty on its citizens by prohibiting the transfer of funds overseas.³¹² The sanctions also led to the closure of airspaces and the imposition of travel restrictions. Many countries within the Sanction Coalition closed their airspace to Russian flights, leaving thousands of Russian tourists stranded abroad.³¹³

As a consequence of sanctions, Russian athletes are unable to take part in international sporting events. The World Athletics Council ("WAC") enforced its own sanction on Russia, prohibiting athletes, support staff, and officials from engaging in all World Athletics Series events.³¹⁴ In 2015, the WAC prohibited Russian athletes from participating in all World Sporting events due to doping violations.³¹⁵ However, some Russian athletes were granted permission to compete under the Authorized Neutral Athletes ("ANA") body.³¹⁶ Nevertheless, these latest sanctions have extended the ban to include even those athletes with ANA status, prohibiting them from competing in any World Series events.³¹⁷

The effects of sanctions on private citizens are long-lasting and may persist even after the sanctions are lifted.³¹⁸ It may take years for the economies of the target nations to recover from the disruptions caused by the current sanctions. For example, Iran's economy is still struggling years after lifting U.S. sanctions imposed on them.³¹⁹

C. Impact on the Global Economy

The sanctions imposed on Russia as a result of its unprovoked invasion of Ukraine are disrupting the global economy. In a world still struggling to recover from the economic impact of the COVID-19 pandemic, the sanctions imposed on Russia have further impacted the global economy. The goal of most of the economic sanctions is to cut off or reduce trade with Russia.³²⁰ Trade sanctions

³¹¹ Alina Selyukh, *How everyday Russians are feeling the impact from sanctions*, NPR (March 2, 2022, 10:35 AM), <https://www.npr.org/2022/03/02/1083694848/sanctions-rU.S.sia-ukraine-economy-war>.

³¹² *Id.*

³¹³ *Id.*

³¹⁴ *World Athletics Council sanctions Russia and Belarus*, WORLD ATHLETICS, <https://worldathletics.org/news/press-releases/world-athletics-council-sanctions-russia-and-belarus> (last visited Sep. 21, 2024).

³¹⁵ *Id.*

³¹⁶ *Id.*

³¹⁷ *See id.*

³¹⁸ *See* Rodríguez, *supra* note 88.

³¹⁹ Abigail Ng, *These 6 Charts Show How Sanctions Are Crushing Iran's Economy*, CNBC (Mar. 22, 2021, 8:49 PM), <https://www.cnbc.com/2021/03/23/these-6-charts-show-how-sanctions-are-crushing-irans-economy.html>.

³²⁰ Gary Clyde Hufbauer et al., *U.S. Economic Sanctions: Their Impact on Trade, Jobs, and Wages*, PIIIE WORKING PAPERS (April 1997), <https://www.piiie.com/publications/working-papers/U.S.-economic-sanctions-their-impact-trade-jobs-and-wages#:~:text=The%20intent%20of%20trade%20sanctions,raising%20its%20cost%20of%20credit>.

cut off exports and imports, while financial sanctions cut off investment, foreign exchange, and funds to the target nation.³²¹

The sanctions on Russia have resulted in both an increase in commodity prices and the disruption of the supply chain.³²² Russia is a major force in the global economy and international trade.³²³ It exports several of the world's most crucial commodities.³²⁴ These commodities include oil and gas, grains, some materials for the manufacture of semiconductors, and other key exports.³²⁵ Disrupting the supply chain through sanctions on Russia has led to elevated prices of essential commodities, possibly leading to higher global inflation and diminished global growth.³²⁶ Travel and shipping are becoming expensive causing more strain on the global supply chain.³²⁷

IV. RECOMMENDATIONS

Economic sanctions are a crucial tool in international diplomacy, serving to enforce international law and maintain peace in the absence of centralized enforcement authority. Despite their significance, sanctions often yield unintended consequences. Hence, it becomes imperative to explore alternative avenues for international diplomacy. In this section, I propose an alternative approach to sanctions, suggesting that states employ backchannel negotiation strategies, establish robust humanitarian safeguards, and implement an international judicial review mechanism to ensure compliance with the safeguards and the efficacy of any sanctions imposed.

A. Negotiations and Backchannel Diplomacy

Diplomatic negotiations and backchannel diplomacy should be adopted. The increased use of sanctions currently has relegated the use of negotiation strategies in international relations. With economic sanctions imposed on about fifty-four countries, which constitute roughly twenty-seven percent of all nations

³²¹ *Id.*

³²² Kalish, *supra* note 212.

³²³ Kalish, *supra* note 212.

³²⁴ Kalish, *supra* note 212.

³²⁵ Nicholas Mulder, *The Sanctions Weapon*, IMF (June 2022), <https://www.imf.org/en/Publications/fandd/issues/2022/06/the-sanctions-weapon-mulder>; *see also* Samantha DeCarlo & Samuel Goodman, *Russia, Palladium, and Semiconductors*, U.S. INT'L TRADE COMM'N (May 2022), https://www.usitc.gov/publications/332/executive_briefings/ebot_russia_palladium_and_semiconductors.pdf (noting that Russia produces most of the world's palladium, a platinum group metal used in semiconductor manufacturing); *see also* Anna Cooban and Uliana Pavlova, Chipmakers brace for more trouble as Russia limits exports of rare gases, CNN BUSINESS (Fri June 17, 2022, 7:17 AM), <https://www.cnn.com/> (“...chipmakers are facing a new headache: Russia, one of the world's biggest suppliers of gases used to make semiconductors, has started to limit exports.”).

³²⁶ Mulder, *supra* note 325.

³²⁷ Patricia Cohen, *Within Days, Russia's War on Ukraine Squeezes the Global Economy*, N.Y. TIMES (Mar. 1, 2022), <https://www.nytimes.com/2022/03/01/business/economy/russia-ukraine-sanctions-economy.html>.

globally, sanctions have become the preferred approach for regulating cross-border relations.

Backchannel diplomacy involves creating discreet communication channels maintained between two opposing parties.³²⁸ Typically facilitated by an informal intermediary or a third party, backchannel diplomacy allows for confidential dialogue outside of official channels.³²⁹ Two primary negotiation options exist within backchannel diplomacy. In the first scenario, negotiations between parties occur discreetly, yet any resulting agreement will face public scrutiny.³³⁰ Conversely, in the second scenario, negotiations and agreements are meant to remain confidential even after their conclusion.³³¹

Backchannel communication typically occurs between the disputing parties. However, the Sanction Coalition may opt for a unified negotiation approach, serving as an intermediary in the discussions between the conflicting parties. The Coalition requires that the agreement from the negotiations be subject to public scrutiny. However, if the circumstances of the target nation's international law violations involve sensitive issues or if the life and safety of private citizens may be in jeopardy, the negotiations and the resulting agreement can be discreet.

Under customary international law, target states may consent to sanctions imposed on them for any wrongful act.³³² Through negotiations, the Sanction Coalition may discuss the sanctions imposed on the targeted entities, government officials, individuals, or corporations. This would ensure that the sanction does not have any negative consequences on unintended targets.

Economic sanctions disrupt trade and economic ties between nations, destroying the cooperative relationships that these countries have established.³³³ Moreover, economic sanctions are more effective when imposing entities and targets are allies rather than adversaries. While economic sanctions have failed to achieve the desired change in behavior, their detrimental impact on unintended targets continues to endure. Thus, it is necessary to adopt more effective negotiation options.

³²⁸ *Backchannel Diplomacy Law and Legal Definition*, USLEGAL, <https://definitions.uslegal.com/b/backchannel-diplomacy/> (last visited Sep. 21, 2024).

³²⁹ *Id.*

³³⁰ Christian, *Benefits and Drawbacks of Back-Channel Diplomacy*, ALEP (Nov. 14, 2019, 15:06), <https://www.aalep.eu/benefits-and-drawbacks-back-channel-diplomacy>.

³³¹ *Id.*

³³² See Nema Milaninia, *Jus ad bellum economicum and jus in bello economico: The Limits of Economic Sanctions Under the Paradigm of International Humanitarian Law*, in *ECONOMIC SANCTIONS UNDER INTERNATIONAL LAW: UNILATERALISM, MULTILATERALISM, LEGITIMACY, AND CONSEQUENCES* 95, 104, 113 (Ali Z. Marossi & Marisa R. Bassett eds., 2015).

³³³ See Mohamad, *supra* note 99, at 73 (“[e]xtraterritorial measures affect trade and economic cooperation between developed and developing countries and interrupt cooperation among developing countries.”).

B. Humanitarian Guardrails for Sanctions

The principles of distinction like those under the humanitarian law to protect civilians should be established for economic sanctions. It has been argued that, because of the harmful impact of economic sanctions on the citizens of the target nation, economic sanctions should be treated like weapons of war and subject to similar regulations.³³⁴

Unlike war, economic sanctions have no established principles for the protection of private individuals and civilians.³³⁵ International Humanitarian Law (“IHL”) are laws that govern warfare and emphasize the principle of distinction, protecting civilians and non-combatants from harm.³³⁶ However, no such law or protection exists to prevent economic sanctions from harming individuals.

It has been argued that humanitarian law cannot be directly applied to economic sanctions³³⁷ because sanctions do not distinguish combatants and civilians like IHL.³³⁸ While that is the case, there is no comparable requirement for the protection of the citizens of the target states as there is for warfare.

I am not proposing that international humanitarian laws be applied to economic sanctions verbatim, I recommend that similar laws, principles, and protections governing economic sanctions should be established. The establishment of similar humanitarian protections will help mitigate the effect of economic sanctions on the people.

C. Need for International Judicial Review of Sanctions

There may be a need for a review of the sanctions. This review is complicated because the sovereignty of nations is an important principle in international law.³³⁹ Article 2 of the UN Charter provides for country sovereignty, which means that each nation has the right to govern its territory without external interference.³⁴⁰

The decisions and actions of countries are sovereign and are not subject to judicial review outside the legal system within their territories. Neither the UN nor the International Court of Justice can review the laws of the imposing nations. However, as a solution to the negative impacts of economic sanctions on unintended parties, the Sanctions Coalition may establish a body to review the

³³⁴ Steinbach et al., *supra* note 114.

³³⁵ Tilahun & Okafor, *supra* note 6.

³³⁶ INT'L COMM. RED CROSS, WHAT IS INTERNATIONAL HUMANITARIAN LAW? 5 (2024), https://www.icrc.org/sites/default/files/document/file_list/what_is_ihl.pdf.

³³⁷ Steinbach et al., *supra* note 114.

³³⁸ Tilahun & Okafor, *supra* note 6.

³³⁹ Samantha Besson, *Sovereignty*, OXFORD PUB. INT'L L. (April 2011), <https://opil.ouplaw.com/display/10.1093/law:epil/9780199231690/law-9780199231690-e1472>.

³⁴⁰ U.N. Charter, art. 2, ¶1 (“[t]he Organization and its Members, in pursuit of the Purposes stated in Article 1, shall act in accordance with the following Principles. 1. The Organization is based on the principle of the sovereign equality of all its Members.”).

sanctions. The organization would ensure that the sanctions are effectively impacting the target entity and comply with the humanitarian laws.

V. CONCLUSION

Economic sanctions are punishing the wrong people for the actions of another. Despite the detrimental effect on the wrong people, economic sanctions continue to be the key internal instrument in regulating the behavior of governments, entities, or individual violations of international law. Economic sanctions are the favored diplomatic tool because they are less costly and violent than war. In the evolution of sanctions as a cost-effective coercive tool after World War II, U.S. President Woodrow Wilson who believed strongly in sanctions as a way to keep world peace described sanctions as “something more tremendous than war.”³⁴¹

It has been said that reliance on sanctions contradicts public opinion.³⁴² A recent survey revealed that fifty-eight percent of Americans support lifting sanctions “if they damage economic activity and the livelihoods of ordinary citizens.”³⁴³ Similarly, three out of every five Americans believe sanctions should be lifted if they “interfere with humanitarian aid and global public health efforts.”³⁴⁴

As analyzed in this Note, sanctions are punishing the wrong people, leading to a significant impact on imposing nations and their corporations, disrupting the global economy, and adversely affecting the lives of private citizens, often resulting in various human rights violations. These effects should prompt a reconsideration of sanctions and the adoption of less harmful alternatives.

Economic sanctions prove most effective when there is some economic and trade relationship between the imposing and the target, especially when both nations are allies rather than adversaries.³⁴⁵ Hence, adopting more negotiation alternatives, establishing effective humanitarian safeguards, and reviewing the sanctions would help mitigate the negative impact of sanctions on the wrong people.

³⁴¹ Rodríguez, *supra* note 88; *see also* Milaninia, *supra* note 332, at 96.

³⁴² Rodríguez, *supra* note 88.

³⁴³ *U.S. Attitudes toward U.S. Relationships with North Korea and China*, HARRIS ON DEMAND: THE HARRIS POLL 1, 3 (Jan. 25, 2023), https://theharrispoll.com/wp-content/uploads/2023/02/AFSC-Key-Findings-Guide_final.pdf.

³⁴⁴ *Id.*

³⁴⁵ *See* Gould-Davies, *supra* note 219, at 9.