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***HISTORY OF ECONOMIC SANCTIONS: KEY RESEARCH QUESTIONS (WITH SOME ANSWERS FOR 2022 SANCTIONS AGAINST RUSSIA)\*\****

*The paper proposes several key questions that should be unavoidable in the research on history of economic sanctions. Four key questions are identified. The first one is what the aim of the sanctions is; what are they supposed to achieve? The second question relates to the mechanisms of sanctions. The third question is, are sanctions effective, i.e. do they produce economic impact and what is its magnitude? The fourth question is, are sanctions efficient, i.e. has the aim been achieved? All these questions are further developed into several more specific questions. Crucial methodological obstacles to answering all these questions are identified and guidelines for overcoming them are provided. The answers to the proposed key questions should be only the starting point in research on history of economic sanctions. Some preliminary answers to these questions were given for the case of February 2022 sanctions against Russia, imposed after it invaded Ukraine.*

**Key words:** *Economic sanctions. – Sanctions aim. – Sanctions mechanisms. – Sanctions effectiveness. – Sanctions efficiency.*

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‘Pain is inevitable. Suffering is optional’

Attributed to Haruki Murakami

## 1. INTRODUCTION

Economic sanctions (hereafter – sanctions) are a predominantly modern historical phenomenon. Although sanctions have been recorded in Ancient Greece and can be traced back to the Megarian Decree (circa 432 BC), by which Athens barred trade with Magera and denied the Megarians access to Athenian ports (MacDonald 1983), with the unavoidable episode of sanctions in the early 19<sup>th</sup> century with Napoleon’s Continental Blockade, modern sanctions emerged during the First World War and were introduced in international law in 1919 with the advent of the Covenant of the League of Nations. There has been a steady increase in the use of sanctions since the Second World War, but the surge of the sanctions came after the end of the Cold War. At the time this article going to press, there are comprehensive, although not thorough sanctions against Russia imposed since February 2022, following Russia’s aggression against Ukraine.

The recent surge of sanctions has created additional academic interest in the history of sanctions, hence recently two books with significant academic impact have been published, one focusing on the global history of sanctions starting with the First World War and ending with the following one (Mulder 2022) and the other dealing exclusively with the sanctions imposed by the United States, which swelled after the end of the Cold War (Demarais 2022). Finally, two voluminous review articles dealing with sanctions from the economics point of view have been published recently (Morgan, Syropoulos, Yotov 2023; Cipriani, Goldberg, La Spada 2023), adding insights into the unavoidable previous contribution to the economics of sanctions (Hufbauer *et al.* 2007). Although the recent academic contributions in the field of sanctions are very valuable, what they as a group lack is a systematised, well-structured approach. This is quite understandable, as the topic of the sanctions is dealt with by different academic ‘trades’ (historians, political scientists, economics, lawyers, etc.). Accordingly, different questions are posed, sometimes the same questions in a different way, often due to differences in terminology, and distinctive answers are given. Because of the lack of a systematised, let alone standardised approach, the results of the different studies are either not comparable to each other or they can be compared only with substantial difficulties. The outcome of this constellation is that our knowledge about sanctions is relatively small, not well organised,

and we still do not understand this phenomenon very well, let alone that there are substantial differences in academic opinion of the sanctions and their features and merit.

Taking that into account, the paper aims to suggest several key research questions that should inevitably be addressed in the empirical research of the history of sanctions, irrespective of whether the research is a case study, or a study of the groups of cases selected according to a specific criteria (period, type/mechanisms of sanctions, countries that imposed sanctions, target countries, etc.). The additional aim of the paper is to provide some preliminary answers (or rather – hints) to these questions in the case of the sanctions imposed on Russia after February 2022 and Russia's invasion of Ukraine. The considerations in the paper start by defining that the sanctions are 'restrictive policy measures that one or more countries take to limit their relations with a target country in order to persuade that country to change its policies or to address potential violations of international norms and conventions' (Morgan, Syropoulos, Yotov 2023, 3).<sup>1</sup> Nonetheless, this definition is not quite precise, and it is obsolete for several reasons. First, for some time, sanctions have been imposed not only against countries but also against corporations, noncorporate organisations, economic sectors of a given country, and individuals. Those sanctions – rather self-servingly labelled as 'smart' or 'targeted' sanctions – are considered in this paper, as sanctions need not to be necessarily imposed only against countries. Second, the change in policies that is demanded must be effective – it is the change of behaviour of the political elite of the targeted country that is required. Accordingly, the term 'policies' in this paper is effectively considered only as effective policies, i.e. the behaviour of the political elite of the targeted countries. Furthermore, in some cases, sanctions are not aimed at policy change *senso strictu*, but rather are just weapons of war (Mulder 2022), aimed at undermining the enemy's war effort and contributing to the victory in war. Third, this definition is not precise – it is too wide because it includes relations that are not economic: suspending and severing military collaboration, embargo on the export of arms to the targeted country, suspending cultural cooperation with it, or embargo on athletes from the country under sanctions competing internationally, etc. Accordingly, only 'limiting' economic relations is considered to be a content of sanctions, as it is only economic sanctions that are considered in this paper. Finally, the February 2022 sanctions against Russia demonstrated that it is also companies that, for reasons of reputational risk, voluntarily (because they

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<sup>1</sup> This definition of sanctions is based on the previous contributions by Morgan, Bapat, Krustev (2009) and Syropoulos *et al.* (2022).

are not obliged to) sever or limit their relations with countries under sanctions, i.e. with companies located in those countries or local consumers. Hence in this paper a somewhat modified definition of sanctions is accepted, although still based on the quoted definition (Morgan, Syropoulos, Yotov 2023, 3). On one hand, the new definition is wider, because it includes all types of restrictions of economic relations, between all economic agents in the countries. On the other hand, it is narrower because it focuses only on economic relations, neglecting all others.

Four key research questions are identified as unavoidable in explorations in the area of the history of sanction, irrespective of the scope and the depth of the analysis. The justification for each of these questions and explanation about the possible ways to answer them are provided. Methodological problems associated with the answers are identified. There is a section of the paper dedicated to each of the four key questions. Some hints about the answers to them, in the case of sanctions imposed on Russia since February 2022, are provided in each section. The conclusion follows.

## 2. THE AIM OF SANCTIONS

The first key research question should be – what is the aim of the sanctions, i.e. what are they supposed to achieve?<sup>2</sup> This is the crucial question, as only the answer to it provides grounds for an unequivocal answer to the question of whether the sanctions are successful from the point of view of those who imposed them, i.e. whether the aim has been achieved.

The response to this key research question should be based on the answers to several specific questions. The first specific question is whether the aim of the sanctions is specified clearly and precisely. Only if the answer is positive, it can be unequivocally concluded whether the sanctions were successful or not. For example, the sanctions imposed on FR Yugoslavia (Serbia & Montenegro) by UN Security Council Resolution 757 provided very precisely specified aims (expressed in UN Security Council Resolution 752, which resolution 757 refers to), hence it was easy to conclude whether the aim was achieved or not. Contrary to that, the aim of the sanctions of the EU imposed on Russia in 2022, following the 24 February invasion of Ukraine, is not specified clearly since the official position is that the aim is ‘to impose

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<sup>2</sup> Although singular (‘aim’) is used in this question that does not preclude that sanctions can have multiple aims. Taking that into account, singular will be used throughout the paper. It is nine typical sanctions’ aims, i.e. objectives that are usually considered in the literature reviews (Morgan, Syropoulos, Yotov 2023, 4).

severe consequences on Russia for its actions and to effectively thwart Russia's ability to continue its aggression'.<sup>3</sup> Such a specified aim, especially because of use of the term 'thwart', proved to be unclear and not precise at all. Nonetheless, it is evident that these sanctions have not been aimed at policy change (perhaps those who imposed them did not believe that such a change would be feasible), but rather an 'ability change' – a contribution to the war effort. In short, the February 2022 sanctions against Russia are a weapon of war.

The second specific question is whether the aim of the sanctions is specified to be narrow, focused on specific changes in the behaviour of the side that is under sanctions and sometimes very pragmatical issues, or is it broad, directed towards a change of political and economic constellation in the country under sanctions and the shift of its position, both economic and political, in the international community. An example of the former type of sanctions – narrowly aimed sanctions – is the US sanctions against Turkey in 2018, imposed in connection with demands for the release of an American citizen (a pastor) from the Turkish prison.<sup>4</sup> An example of the latter type of sanctions – broadly aimed sanctions – is the US sanctions on Russia following its aggression on Ukraine on 24 February 2022, since US Secretary of Defence US Lloyd Austin specified the very broad aim of the sanctions 'We want to see Russia weakened to the degree that it can't do the kinds of things that it has done in invading Ukraine' (Ryan, Timsit 2022). Such a formulation by a senior US official implies that the US sanctions against Russia are not related only to the war in Ukraine, but this war is just a pretext for achieve the strategic aim of 'weakening Russia', aiming to thoroughly undermine its future war efforts, including threats against any country. Again, no policy change request is specified, but the sanctions are about an 'ability' change, i.e. a weapon of war; this is not only about the war in Ukraine, but also other possible future wars.

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<sup>3</sup> According to the same source, 'Additionally, the EU has imposed sanctions against individuals and entities in view of the continuing deterioration of the human rights situation in Russia, and in particular over the death of Alexei Navalny'. This statement explains the grounds for additional sanctions against Russia, targeting 'individuals and entities', without specifying the aim that should be achieved. Source: <https://www.consilium.europa.eu/en/policies/sanctions/restrictive-measures-against-russia-over-ukraine/sanctions-against-russia-explained/>, last visited April 30, 2024.

<sup>4</sup> The sanctions were undoubtedly efficient: two months after the introduction of the US sanctions, the pastor was released for the Turkish prison (Demarais 2022, 61).

The third specific question is whether the aim of the sanctions is publicly declared or whether there are clandestine aims of the sanctions that even can contradict those that have been disclosed. In some cases, the aim of the sanctions is simply not disclosed. For example, the introduction of the US sanctions to Cuba on 19 October 1960 was justified by the Cuban nationalisation of three oil refineries owned by US oil companies, which took place about two months earlier. That was the pretext for the introduction of the US sanction, but the actual aim was a regime change and facilitation of the emergence of a US-friendly government (New York Times 1960; LeoGrande 2015, 941).<sup>5</sup> The regime change was not disclosed as the aim of the sanction, not even in the enhanced version of the sanctions introduced by the following US administration in 1962.<sup>6</sup> The aim of the US sanctions against Cuba was publicly disclosed only at the adoption of the Cuban Democracy Act by the US Congress in 1992, as the Act is to be suspended only if there is a change in the country's political and economic institutional framework; this legislation specified the regime change in Cuba, although indirectly.

Accordingly, retaliation against Cuba for the seizure of the plants was not the White House's real objective. Eisenhower's main aim was a regime change in Havana. The U.S. administration felt uncomfortable about the idea of having a close Soviet ally less than 100 miles from Florida's coastline. For Washington, fostering regime change in Cuba through sanctions was a top priority before other Latin American nations turned into hotbeds of communism (Demarais 2022, 21).<sup>7</sup>

It is important to distinguish the aim of the sanctions from the political motives for their introduction. At the time of the introduction of the sanctions into international law, at the Paris Peace Conference in 1919, there was no such significant distinction. US President Woodrow Wilson was an idealist

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<sup>5</sup> Remarkably, it is still unclear what legal document was the grounds for these US sanctions, since nothing of the sort can be found in the available archives of the President of the United States or of the US State Department. Even LeoGrande (2015, 944) refers only to the *New York Times* report published on 20 October 1960, the day after the US sanctions were introduced (New York Times 1960).

<sup>6</sup> Presidential Proclamation 3447 of 3 February 1962, which introduced a full trade embargo against Cuba (the previous one did not include food and medicines), did not disclose the aim of the sanctions, but in the preamble only refers to the political context of the introduction of the enhanced version of the sanctions.

<sup>7</sup> The Kennedy administration went one step further, clandestinely supporting the Bay of Pigs military operation, but after the Cuban Missile Crisis in 1962 and the agreement between two superpowers of the time, the US administration stuck only to sanctions as a means for regime change in Cuba.

and visionary of liberal internationalism, an ideology that was supposed to bring democracy to the world and prevent wars. His political motives were these ideals, and to a great extent, these motives coincided with the aim of the sanctions specified in the Covenant of the League of Nations.<sup>8</sup> Nonetheless, Wilson's undisputable idealism and ardent ambition to change the world was not accompanied by political shrewdness, hence his plan for global progress was not ratified by the US legislators. Accordingly, the first episode of sanctions, now fully introduced in international law, demonstrated that the domestic political situation, with all the possible obstacles, should be fully considered when decisions are made (to do something or to refrain from doing) in the domain of international relations. This is the reason why the political motives of the sanctions are always inevitably related to the domestic political arena and, especially the perception of the constituency, because the (re)elections should be carried out, irrespective of whether it is the executive or legislative branch of power.<sup>9</sup> Accordingly, in modern times, the political motives for the imposing of the sanctions are quite distinctive from the aims. This is the era of mass media and social networks, to which a large proportion of constituency is exposed, hence it is beneficial for the political elite to demonstrate commitment and determination in solving an international problem – or at least something that is considered by the domestic public to be an international problem (Whang 2011), irrespective of whether the problem is actually resolved (Elliott 1997). This regularity is not valid only for democracies, but also for autocracies in which the political elite is obsessed with popularity.

A short review of the sanctions imposed in the past one hundred years or so has demonstrated that their aims were initially focused solely on war, irrespective of whether they were weapons of war and complementary military efforts (like, for example, sanctions imposed to the Central Powers during the First World War) or whether the aim was the prevention of war, as stipulated in the Covenant of the League of Nations, irrespective of whether they were implemented or not (just a threat), or how effective they were. The proliferation of sanctions aims started immediately after the Second World

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<sup>8</sup> The sanctions were specified in Article 16, considered within the provisions of Articles 12, 13 and 15 of the Covenant, which itself is a segment of the Treaty of Peace with Germany (Treaty of Versailles), concluded at the Paris Peace Conference and signed in Versailles on 28 June 1919. The full text of the Treaty is available at: [https://www.census.gov/history/pdf/treaty\\_of\\_versailles-112018.pdf](https://www.census.gov/history/pdf/treaty_of_versailles-112018.pdf), last visited April 30, 2024.

<sup>9</sup> This rule is not only applicable in democracies but also in modern autocracies, referred to as spin dictatorships (Gurieva, Treisman 2022), as autocrats nurture their popularity, addressing the constituency by various means.

War and gained substantial momentum after the end of the Cold War. Today, the aims of sanctions are very diversified, and they include: improvement in human rights, release of political prisoners, promoting liberal democracy, struggle against international terrorism, undermining drug trafficking, controlling proliferation of nuclear weapons, regime changes, together with the change of political institutions, preventing wars or speeding up victories in them if they occur, and even achieving technological superiority (Demarais 2022; Morgan, Syropoulos, Yotov 2023). The list of the contemporary aims of sanctions remains open.

As to the aim of the 2022 sanctions on Russia, as it has been demonstrated early in this section, it is not clearly specified, and it is rather broad, but perhaps it is more important that the aim is vague.<sup>10</sup> From the very start of Russia's 2022 aggression and the beginning of the Russo-Ukrainian war, it was clear that direct military engagement of the West was out of question, due to the high estimated costs of war with a nuclear power and all the associated risks. In such a political constellation, the sanctions imposed on Russia have been a substitute for direct military engagement, i.e. they are a replacement of full war effort. Taking this into account, it is the political motive that is clear, rather than the aim of the sanctions. With the public opinion in Western countries strongly against Russia, and with the cry 'Do something and do it right now!', it was imperative for the Western political elite to demonstrate its determination to confront the Russian political elite, especially its leader, and to do so with a rather modest costs for their countries. Sanctions are a weapon of choice for such endeavours, especially as they can be presented as punishment for Russia.<sup>11</sup> Hence, the crucial aspect of the sanctions against Russia is that their main motive rests in the domestic politics of the countries that imposed them.

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<sup>10</sup> Whatever the preferences of the Western political elite regarding the incumbent in the Kremlin, regime change has not been publicly specified as the aim of the 2022 sanctions against Russia. Furthermore, in the early stages of the sanctions (March 26, 2022) US President Biden gaffed, saying that 'For God's sake, this man [Putin – remark BB] cannot remain in power.' It was the US Secretary of State who hastily stepped in and clarified that the regime change was not the aim of the sanctions. Source: <https://www.npr.org/2022/03/26/1089014039/biden-says-of-putin-for-gods-sake-this-man-cannot-remain-in-power>, last visited April 30, 2024. It can only be speculated what are the preferences of the Western political elite regarding the regime change in Russia, especially considering the available replacements. Making political life more difficult for Russia's incumbent political elite will probably make Western governments happy, but this is rather a vague aim – if it is an aim at all.

<sup>11</sup> Source: <https://www.nytimes.com/2022/03/04/us/politics/russia-sanctions-ukraine.html>, last visited April 30, 2024. The other complementary efforts by the West, such as military support to the Ukrainian war effort in terms of supply of military hardware,



It is unlikely that the Western political elite although that imposing sanctions would be decisive for the outcome of the war. The Russian war effort has been undoubtedly, at least up to a point, undermined by the sanctions – but this is hardly decisive. In the long run, the West would like to isolate Russia, both economically and politically, in order to decrease its military potential. Both these processes have already started, with some effect, but this is hardly the precise aim. Therefore, the speculation is that the sanctions imposed on Russia are here to stay.<sup>12</sup>

### 3. SANCTIONS MECHANISMS

The answer to the key question regarding the mechanisms of the sanctions that have been applied should follow the pattern of the previous analysis of the aim of sanctions. Accordingly, several specific questions should be formulated.

The first of those questions is whether the sanctions are international (multilateral) or whether they are imposed by a single country (or group of countries). International sanctions are based on international law and, like the Covenant of the League of Nations or the Charter of the United Nations, they are introduced by international organisations and are binding for all the members of those organisations, i.e. for all the countries in the world. The sanctions imposed by UN Security Council Resolution 757 on FR Yugoslavia (Serbia and Montenegro)<sup>13</sup> or the threat of sanctions against the Kingdom of Serbs, Croats and Slovenes by the League of Nations in 1921 (Mulder 2022, 123–124), due to its military intrusion of northern Albania, are typical sanctions of the kind. International sanctions are both legal and legitimate, although they are not necessarily efficient in pursuing their aim.

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training and intelligence, are rather difficult to present as punishment of Russia if there is no decisive defeat of the Russian side in the war. For the time being, at the time of this paper going to press, this has not materialised.

<sup>12</sup> The motivation of Western countries ('The Collective West', in Kremlin's parlance) for long term isolation of Russia apart from its military potential are beyond the scope of this paper.

<sup>13</sup> Resolution 757 was adopted on May 30, 1992. Source: <https://digitallibrary.un.org/record/142881?v=pdf>, last visited April 30, 2024.

Contrary to that, sanctions are imposed by countries, i.e. by the decision of the national political elite.<sup>14</sup> The United States is a country that has imposed most of the national sanctions worldwide (Early, Preble 2020; Eineman 2020). A typical example of sanctions as a national legal instrument are the (previously mentioned) US sanctions against Cuba, introduced in 1960. It is exactly those US sanctions that demonstrated the weaknesses of the effectiveness of national sanctions, as this type of sanctions leaves the room for the targeted country to reshape its international economic flows (trade and financial), to adjust its economy to the external shock, and therefore diminish the effects of the sanctions.<sup>15</sup>

The second crucial question is: who is the target of the sanctions? Sanctions can be against countries, but also against individuals and organisations, being corporative or not – terrorist organisations are prime candidates for sanctions in the non-corporative sector. For most of their history, sanctions have been imposed against nations, i.e. they have targeted countries as a whole. Nonetheless, in the past several decades, the direction of the sanctions has been diversified, with ‘smart’ or ‘targeted’ sanctions, due to, up to a point, the diversification of their aims, but also due to concerns about human rights violations (Lukić 2009). For example, if sanctions are focused on international terrorism, then it is obvious that the sanctions are or at least should be directed against the terrorist organisation and their leaders. Furthermore, one direction of the sanctions does not preclude the other. For example, the ongoing Western sanctions against Russia (those that were initially introduced in February 2022) include sanctions against persons from the Russian political, military and business elites, Russian corporations (from both the real and financial sectors), but they also include sanctions against Russia as a nation, including selective export bans and freezing of Russia financial assets deposited in Western banks.

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<sup>14</sup> For this type of sanctions, it is irrelevant whether they are introduced by a single country or by a group of countries that are institutionally linked, such as the countries that are member states of the European Union. Accordingly, it is justified, for example, to consider the sanctions by the European Union against Russia that have been introduced since February 2022, but these sanctions are country-level sanctions, not international, i.e. multilateral sanctions as they are not binding for European Union member countries.

<sup>15</sup> Although it is unequivocal that international sanctions are more effective than national sanctions *ceteris paribus*, this does not mean that international sanctions are necessarily highly effective. A typical case is the international sanctions against (Southern) Rhodesia, formulated by a set of UN Security Council resolutions, but without enforcement mechanisms stipulated by these resolutions. This enabled countries with substantial interests in trade with Rhodesia to bypass the sanctions. Hence the enforcement zeal of sanctions differs in the case of international sanctions.

Finally, there is the question of the mechanism of sanctions in a strictly technical sense: what are the methods that are applied for the restriction of economic relations with those against whom the sanctions are imposed? These methods include reduction or breaking trade with the country under sanctions, meaning the selective or thorough halt of exports to the targeted country or imports from it,<sup>16</sup> restricting or severing financial flows and transactions, starting with current account transactions, i.e. payments, up to the barrier to access to the international capital market (for both sovereign and corporate borrowing), freezing of financial assets deposited in the country applying the sanctions (e.g. foreign currency reserves), severing financial and development aid to the sanctioned country (if it exists), etc. Detailed methods and the methods of their implementation are specified, depending on the aims of the sanctions, the most severe method being is the full trade and financial blockade of the country.

Financial sanctions, which focus on payments, i.e. current account transactions, are, up to a point, a substitute for trade sanctions. The point is that trade is exchange, hence there are inevitably two flows. One is the real flow – a flow of merchandise (goods and services) – and the other is financial flow – a flow of money. It is sufficient to sever only one of these two flows in order for exchange to be undermined. Accordingly, in principle, the implementation of the sanctions aimed at halting import and/or export can be achieved either by severing the real flow or by interrupting the financial flow. Nonetheless, sanctions evasion mechanisms in many cases are substantial, hence sanctions usually are imposed simultaneously on both real and financial flows. It has been noted that in the 21<sup>st</sup> century it is easier to monitor financial flow than the real flow, i.e. the flow of merchandise (Early 2015; Demarais 2022).

The sanctions imposed on Russia in February 2022 triggered a new distinguished development: companies voluntarily joining the sanctions. This is a case of voluntary business decisions by corporations that had business in the Russian market, either by exporting goods or services to Russia, importing for Russia, or investing in subsidiaries based in Russia. Severing exports or imports was followed by disinvestment, i.e. selling assets

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<sup>16</sup> The rationale for the suspension of imports from the country under sanctions (for example, but not necessarily, oil and gas) is to undermine the country's export revenues, removing foreign markets as the source of revenues for domestic companies, reducing export-driven demand, and decreasing the level of economic activity accordingly, or at least slowing down economic growth, decreasing its budgetary revenues and reducing the purchasing power of the country for import; all these are desirable outcomes from the perspective of those who imposed sanctions.

owned by foreign companies in Russia. In most cases, the main motive for such moves was the reputational risk to which those corporations would have been exposed had they continued operation with/in Russia, since public opinion in the domicile countries and some important countries of operations was one of extremely adverse perception of Russia.<sup>17</sup> Accordingly, continuing operations in Russia would generate an adverse perception by their customers, which can result in a depleted reputation, potential boycott of the products, and decreased demand for the products, unfavourably impacting profitability. In short, the trade-off for these companies was between two evils. The first was an unavoidable drop in revenue and possible capital losses due to exiting the Russian market (regardless of the specific form of exit) and the consequential decrease in overall profitability; the second was a expected decrease in sales and revenues in all other markets, because of the undermined reputation due to continuing operations in the Russian market, which would also decrease overall profitability. Hence the question is which of the two estimated losses is greater.

In the case of divestment from Russian subsidiaries, it is reasonable to assume that companies would record capital losses, i.e. the positive difference between the present value of cumulative investments by the corporations and proceeds from selling the assets. However, since these losses are one-off events, substantial capital losses can have one-off impacts on both the balance sheet and the income statement (profit and loss statement) of the corporations, but leaving the Russian market has future recurring effects on the income statement, due to the loss of future revenues, although that can be compensated by increased revenues in other markets.

There are many mechanisms of sanctions against Russia that have been introduced since February 2022. These mechanisms are a combination of various export restrictions, import embargoes, freezing sovereign financial assets, as well as targeted sanctions against Russia's political and business elite. The sanctions are somewhat constrained, rather complicated, and new sanctions have been gradually introduced; at the time this paper goes to press,

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<sup>17</sup> In some cases, such voluntary business decisions by Western companies can be encouraged by public recommendations from the executive and legislative branches of government of the country, such as the public political pressure by the UK Government and the legislative branch of government (including the opposition) to BP p.l.c. to divestiture, i.e. sell its 19.75% stake in Russian state-owned oil company Rosneft. Perhaps this political pressure was not decisive, but it definitely contributed to the voluntary corporate decision, managing substantial reputational risk. Sources: <https://www.nytimes.com/2022/02/27/business/bp-rosneft-oil-stake.html>, last visited June 1, 2024; <https://www.bp.com/en/global/corporate/news-and-insights/press-releases/bp-to-exit-rosneft-shareholding.html>, last visited June 1 2024.

the 14<sup>th</sup> package of the sanctions by the EU is being considered. In short, the sanctions against Russia are massive, complicated, but not thorough. The main reason for such a development is that it is unprecedented to impose sanctions on a country/economy of that size, which is a big producer of many commodities, and thorough trade sanctions (i.e. no trade, whatsoever, no export, no import) would generate substantial turbulence and adverse new equilibria in the global markets of many inputs for many industries. In short, the costs for those imposing sanctions could be substantial.

#### **4. EFFECTIVENESS OF SANCTIONS**

Since the word ‘sanctions’ is a shorthand for ‘economic sanctions’, the crucial analytical questions are do sanctions produce economic impact and how strong is it; what is the scale of the impact on the economy of a country? In short: what is the effectiveness of the sanctions? The answer to this question is a preparatory question for the next one, about the efficiency of sanctions, dealing with their political impact. If sanctions are not effective, then they cannot be efficient, meaning that they cannot achieve their political aim. In short, effectiveness of the sanctions is a necessary, although not sufficient condition for them to be efficient.

The answers about the effectiveness of sanctions should be framed by insights from economic theory. In principle, a country under sanctions is, in the case of full trade and financial blockade, excluded from the international economy, international division of labour, and international financial flows. The consequences are a decrease in allocative economic efficiency (the country itself produces merchandise that would have been more efficient to import and cannot export merchandise that it produces more efficiently than others), and decrease in the level of economic activity (Gross Domestic Product – GDP) and disposable income, especially in small open economies, that heavily depends on export demand and international supply chains. If there is no drop in the GDP of the country under sanctions, then the growth rate decreases, due to previously mentioned mechanisms and inability of foreign saving to be imported for funding investments.<sup>18</sup> Accordingly, the theoretical proposition is that by undermining free economic flows, sanctions have adverse effects on the economy of the country against which they are

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<sup>18</sup> Only GDP-based economic indicators are sensible dependent variables for the empirical analysis of the economic impact of sanctions, i.e. their effectiveness. Using other variables, such as trade, FDIs or portfolio investments (Shin, Choi, Luo 2016), makes little sense.

imposed, decreasing disposable income, consumption and consequently the welfare of most of the population of the country. Hence, the question is not whether the sanctions have any effect, but what is the magnitude and pattern of these effects. The answer to these questions depends on the answer to several additional specific questions. Nonetheless, before those questions are formulated and elaborated, it should be pointed out that empirical research about the effectiveness of sanctions on the economy of a targeted country is demanding, because of the two basic methodological issues.

The first methodological problem is that counterfactual analysis should be applied, and the following question should be answered: what would have happened with the economy of the country had the sanctions against it not been introduced? The point is that the economic outcomes that were recorded after sanctions had been introduced are not necessarily caused by that introduction (e.g. such a causality does not necessarily exist), but generated by other factors, such as external shocks or continuous developments that have not been considered in the analysis. If counterfactual analysis is not applied, then the research would end up in the *post hoc ergo propter hoc fallacy*, i.e. mistaking the sequence of events for causality. For example, the Cuban economy dramatically changed after the introduction of the US sanctions in 1960. Nonetheless, it is reasonable to assume that a substantial part of these changes for the worse is the consequence of the bad economic and other policies pursued by the Cuban revolutionary government and that the country's economic backslide is the consequence of these policies, e.g. the nationalisation of privately owned firms, and not the result of the US sanctions, although the sanctions were, up to a point, caused by these policies. The relative strength of the causality remains elusive, since counterfactual analysis is methodologically a slippery slope, but that does not mean that it should be avoided, just that the answer about the magnitude of the effects of the sanctions on the economy of the country under them in many cases is not unambiguous.

In econometric research, this problem is usually solved by the proper specification of the regression model, encompassing all explanatory variables that can influence dependent variables, such as the level of the BDP or the growth rate of the economy, and therefore their impact is methodologically controlled. That is the way to obtain a methodologically correct estimate of the coefficient of the sanctions' economic impact – especially whether that estimate is statistically significant or not. The problem with this approach is that, for methodological reasons, it virtually cannot be applied in the

specific case of a single country,<sup>19</sup> but rather only in the research of the overall economic impact of sanctions, using the sample of countries that were exposed to sanctions during different periods.

The second methodological problem in the empirical study of the effectiveness of sanctions, basically econometric research, is reverse causality, i.e. the endogeneity of the explanatory variable. For the econometric study to be methodologically correct, and hence valid, it is necessary that the dependent variable, the one that should be explained by the regression model, does not influence any of the explanatory variables in the regression model.<sup>20</sup> Accordingly, if it is about estimating a regression model in which the dependent variable is something that is assumed to be the result of the sanctions (i.e. a dependent variable in the model), for example, the level of the GDP or economic growth rate, it is important that the explanatory variables in the regression model do not depend on the dependent variable. Nonetheless, in many cases such dependence exists, as sanctions are usually introduced at times of political crises, and those crises generate disturbances in economic activities, reducing the level of GDP or slowing down its growth. Accordingly, it is reasonable to assume that there is an endogeneity of sanctions as an explanatory variable in regression models. There are econometric procedures that can sort out this problem, but in much of econometric research into sanctions has not even been recognised this problem (let alone solved it), hence the results of such research should not be accepted as valid. In general, the endogeneity of the explanatory variables causes overestimation (upward bias) of the effects of the sanctions; hence the estimate of the impact of the sanctions is accepted as statistically significant in cases when it should not be.

If these two methodological problems are solved in one way or another, the question about the effectiveness of the sanctions, i.e. the explanation why some sanctions are effective and some are not, can be answered by responding to a set of specific questions. The first of those questions is: were the sanctions international or were they introduced by a single country? Intuitively, international sanctions are more likely to be effective

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<sup>19</sup> In principle, it can be done by specifying a time-series econometric model, but the problem is limited number of observations to accommodate a substantial number of explanatory variables, needed for a proper specification of the regression model, decreasing number of freedoms of the model, hence decreasing the probability for statistically significant estimate of the coefficient of sanctions impact (Stock, Watson 2012, 116).

<sup>20</sup> Econometrically speaking, endogeneity does not exist only if explanatory variable is not correlated to the error term of the regression model (Stock, Watson 2012, 462–463).

compared to the sanctions introduced by a single country, since the country under sanctions can redirect its international economic relations to other countries, those that did not introduce sanctions against it, and adjust to the sanctions in that way. This is exactly what happened in the case of the US sanctions against Cuba, since the country enhanced its international trade relations with other countries, since even countries with friendly relations with the US, such as Canada, for example, did not introduce sanctions against Cuba. That is not to say that the US sanctions against Cuba were completely ineffective, but only that the effects were reduced. From the other viewpoint, the effects of the sanctions against Cuba would have been much more devastating had they been international.

Following the disappointing results (from the US viewpoint) of the national sanctions against Cuba, as well as the substantially decreased probability of introducing international sanctions in line with the political preferences of the US, under the auspices of the UN Security Council at the beginning of the second decade of 21<sup>st</sup> century,<sup>21</sup> the US started to introduce secondary sanctions. Those are sanctions against the companies from third countries, who do not have legal obligations (national or international) to sever business relations (trade or financing, for example) with companies or countries that are under US sanctions. Secondary sanctions are based on banning the companies from the US market and prohibiting them from using (directly or indirectly) US dollars in their financial transactions (Demarais 2022). The threat of these sanctions is credible since they are quite feasible, i.e. they can be easily implemented by the US authorities if the political will exists.

From the other point of view, the question of the national/international character of the sanctions can be generalised to the following question: to what extent can the economy of the country under sanctions adjust to the new conditions brought about by the sanction? The following questions are a follow-up to this one.

The second specific question is: how deep and in which way the country under sanctions is integrated into the international economy? If the country under sanctions is an autarkic economy, without deep economic links with

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<sup>21</sup> This is due to the changed constellation of international relations in the early 21<sup>st</sup> century, in which the US administration cannot expect collaboration of Russia in China, permanent members of the UN Security Council, with veto power. In short, contrary to the international relations that have emerged after the end of the Cold War and existed for a decade and half, the UN Security Council is not US friendly international forum anymore and there is no full and generous understanding of American international political agenda and domestic politics.



other countries, with a low level of integration into the international division of labour, then the effects of the sanctions are expected to be modest or even negligible. Contrary to that, if the economy of the country under sanctions is deeply integrated into the international economy, then it is expected that the effect of the sanctions will be substantial. It is the country's global supply chains and the global markets for its products that will be harmed and its position in the global value chains will be undermined. The country's integration into the international economy depends, among other things, on the size of the country (measured by the level of its GDP). The bigger economy is, it more relies on domestic markets, with firms purchasing more domestic inputs and selling more products on the domestic market. The share of the combined imports and exports in the GDP, as an indicator of the country's integration into the international economy, declines with the increase in the country's size. This is why sanctions are in principle more effective against small countries, deeply integrated into the international economy. From the other viewpoint, economies of small countries are more vulnerable to sanctions.

Another related question is: is the economy of the country under sanctions well diversified or is it focused only on a few industries, aimed at maximising its comparative advantage in international trade.<sup>22</sup> If the economy is diversified, then there is more room for adjustment to the sanctions, i.e. the adjustment would be easier and more effective. This is, for example, the key difference between the Soviet Union and Russia. The Soviet economy was not significantly included in the international division of labour, while it was also very diversified, producing a wide scope of goods and services for the domestic market. Contrary to that, Russia has become deeply integrated into the global economy, specialising and exporting primarily energy production and, up to a point, military hardware. Accordingly, the scope for Soviet economic adjustment to sanctions was much greater than the scope of modern Russia.<sup>23</sup>

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<sup>22</sup> The integration of a country into the international division of labour does not necessarily mean that its economy is not diversified. Many countries with much diversified economies have vibrant trade relations exporting and importing products from the same industry (intra-industrial exchange, due to product differentiation) and, generally, very well-developed economic relations. This regularity, thoroughly explained in economic theory, has not been brought about by the latest wave of globalisation but has existed for a long time. For example, The United Kingdom and Imperial Germany, both much diversified economies by the standards of the time, were the biggest trade partners ahead of the First World War (Ferguson 1998, 234).

<sup>23</sup> This has very little to do with the change of the size of the country, despite Russia being smaller than the Soviet Union, but with it is related to the change of economic institutions, especially economic policies. It is the advent of capitalism

Furthermore, a very important question is related to the magnitude of spillover effects, i.e. the ripple effects of the sanction: are the unintended and undesirable effects considerable? The most important question is: can the country that introduces sanctions expect considerable adverse effects on its own economy?<sup>24</sup> This question becomes even more important in contemporary conditions of ubiquitous globalisation, especially considering global supply chains, within which there are substantial interdependencies. Accordingly, removing one of the suppliers from some of those chains due to the sanctions, especially if this is the case of a large supplier located high upstream in the chain of supply, creates unintended and adverse effects not only to the producers located in the country that introduced the sanction, but these effects become widespread throughout the world in its companies in other countries and even the allies of the country that introduced the sanctions experience those adverse effects. In such cases the complexity of the global supply chains and the low possibility of foreseeing the way economic agents within these supply chains will adjust to the change induced by the sanctions make it virtually impossible to *ex ante* grasp all the unintended consequences.<sup>25</sup>

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that integrated Russia into the world economy, not slightly scaling down the country.

<sup>24</sup> A typical example of this are the US sanctions introduced by President Carter's administration in 1979 to the Soviet Union after the Soviet invasion of Afghanistan, which partially banned (effectively severely restricted) the export of American wheat to the Soviet Union. As a consequence of that embargo, American farmers lost their traditional customers, the decrease in effective supply increased the grain prices on the international market, and other wheat-producing countries compensated (at the higher price) for the lack of supply of grain from the United States. It is estimated that the total damage suffered by US farmers (hence the US economy) was 2.3 billion USD, while the damage to the Soviet Union due to the increase in wheat prices was 225 million USD. Accordingly, it is not surprising that in the first year of its first term President Regan's administration abolished the embargo on wheat export to the 'Empire of Evil', in Regan's own words. Details about the episode are available in the literature (Hovi, Huseby, Sprinz 2005, 481; Demarais 2022, 69–71).

<sup>25</sup> A typical example of such a situation is the US sanctions introduced to Russia's company Rusal, one of the largest producers of aluminium in the world. The sanctions created such substantial disturbances on the world market, and not only the aluminium market but also downstream markets, on the markets in which operating companies directly or indirectly use aluminium as input. For example, the sanctions on Rusal impacted global beer producers, since a substantial segment of their production is shipped in aluminium cans. The unintended and adverse effects of the sanctions on Rusal were so substantial and widespread that the US authorities quickly modified and effectively cancelled the sanctions, especially being aware that Chinese aluminium producers moved into the market, attracted by an increase in price due to curtailed supply (Demarais 2022, 118–124).

Finally, the sheer possibility that sanctions can be introduced, irrespective of whether they will be introduced in the end, increases uncertainty in the business environment, increases the risk of virtually all investments and, accordingly, decreases expected returns – all of which generates adverse economic effects that extend beyond the country that is under sanctions. The point is that due to the sanctions many business opportunities are missed, not only in the country under sanctions and in the country that has imposed the sanction, but across the world, in the third countries, most of them friendly countries to the one that imposed the sanctions. Free trade is the first best solution for economic outcomes. Sanctions undermine free trade, curbing unrestricted economic cooperation, and undermining globalisation. Sanctions are effective – they move the world away from the first best economic solution. To what extent they are effective is an empirical question and the answer can be given on a case-by-case basis, albeit with substantial methodological constraints. Intuitive answers about the increasing probability of sanctions' effectiveness are provided in the survey of empirical studies (Hufbauer *et al.* 2007), but the reader is hardly any wiser.<sup>26</sup>

The expectation at the time that sanctions were imposed on Russia, in February 2022, was a substantial drop in Russia's GDP. Nonetheless, the expectations proved to be false. Russia's economic growth rate in 2022 was -3.1 per cent and in 2023 it was 3.6 per cent (IMF 2023; IMF 2024), bringing the level of GDP to around what it was before the war. The rather limited decline of Russia's GDP could be explained by the size of Russia's economy, solid public finances and autocratic governance system (Simola 2023). Furthermore, as already pointed out, the sanctions imposed on Russia are not thorough and some of them were implemented with a transition period to minimise the costs for the imposing countries (due to ripple effects), providing time for imposing countries, as well as for Russia's economy to adjust. Furthermore, the sanctions against Russia are not international sanctions and many countries have not joined them, hence trade diversion was a reasonable option for Russia, although export revenues have been

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<sup>26</sup> These conditions are: (1) the goals of sanctions are limited, (2) the target country is already experiencing economic difficulties, (3) there are generally friendly relations between the two countries (meaning that there is substantial exchange between them), (4) sanctions are forcefully implemented in one step, (5) sanctions entail significant costs for the target country, (6) the costs for the countries imposing sanctions are modest, (7) the sanctions are not accompanied by covert action or military operations, (8) few countries are needed to implement the sanctions. All of these conditions are rather intuitive. Furthermore, it seems that the sanctions against Russia do not fulfil the majority of those conditions. A similar list is provided in Felbermayrer *et al.* (2020).

undermined by discount prices. Finally, the dynamics of the Russia's economy since February 2022 should be considered not only to be the consequence of the sanctions and sanctions-related adjustments, but also the consequence of the Ukrainian war, its economic consequences and growing militarisation of Russia's economy (Gorodnichenko, Korhonen, Ribakova 2024).

It seems that the most effective sanctions mechanism against Russia is an import embargo. Although it is reasonable to assume that there are sanction-busting mechanisms in place, there is some evidence (Borin, Paolo, Mancini 2022; Demertzis *et al.* 2022; Simola 2022) that there is a lack of high-technology inputs for Russia's manufacturing, especially the military-related industries.

As to divestments by foreign companies in their Russia subsidiaries, and by the end of November 2022, only 8.5 per cent of the foreign companies had divested their assets and left Russia (Evenett, Pisani 2022). Although the sheer number of companies can be misleading, it seems that this result is far below expectations, considering the huge publicity that was given to these capital transactions. Perhaps huge capital losses are the reason for the initial slow pace.<sup>27</sup> Nonetheless, by July 2023, 42.7 per cent of foreign companies had divested their assets.<sup>28</sup> Obviously, the process has got the pace, and it is irreversible– at least for the foreseeable future.

## 5. EFFICIENCY OF SANCTIONS

The question of the efficiency of sanctions can be asked in another way: have the aims of the sanctions been achieved? As was the case with the previous question, about sanctions effectiveness, i.e. about the impact on the economy of the country the sanctions are imposed against, the answer

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<sup>27</sup> In the case of already mention BP's divestiture in Rosneft, which materialised as a buyback operation by Rosneft of 19.75 per cent of its shares, BP's capital loss was USD 24 billion, producing a USD 14.7 billion decrease in the company equity that year. Furthermore, since BP's annual profit from the stake in Rosneft was USD 600 million that was a forgone profit in perpetuity. Since the amount paid to BP in the buyback operation was not disclosed, it is unknown what share of the loss of future revenues was compensated by the capital value, but it is reasonable to assume that it was negligible. Source: <https://www.ft.com/content/f7ed840a-0630-4131-95f5-0a7631b07d32>, last visited June 8, 2024.

<sup>28</sup> <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>, last visited June 8, 2024.

to this question is linked to methodological issues, and inevitably there are additional detailed and specific questions and answers to them that enable more precise consideration of the possible success of sanctions.

As in the previous case, counterfactual analysis is necessary. This analysis answers the following question: if the aim of the sanctions is achieved, is it achieved because of the sanctions or due to some other causality? Would the same outcome have been recorded if there had been no sanctions at all? Finally, there is another question: could the aim have been achieved by some other policy rather than sanctions and what would have been the relative costs of that policy for both sides? In short, questions are abundant even in the first step of consideration of the efficiency of sanctions.

Still, as in the case of the question of sanctions effectiveness, the issue of the endogeneity of sanctions as the explanatory variable in regression models remains. Nonetheless, if researchers are aware of it, there are econometric solutions for it. However, the econometric analysis of the sanctions efficiency contains another significant methodological issue. As it has been pointed out (Hovi, Huseby, Sprinz 2005, 483–485), even the threat of sanctions, specified as a possibility for sanctions to be introduced to a country, creates incentives for the political elite of that country not to engage in acts that may bring about the sanctions. In short, the most efficient sanctions are those that have not been introduced, but the sheer possibility of their introduction produced results by deterring the country from acts that should be prevented from the point of view of those who consider imposing sanctions. From the other viewpoint, sanctions are introduced only in cases when the threat of sanctions fails to produce deterrence. Accordingly, there is a selection bias in empirical analysis, as the sample includes only the cases in which the threat of sanctions failed, and sample does not include all the cases in which the threat of sanctions worked, i.e. when sanctions were successful in achieving their aim, even without being introduced.<sup>29</sup> This sanctions bias means that in empirical analysis the efficiency of sanctions is underestimated (downwards bias), i.e. their efficiency is greater than such empirical analysis finds.

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<sup>29</sup> There are two main reasons why the mere threat of sanctions is not enough for the political elite of a country to change its behaviour, making the introduction of sanctions necessary (Hovi, Huseby, Sprinz 2005, 484–486). The first reason is that the political elite of a country under threat of sanctions has estimated that the threat is not credible, i.e. that sanctions will not be imposed if the country's political elite continues with its policies. In other words, there is an asymmetry of information between the two sides, and the side that is under threat of sanctions is less informed. The other reason is the estimate of the political elite of the country under threat of sanctions that the sanctions will not be effective, i.e. that the introduction of the sanctions will not create incentives for the change in behaviour of the country against which the sanctions are imposed. In the second

Two identified methodological errors have opposite, even possibly countervailing effects. While avoiding counterfactual analysis and neglecting endogeneity of explanatory variable overestimates (upwards bias) the efficiency of sanctions, selection bias underestimates that efficiency. Hence it is uncertain, depending on the relative strength of these two biases, what will be their compound effect. It seems that the methodological errors that create upward bias (overestimation) are more intensive than the one created by selection bias; hence it is reasonable to infer that the efficiency of sanctions in empirical research is overestimated.<sup>30</sup>

Nonetheless, the analysis should go back to the additional specific questions, to the main one about sanctions efficiency. These are the questions already asked when the issue of the aims of the sanctions was further developed. A necessary condition for an unequivocal answer to the question whether the sanctions are efficient is that the aim of the sanctions is clearly and precisely specified, so a straightforward conclusion can be drawn about whether the aim was achieved. Furthermore, there is substantial anecdotal evidence, basically mini case studies, that a narrow, quite focused aim increases the probability of the success of the sanctions, the achieving their aim increases, as does the efficiency (Demarais 2022, 118–124). In the case of broad, diffused and nebulous sanctions aims, the probability of success decreased, but because of the character of the aim, it is very difficult to distinguish whether the aim is actually achieved or not.

As already pointed out in this paper, the effectiveness of the sanctions is a necessary condition for their efficiency. It is precisely the effectiveness of the sanctions and economic deterioration of the country, undermining the welfare of its population, which is the crucial mechanism that, in principle, generates the pressure on the country's political elite to change the policies, to change its behaviour and comply with the demands of the side that imposed the sanctions, so that the sanctions would be removed, allowing for the economy to recover. For that pressure to be generated and

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case, it is estimated that the political costs for the domestic political elite to change their policies, to please the side that imposed the sanctions, would be higher than the political costs of the introduction of the sanctions. In this case, there is also the asymmetry of information, only in this case, the side that is under threat of sanctions is better informed.

<sup>30</sup> It has been demonstrated, through case-by-case analysis (Pape, 1997; Pape 1998), based on the results of the most comprehensive empirical study on the impact of sanctions (Huffbauer *et al.*, 2007), how great the upward bias is, and it is highly improbable that the downward bias, due to selection bias, is stronger. Of course, selection bias remains elusive and there is no hard data on the effects of sanctions as a deterrent.

be effective, it is necessary for the general population to feel the adversity due to the sanctions. Some level of suffering of the population of the country under sanctions is necessary for the widespread misery that will produce strong public pressure on the political elite to comply with the demands of the side that imposed the sanctions. Taking that into account, it is evident that targeted sanctions, an instrument by which sanctions are focused on individuals from the political and business elites, and companies, with the rationale being to prevent the suffering of the (innocent) population, are simply not effective. The first reason for the lack of effectiveness is that in the case of sanctions such as freezing of financial assets in the country that introduces sanctions, the targeted individuals have already been able to prepare for this scenario and have withdrawn their assets (if any were deposited in sanction-prone countries) to some safe haven. If the targeted sanctions freezing assets are accompanied by denial of entry to the country that introduced sanctions, it does not represent a significant disadvantage for them. Accordingly, targeted, personalised sanctions focused on individuals have only symbolic value for the country that introduces them, demonstrating to the domestic public, i.e. to the constituency, that a harsh posture has been taken toward the people whose policies and behaviour are considered undesirable. The second reason for the ineffectiveness of targeted sanctions is that the general public of the country under sanctions is indifferent towards this type of sanctions, as they affect only the political elite of their country, i.e. a small number of people. Since there is no pain for the population, there is no political pressure, hence there are no incentives for the political elite to change the policies and behaviour. In short, targeted sanctions are not effective, and that is the reason why they are not efficient.

Nonetheless, the effectiveness of sanctions – those that create pain for the population – although necessary, is not a sufficient condition for sanctions efficiency, i.e. for achieving the sanctions aim. The question is whether the pain for the population and general dissatisfaction of in the country create strong enough incentives for the political elite of the country under sanctions to change their policies and behaviour. In short, the dilemma is whether the political costs of the government due to the change its policies are greater than their political costs due to the misery and dissatisfaction of the population. The answer to this question is empirical, and it can go one way or the other, depending on a specific case.<sup>31</sup> This answer, for example,

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<sup>31</sup> Sanctions can even solidify the grip on power of the incumbent political elite of the country under sanctions if, through government propaganda, the population is convinced that it is someone else, those who imposed sanctions, are responsible for all the suffering of the people of the country. This propaganda manoeuvre can strengthen the position of the incumbent political elite, lead to patriotically

depends very much on what is the aim of the sanctions. If, for instance, the aim of the sanctions is regime change, then it is evident that the political costs to the leader of the regime are prohibitively high, so they have no incentives to change their policies and collaborate with those who imposed sanctions on their country.<sup>32</sup>

An intriguing question is why sanctions persist almost indefinitely, despite it being unequivocally demonstrated that they were not efficient and that they did not manage to achieve their aim, for example, the US sanctions on Cuba. *Prima facie* this regularity is counterintuitive but there are convincing explanations. The first one is related to the distinction between the aim and the motivation of the sanctions. Most often, the motivation of the sanctions is to demonstrate to the domestic public the determination of a powerful country to stand up against something happening in the world, which is considered dangerous or injustice or at least it is perceived by the public as such. In the political environment labelled as 'do something', it is the political elite that is doing that 'something' by imposing sanctions and being persistent and relentless in that, since the sanctions have lower costs to the country that is imposing them compared to other options, such as military action, for example. Accordingly, irrespective of the any reaction by the political elite of the country that the sanctions are imposed to, i.e. irrespective of the results of the sanctions, lifting the sanctions without achieving the aim would be perceived as a sign of weakness by the domestic public, i.e. the constituency.

The second reason for keeping inefficient sanctions is the loss of credibility in international relations by the side that lifts them if they are inefficient. Countries, usually big powers, need to demonstrate determination in international relations, even if that determination proves to be inefficient.

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driven mobilisation around the government, increase social cohesion based on the feeling of national pride, breed xenophobia, and prove to be a general excuse for all disasters that occur in the country mainly due to the bad policies of the incumbent government.

<sup>32</sup> This does not necessarily mean that in this case there will be no turmoil within the political elite of the country under sanctions and that some segments of the elite, those who consider themselves as future leaders, will not be cooperative with them in such situations, offering themselves to the country that imposed the sanctions as replacements for the incumbent leaders. Nonetheless, although this possibility exists, it will not necessarily materialise, because for this to happen a set of preconditions must be met, on both sides – the one that imposed the sanctions and the one on the receiving end.



The third reason is that lifting the sanctions that do not work would create adverse incentives for the political elites of the countries that are candidates for sanctions, or which already have sanctions imposed on them. The strategy of these political elites would be not to change any policy, not to accept any no demand for the change from the side that imposed the sanctions, not to change anything, they should do nothing and keep everything as it is – and then a few years later, the country that imposed the sanctions will get tired of them, the sanctions will be lifted, and everything will go back to normal. In short, lifting sanctions that do not work would create incentives that would lead to future sanctions achieving results in very few cases, if any. For these reasons, inefficient sanctions, i.e. sanctions that have not achieved their aim, stay in place.<sup>33</sup>

Considering the rather vague aim of the February 2022 sanctions against Russia, it is rather difficult to evaluate whether they have been efficient so far. Since the aim of the EU sanctions is to ‘effectively thwart’ the Russian capacity to wage war in Ukraine, it is reasonable to conclude that specific import restrictions have somewhat thwarted this capacity and have restricted Russia’s ability to wage war (Simola 2023). It is evident that this ability would have been greater had sanctions not been imposed. Nonetheless, it is obvious that there is no change in Russia’s policy, i.e. that the sanctions will not stop Russia from continuing the war in Ukraine and that the outcome of the war will be decided on the battlefield. Many factors will influence this outcome. Sanctions are definitely one of them, but it is apparent that they are not among the crucial factors.

Nonetheless, for the time being, the February 2022 sanctions against Russia have proven to be efficient regarding domestic political motives, satisfying the demand of the public in the countries imposing the sanctions and making the constituency pleased. Again, this is not the only mechanism that makes this possible, as it is important to provide effective military support to Ukraine, but it is difficult to imagine that such an accomplishment regarding constituency could have been achieved without imposing sanctions and the strong PR efforts surrounding them.

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<sup>33</sup> According to an analysis that is very benevolent towards sanctions and is methodological incorrect, only a quarter of the sanctions imposed in modern history achieved their aim – ‘the glass is a quarter full’ (Morgan, Syropoulos, Yotov 2022, 24). Sanctions have been suspended or lifted only in such cases.

## 6. CONCLUSION

Regardless of whether considering the general history of sanctions, the history of the period, the history of specific types of sanctions, or a case study – four key research questions have been identified. The questions that should be asked and hopefully answered are: what is the aim of the sanctions; what are their mechanisms; are the sanctions effective; are they efficient? It seems that it is likely that the most precise answers to these questions can be given by the case studies. From the international policy point of view perhaps the most important answer is the one about the efficiency of the sanctions, i.e. whether the sanctions can achieve their aim.

The answers to these four key research questions should only be the starting point for in-depth research on sanctions. The answers to these questions should be used to formulate new questions, would enable us to better understand the phenomenon of sanctions, to fully grasp what happens, and what outcomes should be expected under the given conditions. By learning about the past, perhaps we will have more elements to answer questions about the future of sanctions.

The hints about the February 2022 sanctions on Russia indicate that they aim to undermine its war effort rather than to change its policy, that they are not thorough but complicated and balanced, considering the costs to the countries that imposed the sanctions, that they are effective, although not as effective as intended, and that some results have been achieved, but that these results are definitely not decisive for the outcome of the war in Ukraine.

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