

References

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THE IMPACT OF SANCTIONS ON RUSSIA'S GLOBAL TRADE AND ECONOMIC POSITION

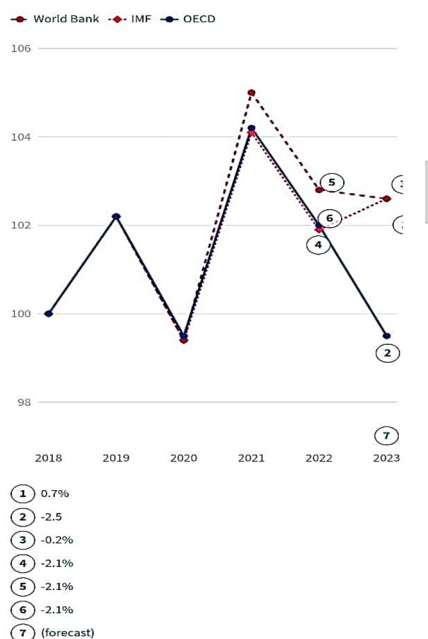
Sanction – is a tool that countries and international bodies use to restrict behavior of nations, organizations, or individuals by restricting their economic/military/social activities. Obviously, sanctions are usually applied in hard cases to put some pressure on this or that legal entity, whether it is a state or a person. Main objective of sanctions – is to “punish” in some sense. They are imposed in response to wrong actions of a legal entity (e.g. Russian invasion in Ukraine), sometimes for different reasons (e.g. Trump’s tariffs).

There are different types of sanctions affecting trade: economic sanctions – typically a ban on trade, possibly limited to certain sectors

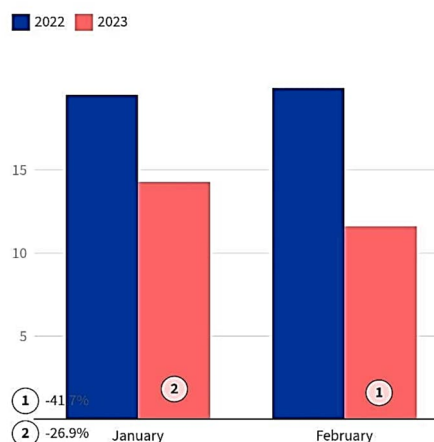
(economic sanctions are distinguished from trade sanctions, which are applied for purely economic reasons, and typically take the form of tariffs or similar measures), diplomatic sanctions – the reduction or removal of diplomatic ties, military sanctions – military intervention. All types mentioned influence global trade in a certain way.

The main focus will be on modern examples – major sanctions against Russia. For obvious reasons these restrictions seriously pivoted world trade alignment. Starting from 2014 international sanctions have been imposed against Russia during the Russo-Ukrainian War by a large number of countries, including the United States, Canada, the European Union and different international organisations, especially the pressure significantly rose since 2022. Overall, three types of sanctions were imposed: ban on provision of technology for oil and gas exploration, ban on provision of credits to Russian oil companies and state banks, travel restrictions on the influential Russian citizens. As the Russian Federation is a major global trade participant, it sharply shifted from the West and started trading a lot more with China, India, Turkey and some African nations. Biggest ace of Russia (oil and gas) was diversified in export, leaning towards China and India, but some sort of abandoned Europe's market, which led to reduced revenue. The aggressor tried to produce more goods domestically to replace Western things that they can no longer buy, also trying to find unofficial trade routes to minimize losses. On the other hand, banking and payment isolation created unfavourable conditions for international money transfer on all levels (ordinary and government), but pushed to develop its own banking and money transfer system that promotes trade in rubles and yuans instead of dollars/euros. All combined eventually crafted technological/ industrial slowdown and severe hardships in the state's manufacturing area. Russia's GDP – evolution from 2018 to 2023 shows negative consequences of sanctions and the economy shrinking, referring to the World Bank, IMF, OECD . In addition, according to the International Energy Agency, Russia's oil revenues dropped by over a quarter in January 2023 (compared to January 2022). The drop in February was even more significant (over 40%).

Also the Russian Federation has got its assets frozen. The sanctions imposed by the EU and its partners on Russia's financial system reduce the potential on the global trade arena. €300 billion of Russian Central Bank reserves are blocked in the EU, other G7 countries and Australia (two thirds of which are blocked in the EU). 70% of assets of the Russian banking system are under sanctions. Around €20 billion of assets of more than 1 500 sanctioned persons and entities have been frozen.



Russia's monthly revenues from oil exports (in billion \$)



Source: World Bank, IMF, OECD, International Energy Agency [5].

Drawing the conclusion, all measures taken have seriously damaged Russia's global trade position and drastically cut its potential leaving domestic and international affairs that were influenced by sanctions, basically broken. Even though some Russian authorities claim to have risen in potential and power on the worldwide arena, these claims are doubtful. Real sources show that Russia's abilities to trade and live the life of a geopolitical entity have been dreadfully scathed, albeit its opportunities to finance the war are still there and no economic/political restriction has changed them.

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