INTERNATIONAL TRADE AND LAW

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TRADE AND SANCTIONS POLICY: BETWEEN GEOPOLITICAL LEVERAGE AND ECONOMIC DISRUPTION

In today's interconnected global economy, economic sanctions have become a central tool of statecraft. Governments use them to deter aggression, punish violations of international law, and assert geopolitical influence – all without resorting to military action. However, their expanding use in international trade raises questions about long-term effectiveness, unintended economic consequences and the stability of the global trading system.

Sanctions can range from comprehensive trade embargoes to more targeted restrictions on specific individuals, sectors, or technologies. While targeted sanctions are considered more precise, they can still lead to significant collateral damage. Even narrowly focused measures often have ripple effects that distort trade flows and affect global supply chains. For instance, Bruegel's analysis indicates that sanctions have led to a decline in Russia's imports from advanced economies, with trade being reoriented towards countries like China, India, and Turkey. However, this shift has only partially compensated for the decline in trade with advanced countries, highlighting the broader economic impact of sanctions [3].

The Russia–Ukraine conflict has offered one of the most striking recent examples. In response to Russia's full-scale invasion in 2022, the European Union, United States, and allies imposed sweeping sanctions targeting Russian energy, banking, and high-tech sectors. According to the European Commission, these sanctions included export controls, asset freezes, and bans on coal and oil imports. The goal was to weaken Russia's economic capacity to wage war, but a side effect has been the reorientation of Russia's trade toward China, India, and other neutral states [2].

The sanctions imposed on Russia following the invasion of Ukraine have demonstrably impacted its economy. Russia's GDP is estimated to be 10-12% below pre-invasion trends, and personal disposable income has seen a significant 20-25% reduction. High inflation and interest rates, both exceeding 20%, further indicate the financial strain. However, the effectiveness of these measures is tempered by instances of circumvention, such as the notable 18% increase in Kazakh electronics exports to Russia in the first ten months of 2022, amounting to over $575 million. Furthermore, while the UK and EU have sanctioned a substantial number of individuals and entities, the enforcement across these regions has been described as fragmented, potentially diluting the overall impact compared to the more aggressive enforcement by the US. Despite efforts to mobilize frozen Russian assets, such as the EU's “extraordinary” approach to €210 billion in Belgium and the G7’s commitment of up to $50 billion in financial support to Ukraine, the overall picture suggests a considerable but not fully decisive effect of the sanctions regime due to issues of evasion and inconsistent implementation [4].

The overuse or politicization of sanctions also threatens the rules-based trading system. The World Trade Organization has faced challenges in adjudicating disputes where national security is invoked as justification for trade restrictions. WTO reports note that the growing reliance on such exceptions could erode trust in the multilateral trade framework, leading to fragmentation and increased protectionism [5].

Moreover, sanctions often provoke countermeasures. Russia, for instance, has imposed export bans and seized Western assets. China has responded to Western sanctions with its own anti-sanctions laws. These developments reflect a trend toward “geoeconomic retaliation” – where trade becomes less about mutual benefit and more about strategic rivalry [1].

In conclusion, while sanctions are a powerful foreign policy instrument, their use in international trade requires careful calibration. Poorly designed or overly broad sanctions can disrupt global markets, harm civilians, and undermine institutions like the WTO. As trade becomes more entangled with geopolitics, policymakers must strike a balance between strategic goals and long-term economic stability.

References

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INTERNATIONAL TRADE POLICY: GOALS, INSTRUMENTS AND EFFECTIVENESS

Trade policy is the set of strategies applied by government to regulate a country’s imports & exports of goods and services. It is pretty important as it allows citizens to have broader access to goods and frees a country from a restricting market in order for sales, stabilises prices, cushions output variability for example due to crop failure and creates new revenue streams. Trade policies are a corner stone for successful and streamlined trade with tough. It also guarantees that local markets are pricing able affected by import/export price controls [2].

A Productive contraction (increased present and future consumption in the face of heavier government-imposed trade barriers) followed by WWII dramatically reduced the barriers that governments set up to protect domestic industry. However, extent of protectionist policies varies significantly among industries. Tariffs are especially very high in terms of industry (e.g. agriculture and clothing) and for specific classes of countries (including less developed ones). A lot of countries still have large impediments on services trade (sectors like transportation, communication