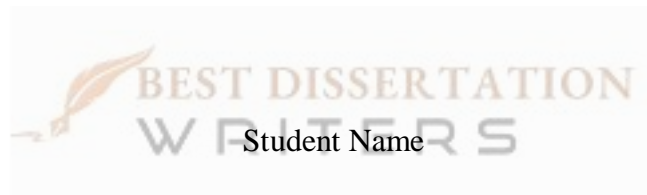


TRADE UNDER TENSION: ASSESSING THE INFLUENCE OF GLOBAL SANCTIONS ON
RUSSIA'S INTERNATIONAL SPECIALISATION AND MARKET DYNAMICS



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Abstract

The illegal full-scale invasion of Ukraine by Russia has greatly influenced decisions of the Western countries to impose unprecedented financial sanctions as well as export controls against Russia. The primary purpose of this study was to assess the influence of global sanctions on Russia's international specialisation and market dynamics. In order to achieve this purpose, a secondary quantitative research methodology was adopted. The data were collected from the Atlantic Council's Russia Sanctions Database and then analysed using Stata software. Results from the conducted analysis revealed that such measures generally aimed to achieved three key objectives such as ensuring significant reduction of revenue volumes of Russia from the commodities exports, negatively influence Russia's military capabilities as well as the ability to pursue war, and impose significant negatively effects on the Russian economy. Despite the sanctions, it is evident that Russia received significant revenues from its oil exports.

Keywords: global sanctions, Russia, international specialisation and market dynamics

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Chapter 1: Introduction

1.1 Background of the Study

In the last few years, geopolitical confrontations rose sharply and the global community had to impose sanctions on some countries as a way to achieve this by political pressure and to address the cases of alleged violation of international laws. Russia, for instance, has undergone rigorous and punitive measures applying to it from various superpowers following its actions in the regions of Crimea and Ukraine (Aladekomo, 2022). The diversity of these sanctions, including economic and diplomatic restrictions, has created a myriad of challenges for Russia's economy and its international trade ties (Matveev, 2021). Russia's position as one of the major players at the international scene is also suggested by its role in the world economy, including exports of oil and gas as well as robust arms industry (İşeri and Özdemir, 2020). These sectors undoubtedly were the hallmark of Russian economic indisputability and international trade competition. The imposition of sanctions has made Russia reconsider its traditional methods of sustenance from this sector and search for other channels to ensure economic growth as well as the development of trade agreements (Crozet and Hinz, 2020). As a result, there is high demand for scrutiny of how the Russian comparative advantages have been redefined in the course of the imposed sanctions and how this has affected its trading approaches.

The placing of the sanctions on Russia has created the demand for a thorough investigation of its foreign specialisation and trade dynamics. The discussion transcends the narrow scope of economic issues to include the geopolitical and strategic dimensions, whereby Russia is mindful of the complicated web of international relations during the period of heightened tension (Shapovalova et al., 2020; Van de Graaf, 2023). The fact of the changing environment of Russia's trade patterns and market dynamics in the context of sanctions is a key matter for

policymakers, economists and businessmen alike, because that gives us the understanding of how nations can be resilient and adaptable to external pressure.

1.2 Research Problem

The cornerstone issue tackled in this study is to grasp the multidimensional influence of global sanctions on Russia's international specialisation and market dynamics through incorporating the evolution of sanctions along with persisting geopolitical tensions (Oualaalou, 2021). These intricacies then raise critical questions like how these external pressures have shifted the trade regime of Russia, and how have they decided the strategic pathways of industries and the chosen strategies for the economy of the country. To successfully take advantage of the opportunities and mitigate the turmoil brought by political tensions, it is crucial for policy makers, analysts and businesses to understand these nuances.

1.3 Significance of the Study

This research encompasses very important policy, economics and business attributes both for Russia and the other countries. Through studying how world sanctions have been influencing competition in Russian trading realm, the key players and stakeholders can better prepare for likely developments, minimise risks, and search for collaboration and innovation avenues. Besides, this study enriches the global discussion on international relations, global trade, and geopolitics as drivers of economic sanctions.

1.4 Research Questions

- How have sanctions altered Russia's comparative advantage and trade flows in significant export sectors?
- What are the observable effects of sanctions on firm-level behaviours and industry-wide trends in core economic sectors?

1.5 Research Hypotheses

- H1: Sanctions have led Russia to increase specialisation in energy exports while reducing specialisation in manufactured goods.
- H2: Firms in sanctioned sectors demonstrate defensive tactics of import substitution and greater reliance on domestic demand, resulting in decreased competitiveness.



Chapter 2: Literature review

2.1 Empirical Review

Previous empirical study has successfully offered wide-range dissemination of information about the country's commodity-based business, highlighting its heavy concentration on exporting natural resources, predominantly oil, gas, and minerals. Research by Mironov and Konovalova (2019) claims that, for many years now, Russia has shown dominance in certain commodities. For instance, Andermo and Kragh (2021), quite exceptional studies on trade organisation have diligently recorded the Russian trade specialisation in various commodities. However, have highly regarded this, examining impacts on the economics of Russia's trading dynamics, covering both benefits and threats on account of commodity export.

Russia's goods-market chain is under the strong pressure from the political conditions around the globe. The empirical research by Zheng et al. (2022), identified how sanctions and political conflict got in the way of conventional trade flows and made Russia change its trade strategy. This in turn, present a number of important conclusions of Russia's economy ability to keep its position in the fierce competition and to adapt to the external factors, and illustrate that knowledge and perception of interrelations in the political sphere that determine the flow of trade which is highly vital for proper comprehension of the geopolitical process. In addition to that, Góes and Bekkers (2022) carried out geopolitical factor investigation which resulted in uncovering the intricate balance of the international politics mentioned in the commodity trade patterns. Empirical review cumulatively ascertains Russia's trade relationships with commodity grade are extensive and profound, which would be adequate factor for continuation of this research. The research can be seen as a humble addition to the broad body of evidence already relevant, contributing to a deeper knowledge of how global trade with Russia is taking shape.

2.2 Russia's Trade Interactions with Eurasian Economic Union (EAEU) Members

Russia collaborates with EAEU members, comprising newly independent states from the former Soviet Union, in commodity trading. According to Dragneva and Hartwell (2021), the primary goal of the founding the EAEU was to encourage the strong economy unions and free trade among member states. In support of this research Maksaikova and Gajić (2021) suggests that EAEU had the consequences of increased trade turns and much more cooperation and unity among the member states. This was one of the reasons for strengthening the economic connections inside the Eurasian region, which is of a global importance for the trade ties with the neighbouring states. cooperation between Russia and EAEU member states has contributed to trade increase and cooperation growth which is remarkable though the differences in economic policies within the union.

Trade integration development draws the attention to the persistent challenges within the Union of the EAEU. As outlined by Burges (2020), disagreements over the economic aspect such as different economic development level and the arguable trade benefit among the member countries pose serious obstacles to the smoothness of the union. Dragneva and Hartwell (2021) shows that, countries for instance Kazakhstan and Belarus may make decisions or trade policies oriented to some particular industries which differ from Russia's interests. Therefore, such a situation will cause divisions among the members of the union. These differences cause a hindrance and the EAEU effectiveness as a cohesive economic zone and how does it influence the Russia's trade dynamics with EAEU member states. As a result, the elimination of these inequalities become vital for improving the agreement strength and for guaranteeing safe and smooth trade between the member states.

This knowledge is vital regarding the evaluation of the EAEU as a tool for Russia's trade expansion in Eurasia. Burges (2020) research shows analysis of Russia's trade within the union through the examination of the complexities of its trade interactions has allowed policymakers to determine areas for improvement and strategic cooperation to ensure the maximisation of the benefits of regional integration. Moreover, the in-depth analysis of the challenges faced by the EAEU may be a basis for the development of policies designed to minimise the disparities and improve the economic growth in the participant countries. Effectiveness of Russia's trade relations within the EAEU crucially depends on its ability to handle these complications and take advantage of the benefits of regional integration.

2.3 Russia's Trade Relations with BRICS Countries

Russia's trade has led to splitting opportunities as members of the union differ about the course it should take. Chen et al. (2021) research shows that, persuading audience visual aids play a crucial role in making a topic more relatable and memorable. Incorporating smart visuals into our presentation not only informs the audience but also engages and keeps them interested. As suggested by Denisov et al. (2019), the use of visuals, such as graphs, charts, and infographics, helps reduce cognitive load and makes complex data. Studying the EAEU's effectiveness as a unified economic allocation and observing how Russia is performing in its foreign trade by EAEU members. This information has great influence on the decision of whether or not the EAEU is capable of being a trade driver in the Eurasian region.

Analysis of trade relationship between Russia and economic union shows diversified difficulties and potential of regional integration. Dergachev (2021) analysis shows that Russia's economic union's trade through the considering all aspects of Russia's trade relationships has allowed politicians to detect what should be improved and what are the strategies to the

advancement and cooperation for the economic union to fully benefit from the regional integration. Furthermore, the deep examination of the problems in EAEU that have to be tackled, may be a starting point in the forming of politics that are targeted to reduce the differences between the participating countries and thus to boost the economy in them. The efficiency of trading between Russia and other EAEU members can be drastically influenced by how well those issues, which are not easy to overcome, are dealt with and how thoroughly the opportunities of regional integration are utilised.

2.4 Theoretical Framework

2.4.1 Comparative Advantage Theory

The theoretical foundation of the comparative advantage theory plays a key role in illustrating the mechanisms underlying international trade. As suggested Davis and Dingel (2020), it is the proposition that this theory defines and relative price could be what is sacrificed in order to make the same goods that have various input factors, each that attracts different factor price. As an example, Bradshaw et al. (2019) show that the comparative benefit of the country which is blessed with abundant natural resources, such as Russia that has a plenty of oil and gas, is a tendency of the low commodity production because of their possibilities of production at the low cost. This scope makes it possible for Russia to offer and deliver more types of products with higher productivity and economic vitality than other country which go for its specialisation of such type of products.

Comparative strength theory puts more emphasis on the fact that trade as a way of exchange of something could generate mutual benefit for many nations is a useful tool to use. Research by, Farida and Setiawan (2022) note that, for countries to increase the total productivity and resource allocation efficiency of the economy is about how countries differ in

international trade, producing those goods and services in which they have a comparative advantage. For instance, Högselius and Kaijser (2019) research explains that country in energy exports industry not only assures its wealthy natural resources utilisation, but also allows to receive other nations' required goods and services more efficiently without trying to make these domestically. At the same time, these economic activities encourage countries to engage in specialisation and trade which enables them in round about ways to get access to a lot of products and services, hence elevated living standards for their citizens.

2.4.2 Dependency Theory

The dependency theory clarifies some complicated aspects of trade relations, such as inequalities, vulnerabilities, and mutual benefits. Through the lens of the dependency theory, country such as Russia's trade relations are revealed to be more than just mutual exchange of commodities between developed and developing countries which bring certain implications for both trading partners. For instance, research by Ghosh (2019) shows that the theoretical framework focuses on the hidden inequalities of trade where developed countries use the resources and markets of developing countries for their advantage and economic dominance. In support of this Saud et al. (2023) explains that dependency theory applies in the case of country like Russia due to its numerous natural resources such as oil and gas has become very vulnerable to even more advanced economies with the aim of securing their entry into a framework for trade in these key natural resources. Consequently, dependency theory serves as a platform, particularly in terms of analysing country trade interactions characterised by embedded power imbalances and lopsided relationships.

Dependency theory address the difficulties of stabilising the independence of developing economies on an export market mode. This is largely based on the merchandise of primary

resources, particularly the aggravated external vulnerability to sanctions and geopolitical conflicts. The very example of the Russian case is given by Sun, (2024) that explains the country processes of diversification of its economy which was very much concerning the import of mineral commodities. In addition, the existed also was the aging manufacturing sector that faced challenges of structural overhauls and internationalisation was another issue. This dependency theory represents a cornerstone for understanding the obstacles to development and diversification presented to Russia and other oil-producing nations. The study conducted by Krupa (2019) explains that, dependency theory represents a constructive way to look at country such as Russia's commodity-based trade, contributing to the comprehension of the underlying structural problems and underscoring unequal partnerships with the developed and developing world. Through an investigation of resource misappropriation and the problem of transition to endogenous economy, this theoretical framework helps us to better see different kinds of trade relationships and to form the right strategies on assurance of not only equitable, but also, sustainable trade partnerships.

2.5 Literature Gap

There appears to be abundance of studies on the role that a commodity-based trade plays in Russia, but the major gap is in trying to come up with a more comprehensive picture of the how geopolitical concerns such as sanctions and political conflicts serve to affect the unique dynamics in its trade with different countries. Trying to figure this part of the issue is one of the critical steps in understanding the Russia's foreign commerce interactions in full bloom. The interconnectedness of geopolitical backgrounds with trade policies requires a more sophisticated worldview if you want to understand how external factors direct the commerce interactions between Russia and different countries on regional and global levels. Narrowing this gap is

important in uncovering the numerous complexities and achievements in relation to establishing Russia's position in the global trade arena.



Chapter 3: Research Methodology

3.1 Data

Secondary data collection involves taking information from already published sources than from the participants. The basis of this research is the analysis of the Russian sanctions secondary data that are held by various agencies, which include; government documents, official reports, specialised databases, and academic publications (Mohammed, 2020). The diversity of these resources guarantees full realisation of the aims of the implementation and consequences of sanctions on Russia's international trade relations. Through a consideration of the government's records, reports from international organisations, and scholarly based researches, this research will try to collect a general view of the different and complex impacts of sanctions on Russia's international trade relations (Crozet and Hinz, 2020). The academic sources also provide deeper analyses of the theoretical frameworks, policies, and empirical studies that are relevant to sanctions and their impact on international trade. This study intends to undertake a comprehensive and wide-ranging data collection process from diverse sources in an attempt to come up with a solid platform for analysing to what extent the sanctions affect Russia's specialisation and the dynamics of its markets.

3.2 Measures

This study describes the methodology of collecting and analysing data, which critically relies on the utilisation of the secondary data on Russian sanctions. A variety of sources including fundamental sources, actual practices of enforcement, and specific cases are used to identify a detailed set of circumstances. The primary sources such as US Department of the Treasury, the European Commission documents, United Nations reports, and so on, are the foundational resources of information (Caruana et al., 2019). They become the source of

information that is factual, precise, and has a lot of details about the nature, the scope, and the application of the sanctions imposed by different international organisations. Additionally, financial databases and platforms such as Bloomberg, Thomson Reuters and Statista contain the tremendous quantitative data on the trade statistics, the national economic indicators and the financial flows that are influenced by the sanctions. They serve as platforms which offer real-time or historic data so that the analysts can collect the information related to trade dynamics' trends and patterns of the Russian economy in the world market. The Harvard Data verse acts as a reservoir of academic datasets, possessing a huge collection of scholastic resources for analysis and interpretation.

Furthermore, alongside the primary sources, the secondary sources like essays, dissertations, and academic research papers take the discussion to the broader contextualisation and implications of Russian sanctions (Fasola, 2023). They give in-depth perspective about the politics, economic and social implications of sanctions and broad reflect on their effectiveness and unintentionally consequences. The collected data comprises an entire range of issues regarding the Russian sanctions such as their scope, duration, goals, and economic implications. Numeric measures of the effectiveness of sanctions against Russia are obtained by taking into account international market specialisation and dynamics. Therefore, to check the (responding measures), one should monitor the primary indicators such as GDP growth, trade volumes, and investment flows.

Moreover, the qualitative analysis of policy documents, the point of view of the experts, and the case studies testified to the multi-dimensional impact of economic sanctions on the trade relations of Russia. Using political, economic and social factors and the qualitative analyses you will understand deeper what kind of issues in a Russian economy the sanctions cause (Bashynska

and Zaichenko. 2023). To bring this about, we are going to deliberate on the influence of the global sanctions on Russian's international diversification portfolio and dynamics markets. This project uses the triangulation of both quantitative and qualitative data and thus finds more complicated connections between Russian trade patterns and economic sanctions which help to enlarge the empirical dialogue in the field of international relations and economic sanctions.

3.3 Data Analysis

Data syntheses are referred to as data analysis process by which a researcher not only collects but also interprets the existing data from multiple sources. A Stata software was used for analysing the collected secondary data in order to assess and establish the effects of Russian sanctions. This overview aims at establishing that the sanctions imposed on Russia have the influences of international divisions of labour and markets which are exhibited through foreign trade changes, dynamics at home front, and the country's performance. The quantitative data analysis utilises statistics to tackle the issue of how sanctions affect the key economic indicators such as growth rate, trade volumes and foreign direct investment flows. Regression analysis can be employed to assess the link between the economic sanctions and other factors, the variables taken into account (DiMena et al., 2021). The qualitative data analysis conducted in a sequential manner utilises a coding and categorising technique which allows the disclosure of causes, feelings and effect of sanction on the country's foreign trade. This research seeks to cover quantitative and qualitative analysis that contribute to the understanding of the impact of global sanctions on Russia's international specialisation and market dynamics. This study is based on the systematic collection of data and subsequent in-depth analysis that can be of substantial help to further academic research giving the details on the sanction's usefulness and consequences in different situations.

Chapter 4: Results

4.1 Hypothesis 1

The first hypothesis for this study involved assessment of the manner in which the sanctions have led Russia to increase specialisation in energy exports while reducing specialisation in manufactured goods. Results from the conducted analysis demonstrated that although the sanctions intended to cause a drastic fall of Russia's revenues from commodity exports, Russia exploited loopholes and mistakes in the measures to make a lot of money. The facts analysis has shown that the SIFT barrier admitted banks dealing with energy funds in which Russia can proceed to withdraw payments. Furthermore, the oil price cap of \$60 per barrel was not on the firm side as did not have a better back up and Russia averted it by “shadow fleet” shipping and charged on higher side. The price cap proved to be effective as both a sanctioning measure and as a means to defend the global oil price, with the almost entirety of seaborne crude oil exports conducted above the price ceiling.

The results of the findings revealed that, in the face of sanctions imposed on Alrosa, Russia's state-owned diamond producing company, there was a significant increase in diamond sales in 2023, especially to the United Arab Emirates. Also, Russia held gold in the stabilization of the ruble exchange rate after the initial shock of sanctions by setting a sweet choice trading to the dollar in an indirect way. An outcome of the measures showed that Russia was able to get \$381.8 billion from oil exports in 2022 and 2023 indicating the restrictions failed to cut down on Russia's commodity revenue proceeds. Detailed findings are presented in the Figure 1 below.



Figure 1: Relationship between Russian Imports and Exports During Sanctions (Author, 2024)

Analysis results demonstrated that although the Western export controls were designed to cripple Russia's military capacity and frustrate its ability to continue the war in Ukraine, their consequences remain modest. The analysis of the data demonstrated that Russian entities have successfully obtained dual-use technologies from Western companies by exploiting resellers and manufacturers in third countries, notably China and Hong Kong, particularly. Almost 50 % of Russia's imports that are battlefield-related could be produced by Western enterprises belonging to the group that controls export.

The research results furthermore show that the sanctions have limited the Russian aircraft production but Russia has managed to build the capacity of repairing and maintaining the existing jets. In 2022, Russia bought \$14 million worth of US-made aircraft component from third countries such as China and Turkey. The findings revealed a very strong causal link between the gaps in enforcing export controls and Russia's ability to obtain advanced gun systems at the battlefield, it is evident that there is a need to enhance compliance practices and tighten scrutiny of the transactions involving aircraft manufacturers in Asia and the Middle East.

4.2 Hypothesis 2

The second hypothesis for this study focused on assessing how firms in sanctioned sectors demonstrate defensive tactics of import substitution and greater reliance on domestic demand, resulting in decreased competitiveness. The results of this study indicate that, though the restrictive measures of western countries have resulted in some failures to make a great deal of bother on the Russian economy, Russia has found ways to mitigate the impact. The data analysis demonstrated that even with the sanctions put in place, Russia's economic growth for 2023 was 5.5% in the third quarter, largely due to increased spending by the government, especially in the defence sector.

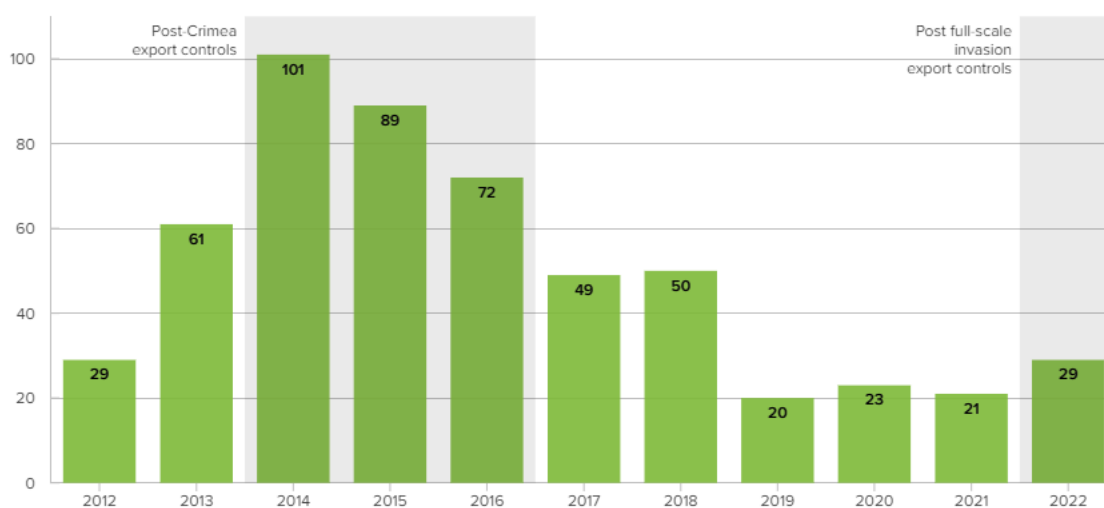


Figure 2: Russian Rates of Production Following the Sanctions (Author, 2024)

The findings of this study showed a strong and direct positive link between Russia's oil revenues and the ability of the country to fund the war. One-third of next year's defence budget for Moscow has been set bigger than the social budgets. This indicates the desire to deal with the conflict for the next years. Moreover, the Russian technology sector has suffered heavily from the business disruptions. The frequency distribution demonstrated that about 10% of the IT staff moved away from Russia in the year of 2022, and more than 1,000 western companies left the

market. The absence of Western hardware, software and worldwide connectivity turned out to be a serious disadvantage for the Russian technology sector impeding its development and, probably, causing it to fall behind global leaders in the long run.



Chapter 5: Discussion and Conclusion

5.1 Discussion of Results

5.1.1 Effects of Sanctions on Russia's Comparative Advantage and Trade Flows

The first research question for this study involved assessment of the key effects of the sanctions on Russia's comparative advantage and trade flows in significant export sectors. Results from the conducted analysis established that sanctions had adverse impacts on the Russia's comparative advantage and trade flows, generally having negative impacts on the countries economic growth. The agricultural product import ban has largely distorted the pattern of international trade exchange, especially within the agricultural sector, as referred to in the article. Consistent findings are reported in the previous analysis by Andermo and Kragh (2021) which established that the sanctions against Russia have had a profound effect on the United States and Europe as the volume of their agri-food exports to the country has decreased. This decrease has caused huge disasters for the farmers and the exporters of these regions because they have been suffering losses and instability in the markets due to the reduction. Similarly, Mironov and Konovalova (2019) reported that the consumers of Russian products have been unfavourably by the ban on imports; they have had the shortage of some products and increase of their price in the markets. This has amplified problems of food security and also caused more strain on the domestic food production system. Ultimately, the ban on importing blurs international trade squares in the agri-food sector, indicating the degree to which the world food systems are linked and the susceptibility of economies to political conflicts.

The ban on agri-food import imposed by the EU has resulted in the strong evidence of trade diversion, since it has stimulated the Russian demand for these commodities coming from countries that are not subject to the restrictions. This has been demonstrated in the rise of

agricultural goods exports from countries like China and Brazil to Russia, where Russian importers are compelled to utilise, sanctions bypassing. An in-depth explanation of such trends can be derived from the evidence reported in the analysis by Andermo and Kragh (2021) that China has significantly enhanced its exports of soybeans and other food stuffs to Russia and as a result filling the void left by drastic decline of imports from the Western world. Correspondingly, the Brazil also used the situation with a noticeable increase of its beef and poultry products exports to Russian market.

Such trade deviation will be tremendously important for global agricultural trade structures, as it has become a new opportunity for non-sanctioning countries to enter the Russian agro-food sector market. By diversifying the source of supply, China and Brazil has given rise to their positions as catalysts in the global food security (Chen et al., 2021). Additionally, it is problematic because it facilitates a long-term shift of trade lines as Russian customers forge new business contacts with non-sanctioning countries' suppliers (Dragneva and Hartwell, 2021). Therefore, the ban on the import of agri-food products has not only become the reason why existing trade routes become disrupted but also the cause why the structure of the global agri-food market has been changed with regard to competition.

In spite of the introduction of sanctions, various organisations have been found to be non-compliant to the import ban on agricultural food products, thus creating enforcement issues. Smuggling and illicit trade have proved an effective method of bypassing the sanctions, hence, products of interest to Russian market can be imported illegally (Dragneva and Hartwell, 2021). This disregard of compliance lowers the efficiency of the sanctioning efforts and may intensify the damage on the home-based manufacturers and exporters in the countries seizing economic measures. Furthermore, the general observed level of non-compliance shows the flaws

of the unilateral sanctions and the necessity of international attention in tackling illicit trade activities (Denisov et al., 2019). It is vital to initiate cooperation mechanisms between sanctioning countries and global organisations such as Interpol and Europol to intensify monitoring and enforcement measures against smuggling and other networks of illegal trade.

Moreover, the projects for the implementation of transparency and information exchange among the stakeholders can empower the detection of the illicit routes. However, the use of criminal networks to traffic it is another security concern and can hinder the rule of law in targeted areas (Chen et al., 2021). In this regard, the combat of non-compliance needs the priority given to the cooperation between law enforcement departments and the capacity-building initiatives aiming at strengthening the border controls and intensifying the surveillance capabilities (Dergachev, 2021). Through addressing the causes of noncompliance and by strengthening enforcement mechanisms, the policy makers will achieve the desirable outcomes of the policies, mitigating international trade and security problems.

5.1.2 Effects of Sanctions on Firm-Level Behaviours and Industry-Wide Trends

The second research question for this study involved assessment of the observable effects of sanctions on firm-level behaviours and industry-wide trends in core economic sectors. Results from the conducted analysis demonstrated that there were significant observable effects of sanctions on the overall behaviours of firms and industries in Russia. The research determines the effects of trade sanctions on international trade patterns using empirical approaches, with special attention to the agri-food sector. Nevertheless, it is necessary to acknowledge the existence of these methodological limiting factors. However, these findings are contrary to those reported in the previous analysis by Maksaikova and Gajić (2021) which established that major concerns in this context are about data availability, as getting complete and well-updated trade

data, especially in dynamic and politically sensitive context is really problematic. In addition, the assessment of indirect effect of sanctions on trade is a very difficult mission owing to multiple factors interacting with each other among which there are market dynamics, geo-political events and policy responses.

Beyond that, the distinctive element of international commercial relations which has an effect on the analysis is the fact that the relationships are changing constantly. With reference to the explanations by Denisov et al. (2019), trade patterns and the state of the markets can change very quickly in response to the dynamic change in the geopolitical context and economic policies, which complicates the efforts to establish the sole impact of sanctions on the arrangement of the trades. Moreover, another serious methodological challenge is the endogeneity effect, which takes place when uncontrolled variables affect the relationship between the sanctions effect and trade flows. Regardless of these shortcomings, empirical study continues to be an important source of information on deeper magnets and inlet streams of international trade under sanctions (Chen et al., 2021). Through a proper representation of the methodological challenges and use of robust statistical methods, researchers can provide useful information concerning both the effectiveness and unintended consequences of sanctions policies on trading results.

Sanctions 'model results show the widening impacts of such restrictions on trade at the international level, specifically those of the agri-food sector which involves food trade. This gives an idea of the sophisticated aspects of global trade. The research done by Bradshaw et al. (2019), reveals that the imposition of sanctions has led to export dispersion of agri-food products to Russia from sanctioned countries. On the other hand, an impressive rise in the shipments from non-sanctioned countries, it demonstrates the redirection of the trade routes when allied countries

operated under the sanction's regime. This manifestation indicates that the Russian economy is so versatile and unbreakable thanks to the ability to adjust and overcome all the challenges of international trade on the one hand and to tackle the complexities of international trade on the other hand.

Moreover, the trade model reveals the pivotal role of incorporation of geopolitics economic performance. In this context, to see a clear image of the intricate interactions between trade sanctions policies, geopolitical tensions and economic aspects, researchers get a more complete picture of the driving forces and effects of trade shifts. Furthermore, Dergachev (2021) claims that although sanctions to some extent may block the traditional trading channels, they can result in various new trade strategies which are even more productive. Hence the findings of that model not only enlighten short-term effects of sanctions on the trade flows but also reveal the long-term important implications from the trade flows dynamics and the economic resilience.

Undertaking in-depth research at the industry-level, one can obtain deep-rooted understanding of the complexity of trade deflection related to the agricultural sector. Bradshaw et al. (2019) seem to take a practical stance, observing the trade diversion, resulting from sanctions, during which French firms, operating in that sector, have decisively readjusted their export market destinations. These firms, especially, their exports to countries who are not under sanctions like China and Brazil, have witnessed a surging increase as they attempt to substitute their sales drawbacks accrued to the sanctions. Nevertheless, research Maksaikova and Gajić (2021) confirms this thesis regarding the dawning of a new strategic approach by individual companies; attempting to widen the spectrum of their product markets and in a way decrease a dependence on sanctioned regions. When French companies exploit the demand for agri-food

commodities in growing alternative markets, it evidences their resiliency and adaptability levels in terms of tackling geopolitical bumps and trade restrictions.

5.2 Theoretical and Practical Implications

The result of worldwide sanctions against Russia has led to wide-ranging discussions on the effects, the side effects, and the influence on the international trades sphere. This study aimed to assess the influence of these sanctions on Russia's international specialisation and market dynamics, focusing on three main objectives: analysing how they influenced the Russian economy, characterizing their effect on the capacity of Russian soldiers both for fighting and pursuing the war, and looking into the influence they had on the Russian economy as a whole.

The study result is complex but still it portrays clearly the effect of sanctions on the Russian economy. Although the western countries aimed at reducing the Russian revenues from commodity exports, Russia continued to skirt from the sanctions and has access to a satisfactory rouble from its oil exports. Similarly, the sanctions put on individuals' companies like Alrosa, the state-owned diamond producing company, have led to increased diamond sales, especially to countries such as the UAE. Russia managed to restore the stability of the exchange rate due to gold reserves, and taking other measures, which demonstrated its endurance and ability to respond to economic pressure.

Analyses of sanctions' consequences for Russia's armed forces tend to prove that limited harm was actually done to Russia's military might, and the effect of the Western export control remains modest. The Russian military has had to resort to performing purchases in third countries in particular, China or Hong Kong. This shows the actually through the intermediaries because of the sanctions, that is, they can buy the dual-use technology. The report has discovered the fact that export control regimes can be hampered, whereby Russia can obtain advanced

weaponry and continue with military operations in Ukraine and other areas. The Russian economy has had a varied response to sanctions overall. The sanctions case has been depressing the Russian economy, particularly on the technology and finance sectors, but the Kremlin was able to find ways to reduce the effect of the granulate measures by strategic means. Government spending in defence as well as other capacities promoted economic growth in Iran sufficiently leaving the negative consequences of economic sanctions manageable.

The effects of these researches can be of great importance for the policymakers and international thrusters involved in the sanction's regime. It is the duty of the policymakers to recognise the constraints and unanticipated consequence that are posed by sanctions which might be greatly damage the potential of achieving the intended result. In addition to that, it is necessary to strengthen control over export, and prevent violations; otherwise limit of effectiveness of sanctions regimes will be valid. Giving the power of intensive monitoring and observation can help to put a stop to the bypassing of sanctions and minimizing their effect on the entities under sanction. Finally, policy makers have to undertake a holistic method to tackle the underlying problems that give rise to the conflicts and tensions which cause the imposition of sanctions. Diplomatic efforts, conflict resolution initiatives, and dialogue of parties to the conflict, as well as the negotiating processes to resolve the conflict become primary in resolving the disputes and consequently reducing the need for sanctions to be used as the measure of last resort.

5.3 Limitations and Avenues for Future Research

Although the data obtained from the research contributes significantly to the understanding of the topic, the limitations of the research must be acknowledged too. The primary reliance of study on secondary data sources could present a biases and incorrectness

problem. Also, because of the changing background of international relations and economic environments, sometimes it's difficult to measure the long-term consequences of sanctions.

Implementation of a mixed-methods (quantitative and qualitative) approach in further research could provide valuable insights that can be integrated into a holistic analysis. Longitudinal studies following the implementation of sanctions over time could generate more information about their impacts and meaning. As well as that, the case studies on selected industries or regions could give more details on the localised effects of sanctions and the applicability of mitigation measures.



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