

MTMSD 2022**I International Conference «Modern Trends in Governance and Sustainable Development of Socio-economic Systems: from Regional Development to Global Economic Growth»****SANCTIONS AS A FACTOR AFFECTING THE INTERNATIONAL ECONOMIC ORDER**

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Abstract

This study aims to analyze the impact of sanctions on the international economic order. The primary objective is to understand the measures, scale, and consequences of economic sanctions in the context of their influence on global economic relations. To achieve the research objective, a combined methodological approach is employed. The study involves the analysis of economic literature, legislative acts, and international agreements regulating the application of sanctions. Case studies and statistical data are also utilized to assess specific instances of sanctions and their effects on the world economy. An outstanding result of the study is the identification of the comprehensive impact of sanctions on the international economic order. The research underscores that sanctions can significantly influence not only target countries but also global trade, financial markets, and international investments. The conclusion emphasizes the need for more thorough and balanced use of sanctions, considering their broader implications on the interconnectedness of the world economy.

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1. Introduction

In connection with the current extremely ambiguous situation in the world caused by the political conflict in Ukraine, the question of assessing the consequences of the sanctions imposed against Russia, what effect can be expected from the impact of these sanctions on the international economic order and how legitimate their introduction is, becomes urgent.

Historically, States have entered into political conflicts that are present now and will be present in the future, since the conflict of interests of states is inevitable due to the constant struggle for material, labor, financial and other resources. Often such needs are hidden behind more altruistic goals in the form of protecting the population, ensuring national or international security and international law and order. However, in this case, the question arises as to how altruistic are the measures taken by such States.

2. Problem Statement

The imposition of economic sanctions has become a prominent tool in international relations, often employed to address political conflicts or human rights concerns. However, the consequences of these sanctions extend beyond the targeted nations, raising critical issues that demand careful consideration. The problem lies in the intricate interplay between sanctions and the international economic order, where unintended ramifications create complexities for global trade, financial stability, and diplomatic relations.

The primary concern is that while sanctions aim to exert pressure on specific countries, they can inadvertently disrupt the equilibrium of the broader international economic system. Unintended consequences may include disruptions in global supply chains, adverse impacts on non-targeted nations, and challenges to the principles of free trade. Additionally, the effectiveness and ethical considerations surrounding the use of sanctions warrant scrutiny, as questions arise about their ability to achieve desired political outcomes and the potential humanitarian costs incurred.

This problem statement sets the stage for an in-depth examination of the multifaceted issues arising from the application of sanctions, emphasizing the need for a nuanced understanding of their implications on the international economic order.

3. Research Questions

1. Global Trade Impact:
 - i. How do economic sanctions impact global trade dynamics, specifically examining disruptions in supply chains, alterations in trade patterns, and the long-term consequences for international commerce? This question aims to uncover the intricate ways sanctions shape and reshape the landscape of global trade relationships.
2. Financial Market Effects:
 - ii. What are the effects of sanctions on international financial markets? This question delves into how sanctions influence currency exchange rates, investment flows, and the overall stability of global financial systems. Understanding the financial repercussions is crucial for assessing the broader economic implications.

3. Unintended Consequences and Balance:

- iii. What unintended consequences arise from the imposition of sanctions, especially concerning non-targeted nations and industries? How do these consequences disrupt or influence the equilibrium of the broader international economic order? This question seeks to unravel the complexities and potential imbalances introduced by sanctions beyond their intended targets, shedding light on the broader repercussions on the global economic stage.

4. Purpose of the Study

The purpose of this study is to conduct a comprehensive investigation into the intricate impact of economic sanctions on the international economic order. The overarching goal is to gain a nuanced understanding of how sanctions, as a diplomatic tool, shape global trade dynamics, influence financial markets, and contribute to unintended consequences that may disrupt the equilibrium of the broader international economic system.

The study aims to examine global trade dynamics by analyzing the influence of economic sanctions on trade patterns, supply chains, and the long-term consequences for international commerce. It seeks to identify patterns and disruptions within global trade resulting from the application of sanctions.

Additionally, the research endeavors to evaluate the effects of sanctions on international financial markets. This involves an in-depth investigation into their impact on currency exchange rates, investment flows, and the overall stability of the global financial system. The study aims to provide insights into the intricate relationship between sanctions and the dynamics of the global financial landscape.

Furthermore, the study aims to uncover unintended consequences that may arise from the imposition of sanctions, with a particular focus on non-targeted nations and industries. It seeks to reveal how these unintended consequences may disrupt or influence the balance of the broader international economic order.

Ultimately, the research has the broader goal of informing policy and decision-making. It strives to provide actionable insights for policymakers and stakeholders by offering a comprehensive understanding of the consequences and implications of economic sanctions. The study seeks to contribute valuable knowledge to enhance decision-making processes related to the use of sanctions in the realm of international relations and trade.

Through these objectives, the study aspires to contribute meaningfully to the academic discourse on economic sanctions and offer practical insights for policymakers, diplomats, and researchers concerned with the intricate interplay between sanctions and the international economic order.

5. Research Methods

Within the framework of this article, the authors employed the following research methods:

1. Methods of Analysis and Induction:

- iv. The study involved the analysis and induction methods to explore certain aspects of the concept of "sanctions." The negative aspects of the impact of sanctions were systematically

analyzed, providing a basis for formulating informed conclusions. This method allowed for a detailed examination of the sanctions concept and their repercussions.

2. Method of Comparison:

- v. The article utilized the method of comparison to examine different opinions expressed by researchers concerning the impact of sanctions on international economic relations. Through this comparative analysis, the detrimental effects of sanctions on the population of countries subjected to such measures were revealed. The method of comparison facilitated a nuanced understanding of varying perspectives on the consequences of sanctions.

These methods collectively contributed to the depth and breadth of the study, allowing the authors to delve into the complexities of the concept of sanctions, analyze their negative impacts, and present a comprehensive view of the effects on the populations of countries subjected to such measures. The combination of analytical and comparative methods enriched the study's findings and enhanced the overall understanding of the subject matter.

6. Findings

The findings of the research revealed crucial insights into the impact of economic sanctions on the international economic order. Key conclusions drawn from the study include:

1. Negative Aspects of Sanctions:

- vi. The analysis and induction methods employed unveiled the negative aspects of sanctions, shedding light on their multifaceted impact. Findings indicated that while sanctions may serve as diplomatic tools, they often result in adverse consequences, influencing global trade dynamics and financial stability.

2. Detrimental Impact on Delinquent Countries:

- vii. The method of comparison exposed varying opinions among researchers regarding the impact of sanctions on international economic relations. A consistent finding across these opinions highlighted the detrimental effects of sanctions on the populations of delinquent countries. This underscores the humanitarian costs associated with the application of sanctions.

3. Complexities in Sanctions' Impact:

- viii. The research findings emphasized the complexities inherent in the impact of sanctions on the international economic order. The interplay of various factors, as revealed through the employed methods, showcased that the consequences of sanctions extend beyond their intended targets, influencing global economic equilibrium in intricate ways.

4. Need for Nuanced Approaches:

- ix. The study's conclusions pointed towards the necessity for nuanced approaches in the application of sanctions. The one-size-fits-all approach may not be effective, and policymakers should consider the broader implications on both the targeted nations and the global economic system when formulating and implementing sanctions.

5. Importance of Informed Decision-Making:

- x. Overall, the findings underscored the importance of informed decision-making in the realm of sanctions. Policymakers need to carefully weigh the potential negative consequences,

especially those affecting populations, and consider alternative diplomatic tools to address international issues without causing undue harm to the broader economic order.

These findings contribute valuable insights to the ongoing discourse on economic sanctions, providing a nuanced understanding of their impact on the international economic stage and emphasizing the importance of a thoughtful and well-informed approach in their application.

In addition, the imposition of sanctions has such a psychological aspect regarding the population of the delinquent country, which consists in the fact that one part of it becomes more patriotic, and the other, on the contrary, seeks to get away from the existing regime in the country. It should also be noted that the identification of the population of this country with its Government by citizens of foreign countries, which entails various adverse consequences for this population.

Today, when sanctions have the so-called reverse effect, that is, an unfavorable situation for developed countries turns into an even worse situation for developing countries, the question of the legality of their application is relevant. If we talk about the protection of human rights, etc., the sanctions imposed against delinquent states hurt the population of such countries, that is, people who, for the most part, cannot leave this country, do not understand the political situation, do not know how to act in the prevailing unfavorable economic and political conditions and whose rights should also be protected. In this connection, the quote of the UN Secretary-General is particularly relevant. Thus, his report "We, the peoples: the role of the UN in the XXI century" says: When tough and comprehensive sanctions are applied against authoritarian regimes, a problem arises. In this case, ordinary people suffer, not the political elite, whose behavior provoked the imposition of sanctions. Moreover, no matter how disgusting it is, the powers that be often even benefit from these sanctions, since they are able to control the black market and the profits they receive, and since the sanctions give them a pretext to eliminate the internal political opposition. (Shaidullina, 2018)

Although scientists note that the sanction as a definition in international law is sufficiently defined, the question of the place of sanctions in international law remains debatable. There are many interpretations of this concept, its consideration in national and international aspects, depending on various classification features, as well as differences in the opinions of scientists (Velásquez Ruiz, 2012).

Kehler draws attention to the difference between unilateral and multilateral sanctions, the UN notes the impact of multilateral sanctions as an instrument of warfare, since in accordance with Chapter VII of the UN Charter, such sanctions are close to the level of the open use of armed forces. Multilateral sanctions impose obligations on the entire international community, which must comply with them due to UN collective security considerations, whereas unilateral sanctions are imposed as a measure of economic coercion and are not supported by international obligations. (Gracheva, 2017) When studying their differences, studies show that multilateral UN sanctions, as a rule, have a stronger impact on GDP growth than unilateral sanctions of individual strong states (United Nations, 2022).

Khabrieva, Kapustin note the uncertainty of the provisions on sanctions and other coercive measures in international law due to the absence of its unified hierarchical, internally coordinated structure based on a single constitutional basis. Like Kehler, they talk about the need for a deeper doctrinal study of the provisions of Chapters VII and VIII of the UN Charter, through which relations between the UN Security Council and regional international organizations are regulated. (Morozov, 1998)

Gracheva believes that the concept of "sanction" is not used when it comes to coercive measures taken by an injured State against a State that has committed an offense of an international obligation. In this case, in her opinion, the concept of "countermeasures" is used. It defines international economic sanctions as collective coercive measures imposed by the UN Security Council on the basis of Chapter VII of the UN Charter in order to ensure the suppression of international offenses and the restoration of law and order by influencing the economy of the offender's facility (Bekmurzayeva & Dzhandarova, 2021).

Alexandrina in her research (Alexandrina, 2018) gives various classifications of sanctions. Just like Gracheva (Bekmurzayeva & Dzhandarova, 2021), she identifies two main blocks of trade, the most common type of which is a partial or complete embargo, and financial sanctions in the form of blocking foreign assets and prohibiting the provision of financial assistance. Trade sanctions, for example, include restrictions in the oil and gas industry against Russia, and financial sanctions include the freezing of assets of Russian citizens in foreign countries. Trade sanctions are aimed at restricting the most important industries for the state, financial sanctions, in turn, can be directed against specific individuals, in particular, in addition to blocking the assets of individuals, they also include a ban on the purchase of securities, a ban on establishing business contacts, etc.

In the course of her research (Khabrieva & Kapustin, 2019) in the field of financial and economic sanctions, Shaidullina examines the scope of application of special economic measures. According to her conclusions, these include the following: industry (full or partial suspension of the implementation of programs in the field of technical or economic assistance and programs in the field of military-technical cooperation); financial (prohibition or establishment of restrictions on the implementation of financial and foreign economic transactions); foreign economic activity (suspension or termination of international treaties of the Russian Federation in the field of foreign economic activity); restriction or complete prohibition of ships entering Russian ports and using the airspace of Russia or certain areas of Russian airspace); trade (change of import or export customs duties); tourism (establishment of restrictions on tourist activities); STP (refusal to participate or prohibition of conducting international scientific, technical and scientific programs and projects of another country).

In the current situation, sanctions against Russia act as multilateral according to the definition of Kehler (Gracheva, 2017). These measures are likely to have a significant impact on the Russian economy. The World Bank predicts that based on the sanctions announced in March 2022, by the end of 2022, Russia's GDP will be 11% lower, investment will be 17% lower, inflation will rise to 22%, and exports and imports will fall by 31% and 35%, respectively (Gutmann et al., 2018; World Bank, 2022).

The EU, the UK and the US have imposed restrictions on energy imports from Russia in response to the invasion. However, the EU's ability, in particular, to diversify its activities and move away from dependence on imports from Russia, especially oil, gas and fertilizers, will take longer. More generally, the Russian economy may suffer from the breakdown of technical, scientific and cultural ties with the West. This can lead to a "brain drain" on the part of younger and more open Russians who do not want to stay in a country that is rapidly becoming an outcast on the world stage. This state of affairs indicates the leakage from the country of its most effective labor resources capable of raising the country's economy. The consequences of sanctions for Russia may be much more deplorable than it seemed.

The imposition of sanctions against Russia is perhaps the clearest illustration of the recent abandonment of policies aimed at encouraging the expansion of trade between countries. This policy emerged after the creation of a number of multilateral institutions after 1945 and, in particular, the General Agreement on Trade and Tariffs (GATT) in 1947 and its successor, the World Trade Organization (WTO), established in 1995.

The goal of the GATT/WTO was to minimize the threat of "trade wars" when trade protection mechanisms such as tariffs, non-tariff barriers and embargoes are imposed for strategic political and economic reasons. The desire to avoid trade wars has led to measures designed to prevent both unilateral and bilateral trade restrictions and the introduction of mechanisms designed to resolve trade disputes.

It was also implicitly hoped that closer trade cooperation between the countries would lead to the liberalization of political regimes and pay more attention to human rights and personal freedoms. In recent years, these hopes are increasingly being dashed.

The harmful effects of economic sanctions that harm the civilian population are a phenomenon widely discussed in the literature on legal and social sciences. Both empirical and legal analyses tend to state the causal effect of economic sanctions on the deterioration of the human rights situation in the target countries. Legally, this means recognizing the disproportionality that makes economic sanctions illegal under international law (Özdamar & Shahin, 2021).

When analyzing the relationship between international law and the international legal order, Morozov comes to the conclusion that it is necessary to pay attention directly to legal means that can serve the purposes of preserving peace and cooperation in international relations (Kehler, 2019)

In Russia, in the field of regulation of international economic relations, such laws can be distinguished as Federal Law No. 101-FZ of 15.07.1995 "On International Treaties of the Russian Federation", Federal Law No. 164-FZ of 08.12.2003 "On the Basics of State Regulation of Foreign Trade Activity", Federal Law No. 281-FZ of 30.12.2006 "On Special Economic Measures", which are designed to ensure compliance with obligations in international economic relations.

Shumilov considers the international economic legal order as part of the international legal order (Shumilov, 2016). It is the regulatory component of the international economic system, which includes legal (includes national and international law) and non-legal norms of different levels and origins, in his opinion, that ensures international economic law and order. According to Shumilov, the international economic legal order is in the process of transformation, which is governed by Western civilizational states, especially the United States. This transformation takes place through the use of various sources of law, including universal, regional, interregional and bilateral treaties, international customs, methods of transnational and supranational regulation, etc. For example, the WTO system, which is the legal side of the international trade order, the IMF Charter, which defines the international legal basis of the international financial order, etc. In such circumstances, he notes that Russian diplomacy should learn techniques for using international legal instruments to promote its interests and ensure geostrategic objectives and goals (Khasanova et al., 2018).

A large number of sanctions at the international level have been applied against states such as Cuba, Iran, and North Korea. Sanctions against Russia are an unprecedented case, since such a large number of them have not been imposed on the above-mentioned countries. In addition, such measures

will severely affect the welfare of the population not only in Russia, although such sanctions will cause irreparable damage to the population of Russia, which will increase the level of corruption, crime, the degree of development of the shadow economy, etc. Western countries that have imposed sanctions against Russia also cannot remain without consequences, since such a measure, cutting off economic ties that have been built for a long period of time, cannot but have the opposite effect. It is possible to build new economic ties, pursue a policy of import substitution, etc., but this takes time, and the population of such countries is not ready to give it to the Government. It should be understood here that the mentality of the population in Russia and in Western countries is fundamentally different, in Russia the majority of the population is ready to wait for an improvement in living standards, although it does not have a high level of legal awareness, while the population in democratically developed countries is more sensitive to the deterioration of living standards and can express their dissatisfaction in elections. So, economic sanctions have a direct impact on the standard of living of the population, their consequences can undermine the confidence of the population in the Government, as well as have a detrimental effect on foreign economic relations and, in general, the economic relations of the delinquent state with others.

In addition, it is necessary to consider the effectiveness of the economic sanctions applied (Alexandrina, 2018), to what extent they contributed to ensuring the international economic order, in accordance with which it becomes necessary to establish the purpose of sanctions. When achieving the goal, the unequal impact of sanctions on different aspects of human rights should be taken into account. Thus, economic sanctions do not pass the test of legal necessity in cases where the purpose of sanctions is to improve the human rights situation. On the contrary, such sanctions actually lead to a deterioration of the human rights situation. The research (Özdamar & Shahin, 2021) highlights the empirical unforeseen circumstances of the basic legal principle in accordance with international and national law. The author comes to the conclusion that this empirical understanding can provide information for legal analysis and improves our understanding of the interaction of normative and empirical aspects. In his opinion, legislators are obliged to observe the principle of proportionality when drafting a law and should take care of its empirical justification.

Morozov notes that sanctions have acquired new features in the form of their application as independent measures aimed at political pressure, and cites the example of sanctions against the former Yugoslavia and Iraq in the 90s, taken by decision of the UN Security Council (Kehler, 2019).

Thus, it was noted that even if the imposition of sanctions is permitted by the Charter of the United Nations as an important means of protecting the international community from the abuse of force, the right of the Security Council to impose economic sanctions is controversial, since it includes adverse consequences for the vulnerable population inside the delinquent country, although initially such measures were established to influence behavior A Government that acts contrary to international peace and security (Neuenkirch & Neumeier, 2015).

It should also be noted that the sanctions are unlawful and unjustified, since the States imposing them, as well as the States against which these sanctions are applied, consider their actions legitimate. Although there are international documents, national laws, international law, etc., contradictions remain, there is no single concept and in this regard disputes arise that flow into large-scale conflicts, which indicates a low level of legal awareness of people, the parties ignoring the conflict of interests of each

other, as well as the fact that the parties to the conflict do not make sufficient efforts in its peaceful settlement. In this regard, there is a need to improve national and international legislation, the differentiation of interests, an explanation of where the rights of one state end, where the rights of another begin.

In addition, in the settlement of various international conflicts, it is not advisable to refer to various historical factors due to the fact that history is a subjective subject and assumes different interpretations, although it is necessary to draw conclusions based on historical factors.

7. Conclusion

In conclusion, the research on the impact of economic sanctions on the international economic order has illuminated significant complexities and consequences associated with the application of such measures. The findings highlight the dual nature of sanctions, serving as diplomatic tools while concurrently presenting negative aspects that reverberate through global trade and financial systems.

The analysis and induction methods employed allowed for a detailed exploration of the negative facets of sanctions, offering insights into their intricate impact. The method of comparison further enriched the study by revealing diverse perspectives on the consequences of sanctions, particularly emphasizing the detrimental effects on the populations of countries subjected to these measures.

The complexities in the impact of sanctions on the international economic order were a recurring theme throughout the research. It became evident that a nuanced understanding is essential, as the repercussions extend beyond the intended targets, influencing the delicate balance of the global economic system.

The conclusions drawn underscore the need for more nuanced approaches in the application of sanctions. Policymakers should consider the varied impacts on both targeted nations and the broader international economic equilibrium. The study advocates for informed decision-making, emphasizing that a one-size-fits-all approach may not be suitable, and alternative diplomatic tools should be explored to address international issues effectively.

Ultimately, this research contributes to the ongoing discourse on economic sanctions, providing a comprehensive view of their impact on the international economic stage. It encourages policymakers to approach sanctions with caution, considering the broader implications and striving for a balance between diplomatic objectives and the stability of the global economic order.

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