## Original Paper

# Reconsidering contemporary classifications of sanctions in the light of the Russia sanctions regime

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**ABSTRACT**

**Relevance.** In 2022, Russia has been facing unprecedented sanctions pressure, which has created a need to reconsider the established classifications of sanctions. As the new challenges arise, one has to deploy not only the current analytical resources but rely on the integrated conceptualization of earlier cases.

**Research objective.** The study aims to describe and test methodology for analysis of sanctions regimes by using the current data on the sanctions against Russia.

**Data and method.** The study relies on the methods of case study and statistical analysis and uses the data provided by Rosstat, Central Bank of the Russian Federation, Castellum.AI, UNCTAD.

**Results.** The study proposes a base model of sanctions which combines two dimensions – the areas of foreign economic activity impacted by the restrictions and the factors that determine the sanctions' influence on the target country. It is shown how the proposed model can be adjusted for the analysis of the Russia sanctions regime.

**Conclusions.** The sanctions put considerable pressure on Russia's economy because by the nature of their impact and scope they far exceed the scale of the restrictions that were previously applied to other countries. To withstand the sanctions pressure, a serious revision and reorganization of the country's foreign trade structure and domestic economic policy is necessary.

# Пересмотр современных классификаций санкций в свете санкционного режима в отношении России

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**АННОТАЦИЯ**

**Актуальность.** В 2022 году Россия столкнулась с беспрецедентным санкционным давлением, что вызвало необходимость пересмотра устоявшихся классификаций санкций. По мере возникновения новых задач приходится задействовать не только текущие аналитические ресурсы, но и опираться на интегрированную концептуализацию предыдущих случаев.

**Цель исследования.** Целью исследования является описание и проверка методологии анализа режимов санкций с использованием текущих данных о санкциях против России.

**Данные и методы.** Исследование опирается на методы кейс-стади и статистического анализа и использует данные Росстата, ЦБ РФ, Castellum.AI, UNCTAD и других источников.

**Результаты.** В исследовании предлагается базовая модель санкций, которая сочетает в себе два измерения – сферы внешнеэкономической деятельности, на которые влияют ограничения, и факторы, определяющие влияние санкций на страну-мишень. Показано, как предложенная модель может быть адаптирована для анализа санкционного режима России.

**Выводы.** Санкции оказывают значительное давление на экономику России, так как по характеру своего воздействия и размаху они намного превосходят масштабы ограничений, ранее применявшихся к другим странам. Чтобы противостоять санкционному давлению, необходим серьезный пересмотр и реорганизация внешнеторговой структуры страны и внутренней экономической политики.

# 根据对俄制裁来审查目前的制裁分类

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**摘要**
**现实性**：2022年，俄罗斯面临前所未有的制裁压力，这就需要对既定的制裁分类进行审查。随着新挑战的出现，不仅需要利用当前的分析资源，还需要利用以前案例的综合概念。
**研究目标**：该研究的目的是描述和测试一种利用当前对俄制裁数据来分析制裁制度的方法。
**数据与方法**：该研究依赖于案例研究和统计分析，并使用来自俄罗斯统计局、俄罗斯中央银行、制裁跟踪平台Castellum.AI、联合国贸易和发展会议和其他来源的数据。
**研究结果**：该研究提出了一个基本的制裁模型，它结合了两个维度——受限制影响的对外经济活动，以及制裁对目标国家的影响因素。文章显示了该模型适应于分析俄罗斯的制裁制度。
**结论**：制裁给俄罗斯的经济带来了相当大的压力，因为其影响和范围远远超过以前对其他国家的规模。为了应对制裁压力，需要对国家的外贸结构和国内经济政策进行认真审查和重组。

## Introduction

Since the 20th century onwards, sanctions have been the tool of choice for policy-makers seeking ways to respond to major geopolitical challenges. A great deal of research has thus been devoted to the phenomenon of sanctions, whose scope and characteristics have been changing significantly over time. Depending on the specific research focus and national context, a variety of sanction classifications has been proposed based on different methods, dimensions and criteria. In view of the current Russia sanctions episode, more research is necessary to examine the complex theoretical and practical challenges connected to the questions of sanction design and implementation. Not only is it essential to deploy the current analytical resources but to rely on the integrated conceptualization of earlier cases.

The aim of this study is to analyze the existing body of research on sanctions to develop a relevant model of sanctions regime and to use the current Russia sanctions data to test the new approach. This aim determines the following research goals: to investigate the key approaches to the classification of sanctions; to develop a model of sanctions regime; and to adjust this model to the current context of the sanctions against Russia.

The key terms used in this paper include the *sender* (or the *sender country*), that is, the country (or countries) that threatens or imposes sanctions in relation to specific countries or other entities and the *target* (or the *target country*), the state subjected to restrictions.

The article comprises the following sections: *Theoretical framework*, containing the review of the research literature on sanctions; *Data and Methodology*, which describes the proposed model of sanctions and its elements; *Results*, which shows how the model can be adjusted in relation to the current sanctions regime against Russia; and *Conclusions*.

## Theoretical framework

As the breadth and depth of research on sanctions is growing, so is the diversity of angles, perspectives and approaches to the classification of sanctions. The existing classifications vary significantly, both in terms of the dimensions and criteria applied and the terminology used. For instance, the study by Askari et al. (2003) distinguishes between the following types of international economic sanctions: *purposeful* , *palliative*, *punitive*, and *partisan*. *Purposeful* economic sanctions are meant to coerce the target country to change its policy by inflicting economic losses. *Palliative* economic sanctions are aimed to signal the sender's disapproval of the behavior of the target country. Such sanctions are usually intended for the public within the target country, the sender country, or the international audience. The

crucial aspect of palliative sanctions is that they aim to express the sender's displeasure at the target's behaviour rather than change the target's policy. *Punitive* economic sanctions include measures 'to cause some demonstrable economic loss for the target nation' while the goal of ensuring a change in the target's behaviour or policy is secondary (Askari et al., 2003, p. 95). *Partisan* economic sanctions may 'result in an economic benefit or loss for a particular group in the sender country' (Askari et al., 2003, p. 95).

Hufbauer et al. (2009) identify the two key types of sanctions: *trade* (export and/or import control) and *financial*. In most cases, trade sanctions and financial sanctions can be combined. Hufbauer and his colleagues believe that financial sanctions are usually more effective than trade sanctions because the former are easier to introduce and control, they are also harder to evade or circumvented with the help of third-country partners. It can be costly and complicated to counter the effects of financial sanctions on the private sector. A special type of sanctions, which has been gaining popularity recently, according to Hufbauer and his colleagues, is *asset freeze* of the target country and designated individuals or organizations in this country. Asset freezes not only stop financial flows but also impede trade. This measure is often combined with comprehensive trade controls. Merchandise in stock, real property assets, and bank accounts qualify as assets, which is why after the announcement of asset freeze, everything that is owned by the sanctioned country, its legal and physical persons can be targeted with this measure.

Dmitrieva (2015) proposes the following classification of international sanctions: by the degree of the senders' openness about the sanctions' objectives (explicit and implicit); by the tools used (economic and non-economic); by the scope (comprehensive, moderate, limited (selective), targeted (smart)), and by the number of participants (unilateral, multilateral and international). Comprehensive sanctions may have dire humanitarian consequences, which is why they have been less in use in recent years. Moderate and limited sanctions are targeted at specific sectors and subsectors; targeted (smart) sanctions are imposed on designated physical and legal persons. Economic sanctions may be divided into trade (export and import sanctions); financial (restrictions on financial transactions, precious metal transactions, and investment); sanctions on services (insurance, banking, brokerage, payments systems, transport); and sectoral (energy, finance, defense, agriculture, etc.).

Rosenberg et al. (2016) propose a classification of sanctions by target, that is, sanctions targeting states versus non-state actors (e.g. narco-traffickers or terrorists). Sanctions against states may have significant negative effects on foreign investment, corruption, ease of doing business and other spheres in target states. Sanctions can be also divided into groups depending on the desired objective: they may be used as tools of deterrence (deprive the target of the necessary funds and support) and coercion (compel the target to change their policy or behaviour). The typology of the US sanctions comprises three groups – trade, targeted (smart), and sectoral sanctions. Trade sanctions are primarily aimed at reducing foreign investment and international trade. Targeted trade sanctions may include financial measures, that is, restrictions on legal and physical persons' access to the international financial system, and non-financial measures, which disrupt travel and visa rules for physical persons. Sectoral sanctions mean restrictions focused on transactions with specific industries rather than on the whole economic system.

Filipenko et al. (2020) describe three types of economic sanctions – trade, financial, and targeted. For each of these types, two directions of the impact are possible – positive and negative. Trade sanctions are aimed at the target's foreign trade: in their positive version they may involve the sender's decision to ease the restrictions (for example, tariff reduction or removal); in the negative version, trade sanctions take the form of partial or complete embargo. Financial sanctions imply either stimulation or restriction of the target's financial and investment flows. Such sanctions are usually imposed by international financial institutions such as the International Monetary Fund and World Bank. Targeted sanctions, also often referred to as "smart sanctions», include travel bans, restrictions on the transfer of technology and intellectual property. While scholarly attention is usually focused on negative targeted sanctions, there are also their positive forms, which may include humanitarian assistance. The key spheres where sanctions are implemented are culture and sports, diplomacy, transportation, communications, cooperation for development, military cooperation, finance, trade, and criminal justice (Filipenko et al., 2020)

Smirnov (2019) groups the sanctions according to their scale of impact: global, interstate, national, corporate, and personal. The global level corresponds to the sanctions imposed by international organizations. Such sanctions can wreak most damage and depend on the authority and influence of the sender organization. The interstate level corresponds to the sanctions imposed by specific countries (or groups of countries) in relation to other countries. The national level corresponds to the sanctions targeting specific government agencies, government officials, businessmen and politicians as well as legal entities, regions, and sectors of economy. The effectiveness of such sanctions directly depends on the target country's economic potential. The corporate level corresponds to companies operating inside and outside the target country. The effectiveness of such sanctions depends on the degree of diversification of such companies and their embeddedness into the global organization of production. The personal level corresponds to the sanctions imposed against specific state leaders or groups as well as specific citizens. Depending on the methods and tools the sanctions use, they can be divided into diplomatic (political), industrial, commercial and economic, financial, scientific, sports and cultural, and travel restrictions.

Ellis (2021) distinguishes between direct and indirect sanctions. Direct sanctions are aimed at changing the undesirable behaviour of the target's government by limiting its access to resources. If such undesirable behaviour involves militarization and aggression toward neighbouring countries, direct economic sanctions may include bans on the supply of weapons and military technology, supply of oil, bans on loans and other resources that can be used by the government to further pursue militarization. Indirect sanctions, in their turn, are not intended to change the target's behaviour but are seen as a way to trigger protests and encourage collective action to pressure the target's government into changing its policy to avoid losing power. In other words, the sender may seek to turn citizens of the target country into its agents of influence. The sender state may proceed from the assumption that the target country's government will change its policy to avoid the negative economic and political consequences. Indirect sanctions can be used to complement direct sanctions.

Arkhipova (2017) proposed to classify international sanctions by dividing them into four groups: by sender type and number; by direction; by scope; and by the spheres they target. Sanctions by sender type can be divided into national (introduced by a group of states or one state from the group of developed countries) and organizational (imposed by international organizations); by sender number, into unilateral (taken by one state) and collective. Sanctions by direction can be divided into unilateral and multilateral, which, in their turn, are divided into countersanctions and derivative (secondary, exterritorial). Sanctions by scope are divided into comprehensive and targeted, which comprise personal sanctions (imposed on physical persons), sanctions on legal persons, categorial (related to specific commodities), sectoral and regional. Finally, regarding different spheres of public life, sanctions can be divided into diplomatic, cultural (art, culture, and sport); and economic, which include sanctions imposed on trade and financial flows and on sectors (energy industry, defense, agriculture).

Quite predictably, many researchers believe that **trade sanctions** play a special role since they are among the most widely used tools of foreign economic policy. The senders usually have a significant economic potential (e.g. the USA, Japan, EU countries) while the targets are highly dependent on trade with the leading countries. Exports controls are more popular than imports controls because the manufacturers of certain goods in the sender countries far outnumber the customers. Moreover, in the case of the USA, which is one of the most active sender states, there are legal reasons for the government to prefer exports over imports control because under the Export Control Act, the US President has much more powers to control exports rather than imports in pursuit of the U.S. foreign policy goals (for more on this see (Kirichenko, 2015)).

Another favoured tool used by policy-makers to put pressure on the target country is the **financial sanctions**. As noted above, financial sanctions usually imply restrictions on access to credit resources and international financial infrastructure and restrictions on international financial transactions. Financial sanctions can be divided into three subgroups: sectoral (the Sectoral Sanctions Identifications List (SSI List)); the Specially Designated Nationals And Blocked Persons List (SDN); and soft sanctions (Orlova, 2014). Sectoral financial sanctions hamper access to credit in the EU and America for banks and companies, although the latter can still

effect payments, in other words, such restrictions force organizations to change their composition of balances and increase the amount of internal financing. The SDN List sanctions impose stringent financial restrictions on currency payments, which means that companies have to adjust the geographical structure of their international financial flows. Soft sanctions are not officially announced and are based on stricter technical control over transactions, which increases their costs and makes their execution slower. There is a growing diversity of financial sanctions, which are becoming more and more effective in this era of globalized finance. There are cases of highly effective financial sanctions, e.g. the US sanctions package implemented to discourage Iran from pursuing its nuclear program (Ghasseminejad, 2020). Tightening of financial sanctions may include limiting the target's central bank's access to its foreign currency reserves, restrictions imposed on gold sales, and disconnecting some of the banks from the SWIFT global payments network. All of the above may significantly hamper cross-border payments and meeting coupon payment obligations, as was the case with Russia in 2022. The Russia sanctions sent an alarm signal to many developing countries, including China and India, prompting them to search for ways to avoid the risks of being exposed to secondary sanctions (Ramaswamy, 2022).

In recent years, the so-called **"smart"** sanctions (also referred to as targeted, selective, limited, list-based, etc.) have come to the fore as a foreign policy tool. Broad-based, blanket sanctions indiscriminately target all of the country's citizens rather than the government or the key economic agents. It is precisely this problem of massive collateral damage that the concept of smart sanctions seeks to address. Instead, in the case of smart sanctions, the restrictions are aimed at designated state officials or government agencies without damaging the economy as a whole and not exacerbating the plight of civilian populations. 'Smart sanctions may satisfy the need in sender state to «do something», they may slake humanitarian concerns , and they may serve to unify fraying coalitions. But they are not a magic bullet for achieving foreign policy goals' (Hufbauer, 2009). There is ongoing debate over whether smart sanctions actually "work". Cases are known when the smart sanctions framework has been successful: for example, the sanctions package imposed in 1990 during the war in

Yugoslavia (Cortright, 2002). Sanctions (including smart sanctions) are frequently criticized for their unintended adverse effects, including their human costs to ordinary citizens. In some cases, sanctions may result in a major humanitarian crisis (Thakur, 2006). Opinions are voiced that smart sanctions are even less effective than comprehensive embargoes (Drezner, 2011). The cases of the sanctions regimes against Myanmar and North Korea show that smart sanctions may prove to be quite ineffective and have some adverse side effects (Peou, 2019). The fact that the USA frequently takes a leading role in the introduction of sanctions regime may have significant negative implications (Bandeira, 2019).

**Method and Data**

The above literature review has revealed several research gaps in the existing classifications of sanctions. First, historically, sanctions were grouped into categories by looking at the volume of economic restrictions enforced by the sender countries (deductive approach). Therefore, the introduction of new measures might require researchers to revise and adjust the classification criteria. Second, the categories and criteria described in different works often overlap, which reduces the analytical potential of such classifications. For instance, researchers may distinguish between trade sanctions and sanctions on services even though exports and imports (international trade) encompass both trade in goods and services. Third, the key differences between sanction types often lie in the sphere of their application rather than in the degree of a certain quality or attribute. For example, smart sanctions are often considered to be a separate group while such restrictions may deal with trade, financial or other aspects. On the other hand, if the number of such sanctions exceeds a certain limit, then the boundary between smart sanctions and other sanction types may become blurred. Therefore, it would make sense to distinguish not only between smart and comprehensive sanctions but introduce finer, more nuanced divisions by looking at the scope of sanctions and other aspects of their designs. Fourth, sanctions are often classified without giving due regard to the sender's policy goals. In some cases, researchers add attributes corresponding to certain sanction goals but in this case it is often problematic to group the restrictions according to these criteria. Both direct and indirect measures in Ellis's classification (Ellis, 2021)

are aimed at changing the target's policy. Similar measures can often have a direct as well as an indirect effect. Fifth, the above-discussed classification variations often do not take into account the factors affecting the success of sanctions. For instance, Hufbauer et al. (2009) argue that an important determinant of the success of sanctions is the size of the target economy as well as the degree of the interdependence between the countries. Therefore, it would be reasonable to include these parameters into the classification in order to be able to predict the effect of the whole sanction package.

To address these research gaps, I propose a classification that, on the one hand, would enable a more universal approach and, on the other, would be flexible enough to allow for adjustments whenever appropriate. The proposed model of sanctions combines two classification dimensions – areas of foreign economic activity and factors that determine the sanctions' impact on the target. The former include international trade, international capital mobility, international migration, international financial and credit transactions, foreign currency transactions (this list can be expanded if needed). There are two main factors that affect the success of sanctions: *the scale of sanctions* (how many economic entities are im-

pacted and how selective the sanctions are) and *the size of the target's economy in relation to the world market*. The latter, obviously, includes not only the geographical aspect but also the country's GDP, the national economy's dynamics in the pre-sanction period; the degree of economic diversification; resource dependence, etc. (Fig. 1). Depending on the goals and areas of focus, the analysis can be extended to include other factors of sanctions' efficacy.

The study relies on the empirical data provided by the Federal State Statistics Service (Rosstat) (https://rosstat.gov.ru/), Central Bank of the Russian Federation (https://www.cbr.ru/), Castellum.AI, UNCTAD (https://unctad.org/), and VTB Bank's analytics (https://www.vbr.ru/).

**Results**

In 2022, Russia is facing unprecedented sanctions and in the course of the year these sanctions have shown a tendency to escalate. From 22 February to 30 June 2022, the number of sanctions against Russia rose from 2,695 to 10,357. In a similar period, Iran was subjected to 21 sanctions; Syria, 16; North Korea, 59; and Belarus, 345. The total number of sanctions against Russia exceeded that of the above-mentioned countries: until 22.02.2022 Iran had held the top position
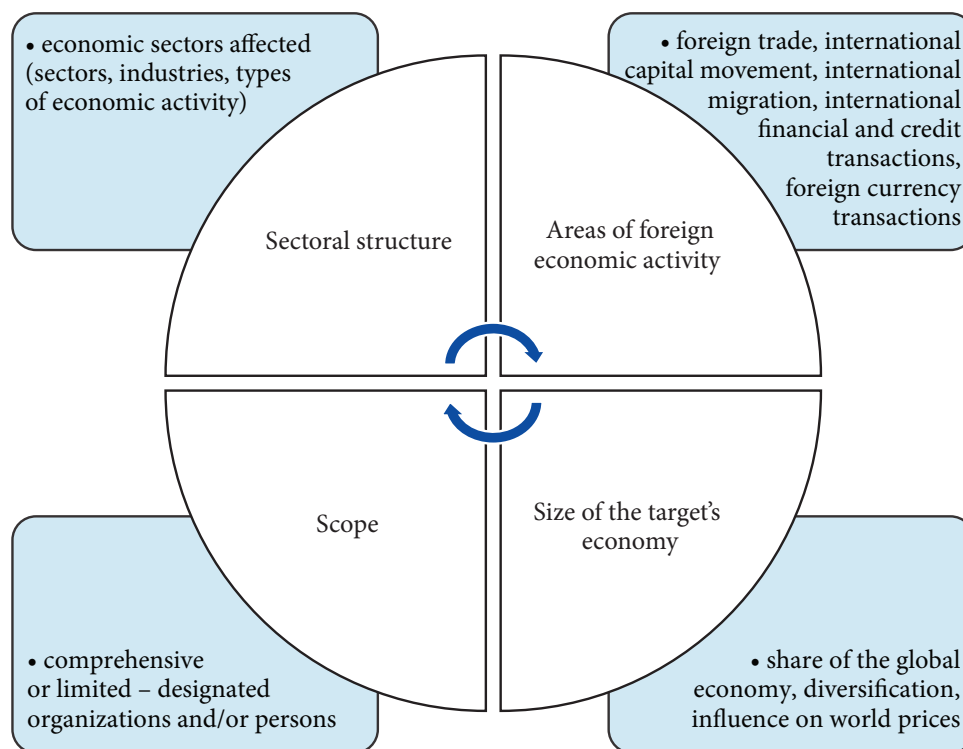


*Figure 1. Base model of a sanctions regime*
*Source:* developed by the author

being subjected to 3,616 restrictive measures. The countries that have joined the list of senders as of 30 June 2022 include the USA (2,196 sanctions); Canada (1,568); Switzerland (1,539); the UK (1,360); France (1,262); Australia (1,150); and Japan (804). The EU have in total imposed 1,282 restrictions on Russia[1].

The sectors of the Russian economy that were hit the hardest include the banking sector, the mining sector, petrochemical industry, metallurgy, heavy engineering, and the pulp and paper industry. In comparison with the previous periods, the sanctions pressure on these sector has grown significantly (Aksenov, 2019).

The areas of Russia's foreign commerce that have suffered the worst slump include international trade, international monetary and credit operations, and international investment. As far as Russia's *foreign trade* is concerned, the sanctions affected both *exports* (oil and gas, steel, food products, etc.) and *imports* (oil and gas extraction equipment, dual-use products, spare parts and accessories for heavy equipment and for pulp-and-paper machinery, electronic components and materials, etc.). Apart from trade in goods, the sanctions have had a significant impact on trade in services, including transport (air and sea shipping services); logistics, insurance, leasing,

IT-services, etc. The quantitative estimation of the trade sanctions' effects is yet difficult to make due to the lack of data for 2022. It is, however, possible to estimate the effects of the restrictions by using the statistics on Russia's international trade for 2021 (see Table 1).

In total, Russia's trade turnover with the sender countries in 2021 was over 524 trillion US dollars or 54% of the country's total foreign trade turnover. EU countries were among Russia's top trading partners as their share in Russia's total trade in 2021 was 36% (among the sender countries, 66%). It should be noted that the EU plays a significant role both in Russia's exports (38.3%) and imports (32%). Other significant trade partners that have joined the sanctions include the USA (4.4%), South Korea (3.8%), and the UK (3.4%). Having said that, Russia's trade partners that have so far remained neutral account for 46% of Russia's trade (a little less than half), which gives Russian companies opportunities to reroutetheir export-import flows, even though it would mean creating new logistics solutions and investing in the necessary infrastructure, all of which will come at a cost.

The restrictions in the sphere of **banking and finance** and **international capital flows** were quite painful for the country's economy. The sanctions have affected residents' access to foreign credit as well as their very ability to use the international financial infrastructure (SWIFT system,

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[1] Castellum.AI. Available at: https://www.castellum.ai/russia-sanctions-dashboard (Accessed: 30.06.2022)

Table 1

**Russia's trade with sender countries, mln dollars, 2021\***

| | Turnover | Exports | Imports | Share in total trade turnover, % | Share in exports, % | Share in imports, % |
|---|---|---|---|---|---|---|
| World | 785000.4 | 491580.3 | 293420.1 | 100.0 | 100.0 | 100.0 |
| EU | 282047.4 | 188114.6 | 93932.8 | 35.9 | 38.3 | 32.0 |
| Australia | 975.1 | 236.4 | 738.7 | 0.1 | 0.0 | 0.3 |
| Canada | 1665.9 | 737.8 | 928.1 | 0.2 | 0.2 | 0.3 |
| Korea | 29882.3 | 16896.8 | 12985.5 | 3.8 | 3.4 | 4.4 |
| New Zealand | 282.5 | 63.3 | 219.2 | 0.0 | 0.0 | 0.1 |
| USA | 34414.6 | 17537.8 | 16876.8 | 4.4 | 3.6 | 5.8 |
| Taiwan | 5910.2 | 3517.9 | 2392.4 | 0.8 | 0.7 | 0.8 |
| Japan | 19874.1 | 10747.6 | 9126.5 | 2.5 | 2.2 | 3.1 |
| Ukraine | 12284.3 | 8129.5 | 4154.8 | 1.6 | 1.7 | 1.4 |
| Norway | 2718.3 | 1814.9 | 903.4 | 0.3 | 0.4 | 0.3 |
| UK | 26732.5 | 22266.1 | 4466.5 | 3.4 | 4.5 | 1.5 |
| Switzerland | 6162.6 | 2789.8 | 3372.7 | 0.8 | 0.6 | 1.1 |
| Georgia | 1440.0 | 873.3 | 566.6 | 0.2 | 0.2 | 0.2 |
| **Total** | **424389.8** | **273725.8** | **150664.0** | **54.0** | **56.0** | **51.0** |

*Source:* compiled by the author by using Rosstat data https://rosstat.gov.ru/ (Accessed: 29.06.2021)

Visa and Mastercard payment networks, Euroclear and Clearstream, correspondent accounts in foreign banks, etc.) as well as some of the assets of the country's financial institutions and budget, e.g. $300 billion worth of gold and foreign currency frozen; frozen assets of the National Wellbeing Fund. Moreover, sanctions curtailed Russia's access to foreign currencies (including their cash form) and its ability to sell its gold reserves. According to the Central Bank, as of 1 January 2022, out of $ 630,626.8 million of the country's international reserve assets, foreign currency and foreign bank deposits accounted for $ 44 554,0 million; the reserve position in the IMF, $5 264,5 million; the special drawing rights (SDRs), $24 217,8 million; and monetary gold, $133 069,8 million[2], that is, at least one third of the country's international reserves was vulnerable to sanctions. As of 01.02.2022, Russia's external debt totaled $38,970.5 million[3]. As the country's financial system came under such a heavy strain, the servicing and repayment of the debt became difficult, which led the Russian government to default on the country's foreign-currency sovereign debt on 27 June 2022. The sanctions targeted the largest Russian banks, including Sberbank, VTB, Alfa-Bank, Sovkombank, Bank Otkritie, Gazprombank, and Rosselkhozbank. These banks are in the top ten of the largest financial institutions in Rus-

sia by assets[4]. The investment sector has also suffered considerable damage. Out of the 10 largest non-financial companies investing in projects on the territory of the Russian Federation (see Table 2), 8 companies have announced their exit from the Russian market and sale of assets (Fortum, Renault, BP, TotalEnergies, Exxon Mobil, Shell, PepsiCo, Carlsberg, Japan Tobacco, Siemens). TotalEnergies suspended investment in new projects; and PepsiCo curtailed part of their operations on the territory of Russia. In total, the value of these companies' assets in Russia was 105.6 billion in 2021 in the energy sector, extractive industry, car manufacturing, food manufacturing, and heavy engineering.

International migration flows were also affected by the sanctions. A number of countries announced bans on visa issuance to Russian citizens and suspension of simplified programs for obtaining citizenship for holders of Russian passports.

As far as the scope of the sanctions is concerned, there were both comprehensive restrictive measures as well as targeted sanctions. Out of 8,466 restrictive measures, 7,094 were targeted at designated persons and 1,277, at specific organizations. Therefore, judging by the formal criteria, the majority of restrictive measures can be classified as 'smart' sanctions but, regarding the number and scope of restrictions, the overall picture bears more resemblance to a full-scale economic blockade.

To estimate the efficacy of sanctions, it is important to take into account such factors as the size of the target country and the degree of its

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[2] Official website of the Central Bank of the Russian Federation. Retrieved from: https://www.cbr.ru/statistics/ (Accessed: 29.06.2022).
[3] Official website of the Ministry of Finance of the Russian Federation. Retrieved from: https://minfin.gov.ru/ (Accessed: 29.06.2022).

[4] Official website of VTB Bank (PJSC) Retrieved from: https://www.vbr.ru/banki/raiting/ (Accessed: 29.06.2022).

Table 2

**Largest foreign corporate investors in the Russian economy (2021, bln US dollars)**

| Company | Country | Industry | Estimated assets |
|---|---|---|---|
| Fortum | Finland | Utilities | 32.6 |
| Renault | France | Automotives | 15.9 |
| BP | UK | Oil and gas | 14.4 |
| Total Energies | France | Oil and gas | 13.7 |
| Exxon Mobil | USA | Oil and gas | 7.5 |
| Shell | UK | Oil and gas | 5.7 |
| PepsiCo | USA | Food and Beverages | 5.6 |
| Carlsberg | Denmark | Food and Beverages | 3.7 |
| Japan Tobacco | Japan | Tobacco | 3.9 |
| Siemens | Germany | Machinery | 2.6 |

*Source:* World Investment Report. UNCTAD. 2022. Available at: https://unctad.org/ system/files/official-document/wir2022_en.pdf (Accessed: 29.06.2022)

economic diversification (Hufbauer, 2009). According to the World Bank, in 2021 Russia was the 11th largest economy in the world by nominal GDP and 6th by per capita GDP. Its economy was characterized by sectoral and spatial diversity (Akhunov, 2021). In the recent years, however, the extractive industries have come to play a more dominant role in the economy, the country still recovering from the consequences of the COVID-19 pandemic (Pobedin, 2021). Being embedded into the world economic system, Russia is also reliant on imported technologies, materials and spare parts (Aalto, 2016).

In view of the above data, the proposed approach may be used to evaluate the Russia sanctions regime, as of June 2022 (Table 3). The advantage of this model is that it allows us to bring together different areas of foreign economic activity and the factors that determine the success of sanctions, which means that we can estimate not only the actual elements of the sanctions package but also the sanctions' capacity to produce the effects they pursue.

The anti-Russia sanctions affected almost all sectors of the national economy, primarily, finance, extractive and manufacturing industries (e.g. heavy engineering, metallurgy, petro-chemistry, pulp and paper industry). The sectors integrated in the world economy through the financial and transport infrastructure, imports of spare parts and materials and exporters were hit the hardest.

The Russia sanctions regime targets two main areas: international financial relations and international trade (in goods and services). The sanctions dealt a major blow to the Russian financial system as it was barred access to the financial infrastructure which is largely controlled by the sender countries (SWIFT system, Visa and Mastercard payment networks, Euroclear and Clearstream, correspondent accounts in foreign banks). In trade, Russia is also facing significant problems but Russian companies are flexible

enough to explore the opportunities of finding new trading partners and markets. Technology exchange was seriously affected by the sanctions since the Russian economy heavily relies on imported technological solutions. Although international migration was impeded by travel bans and other measures, they had but a limited effect on the economy as they are mostly intended to exert social rather than economic pressure. International capital movement was also affected by the sanctions as Russia was severely downgraded in international credit ratings. Some big companies have curtailed their operations in Russia, unwinding their investments, closing stores and pausing sales. In the stock market, there were massive foreign portfolio investment outflows despite the capital controls measures introduced by the Central Bank to slow the exit of foreign investors. The effects of the sanctions pressure on the capital market are mostly of strategic nature and they will largely depend on the country's ability to redirect its internal resources and attract alternative investors from neutral countries. The restrictions on foreign currency and gold transactions posed some tactical issues for the Russian economy, leaving the regulatory authorities, including the Central Bank, little space for manoeuvre.

As for the scale of the ongoing sanctions, the majority of the restrictions belong to the category of 'smart' sanctions while, judging by their number and scope, these measures have increasingly come to resemble an economic blockade.

The response of the Russian economy to sanctions is undoubtedly affected by its size (Russia ranks 11th in the world by nominal GDP and 6th by per capita GDP) and its degree of diversification. These two factors provide the Russian economy with sufficient resilience, partly owing to the fact that some of the key resources are produced domestically and thus provide the country with enough potential to resist macro-economic shocks.

Table 3

**Characteristics of the sanctions regime against Russia**

| Characteristic | Description |
|---|---|
| Targeted sectors | Sanctions affect almost all sectors, primarily those integrated in the world economy. |
| Foreign economic activity | The two key areas are international financial relations and international trade (in goods and services). The other spheres that suffered from the sanctions were international technological exchange, international migration, international capital mobility, foreign currency and gold transactions. |
| Scale | The sanctions affected over 50% of the country's foreign trade turnover. |
| Economy size | Large, relatively diversified economy (ranks 11th in the world by nominal GDP and 6th by per capita GDP). |

*Source:* compiled by the author.

## Conclusions

Analysis of the current approaches to the classification of sanctions has revealed a number of contradictions and research gaps, which stem from the deductive nature of research.

To address these gaps, the study proposes a base model of a sanction regime which includes a set of classification criteria dealing with the sectoral aspect of the restrictions and targeted areas of foreign economic activity as well as the factors of sanctions' success – the scale of the restrictions and the size of the target's economy.

The proposed model was tested by using the current episode of sanctions against Russia, which showed that this sanctions regime has a significant impact on Russia's economic system as it far exceeds the scope of measures that were previously applied to other countries. For the country's economy and government it is a serious challenge which requires a thorough revision and reorganization of the country's foreign trade structure and domestic economic policy. It is too early to judge about the success of the current sanctions but as the past experience shows, their effect sometimes falls short of delivering the desired results. There are reasons to believe that the effects of sanctions may be mitigated by the robustness capability and resilience of the Russian economy.

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