

**MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
UKRAINIAN-AMERICAN CONCORDIA UNIVERSITY**

School of Management and Business
Department of International Economic Relations, Business & Management

Bachelor's Qualification Work
Positive and negative lessons from the implementation of
economic sanctions against aggressor states
(based on Danone's case)

Bachelor's student of the 4th year study

Field of Study 29 – International Relations

Specialty 292 – International Economic
Relations

Educational program – International Business

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Ph.D. in Economics (or Doctor of
Economic Sciences – choose one option)



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Abstract

The work was influenced by the recent changes in the world. A war that Russia has started against Ukraine, brought a lot of sanctions to the aggressor state. The author explained the concept of economic sanctions and historical examples of their implementation. Conditions and reasons were also discussed, as well as the main expected consequences of them. Chapter 2 gave a real-life, recent example of how sanctions have influenced a worldwide known French company Danone. It briefly covered the history and structure of the business, leading to recent events that have caused some major changes. Characterizations of positive and negative lessons from the implementation of economic sanctions against aggressor states were described, leading to a closure of the work.

Keywords: sanctions, aggressor state, European Union, Russia, war.

Анотація

На роботу вплинули останні зміни у світі. Війна, яку Росія розпочала проти України, принесла державі-агресору масу санкцій. Автор пояснив поняття економічних санкцій та історичні приклади їх застосування. Також обговорювалися умови та причини, а також основні очікувані наслідки від них. Розділ 2 навів недавній реальний приклад того, як санкції вплинули на всесвітньо відому французьку компанію Danone. У ньому коротко описано історію та структуру бізнесу, а також останні події, які спричинили деякі значні зміни. Охарактеризовано позитивні та негативні уроки впровадження економічних санкцій проти держав-агресорів, що призвело до закриття роботи.

Ключові слова: санкції, держава-агресор, Європейський Союз, Росія, війна.

PHEE-institute «Ukrainian-American Concordia University»

School of Management and Business

Department of International Economic Relations, Business and Management

Educational level: **bachelor degree**

Specialty: **292 “International Economic Relations”**

Educational Program **“International Business”**

APPROVED

Head of Department _____



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**TASK
FOR BACHELOR’S QUALIFICATION WORK**

_____ **Daria Slipchenko** _____

(Name, Surname)

1. Topic of the work:

Positive and negative lessons from the implementation of economic sanctions against aggressor states (based on Danone’s case)

Supervisor of the work ***Natalia Amalian, Ph.D. in Economics.***

(surname, name, degree, academic rank)

Which approved by Order of University from

“22” September 2022 № 22-09/2022-2c – International Business

2. Deadline for bachelor’s qualification work submission **“23” April 2023**

3. Data-out to the bachelor’s qualification work_

Materials from internship received during consultation with representatives of the company. Information from open resources in the Internet, official reporting of financial and economic activities of the enterprise.

4. Contents of the explanatory note (list of issues to be developed).

There are three main topics a student should develop in this work:

1. Fundamentals of economic sanctions against aggressor states.







2. Implementation of economic sanctions on the example of changes in the work of the company Danone

3. Positive and negative lessons from the implementation of economic sanctions against aggressor states.

5. List of graphic material (with exact indication of any mandatory drawings)

Graphs and figures for analysis of economical and statistical information on the company and visualization of its development under sanctions, etc.

6. Consultants for parts of the work

Part of the project	Surname, name, position	Signature	
		Given	Accepted
1	<i>Natalia Amalian, Ph.D. in Economics</i>		
2	<i>Natalia Amalian, Ph.D. in Economics</i>		
3	<i>Natalia Amalian, Ph.D. in Economics</i>		

7. Date of issue of the assignment

Time Schedule

№	The title of the parts of the bachelor's qualification work	Deadlines	Notes
1.	I chapter	<i>31.12.2022</i>	<i>In time</i>
2.	II chapter	<i>20.02.2023</i>	<i>In time</i>
3.	III chapter	<i>11.04.2023</i>	<i>In time</i>
4.	Introduction, conclusions, summary	<i>23.04.2023</i>	<i>In time</i>
5.	Pre-defense	<i>26.04.2023</i>	<i>In time</i>

Student _____



(signature)

Supervisor _____



(signature)

Conclusions:

The Bachelor's qualification work at present is extremely topical. It is designed at the high level, its content and structure meet the methodological requirements in full. The study provided a meticulous analysis of the consequences of economic sanctions against aggressor states with company Danone used as a case study.

The work contains all the necessary parts of scientific research with empirical and theoretical recommendations. The paper presents theoretical approaches to the mechanism of economic sanctions and provide analysis the results of the implementation of such sanctions on the example of company Danone. The conclusions made by the author can be useful to national and international governing bodies when discussing advisability of sanctions. In general, if successful defense, the thesis can claim to be "excellent".

Supervisor _____



(signature)

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INTRODUCTION

Economic sanctions are a rather dubious way of conducting foreign policy. Their impact often causes serious indirect damage and problems for the population of the target country. It is fair to assume that sanctions are not a tool for solving the problems of political settlement and most often lead to the isolation of countries from the outside world.

It should be highlighted that, at this point, the search for generally accepted agreements and reciprocal consideration of interests is more important than ever in the sphere of global trade and economic ties, which are prone to extraordinary politicization in modern settings. Simultaneously, free trade values become hostages of trade wars and other types of unfair competition. Sanctions are imposed, in particular, on that or other countries. Penalties, particularly economic penalties, can be used to achieve a variety of aims, the most important of which are political. Economic penalties are commonly used to attain political objectives. Also, the term "sanctions" and the mechanism of sanctions in international activity essentially incorporate regulatory, political, and economic components that establish the interdisciplinary nature of sanctions in a theoretical design.

Previously, this topic has been researched by David A., Clark, E., and Doxey, M. to find out how sanctions affect countries in the economic direction. This scientific work aims to support previously stated claims and show the outcome of the business that was affected by sanctions.

This written work will, first of all, dive deep into the history and analyze the knowledge that has already been concluded on the topic. There will be a discussion around the rising frequency and amount of punishments used to provide grounds for claiming a steady shift in character and purpose. Secondly, this paper will study a French company "Danone" by completing an internship and analyzing its history, structure, and reason for existence. It will provide a detailed separation into different subcategories of brands, which are produced, and how they influence

people. Such analysis shows an understanding as to why Danone was so focused on keeping its factories and shops in Russia, despite its aggression on Ukraine. Finally, this work will characterize the positive and negative lessons from the implementation of economic sanctions against aggressor states. Helping to reach a final conclusion in a question regarding the effectiveness of sanctions in the first place.

The bachelor's thesis consists of an introduction, three chapters, a conclusion, and a list of references. The thesis has been outlined in the chapters in the following order: the fundamentals of economic sanctions in aggressor states, the implementation of economic sanctions against aggressor states on the example of changes in the work of the company Danone, and the characterization of positive and negative lessons from the implementation of economic sanctions against aggressor states. The first section provides the necessary theoretical framework for understanding the topic and implementation of it in the real world, with influence on different countries. The second section provides a recollection of the internship experience at "Danone" and offers a detailed analysis of the company's economic state after sanctions took place. The third chapter finalizes the already gathered information on the topic to see both sides, the positive and the negative influence, helping to answer the main question.

The **relevance** of this work is defined by the recent situation in the world when Russia decided to start a full invasion of Ukraine to demonstrate how economic sanctions are working in the 21st century.

The **aim** of the bachelor's thesis is to study and analyze if economic sanctions are working as well as they are meant to, compared to historical times.

In order to achieve this aim, the following **tasks** were set:

- develop an understanding on the concept of economic sanctions;
- understand the conditions and reasons for introducing it;
- become familiar with the expected consequences of economic sanctions;

-provide an understanding of the modern business structure, goals, and aims by completing an internship at a French company (Danone) and analyzing the influence of sanctions on future development;

-find out about the effectiveness of sanctions, covering their positive lessons as well as negative ones.

The **methodological basis** for this work is comprised of economic articles, journals, internet publications, and personal data analysis.

The **research objects** are the economic sanctions and their influence on the modern world.

The **research subject** is the influence of economic sanctions on the company “Danone” which used to operate in Russia, before economic sanctions.

CHAPTER 1. FUNDAMENTALS OF ECONOMIC SANCTIONS IN AGGRESSOR STATES

1.1 The concept of economic sanctions against aggressors and historical

examples of precedent on their implementation of economic sanctions against aggressor states

Sanctions are unilateral or collective actions against a country that is considered a violator of international law, aimed at forcing that country to comply with the law. Sanctions represent a compromise between diplomatic methods and more intensive actions, including military actions and covert operations. Sanctions may include termination of diplomatic relations, a boycott of sports and cultural events, and sequestration of the property of a foreign state and its citizens. However, the most common form of sanctions is economic sanctions.

Economic sanctions represent a rather attractive tool of foreign policy, because, unlike war, they are designed to resolve international conflicts and disagreements with lower costs and human casualties. In most cases, the use of economic sanctions implies the desire of the initiating country to interfere in the decision-making process of another sovereign country. They complement diplomatic methods and provide an opportunity to delay or avoid the use of military means. It follows that economic sanctions are most often resorted to by countries that pursue an active foreign policy. Of course, in history, there have been cases of the use of economic sanctions between neighboring countries, regardless of the size of their economy and their active position in the international arena.

The processes of globalization of the system of world economic relations and internationalization of economic relations, contrary to expectations, did not save the country from fierce competition in the foreign economic sphere, in access to raw materials and energy resources, for the markets for sales of products and services. As a result, conflicts periodically arise at the level of national interests between countries that are subjects of international economic relations. Their settlement should be ensured by both the participants in the process (on a bilateral or multilateral basis) and relevant international organizations with the necessary powers. Among the latter, first of all, the structures of the UN (Security Council,

Economic, and Social Council, International Court of Justice), the World Trade Organization, the European Commission, and other international and regional organizations.

It should be noted that at the current stage, the search for generally acceptable agreements, and mutual consideration of interests are more in demand than ever in the field of world trade and economic relations, which in modern conditions are prone to unprecedented politicization. At the same time, the values of free trade become hostages of trade wars and other forms of unfair competition. In particular, sanctions are applied to those or other countries. Motives for the use of sanctions, including economic ones, may depend on many factors and pursue various goals, primarily political. In most cases, political goals are achieved through the use of economic sanctions. At the same time, the very category of "sanctions" and the mechanism of sanctions in the field of international activity basically combine regulatory, political, and economic components that form the interdisciplinary character of sanctions in a theoretical plan.

Since the subject of our attention is precisely international economic sanctions and their features at the current stage, we will dwell only on this important segment. For a clear, logical, and transparent formation of the mechanism of practical application, the substantiation and unification of the very concept of "sanctions" is of not the least importance. Originally, this term comes from the Latin "sanction" - an inviolable decree and in modern professional terminology, there are several main options, including the interpretation of sanctions in the field of international legal relations as "a measure of influence (economic, political, military) applied to a state that does not fulfill international agreements." In other words, sanctions are measures of coercive external influence on relevant subjects of international relations with the aim of achieving certain goals.

The essence of the problem here is that the modern practice of international economic relations uses a whole set of measures of such coercive influence, while some of them are used after the fact (after violation of international legal norms),

others - before possible violations, as for preventive nature. Economic measures of coercive influence include various trade measures restrictions of direct and indirect action - protective and anti-dumping measures to protect the internal market, embargoes, economic boycotts, countermeasures, and actually the sanctions themselves. Based on this practice, researchers pay attention to existing problems in the interpretation of the concepts of "sanctions" and "countermeasures" in the special literature. At the same time, they are inclined to the fact that sanctions can be applied by individual states, groups of states, or international organizations, primarily the UN. However, in any case, sanctions are coercive measures implemented by the UN directly or with the knowledge of the UN by states or groups of states against other states that violate international law. In principle, the purpose of international sanctions, which can be referred to as restrictive measures, is to change the policy and actions of the state, legal entities, or individuals. At the same time, countermeasures are generally interpreted as a reaction (individual or collective) within the framework of the requirements of international law in response to violations of the norms of this law by certain subjects.

The complete definition of the essence of the concept of "international economic sanctions" is not limited only to its theoretical justification, on this basis it becomes possible to form a clear classification of economic sanctions, substantiation of their principles, methods, forms, and limits of application. Based on this, I agreed with V. L. Chubarev's statement that uncertainty in terminology can serve as a basis for abuse by individual states in their own interests when resolving international disputes. In addition, the free interpretation of sanctions by the relevant states, and the lack of clarity or vagueness in the specified positions lead to their extraterritoriality and serve as a basis for the emergence of new international disputes in foreign trade relations. The grounds for the application of economic sanctions may be different, but the postulate that their legitimacy is ensured or should be ensured by regulations of the main international organizations, first the UN, as well as the WTO, cannot be contested. However, the first problem of a theoretical nature with direct access to the practical sphere of

international relations appears precisely at this level. The fact is that the concept of "sanctions" is not at all in the UN Charter, which, in particular, refers to the use of "preventive or coercive measures" by the Organization itself or the Security Council against the relevant states in the prescribed cases. At the same time, the Security Council is authorized to decide "what measures, not related to the use of armed forces, should be used to implement its decisions, and it may require the Members of the Organization to use these measures." Here it is clarified that "these measures may include complete or partial interruption of economic relations, rail, sea, postal, telegraphic, radio or other means of communication, as well as the severing of diplomatic relations" (Article 41). Further in Art. 42 of the UN Charter states that in case of insufficiency of the above-mentioned measures, the Security Council may take such coercive actions as "demonstrations, blockade and other operations of the air, sea or land forces of the Members of the Organization". However, already in the Millennium Declaration of the United Nations, adopted by resolution 55/2 of the General Assembly of September 8, 2000 (paragraph 9), it is noted that the UN is "determined to minimize the adverse consequences of the economic sanctions introduced by the United Nations for innocent population groups, to ensure regular review of such sanctions, and to exclude adverse consequences of sanctions for third parties". As you can see, there is a regulatory and definitional inconsistency: the UN Charter does not provide for sanctions, and the Declaration speaks of their introduction, revision, or reduction to a minimum. Consideration of international economic sanctions cannot be sufficient without taking into account the regulatory and regulatory requirements of the WTO. However, there is also a question here since the Marrakesh Agreement on the establishment of the World Trade Organization does not even mention the very concept of "sanctions".

This position should be understood so that the main international organization, which regulates trade relations on the scale of the world economic system, does not foresee any sanctioning effect on certain participants of the international market, and the application of sanctions contradicts the norms and

rules of the WTO. The question of the principles of international sanctions and the limits of the grounds for their application remains open both in theory and in the regulatory and regulatory documents of international organizations, primarily the UN and the European Union. The following should be included among the principles of organization of the system of international economic sanctions: 1) compliance with norms and acts of international law; 2) the validity of the grounds for the application of sanctions; 3) transparency; 4) single-use and single-link application¹; 5) absence of double standards when determining objects of sanctions; 6) inadmissibility of using sanctions for protectionist purposes and for the purpose of eliminating competitors.

Thus, the issue of introducing clarifications into the regulatory framework of international organizations, in particular the UN, regarding the unified interpretation of the category "international economic sanctions" and determining the permissible limits of their application based on relevant principles remains relevant today. It should be noted that in recent years, the issue of sanctions in international relations, primarily economic, sounds more and more acute, and the economic interests of countries may take a back seat, giving way to the priority of national interests. It would also be appropriate to remind that the level of effectiveness of sanctions is directly dependent on the clarity of their definition, accuracy of classification, reasonableness, and specification of criteria for implementation, reasoned gradation of the possibilities of influence and prediction and preliminary assessment of the level of risks for all subjects of the process from the application. As can be seen from the above, the UN Charter does not speak of sanctions, it provides for the use in necessary cases of temporary or long-term measures of influence or coercion against the relevant parties, which may be adopted by the Security Council. Similarly, in the European Union, its regulatory decisions provide for the application of appropriate measures of influence on participants in international economic relations with the participation of EU member states and third countries.

In normative and regulatory documents of the European Union, "restrictive measures" are classified as "sanctions". At the same time, it is emphasized the need to clearly define the goals of applying restrictive measures in legislative acts based on the decisions of the UN Security Council. At the same time, similar mechanisms of influence are used by individual states, and not in relation to the implementation or non-implementation of bilateral treaties or commercial agreements by their partners but based on possible or potential influence on their own national interests. Such measures in the system of international relations are considered sanctions, the introduction of which has a political or economic basis. Thus, the Law of Ukraine "On Sanctions" states that, in order to protect national interests, "special economic and other restrictive measures (hereinafter - sanctions) may be applied".

The Ministry of Foreign Affairs of Poland assumes that "international sanctions, which are called restrictive measures, are one of the instruments of influence on entities whose activities violate international law. ... Sanctions may be directed against a number of third countries, individuals or their groups". In the modern practice of international relations, it is often allowed to perceive sanctions as a suitable strategy for achieving the set goals, and in some cases, there is a false position that the use of sanctions alone is enough to solve complex problems. However, from the point of view of practical implementation of sanctions, it is advisable to consider them as a special tool that, in combination with others, can become the basis for forming a full-fledged strategy. In this regard, the specialized Swiss publication "CSS" notes in the editorial "Economic sanctions: a miracle weapon or a bomb that did not explode" that "sanctions will remain an important component of the toolkit of foreign policy and security policy of the Commonwealth of States." Attention is focused on the fact that economic sanctions pursue political goals by economic means. For this purpose, normal trade and financial relations are interrupted, and economic sanctions can be defined as discriminatory restrictions on imports or exports, technologies, capital, or services

against one country or a group of countries in order to induce the object of sanctions to certain behavior for political reasons.

The first known naval blockade took place in 1827, when, during the Greek struggle for independence from Turkey, Great Britain, France, and Russia - deployed their fleets off the coast of Greece to cut off the supply of Turkish troops to mainland Greece. None of the great powers was formally at war with Turkey, and the commanders of the fleets were given instructions not to start military operations first, but the conflict with the Turkish fleet did occur. The famous Battle of Navarin took place, during which the entire Turkish and Egyptian fleet was destroyed. The practice of applying economic sanctions became much more widespread after the Second World War. In the 1950s, there were 15 cases of sanctions, in the 1960s - 20 cases, in the 1970s - 37, in the 1980s - 23, and more than 50 cases in the 1990s. Most of the sanctions were announced unilaterally by the United States. In the future, the countries of Western Europe began to take a more active part in the sanctions, although coalitions for the introduction of sanctions are most often organized by the United States.

Also, after the end of the Second World War, other foreign policy goals did not spread, but sanctions continued to be used to influence military events. One of the examples of expanding the scope of economic sanctions is their use in order to strike another country's economy in order to reduce its military potential. In particular, the USA pursued a policy of control over trade in strategic goods in relation to China and the USSR in the 1940s. A more modern version of this policy is the effort of the USA and Canada to prevent the independent development of weapons of mass destruction by other states, starting from the 1970s. During the Cold War, a common task of economic sanctions was to change the political regime of the country targeted by the sanctions. The USA and the USSR used this tool of foreign policy to preserve or change the political regime of a certain country in order to keep them in their sphere of influence. At the same time, the opponents used economic instruments of the stimulating type (positive sanctions) to reduce the impact of economic sanctions and preserve the "friendly regime". A

striking example is the economic struggle between the USA and the USSR over Cuba.

At the end of the 1970s, during the presidency of J. Carter, ensuring human rights became the most priority task of the policy of using economic sanctions. The repressive regimes that came under the pressure of the USA had to choose: either to change their public policy in relation to human rights or to suffer from painful economic sanctions. Often, the goal of the USA was not only to change certain directions of public policy of the state but also to change the political regime. For example, the cessation of economic aid and military support by the United States to the political regime in Nicaragua ultimately led to the fall of this regime.

Economic sanctions also began to be used to achieve less weighty goals compared to regime change, avoiding military aggression, and ensuring world peace. For example, economic sanctions were used by countries to solve issues of expropriation of property and fight against drug trafficking and terrorist organizations. Since the 1980s, the US Congress has initiated a system of cooperation between the countries of the world to combat drug trafficking. Countries that refused to cooperate with the US in this matter immediately fell under economic sanctions. The question of the legitimacy of economic sanctions was not raised until the 20th century when the League of Nations was formed. Article 16 of the Charter of the League of Nations included a provision on the right of collective economic and military sanctions against states that, in violation of the provisions of the Charter on peaceful settlement of international disputes, resorted to military methods of conflict resolution.

The League of Nations approved the use of collective sanctions in four cases: in 1921 against Yugoslavia; in 1925 against Greece; in 1932-1935 against Bolivia-Paraguay, and British sanctions against Italy in 1935-1936 in response to the capture of the last Abyssinia. The latter case is considered a classic example of the failure of collective sanctions (other European states did not support the initiative of Great Britain) and is often cited as an argument for the weakness of economic sanctions as a foreign policy tool in general. In the Charter of the United

Nations, the right to apply sanctions, if necessary even by force, is recorded in Articles 2 (4), 39, 41, 42, 43, and 46. According to legal experts, Article 2 (4) of the Charter does not limit the right of individual states to apply coercive measures to other states, if they are not of a military nature.

The use of economic sanctions is one of the tools available to the UN Security Council under Chapter VII of the UN Charter. Between 1946 and 1990, the UN imposed sanctions only five times: against North Korea, South Africa, Port of Gaul, Indonesia, and Iraq. In the following period, the UN began to apply sanctions more actively, especially against African states. It is also important to note that after World War II, world leaders actually agreed to "disarm" in the sense of using economic sanctions to achieve non-economic solutions. This was done by signing the General Agreement on Tariffs and Trade in 1947. Thus, the countries created an international trade regime based on the principle of the most-favored principle, which makes discrimination impossible. Trade sanctions are a priori discrimination. After the signing of GATT, trade sanctions actually became illegitimate. However, the legal system of the GATT, and later the WTO, still gives member countries room for maneuver in matters related to their national security and national interests.

Indeed, after the creation of GATT/WTO, it became much more difficult for countries to use trade as an economic instrument of foreign policy. The creation of a global trade organization led to a significant decrease in the level of protectionism. Of course, countries continued to protect their national producers with tariff and non-tariff tariffs, but they did so for economic rather than political reasons. Trade sanctions can cause an economic blow to the target country due to the loss of export markets, restrictions on access to critical imports, a decrease in the price of exports, and an increase in the cost of imports of the country under the influence of economic sanctions. When governments use trade sanctions as a stand-alone tool or in parallel with financial restrictions, they are more likely to use export restrictions than import restrictions for the following reasons. First, the countries subject to economic sanctions are, as a rule, monopolists in the supply of

key goods (especially military weapons, as well as specific capital goods). As for imports, in today's globalized world, it is easier for a country subject to trade sanctions to find another market for the sale of its goods. Thus, limiting the volume of exports to a value of 100 million dollars.

The United States, the subject country, can achieve greater results by limiting the same amount of imports. The dominant position of the USA in the market of military equipment and high-tech equipment significantly influenced the tactics of the USA regarding the introduction of trade sanctions. However, in the conditions of technological globalization, unilateral export restrictions are becoming increasingly less effective. Secondly, the decision-making process regarding the introduction of export restrictions is less problematic than import restrictions. For example, in the US, Congress has given the President more authority to restrict exports than to stop imports. Exports can be restricted effectively immediately through the mechanisms provided for in the Export Administration Act of 1979, the legal force of which is provided by an executive order based on The International Emergency Economic Powers Act (IEEPA) of 1977, which gives the President and the United States the authority to regulate trade relations with countries that pose a threat to US national security. The President also has the authority to restrict imports, for example, based on the national security provision (Section 232) of the Trade Expansion Act of 1962 and the IEEPA.

Import restrictions can cause complications because they violate the rules of the international trade regulation system based on the WTO. However, the WTO legal system contains provisions that give countries room for maneuver. A country subject to trade sanctions may impose import restrictions by invoking Article XXI of the GATT 1994 (for goods) or XIV bis of the GATS (for services), which contain provisions on national security exceptions. Article XXI of GATT 1994 allows WTO member countries to take any measures they deem necessary "to protect essential security interests".

Given the complete uncertainty regarding the interpretation, application and means of protection on the part of the target country, WTO members in 1982 adopted a Decision on Article XXI of the GATT, which provided that: — WTO members must be notified of any trade measures taken in accordance to Article XXI of the GATT. — If trade measures are applied to them in accordance with Article XXI, the member countries retain all the rights provided for by the provisions of the GATT. — The General Council remains open to further discussions regarding the application of Article XXI.

However, the Decision did not contain provisions on the interpretation of "substantial national security interests", and did not specify the procedure for verification by the tribunal or the Appellate Body of the abuse of Article XXI. Although it was agreed on the need to notify member countries of the introduction of trade restrictions in accordance with Article XXI, such notifications are possible only on the condition that this information does not conflict with the essential security interests of the country. Also, unlike Article XX, measures taken under Article XXI do not have to comply with the principle of "least restrictiveness".

Due to the lack of notification requirements for the introduction of other sanctions, many trade restrictions have been introduced without consideration of these cases within the framework of the GATT/WTO. Indeed, the more obvious the security reasons for the introduction of trade sanctions, the less likely that they will be challenged by the country subject to sanctions within the framework of the WTO dispute settlement mechanism. Another type of economic sanctions are financial sanctions. Financial sanctions include manipulation of financial aid for developing countries (both on a multilateral and bilateral basis), loans to foreign governments, access to one's own financial market, and access to international investments.

The most common type of financial sanctions is the suspension of official development assistance. Today, however, the use of targeted financial sanctions is increasingly common, which includes freezing the accounts of certain persons involved in the development of the policy of the state subject to sanctions,

restrictions on the movement of such persons, freezing the accounts of certain companies (for example, sponsors of terrorism). Such sanctions have become widespread due to the fact that often the country that is the object of economic sanctions is under the control of an authoritarian regime, so the influence of economic restrictions may not have any effect on its political decisions for a certain time, because the elites can transfer material losses to the country's population. Therefore, the governments of the subject countries must carefully develop the regime for the introduction of economic sanctions, because they inevitably affect national companies and social groups.

1.2. Conditions and reasons for the introduction of economic sanctions against aggressor states

In the current practice of international relations, the European Union applies the following types of sanctions: diplomatic sanctions (expulsion of diplomats, suspension of diplomatic relations, suspension of official visits); trade sanctions (general sanctions related to business activity); financial sanctions (freezing of assets or economic resources, ban on financial transactions, restrictions on export credits or investments); military sanctions (arms embargo); traffic fines (restriction of ground, air or sea traffic); communication sanctions (restriction of access to mail, radio, and television); sports and cultural sanctions; restriction of entry into the territory of the country; suspension of cooperation with a third country.

Economic and financial sanctions of the European Union include bans on export and import (trade sanctions on specific goods, such as technological equipment, oil, and diamonds); provision of specific services (brokerage, financial, technical assistance); flights, investments, payments, and capital movements or cancellation of tariff preferences. Restrictive economic and financial measures, including targeted financial sanctions, should be applied by all legal entities and individuals conducting business in the EU, including citizens of countries that are not members of the European Union. The EU often imposes targeted financial

sanctions aimed at specific individuals, groups, or organizations responsible for policies or other actions.

The increasing frequency of applied sanctions and their number give grounds for asserting a gradual change in their nature and purpose. The conclusions on this matter among EU experts are not without grounds: "Recently, there have been even too many international sanctions. It is already impossible not to notice that today sanctions come to the fore in international politics and supplant traditional diplomacy. At the same time, sanctions are endowed with protectionist, deglobalization, and regulatory features, serve geopolitics, and primarily affect the economy. After all, we must not forget that sanctions are essentially a means of economic warfare".

In terms of purpose, as evidenced by the analysis of the trade and economic relations of the main players in the world market (the USA, the People's Republic of China, the EU countries, and East and Southeast Asia), sanctions increasingly acts as protective measures and tools for promoting the national interests of specific states, i.e. acquire purely protectionist characteristics in achieving competitive advantages. The primacy in these processes belongs to the United States of America. Thus, in the "National Security Strategy of the United States", economic sanctions are among the influential tools of economic diplomacy, in particular, it is directly stated that "economic instruments, including sanctions, measures to combat money laundering and corruption, as well as enforcement measures can be important elements of broader strategies restraint, coercion and restriction of opponents. ... Long-term economic pressure often turns out to be more effective, as it limits the ability of the states - the objects of sanctions - to circumvent such measures".

It should be noted that one of the modern challenges for the world economy is a similar interest in the application of the mentioned tools of economic influence, which results from the dynamics of the positions of the leading countries in the world markets. Among the indicators, the dynamics of which have a sufficient influence on the application of non-standard tools of pressure on

competitors, primarily the growth rates of the country's GDP, the share of the country's GDP in its total world volumes, the export dependence of the country's GDP, exports and foreign trade balance, the state of foreign trade relations between the main players in the world market.

In terms of size and share in world GDP, the first positions belong to the USA. At the same time, the following dynamics are observed: if in 1980 the share of the United States in the world grew to 23.5% of world volumes, in 1990 it was 26.3%, and in 2000 it was 31.0%, then in 2005 - already 28.2%, and in 2015 – only 24.0%. At the same time, the economy of the People's Republic of China demonstrates a completely different dynamic: if in 1980 China's GDP was only 2.6% of the world volume, in 2000 - 3.4%, in 2005 - 4.5%, then in 2010 - 9.2%, and in 2015 - 14.9%³. Against this background, the share of Germany, France, Canada, and Great Britain in the world's GDP is decreasing.

The situation is similar in the dynamics of exports. If in 2000 the USA accounted for 12.1%, Germany – 8.5%, and China – 3.9% of global exports, in 2016 the share of the USA was 9.1%, Germany – 8.4% and the People's Republic of China – 13.1%⁴. The given data indicate the strengthening of China's position with the simultaneous weakening of the United States, which forces the latter to look for ways to use non-standard tools to restore the status quo. The chronic negative foreign trade balance of the USA, the dynamics of the national debt and the deficit of the federal budget do not strengthen the American position.

The situation is exacerbated by the state of bilateral trade relations between the United States and the People's Republic of China. For the period from 2009 to 2017, inclusive, China's share in the negative balance of the US current account fluctuated in different years within the range from 69.7% to 92.8%. And in 2015, the negative balance of US merchandise trade with China was 77% (387.9 billion dollars) of imports, in 2016 it was 76% (365.9 billion dollars) and in 2017 it was 75.3 % (396.1 billion dollars).

In general, according to the results of 2017, out of 229 trading partner countries, 112 of the USA had a negative balance. In order to level the situation

and achieve at least a minimal balance in export-import operations, the USA is trying to take measures to influence competitors using standard and non-standard measures. The first such competitor of the USA, as can be seen from the above, is China. Accordingly, the USA introduced a number of restrictive measures against the PRC in 2018 alone, in particular, in March, import tariffs at the rate of 25% were introduced on Chinese products in the amount of \$50 billion, and in September, a 10% tariff on products in the amount of \$200 billion was introduced ., at the same time, the list of goods for another 267 billion dollars, on which import duty rates may be increased, is next in line. In addition, on June 1, 2018, the USA introduced a duty on the import of steel (25%) and aluminum (10%) from Canada, Mexico and EU countries.

Adopted by the State Department together with the Ministry of Commerce for US ambassadors, the Control Letter required full use of the status and power of pressure on partners in host countries in order to create new opportunities for American firms. In particular, one of the tasks is to clarify for the American business environment the expediency of the policy applied by the US Government sanctions.

At the same time, the American sanctions policy is based on the fact that the US leadership considers world trade as a tool that allows them to fix their dominant geo-economic position in the world. US President B. Obama also spoke about this: "Other countries must play by the rules established by America and its partners, and not otherwise. ... The world is changing. The rules change with him. And the USA, not countries like China, should write them". US President D. Trump continues this position: "The US will not allow other countries to impose huge tariffs and trade restrictions on our farmers, workers and companies, while they send their products to our country without paying duties".

In connection with the conflict of interests of the EU and the US in the field of energy use and the use of sanctions by the US side to resolve it in 2017, the Minister of Foreign Affairs of the Federal Republic of Germany Z. Gabriel claimed that the US uses sanctions as a tool to support American energy companies.

According to him, "...sanctions policy is not a suitable or appropriate tool for promoting national interests in the field of exports or our own energy industry". Nevertheless, the practice of pressuring partners remains among the main tools of American economic diplomacy in EU countries, in particular, in Germany.

Research by the Global Trade Alert Report shows that the number of discriminatory measures in international trade is increasing every year. Thus, in 2015, there were 35% more such measures than in 2014 - 539 discriminatory measures against 200 liberalizing ones, while in 2014 - 400 discriminatory against 140 liberalizing ones. At the same time, such product groups as basic materials, vehicles and equipment, agricultural products, ready-made metal products and specialized equipment fall under discrimination. On the world market, the USA is the leader of protectionism. The analysis shows that at the current stage, the principle of competition and openness in world trade is increasingly replaced by protectionism, and economic benefit by ideological conjuncture and political pressure.

Even before the beginning of the full-scale invasion, Ukraine actively promoted at the diplomatic level the need to apply sanctions against the aggressor.

The findings of the Yermak-McFaul International Sanctions Group, created at the initiative of the President of Ukraine in April 2022, became the basis for hundreds of restrictions that have already been introduced against the Russian Federation.

Sanctions have turned into an effective tool of pressure and exhaustion of the Kremlin regime.

As a result, in the spring, Russia became the world leader in the number of individual sanctions against individuals and companies, overtaking Iran and North Korea.

Hundreds of sectoral restrictions have been introduced: in finance, trade, energy and other areas of the Russian economy.

Despite this, the Russian Federation is still able to continue the war. This was facilitated by high prices for energy resources and strict economic policy in Russia itself.

However, this will not last long. The cumulative effect of sanctions will soon become fatal for the Russian economy.

After the beginning of the full-scale invasion of the Russian Federation, it was possible to maintain pre-war volumes of oil supplies to the European market for a long time. Due to the panicked mood, prices for raw materials even increased, thanks to which the aggressor was able to increase oil and gas export revenues to a record 350 billion dollars in 2022.

The situation began to change when the EU and the G7 reached an agreement on the introduction of an embargo on Russian oil. In search of new markets in China, India and Turkey, Russian companies are forced to sell raw materials at significant discounts.

If before the war the discount on Urals oil was 1-2 dollars per bar, then after the embargo began and the price ceiling was established, it increased to 35 dollars per bar.

If in the case of oil, which is mostly transported by sea, Russia was still able to find alternative markets, then it finally lost the gas war.

Due to the unstable behavior of the aggressor, European consumers began to refuse Russian gas. The share of fuel from the Russian Federation on the markets of European countries fell over 40% to 8.5% in 2022.

The Kremlin could not find new buyers. According to the estimates of the International Energy Agency, in 2022 the Russian Federation reduced gas production by 111 billion cubic meters. In 2023, it will have to reduce fuel production by another 139 billion cubic meters.

The ill-conceived and unfounded threats of the Kremlin to "freeze Europe" have resulted in colossal financial losses for the Russian Federation, which will continue to grow.

According to the calculations of KSE Institute analysts, in the ten months of 2022, compared to the average value of the previous year, the export of crude oil from Russia to the G7 countries decreased by 48.3%, natural gas by 81.7%.

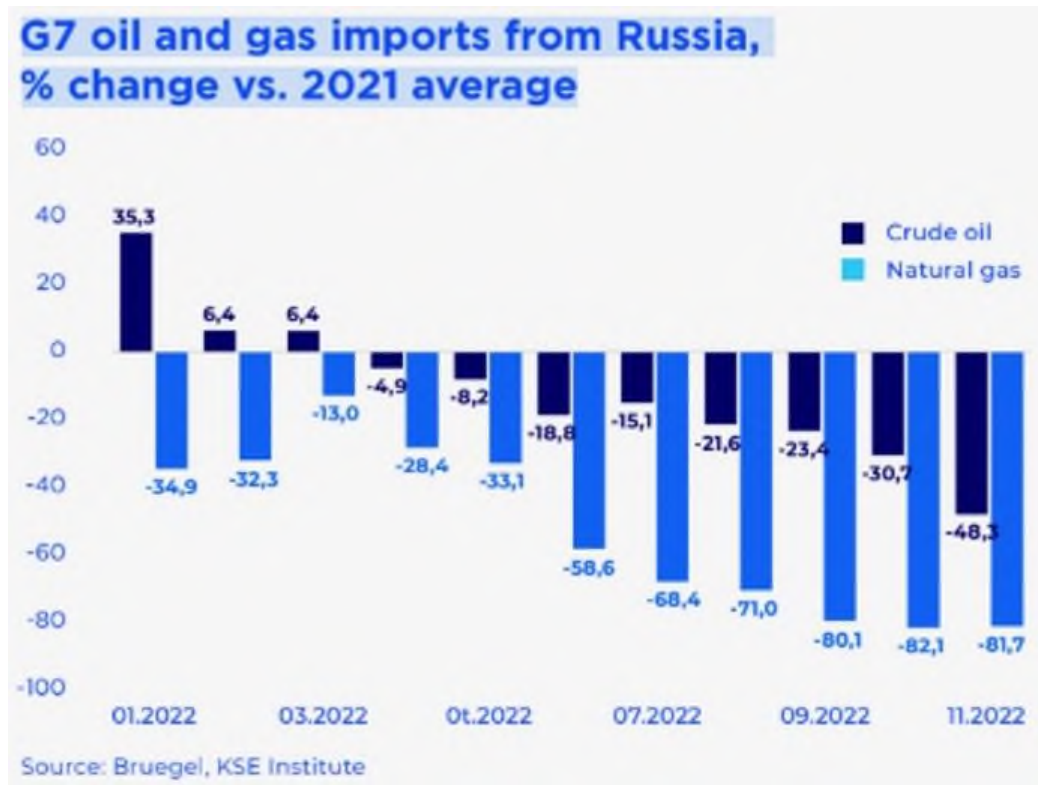


Fig. 1.1. Falling imports of Russian oil and gas to the G7 countries

In 2023, according to KSE Institute experts, in the base scenario, the aggressor's oil and gas foreign currency revenue will fall more than twice compared to 2022: from more than \$340 billion to \$160 billion.

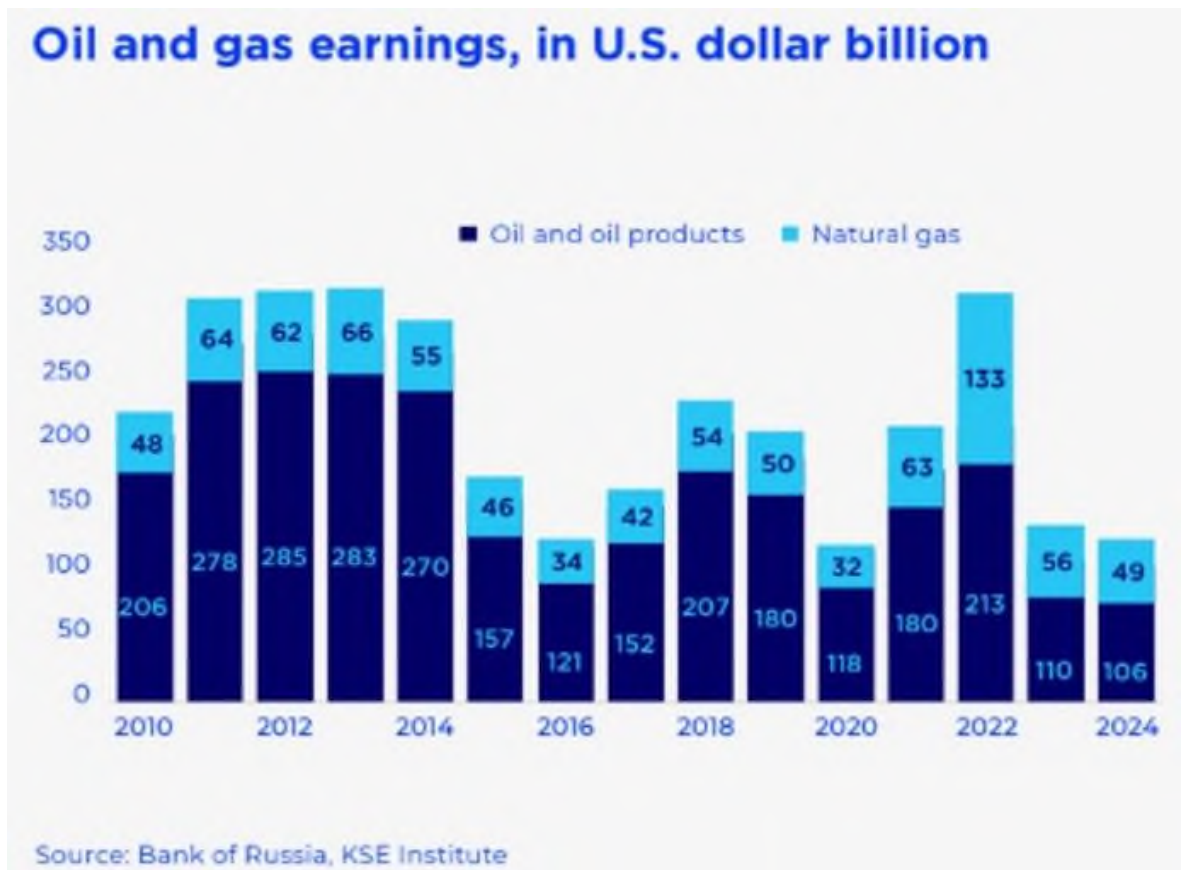


Fig 1.2. Oil and gas earnings

The Kremlin convinces fellow citizens that Western sanctions do not harm the Russian economy. Every day, propagandists talk about the "sovereign economy of the Russian Federation" on television, which is supposedly not afraid of any restrictions.

However, it is enough to look at only a few macro-financial indicators to understand: the conversations of Russian propagandists and politicians are far from the truth.

Of the 643 billion dollars in foreign exchange reserves, the Kremlin retained access to only 261 billion dollars. At the same time, the Ministry of Finance of the Russian Federation is forced to use the funds of the National Welfare Fund and dividends of Gazprom to cover "holes" in the state budget.

In 2023, the state of fiscal accounts in Russia will significantly deteriorate. According to KSE Institute estimates, the current account of the balance of

payments will decrease by more than three times in 2023: from 230 to 70 billion dollars.

The Kremlin continues to pretend that the balance of the federal budget remains positive. However, as KSE experts calculated, the real deficit of the state budget in November 2022 amounted to 586 billion rubles.

This is because, thanks to energy blackmail, the Russian budget has been in surplus in recent years. The only exception was 2020. Then, due to the corona crisis, oil prices fell significantly, which resulted in a deficit of 3.8% of GDP.

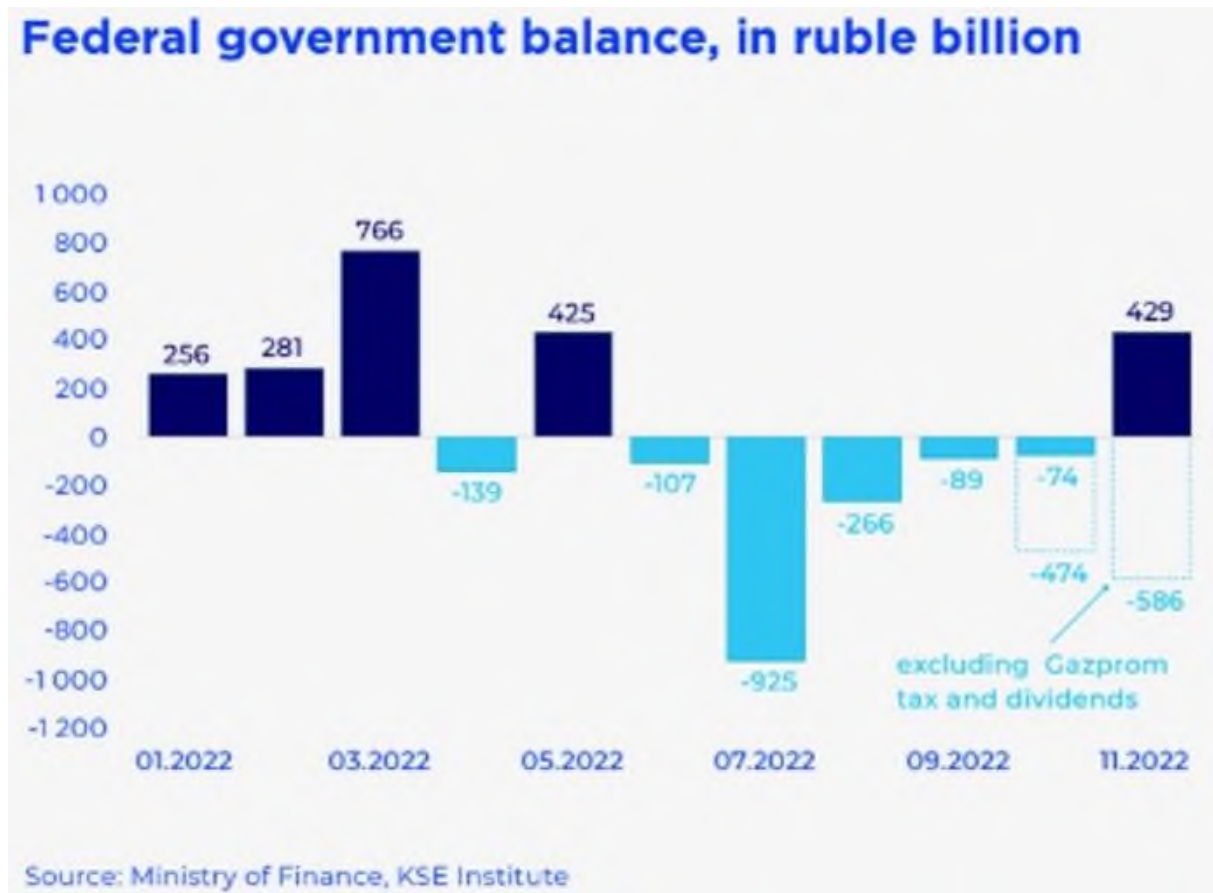


Fig 1.3. Balance of the federal budget

According to KSE estimates, in 2022 Russia's GDP will decrease by 3.1%. However, already in 2023, the decline will accelerate and will amount to 8%. Such a reduction could be a disaster for the Kremlin regime.

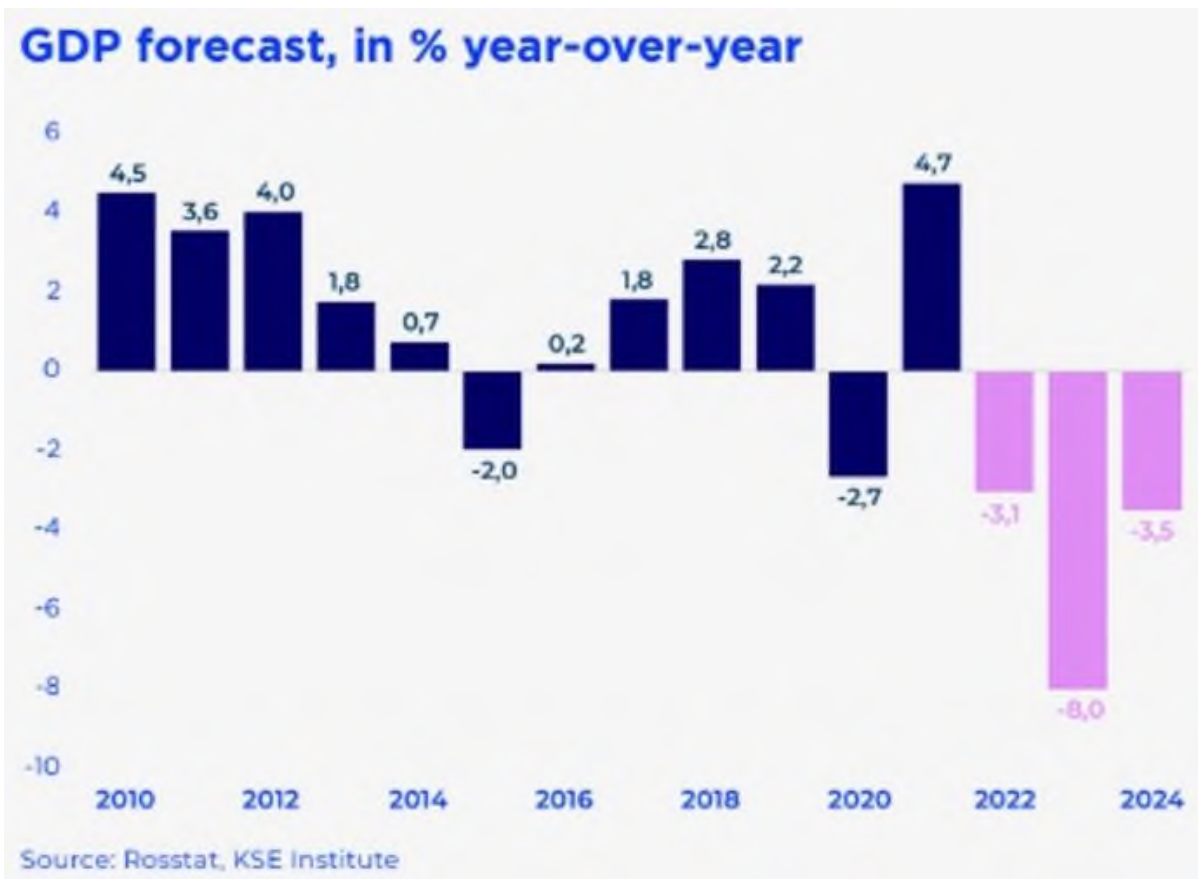


Fig 1.4.KSE Institute's forecast for the fall in Russia's GDP

Sanction measures implemented throughout 2022 brought results. In 2023, the state of the Russian economy will continue to deteriorate. At the same time, the sanctions coalition should increase pressure on the aggressor.

Sanctions coordinators and other conference participants agreed that sanctions pressure on Russia should be increased until it exhausts its potential for continuing the war against Ukraine.

It is important to reduce the upper limit of the price of Russian oil to \$35 per bar, increase the punishment for states and financial centers that help the aggressor to circumvent restrictions, extend sanctions to the entire banking system of the Russian Federation, and more actively encourage foreign investors to leave the Russian market.

Current assessments and forecasts regarding the state of various sectors of the Russian economy indicate that 2023 may become a turning point for it due to

the scale of the destructive impact of sanctions. Therefore, Ukraine and its partners should make maximum efforts to bring the collapse of the Russian economy closer.

1.3. The main expected consequences of the introduction of economic sanctions against the aggressor states

In general, it is possible to single out four large groups of sanctions that are used in the practice of international relations:

1) diplomatic sanctions - recall (expulsion) of the ambassador or termination of negotiations;

2) financial sanctions – termination of financial assistance, prohibition or complication of international loans, freezing of financial assets;

3) trade sanctions – export and import restrictions, trade embargoes and 4) “reasonable” (individual) sanctions – freezing of assets or ban on movement (entry) against individual companies or individuals.

Taking into account the disproportion of the military potentials of Russia and Ukraine (in any case, at this stage), as well as the demonstratively declared readiness of the Russian side to use tactical nuclear weapons, the key element of such a reaction became complex sanctions, which included first, mainly, individual, and then (in the degree of strengthening of sanctions) - commercial and financial. Such sanctions were announced by the United States, the European Union and some other states such as Australia, Canada, Norway, Switzerland, Japan, etc. EU countries implemented such sanctions in the form of equal and urgent measures, as provided for by the Maastricht Agreement.

Since March 2014, the European Union has adopted a number of resolutions (dated 02/06/2014, 03/13/2014 and 04/17/2014) expressing its indignation at Russia's actions against Ukraine, the introduction and expansion of sanctions (which have been periodically confirmed), which were implemented in three stages: 1) diplomatic measures against 18 persons accused of embezzlement of state funds of Ukraine (EU Council Decision of March 6, 2014); 2) freezing of

assets and ban on entry into the EU for persons included in the extended list (Decision of the Council of the EU dated March 17, 2014) and 3) financial and economic sanctions in relation to certain sectors and areas of economic cooperation with Russia (Decision of the Council of July 25 and 30, 2014).

As a formal reason (*causa*) for the announcement of sanctions, the following were chosen: 1 – the annexation of Crimea and 2 – Russia's military intervention in the conflict in Donbas. Accordingly, the cancellation (mitigation) of sanctions may occur in case of elimination of the mentioned reasons or recognition of sanctions as not contributing to the achievement of the set goal and causing more damage to those countries that apply them. In this regard, it is important to analyze the impact of international sanctions against Russia on the economy of Western countries and the prospects of extending or canceling these sanctions for the specified reason. (At the same time, the "self-sanctions" of the Russian side, aimed at limiting economic cooperation with countries that have announced sanctions against Russia, are also taken into account). The European Union plays a key role in the policy of international sanctions against Russia, as it simultaneously has the greatest economic influence on Russia and is, in fact, the weakest link in the sanctions system, because it is the most economically dependent on the state of relations with Russia, because the economies of some member states are very closely intertwined with the Russian language, making it difficult to reach unanimous decisions necessary for the introduction of sanctions.

The Russian Federation is the EU's third largest trading partner, and the EU is Russia's largest trading partner. The countries of the European Union (before the introduction of sanctions) imported goods and services from Russia worth almost 206 billion euros (including gas and oil for 160 billion euros). In general, the volume of bilateral trade in 2013 reached 326 billion euros - that is, at the level of the GDP of countries such as Austria or Denmark. At the beginning of 2013, almost 75% of all direct foreign investments (over 190 billion euros) came to Russia from the EU. In turn, Russia invested 77 billion euros in EU countries. However, in the total amount of direct foreign investments accumulated by the EU

countries, the Russian share was only 2%, and in the total volume of investments made abroad - less than 4%. The most powerful trade relations in Russia existed with Germany (75 billion euros), the Netherlands (37 billion euros), Italy (30 billion euros) and Poland (26 billion euros).

That is, cooperation with Russia is of great, but not decisive, importance for the European economy (especially trade). "There are few who would argue that sanctions should bring profit: their goals are usually political, not economic. By introducing sanctions against Russia, European leaders hope to stimulate de-escalation of the situation in Crimea. And also, of course, in order for sanctions to work, it is necessary that they cause more damage to the person against whom they are directed, and not to the person who applies them".

In the commodity structure of EU exports to Russia, there was a decrease in all sectors. Reduction of the export of vehicles by 7 billion dollars. formed 30% of the total reduction in the export of goods. Also, the export of machine-building industry goods, agricultural goods, and chemical industry goods decreased significantly. Despite widespread statements about the restriction of access to the market of the Russian Federation of food products from the EU, the decrease in exports by this group was the smallest and formed less than 1% of the total decrease. The reduction in the export of vehicles and machines and equipment to Russia did not have a significant impact, because the export of these items by EU countries to other countries of the world increased by 52 billion dollars. and \$94 billion, respectively. In the structure of vehicles, the largest decrease occurred in the export of non-railway means of land transport.

The export of passenger cars from the EU to Russia decreased by \$3.3 billion, and the export of parts and bodies to them decreased by \$1.8 billion. In addition, there was a decrease in the export of trucks (by USD 0.6 billion). The reduction in deliveries of passenger cars to Russia was fully compensated by an increase in deliveries to the EU domestic market (by \$23.8 billion), as well as to China (by \$5 billion), the United States (by \$2.4 billion) and South Korea (for 2 billion dollars). The decrease in the export of trucks to Russia was compensated by

its redirection to the internal EU market. In addition, there was an increase in deliveries to Singapore, South Korea, Egypt and Switzerland by 133.1, 110.8, 105.2 and 88.7 million dollars, respectively. The reduction in the export of cheeses of all types to the Russian Federation was not compensated, to a large extent, due to the drop in demand for them in the EU member states. Exports to the EU domestic market decreased by USD 421.4 million. At the same time, some cheese exports from Russia were directed to the USA, South Korea, Saudi Arabia and Egypt. The export of meat and meat offal from the EU to the Russian Federation decreased by 82% or almost 1.8 billion dollars. First of all, the decrease was formed by a decrease in the supply of pork (by USD 1.3 billion) and pork fat and poultry fat (by USD 0.3 billion).

These losses were partially offset by the increase in pork exports to Japan by \$359 million and South Korea by \$345 million. and the USA for 110 million dollars. In general, the export of pork from the EU outside the EU, with the exception of the Russian Federation, increased by almost 1.1 billion dollars. According to expert assessments of various sources, at the beginning of 2015, the largest losses (more than 20 billion euros) due to the application of sanctions against Russia and reverse "self-sanctions" of the Russian Federation were incurred by the countries of the European Union. In particular, Germany's losses are estimated at 7 billion euros, of which 5 billion euros - in agriculture and about 1.5 billion euros - in the automotive industry. Mainly due to the reduction of agricultural exports to Russia, the Baltic countries also suffered losses (more than 2 billion euros, of which Lithuania - almost half), France (1 billion euros), Italy (1.3 billion euros), and Poland (0.9 billion euros). In general, the losses of the agricultural sector of the EU reach 14-15 billion euros.

The European Commission has allocated funds in the amount of 125 million euros to compensate for the losses of fruit and vegetable producers affected by the self-sanctions of the Russian Federation. Although, it is clear that the potentially negative effect will be much greater. It seems that Germany is losing the most in monetary terms, in the form of jobs - Poland, and in terms of the size of its own

GDP - the Baltic countries. And therefore, taking into account political factors, we can say that the situation in the field of German-Russian relations will be of key importance for the European policy of sanctions against Russia.

Only after the Malaysia Airlines airliner was shot down by pro-Russian terrorists (or the Russian military directly) on July 17, 2014, the German authorities decided to take a tougher stance. Since then, public support for sanctions has remained moderate. An August (2014) poll showed that 70% of Germans supported a second round of European sanctions against Russia (which included visa bans and asset freezes on a number of Russian businessmen), but only 49% said they would support the sanctions even if they hit the economy of Germany. There is a view that public support could wane if Germany sinks into recession, as many analysts predict. Business reluctantly, but also accepted the sanctions, but continues to lobby for their mitigation. In Germany, which took on the main Russian sanctions "counterattack", in 2012 the Russian market accounted for 3.5% of exports, in 2013 - already 3.3%, and in 2014 - 2.5%. In particular, the drop in exports of automotive products to Russia, which reached 31.5% in 2014, also reached a rather noticeable level of 14% in 2013. That is, the gradual decline in the value of the "Russian connection" occurred even before the introduction of the sanctions regime, which only accelerated these processes. In 2013, Germany exported 1.6 billion euros worth of food and agricultural products to the Russian Federation, including 0.6 billion euros worth of products that fell under Russian "self-sanctions" the following year (mainly pork and cheese).

According to the Eastern Committee of the German Economy (Der Ost-Ausschuss der Deutschen Wirtschaft), trade between Russia and Germany decreased by 12.1% in 2014 (to EUR 68 billion). At the same time, German exports to the Russian Federation fell by 18%: from 35.8 to 29.3 billion euros [9]. Formally, this could mean the loss of 60 thousand jobs, but in fact the sanctions affected only 25 thousand jobs (although not all of them will be subject to reduction, because the flexible employment system allows a temporary transition to part-time employment). In general, the level of unemployment in Germany

during the entire period of the sanctions is gradually decreasing (from 5.1% in February 2014 to 4.4% in February 2015), that is, no negative impact of the sanctions on the state of employment in Germany is felt. At the same time, it should be borne in mind that Russia and Germany have quite close economic ties. Investments by German companies (including Siemens, Volkswagen, BASF, Metro, Adidas and Henkel) amount to 22 billion euros, in particular, the Daimler concern has a stake in the Kamaz company, Wintershall (a division of BASF) cooperates with RAT Gazprom, Siemens - with "Russian Railways". Trade turnover between the two countries in the pre-crisis year of 2013 amounted to 76.5 billion euros (with a positive balance in favor of the Russian Federation in the amount of 40.4 billion euros). German exports to Russia were estimated at 36.1 billion euros, including 8.1 billion euros in machine building, 7.6 billion euros in the automotive industry, and 3.2 billion euros in chemical products. Some of the 6,000 German companies operating in Russia have already experienced difficulties: Adidas is closing almost 200 of its stores on the territory of the Russian Federation, and the Opel concern (the German division of General Motors) is completely winding down its activities in the Russian market and closing its plant in St. Petersburg.

However, the biggest shock to the German economy from the sanctions regime was not a decrease in exports to Russia, but an increase in imports from other EU countries, which tried to compensate for the loss of the Russian market through increased expansion in the German market. The conducted analysis leads to the conclusion that, from the point of view of the impact of anti-Russian sanctions on their own economy and the attitude towards the need to continue the sanctions regime, EU countries can be conditionally divided into three groups:

- 1) countries that have suffered a significant negative impact from sanctions (or may suffer in in case of expansion of sanctions), but support a tough position regarding their further use (Germany, Baltic states, Poland, Great Britain, etc.);

- 2) countries that have suffered significant losses and are inclined to soften sanctions (Italy, Spain, Slovakia, Hungary, to some extent - France) and

3) countries that have suffered minor losses, but for political reasons are in favor of softening sanctions (Greece, Bulgaria, Cyprus, etc.). (In some cases, the situation is not so clear-cut, since the losses may be noticeable, but the opposition to the sanctions regime is inappropriately greater, precisely for political reasons, as, for example, in Hungary or the Czech Republic).

Against this background, the losses of other countries that have joined the sanctions regime have a much more modest appearance: the USA - slightly more than 2 billion dollars, Australia and Canada - within 0.5 billion dollars (USA each.) In general, this is still significantly less than the losses of the Russian Federation, which exceed the amount of 50 billion dollars. (not taking into account the negative impact of the drop in oil prices, which caused three times greater losses), however, such a ratio also indicates an insufficiently high "effectiveness ratio" of economic sanctions, which is due to a number of factors: 1. Insufficiently high level of sanctions, which applies to a rather limited range of individuals and legal entities. 2. An insufficiently wide range of sectors of the economy covered by the sanctions regime. 3. The existence of a fairly strong interdependence of the economies of Russia and the sanctioning countries, as a result of which the negative impact of sanctions often has a bilateral orientation. 4. Russia's use of political and ideological levers of influence in order to cancel or soften sanctions. 5. Premature announcement by the USA and the EU countries of their unwillingness to solve the problem with more radical (including military) measures, as a result of which sanctions a priori are considered as extreme measures of influence, after the application of which the pressure from the world community will no longer increase. At the same time, it should be borne in mind that expert assessments of losses are quite relative in nature, since, firstly, they are mostly based on the volume of exports to Russia in 2013, and not actually canceled contracts, and secondly, they do not take into account compensation for the reduction of exports to Russia for due to the redirection of goods flows to other markets: despite a decrease in exports from the EU to Russia by almost 20%, exports in general increased by more than 2%, in particular to the USA - by 5%, to

China - by more than 20%. It is also necessary to take into account a certain "compensatory effect" on the economy of Western countries due to the fall in the Russian ruble (which caused another wave of capital flight from Russia (in 2014 - at the level of 150 billion dollars, and in 2015 it is expected in the amount of 80 billion dollars .), a certain share of which probably replenished the liquidity of European and American banks. In addition, the drop in the price of oil (which to some extent can also be considered as a consequence of the exacerbation of the economic conflict with Russia) had a positive effect on the economic condition of the countries that import Russian oil, such as as the Netherlands (oil imports from Russia in 2013 – 25 billion euros), Germany (24 billion euros), Italy (17 billion euros) and Poland (14 billion euros). Thus, the continuation of the sanctions regime will mean an almost automatic increase in the coefficient.

Such a process will be reflected against the background of the diversification of European exports and the weakening of economic ties with Russia (and this, in turn, will stimulate the reorientation of Russian economy in the "eastern (Asian) direction, which will not correspond to the long-term interests of the EU and the USA). In this regard, the Danish Minister of Foreign Affairs, M. Lidegaard, even stated that there is a risk that sanctions may destabilize Russia "too much" [12]. And Deputy Minister of Foreign Affairs and International Cooperation of Italy L. Pistelli, speaking at the Institute of World Politics at a public debate on the topic "The Ukrainian-Russian conflict: what is the role of the EU?" On December 18, 2014, he stated: "It should be noted that the EU has indeed shown an unusual level of solidarity in implementing three levels of sanctions. During the last 7 months, Russian-European trade fell by 20%, while Russian-American trade increased by 12%. There is no need to comment on it".

The results of a preliminary analysis carried out by the Institute a year ago proved that the Western countries from the very beginning viewed the sanctions against Russia as only "signal" and partly (and only recently) as "deterrence". In this regard, in foreign policy relations with Western countries, one should not insist on the immediate deepening of economic sanctions against Russia (since they also

negatively affect the Western economy; as a result, they reduce the opportunities of Western countries to provide economic assistance to Ukraine, and may also lead to asymmetric response from Russia, primarily in non-economic relations). Under such conditions, for Ukraine, it is more important not so much to deepen, but to preserve existing sanctions and further expand the range of sanctions against Russia, both by increasing the number of countries implementing sanctions (preferably on the basis of a UN decision), and by extending sanctions to non-economic relations (cultural exchange, sports competitions, etc.).

This approach is due to the fact that the Russian authorities expect to neutralize the negative impact of international sanctions on the country's economy by transferring the confrontation to the ideological and political spheres. In the same direction, Russia's actions regarding the cancellation of the food embargo ("self-sanctions") against certain EU countries (in particular, Greece, Cyprus and Hungary) are directed. It is obvious that before the June summit (at which the continuation of anti-Russian sanctions will be discussed again), the EU countries will face a sanctions dilemma: preservation of current economic well-being (which requires the use of economic ties with the Russian Federation) or security of peaceful existence (which may be threatened by Russian expansion and aggression).

At the same time, a particularly serious threat to stability is increasingly seen mainly as the internal crisis in Russia, which is caused not so much by international sanctions, but by the markets' loss of faith in the ability of the Russian authorities to adequately respond to economic and political challenges (in combination with the growing dependence of the economy on the fall in prices for oil). Taking this into account, we can make a prediction that economic ties with Russia will gradually weaken, as a result of which the sanctions will become less painful for the EU and more severe. In addition, new marketing and logistics solutions will make it much more difficult to return to the old ties with Russia partners after the sanctions are lifted.

Examples of EU sanctions that have already been used against other countries and that could affect financial markets include:

- a ban on the opening of new branches, subsidiaries or representative offices of banks of the target country in the EU;
- prohibition of financial loans or loans to enterprises in the target country that are involved in some sectors, such as petrochemicals;
- a ban on the acquisition of enterprises in the target country and the acquisition of relevant shares and securities;
- prohibition of direct or indirect sale or purchase, or brokerage services and assistance in the issuance of government or government-guaranteed bonds, including bonds of the central bank or banks registered in the addressee country;
- prohibition of providing state financial support for trade with the target country, including the provision of export credits, guarantees or credit insurance;
- prohibiting insurance and reinsurance for government or businesses in the target country. With this in mind, the new financial sanctions may include a ban on the provision of financial services to some Russian financial institutions, banks and state-owned enterprises, such as VTB Bank, Gazprom or Aeroflot.

At the same time, it is possible to foresee the continuation of the practice of implementing measures that are not formally sanctions, but have a unidirectional effect with the sanctions (such as accusing Russian Gazprom of monopolizing the EU energy market, threatening it with multibillion-dollar fines and forcing it to lose certain positions on this market).

CHAPTER 2. IMPLEMENTATION OF ECONOMIC SANCTIONS AGAINST AGGRESSOR STATES ON THE EXAMPLE OF CHANGES IN THE WORK OF THE COMPANY DANONE

2. 1 Analysis of the company's organizational structure

Danone began operations in 1919 in Barcelona, after Isaac Carasso's discovery that many Spanish infants suffer from intestinal illnesses. After extensive investigation with Ilya Mechnikov, he created a new product called yogurt. The firm was named after Isaac's son, whose nickname was "Danon," and who likewise had intestinal difficulties.

Danone emerged in France in 1929, and with a distinct brand to encourage healthy diet, it began selling in pharmacies, subsequently expanding to cheese stalls as well. Daniel Carasso and Anotine Riboud met at CEDEP, a professional development facility for executives, in 1972. A merger between two firms occurred with the assistance of a new corporate partner, and Danone moved on to compete in the international market as a food industry powerhouse.

BSN-Gervais Danone spent the 1990s acquiring other firms such as Amora, Maille, Vandamme, Liebig, and Volvic. They also decided to become leaders not just in France, Germany, Belgium, Spain, Italy, Luxembourg, and Portugal, but also in Eastern Europe, Asia, and Latin America.

Between 1996 until 2006, Franck Riboud served as CEO of Dadone, driving the company's growth in three areas: fresh dairy products, beverages, and biscuits. His aim, which is still followed by the firm today, is to "bring health through food to as many people as possible."

In 2007, a new acquisition was made, which was the purchase of Royal Numico, which included trademarks such as Nutricia, Milupa, and Cow&Gate, as well as a focus on new born babies.

2017 was the year to make some changes to the global logo. "One Planet. One Health" emphasizes the interdependence between our health and our planet.

Danone likewise opted to merge the duties of Chairman and Chief Executive Officer that year.

Danone has continued to strive to fulfill its purpose since its inception. Figure 1.5 shows that the Leading Positions in 2020 are #1 WorldWide in Fresh Dairy Products as well as Plant-Based Products. Europe's No. 1 in Advanced Medical Nutrition. Packed Water ranks second in early life nutrition. Sales by World Business Unit have a clear winner in Essential Dairy & Plants-Based, which is Danone's primary focus. The corporation has offices in 55 countries and over 100,000 people, and its goods are available in over 120 countries throughout the world. According to the percentage of 2020 sales, Activia is the best-selling brand, followed by Aptamil, and placed third is Danone.



Fig 1.5. Danone at a Glance (1)

Danone as a whole does well in Europe (USA, Canada), accounting for 57% of total sales. 43% is allocated to Asia-Pacific, Latin America, the Middle East, Africa, and Central and South America. The top three nations in terms of sales for the corporation are the United States, China, and France. Figure 1.6 shows how we may readily assess health, social, and environmental performance. 90% of product volumes sold are in the health category (water, sugar-free drinks, yogurts, milks,

and other everyday dairy products, and specialty nutrition items). Furthermore, the corporation achieves its environmental goal by preventing 1 million tons of carbon emissions. Over 50% of all packaging is recyclable, reused, or biodegradable.

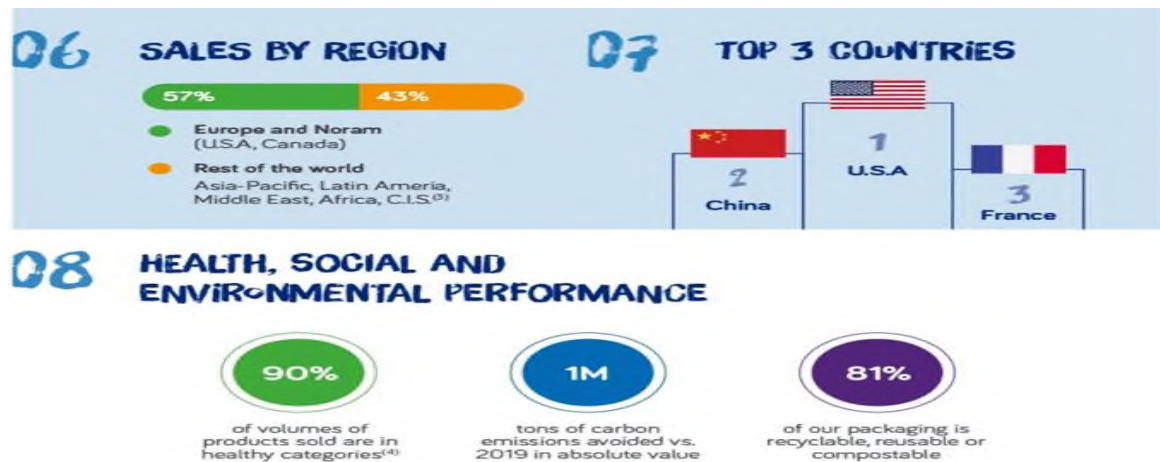


Fig 1.6. Danone at a Glance (2)

Danone has formed three operating domains since the early 1919s while working on a commercial model:

- Essential Dairy and Plant - Based.

Danone was founded at the commencement of this evolution, with the first sales of yogurt in Barcelona. In 2017, the firm decided to broaden its product offering, and the plant-based Alpo was born, offering soy, almond, coconut, rice, and oat alternatives. The firm currently specializes not just in milk fermentation, but also in plant-based inventions. "We want to offer more diverse food and beverage options that become a natural part of consumers' healthy eating habits throughout the day, tailored to today's needs and lifestyles," says Francisco Cmacho, Executive Vice President.

- Waters

The firm is recognized for supporting a healthy lifestyle, which is exactly the objective of its water brand. The emphasis on this product begins at a young age, and it also demonstrates how to maintain and restore water ecosystems in collaboration with local communities and stakeholders. "Our main focus is to enhance the experience of drinking plain water - that's the core of our business, and

the healthiest choice you can make," says Henri Bruzelles, Executive Vice President.

- Milupa, Nutricia

This brand is designed exclusively for newborns and children, with an emphasis on allergies. Nutricia's purpose is to help women and kids closer to a healthy life from the first 1,000 days. Colleagues collaborate to identify synergies and boost mutual inspiration. "Specialized nutrition is fully in line with our 'One Planet. One Health' vision, not only because we care about the impact of nutrition on health, but also because we strive to protect the well-being of our consumers and the planet," says Veronique PENCHIENATI-BONSETTA, Executive Vice President.

The secret to become effective "business sharks" in that vast product array is an incredible marketing approach, or as we call it at Danone "Responsible Marketing." To begin with, all of the advertising adheres to the International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication. Furthermore, the organization thinks that communication may be used to promote good meals, healthy lives, and essential healthcare information. There must be a good influence from the start, and it must serve a purpose to people rather than simply bring in sales.

The following are some marketing claims made by Danone:

- "We ensure that the true commercial purpose of marketing communications is transparent and recognizable as an advertisement; and to clearly differentiate, by labelling advertising and content on virtual media, including so-called "native advertising."
- We deliver the nutritional facts that empower consumers and practitioners to make informed dietary choices.
- We place a special emphasis on practical, user-friendly information to support consumers to build healthy diets for themselves and their families.

- We ensure that our information on product benefits is reliable and speaks a language consumers understand.

Danone continues to invest on marketing expenses in order to communicate their genuine meaning to those behind the screen. They are opposed to the use of "size 0" models to promote "unhealthy" body choices.

Marketing targeting children operates on a different level, since it has been demonstrated to affect their purchase behaviors and short-term eating habits.

Danone adheres to the following guidelines when it comes to a younger audience:

- no misleading messages,
- no parental influence undermining, but supporting the role of parents or other responsible for guiding diet and lifestyle choices,
- no suggestion of a time/sense of urgency or a price minimization pressure,
- no exploitation of a child's imagination or inexperience, in a way that could mislead him/ her about the benefits of the product involved,
- no encouragement of unhealthy dietary habits,
- no blurring of the boundary between marketing and branding,
- striving that marketing materials primarily appealing to children under 13 years promote healthy, balanced diets and lifestyles as well as positive values.

2.2 Impact of Sanctions on the Company's Activities

Since 1992, the Danone group of enterprises has been present in the Russian market, which represents 10% of the group's total global sales.

The first Danone facility in Russia opened in 1995. The decision was made in 1998 to invest in the development of a new plant, which would be the most modern and powerful corporate facility in the world. The first batch of yogurt was made in 2000 at a new factory in Moscow's Chekhov area.

Danone combined its dairy business with Unimilk (since 2002) at the end of 2010. With yearly sales of almost 2 billion euros, the United firm is Russia's largest dairy producer.

The group underwent a legal restructuring in July 2015, and all assets of the UNIMILK Company JSC group have been integrated into DANONE RUSSIA Joint-Stock Company since July 1. The total investment in the Russian market by Danone and Unimilk has reached \$2 billion.

The Group includes 18 factories and employs 100,000 people operating brands such as Danone, Activia, Actimel, Rastishka, Danissimo, Prostokvashino, Bio Balance, Aktual, Smeshariki, Tyoma, etc.

About 70% of the production volumes (and about a third of sales) account for basic products - milk and kefir. The Danone group of companies in Russia is part of the international company Danone, which is represented on 5 continents. The Group is a leader in four areas of healthy food production: fresh fermented milk products, baby food, water, and clinical nutrition.

In 2013, Danone's sales exceeded 21 billion euros, more than half of this amount in emerging markets.

With the start of the full-scale war in Ukraine, Danone started actively exploring the idea of leaving the aggressor's market, however, it took them a while to do that.

On March 14th, the company's press staff alerted the Russian media of the situation. The company has no intention of ceasing operations or leaving Russia. "Danone's top concerns in Russia right now are staff safety and preserving the business's continued functioning. The company's current task is to provide consumers and patients with the food products they require," the corporation stated. Danone stated that the company's critical systems, infrastructure, and logistics in the Russian Federation remain operational.

The firm previously announced the suspension of all investment projects in the aggressor country, but stated that manufacturing and distribution of dairy products and baby food will continue.

Only after long and hard 8 months of full Russian invasion, the company has faced reality and made a decision to leave Moscow, as well as other cities, behind. Danone *today* announces the decision to initiate the process of transferring actual control of its dairy and plant products business in Russia. According to the corporation, such a choice is "the best option to ensure long-term continuity of the local business for its employees, consumers, and partners." At the same time, Danone remained silent on Russia's full-fledged attack against Ukraine. Danone previously predicted that such a choice would cost the company 1 billion euros. Russia contributed around 5% of the company's net revenues in the first nine months of 2022.

After all, the firm has just chosen to halt all investment initiatives in the aggressor state. It should be mentioned that during the years of the company's operation in the Russian Federation, investments totaled more than 2.5 billion dollars. In Russia, the Danone group consists of 16 firms. The French manufacturer's production facilities are dispersed throughout the whole country.

On the 14th of October, Danone opted to drastically alter its activities in Russia, centering its portfolio on Essential Dairy products, Infant and Medical Nutrition, and discontinuing all imports of Evian and Alpro products, as well as stopping any new investments.

Danone receives no dividends or earnings from its operations in Russia, and no cash flow has been repatriated to the Group. Any revenues produced in the nation will be donated to humanitarian aid groups.

Russia is Danone's fifth-largest market in terms of sales contribution in the first half of 2022 (approximately 5%, steady compared to 2021), with sales of Essential Dairy and Plant-based Products (EDP) accounting for about 90% of earnings.

Danone employs almost 7,200 people and has 13 manufacturing facilities, 12 for EDP and one for Specialized Nutrition.

It's subsidiaries in Russia own intangible assets and property, plant, and equipment of €588 million and €410 million, respectively, representing 2% and 6%

of total consolidated intangible assets and property, plant, and equipment as of June 30, 2022.

The share of Danone's Russian businesses in cumulative translation adjustments carried within consolidated equity was a negative €428 million as of June 30, 2022, down €286 million from December 31, 2021 due to Russian currency volatility in the first half of 2022. Since Danone purchased its Russian business, these DANONE - 2022 Interim Financial Report — 21 translation changes have accumulated.

In terms of Ukraine, the nation did not account for a significant portion of sales in either the first half of 2022 or 2021 (less than 1%). Danone employs about 1,100 people and has two EDP manufacturing facilities. The overall value of Danone's subsidiaries' intangible assets and property, plant, and equipment in Ukraine is also insignificant.

An impairment test was done since the adaptation of the Group's activities in Russia and the macroeconomic atmosphere created by this conflict might have an impact on the value of the assets of the Danone CIS group of CGUs.

The Group issued medium-term forecasts until 2025.

However, because the CGU's indefinite-lived intangible assets are not the consequence of any recent transactions, the CGU's recoverable value was much more than its carrying amount. The impairment is calculated using an 11.2% discount rate and assumes a large and protracted downturn in Danone's business and profitability in Russia to reflect an enhanced degree of risk associated with the uncertain macroeconomic climate.

This led to a more-than-90% drop in the gap between the recoverable and carrying values of the assets, without resulting in impairment of these intangible assets at this point. The primary financial assumptions (discount rate and long-term growth rate) were also subjected to sensitivity testing.

The following are the findings of the sensitivity test on the major assumptions used to compute recoverable amounts:

Assumptions	Indicators	Impairment <i>(in € millions)</i>
200-bp decrease	Sales growth ^(a)	-
100-bp decrease	Recurring operating margin ^(a)	(132)
100-bp decrease	Long-term growth rate based on a rate of 3%	(13)
300-bp increase	Discount rate based on a rate of 11.2%	(137)

(a) Decrease applied to each year of the long-term (four-year) plan.

Fig 1.7. Sensitivity test on the key assumptions

Danone also has €208 million (RUB 11 908 million) in cash and cash equivalents in Russia as of June 30, 2022. These resources are available immediately and are necessary to fund the existing operations in Russia.

Concerning intangible assets and property, plant, and equipment in Ukraine, the Group has lost control of one of its manufacturing locations, which has been captured by the Russian army, and this facility has therefore been written off. The Company had to cope with losses and spoiling of its present assets (finished items and raw materials) in the case of perishable commodities.

Because of the inability to operate under normal conditions in Ukraine, as well as the medium-term uncertainty indicated in the impairment tests, the Group decided to write down the whole amount of goodwill in Ukraine.

The total impairment reported against these non-current (intangibles and property, plant, and equipment) and current assets is about €22 million and is categorized as "Other operating income (expense)."

2. 3 Economic losses of the company

According to Andriy Yarmak, an economist at the FAO investment department, 2021 was the worst year for the dairy business in the past six seasons and one of the most profitable. Only in the crisis years of 2015-2016 were worse indicators observed.

He claims that, milk farmers would earn 14% less in 2021 than in 2020, and even less than the average of the previous five seasons. Andriy feels the processors behaved insidiously by decreasing milk prices before the start of the new year.

"But I think it's not the processors who are to blame, but the milk producers! Why? Because for how many years they have only been talking about cooperation for processing, but in reality, they cannot offer any alternative to the frankly weak milk processing industry of Ukraine," says the message on Facebook.

According to the expert, the existing management of ancient dairies will be unable to radically reform the milk processing business. As a result, nothing will change until the producers establish their own cooperative processing factories, complete with contemporary technology and a high-quality product.

"According to our estimates, the profitability of milk production in Ukraine fell much faster than the efficiency of its production and about 5-7 times faster than the profitability of milk processing, as we calculate for ourselves as the ratio of wholesale prices for finished exchange products to the prices of raw materials." Yarmak wrote on Facebook.

Danone will sell a firm that accounts for almost 90% of its operations in Russia, where it will keep its baby nutrition, and the sale might result in a write-off of up to 1 billion euros (\$978 million). It was said that "The board has just started a process that will lead to a transaction that could be a full sale or a partial sale. But at the end of that process, the objective for Danone is that they are no longer operating the business and are not in effective control and that business has been deconsolidated from the group,"

Danone shares jumped more than 1% in early trade, with analysts cheering the announcement and predicting a deeper reorganization of the company's activities.

Antoine de Saint-Affrique, who took over as CEO in September of last year, stated that the company will divest non-performing companies as part of a turnaround plan started this year. According to Pierre Tegner, an analyst at broker Oddo BHF, "Russia is clearly an asset they had to exit from." "It is not only because Russia is a low-margin business with poor growth. It is mainly because

this asset has generated a lot of distraction over the last 11 years for top management."

Danone announced on February 22nd that it projected higher margins this year after rising raw material and energy prices dragged on its full-year 2022 operating margin.

Sales in the fourth quarter exceeded expectations due to higher pricing, and finance director Juergen Esser said Danone was prepared to raise prices again this year if required, albeit inflation was projected to moderate over the year.

Price hikes provided 8.7% of yearly sales growth and 11.3% of fourth-quarter revenue growth.

Danone, like its rivals Nestle and Unilever has raised prices to cope with rising expenses, but the level of price increases until even affluent buyers decide enough is enough is a difficulty.

Danone's operating margin for 2022 fell to 12.2% of sales from 13.7% in 2021, essentially in line with estimates, due to inflationary pressures and expenditures associated with brand initiatives in the second part of the year.

CEO Antoine de Saint-Affrique has stated that the company is entering 2023 with renewed ambition and confidence in its strategy, building on the monument of 2022.

The world's largest yogurt maker's 2023 forecast was in line with its mid-term like-for-like sales growth target of 3% to 5%, with a moderate improvement in recurring operating margin. Its shares rose 2.6% by 1023 GMT.

A sequential improvement in gross margins, higher sales and productivity would fuel margin improvement, Esser said.

The owner of Activia yogurt and Evian bottled water reported fourth-quarter sales growth of 7%, beating market expectations of 6.2%, helped by growth across Essential Dairy and Plant-based, Specialised Nutrition and Waters segments.

In North America, quarterly sales increased by 9.7%, lead by brands such as International Delight in coffee creations, Activia and Oikos in yoghurt, and Silk in plant-based, all of which are seeing the benefits of reinvestment.

Aptamil demand continued to propel baby formula sales in China, but the Mizone water brand was hampered by COVID-related limitations. However, there were hints that demand for Mizone was increasing when China loosened its anti-COVID policy.

Saint-Affrique is pursuing a recovery strategy in the face of rising input prices and uncertainty induced by Russia's invasion of Ukraine, which has also prompted the firm to consider selling its dairy products business in Russia.

Danone's net debt was €11,178 million as of June 30, 2022, an increase of €1,015 million from December 31, 2021.

	As of December 31	As of June 30
<i>(in € millions)</i>	2021	2022
Non-current financial debt	12,537	12,198
Current financial debt	4,048	3,540
Short term investments	(5,197)	(3,173)
Cash	(659)	(965)
Derivatives – assets – Non-current ^(a)	(120)	(43)
Derivatives – assets – Current ^(a)	(91)	(39)
Net debt	10,519	11,518
Liabilities related to put options granted to non-controlling interests – Non-current	(76)	(90)
Liabilities related to put options granted to non-controlling interests and earn-outs on acquisitions resulting in control – Current	(280)	(250)
Net financial debt	10,163	11,178

(a) Used solely to manage net debt.

Fig 1.8. Debt 2021 vs. 2022

The Russia-Ukraine conflict could worsen and/or spread, with far-reaching consequences, particularly in terms of sanctions against Russia, counter-sanctions by Russian authorities (e.g., restrictions on capital flows, import bans on specific materials, limitations on intellectual property rights protection, restrictions on asset sales), regional instability, geopolitical changes, and/or the macroeconomic situation. Several nations, notably Europe and the United States, have been imposing progressive sanctions against Russia for several months, which has had a significant impact on Danone's supply of certain commodities and logistics flows. For example, it has compelled Danone to modify parts of its packaging. Danone is currently exposed to a variety of risks, including EUR-RUB currency volatility, purchasing power contraction, and changes in consumer behavior, all of which could amplify and affect the Group's ability to continue or develop its businesses

and/or expose it to constraints, costs, or additional investments. In the short and medium term, this scenario may have a detrimental impact on Danone's sales, margins, and financial condition in Russia.

Strategic risks	
strong	Over reliance on principal markets
strong	Packaging
strong	Fast changes in consumer preferences
medium	Retail shift
low	External growth & integration
External environment risks	
strong	Unpredictability of duration and effects of the Covid-19 pandemic
strong	Raw materials price volatility & availability
medium	Legal & Regulatory
medium	Impact of climate change on value chain
medium	Currency volatility
Operational risks	
medium	Cybersecurity
medium	Food safety & product quality issues
medium	Shortage of talent
medium	Business transformation

Fig 1.9. The impact of Russia

CHAPTER 3. CHARACTERIZATION OF POSITIVE AND NEGATIVE LESSONS FROM THE IMPLEMENTATION OF ECONOMIC SANCTIONS AGAINST AGGRESSOR STATES

3.1 Positive Lessons: Impact of sanctions on targeted states

There have been many wars in history that had a trade basis.

Enough to remember Anglo-Dutch Wars in the 17th and 18th centuries for the right to trade with the colonies or opium wars in China in the 19th century. Therefore, sanctions that restrict the trade of a certain country are themselves a form of war.

Restrictions on movement, such as aviation, are ineffective in the short term. Moreover, only those Russians who can afford tourist trips abroad will feel them. Those are less than 5%.

However, in the long term, the consequences of these sanctions will be devastating for the occupying nation, as they will affect the cultural and intellectual capabilities of entire generations. It is precisely because of their "soft action" that Western countries do not introduce visa regimes with dictatorial Russia. For now.

Of course, the civilized world would like the consequences of the sanctions to be quick, and their impact to be measured not in months, but in weeks. What losses can be expected for the aggressor's economy and when will they occur?

Answers to these questions depend on many factors. You can try to find them by drawing analogies.

Russia has already become the most sanctioned country in the world. There are more sanctions against it than against North Korea and Iran.

Just in the context of the latter, some analogies seem appropriate. But let's start with Canada.

In terms of GDP, Russia and Canada are comparable - \$1.5 trillion and \$1.6 trillion, respectively.

At the same time, the correlation between the dynamics of the development of the economies of both countries after the default of the Russian Federation in 1998 exceeds 95%. This means that over the past 20 years, Russia's boom and bust has been no different from Canada's.

That is, only ordinary economic factors put pressure on Russia. There is no need to talk about sanctions in connection with the annexation of Crimea and the occupation of parts of the Donetsk and Lugansk regions in 2014.

In addition, this indicates the powerful integration of the Russian Federation into the world economy, primarily through the supply of raw materials. The only thing that stands out is the slightly higher volatility of the Russian economy compared to the Canadian one.

As an example of large-scale economic losses, we can cite the losses of the USSR (and later Russia) as a result of participation in the implementation of the regime of comprehensive economic sanctions introduced by the UN Security Council regarding Iraq. Iraq was one of the key Arab partners of the USSR in the trade and economic sphere - large contracts were concluded for the arrangement of oil fields in the south of Iraq, the construction of the Nasiriyah-Baghdad gas pipeline, TPP "Yusifov". The hope of some Russian experts that the lost benefit can be compensated by economic development relations with the rich states of the Persian Gulf, turned out not to be realized. So, after 1991, 70 percent of orders from Kuwait had a share of American companies. Taking into account the losses from the loss of a segment of the Iraqi arms market, loss of the benefits of cooperation in the oil sector, the possibilities of other areas of trade exchange, the total damage is estimated at about 30 billion dollars.

It is important to note that the solution to the problem of reasonable compensation for the economic loss suffered by the states as a result of participation in sanction regimes, directly affects the issue of their compliance by states. "Granting assistance to third countries affected by the application sanctions, would further contribute to an effective and comprehensive approach of the international community to the sanctions imposed by the Security Council", the

resolution of the General UN Assembly Implementation of the provisions of the UN Charter concerning the provision of assistance to third countries affected by application of sanctions.

The reverse situation of lack of compensation leads to the emergence of "incentives" for states to bypass the sanctions regime.

A similar provision is especially characteristic of countries that territorially border the object of sanctions. In confirmation of the said, in the report of the UN Secretary General on the work of the Organization it is stated that "in many cases neighboring countries, which significant damage was done as a result of compliance with the sanctions regime, they did not receive support from the international community, and therefore they turned a blind eye to numerous sanctions violations".

Taking into account the growing demands of the international community to consider ways to reduce the destructive consequences of sanctions and increase their effectiveness, the world began to study the issue of making economic sanctions more targeted. In 2001, Switzerland and Germany together initiated in the UN the issue of the application of targeted economic sanctions. Switzerland led the work with the development of mechanisms for targeted financial sanctions, including the development of standard domestic legislation, necessary for their implementation, Germany - from the development of more effective forms of implementation of the arms embargo. As part of the Interlaken and Bonn-Berlin process as well issues of improvement of the implementation process were discussed sanctions in terms of their clear targeting of specific leaders states and non-state entities responsible for implementation international crimes, minimization of their negative humanitarian and economic impact on third countries, effective legal and administrative mechanisms for the application of sanctions on national level.

The UN Security Council has also shown interest in Swedish research on improving efficiency and targeting international sanctions by approving the Stockholm process.

Commissioned by the Swedish government, Uppsala University led research within the framework of the Stockholm Process, which lasted more than a year with the participation of government officials, non-governmental organizations, the UN Secretariat, regional organizations and international institutions, as well as representatives academic circles and experts of various profiles who have experience in the field of sanctions implementation. His results were presented in the work entitled "Ensuring the effectiveness of targeted sanctions - guiding principles for the implementation of alternatives to UN policy". It is worth noting that some conclusions of the Stockholm process regarding the implementation of targeted sanctions were reflected in stricter requirements for submission of reports contained in the Security Council resolution 1455 (2003).

The result of the above research was the emergence of the concept of "targeted" or "smart" sanctions. Their essence is to be as targeted as possible, "point-to-point" influence directly on the object of sanctions - specific persons or political groups directly responsible for the commission international offenses, the presence of extremely clear and precise management goals, deadlines and cancellation criteria regime.

In addition, targeted economic sanctions are implemented in such a way as to minimize negative consequences, primarily of a humanitarian nature. Among the possible forms the implementation of economic sanctions to the requirements of the targeted sanctions most correspond to the arms embargo and freezing of financial assets.

3.2 Negative lessons: Cost of sanctions on targeted states

In general, sanctions can be considered effective if the sanctioned country actually changed its behavior that led to the sanctions. At the same time, policy changes may not occur for reasons unrelated to economic sanctions. But at the same time, economic sanctions can cause very real economic damage. That's what we'll talk about.

According to the Russian Analytical Credit Rating Agency (ACRA), in 2018, sanctions in one way or another affected 20-21% of Russia's GDP. Subject to restrictions large state banks (54% of banking system assets), oil and gas companies (accounting for 95% of oil and gas sector revenue), and almost all enterprises of the military-industrial complex.

ACRA believes that the sanctions had little effect on the financial condition of companies and banks. At the same time, sanctions may negatively affect economic growth in the long term. At the same time, it is noted that the policy of Russian countersanctions led to an increase in prices and a decrease in the incomes of the population by 2-3% during 2014-2018. These losses were not compensated growth of production in the agro-industrial complex.

Bloomberg estimates the difference between the actual and potential results of economic development from 2014 to the end of 2017 was 10%, all other things being equal. At the same time, losses from sanctions can potentially account for about 6% of that 10% loss.

According to the IMF, during 2014-2018, production in the Russian Federation grew by an average of 0.5% per year (for comparison, in 2003-2008 this figure was 7.1%, and in 2009-2013 - 1.2 %), while growth was expected to be over 2%. According to IMF experts, this is due to the double shock from low oil prices and economic sanctions in 2014-2018.

According to Anders Aslund and Maria Snegova, the external debt of the Russian Federation has decreased from 729 billion dollars. USA as of the end of 2013 to 470 billion as of the end of 2020. Thus, on the one hand, there is a reduction in debt by \$259 billion, but on the other hand, we can talk about the loss of investment funds. If Russia had moved in line with the trends in attracting capital across emerging market economies, it could have received approximately \$479 billion without sanctions. additional financial resources. The same researchers draw attention to the fact that during 2010-2013, investment in fixed assets after the global financial crisis grew by an average of 6.2% per year.

However, during 2014-2020, that is, the period of sanctions, they annually decreased by 0.5%.

Obviously, for completeness of the analysis, one should adequately assess Russia's ability to minimize the impact of sanctions on its economy and other economic and political factors. Considering these circumstances, today practically the majority of experts believe that, in general, when assessing the aggregate effect of economic sanctions, the following points should be taken into account. At the same time, I will immediately note that the economic sanctions imposed did not pursue the goal of completely destroying the Russian economy.

First, so far, the scale, depth, and management of sanctions in terms of realizing their potential are obviously insufficient compared to expectations. We are talking about the choice of objects of sanctions (personalities, companies, spheres), the presence of various kinds of exceptions and opportunities to circumvent restrictions in one way or another.

Secondly, the Russian economy to a certain extent was able to adapt to the sanctions. This was facilitated by a significant increase in world prices for oil (January 2016 - October 2018, April 2020 - 2022) and natural gas, which, in particular, stimulated the extraction of these resources. In addition, restrictions on the supply of certain goods to the Russian Federation and the introduction of countersanctions by Russia stimulated the development of certain import substitution processes (in the agro-industrial sector in particular), although today complete import substitution is practically impossible.

Thirdly, in order to minimize the impact of sanctions, in particular on the banking system, the Central Bank of Russia changed the rules and regulations for the formation of reserves, accounting for certain securities, reporting, providing banks with foreign liquidity, etc. In addition, the Russian government has also taken certain steps to optimize budget spending, etc.

Fourth, to minimize the impact of sanctions, Russian business is looking for and finding certain opportunities to bypass the current restrictions in one way or another. At the same time, it should be noted that in recent years, despite the threat

of increased Western sanctions, the scale of the withdrawal of funds from the Russian Federation has significantly increased.

Well, now to the conclusions. Sanctions have a negative impact on the Russian economy, although their negative effect is estimated differently.

I share the opinion of those experts who believe that with the current level of economic sanctions, the Russian economy can function, but the prospects for dynamic long-term economic growth are very doubtful. At the same time, the effect of sanctions depends on the situation in the world markets, in which, one way or another, the Russian Federation is represented. Thus, the sanctions and the unfavorable world economic situation in 2014–2016 became a shock for the Russian economy, while later changes in world markets favorable for the Russian Federation to a certain extent compensated for the negative sanctions described above.

Despite numerous statements about the stability of the Russian economy, economic sanctions have now become an important factor in economic policy. So, the head of the Central Bank of the Russian Federation, Elvira Nabiullina, in particular, stated: “In the baseline scenario (*the policies of the Central Bank* . - I.B.) we proceed from the existing sanctions regime... but... we always take into account that there is such a geopolitical risk (*of new sanctions*). I.B.). And the main priority in the presence of such a risk is to have all the buffers, all the tools in order to ... be able to act in order to maintain financial and price stability. In the document “The main directions of the budget, tax, and customs-tariff policy for 2022 and the planning period of 2023 and 2024”, among the risks are “geopolitical threats and related changes in the structure of international trade, including as a result of the "sanctions" policy implemented by individual countries.

If the choice is between sanctions and war, then economic sanctions certainly have an advantage. At the same time, sanctions have their price for those who impose them. Therefore, as modern history testifies, the political and business elite of the country - the initiator of sanctions - always faces the problem of choosing between political values and economic benefits. In fact, it is a specific

form of *global corporate social responsibility* at a time when the basic principles of international law and international security are being violated.

3.3 Effectiveness of Sanctions/Why Economic Sanctions Do Not Work

The vast majority of leading international and domestic political scientists, military-political experts, military specialists, and analysts share the opinion that as part of the implementation of the insidious neo-imperial "hybrid policy", Russia unleashed and is now continuing against Ukraine the so-called "hybrid war", that is, a full-fledged war, but "hybrid" in form and "asymmetric" in content. Its difference is characterized by both the conduct of aggressive military operations under the guise of illegal (informal) armed formations, and the simultaneous use of a wide range of political, economic (including energy and trade and economic), as well as information and propaganda measures, from which, as a rule, this "hybrid war" begins, which is accompanied throughout the entire period of hostilities. It is clear that such acts of aggression could not be ignored by both the developed countries of the world and the leading international organizations. Unfortunately, the world community did not provide Ukraine with full-fledged military support, applying a number of economic sanctions as the main instrument of influence on the Russian Federation. Economic and political sanctions are known in history as an instrument of influence of some countries on others, a mechanism for resolving international disputes and problems, the introduction of which leads to the least amount of human losses. The first wave of sanctions concerned individuals, groups of individuals, and companies. Further sanctions were imposed on the energy, financial, and defense sectors of Russia. The result of sanctions for the Russian Federation is primarily reflected in the dependence on the field of imports. The Russian economy, to a large extent, depends on the import of food, high technologies, spare parts and components, equipment, and medical preparations. It should be noted that, first of all, the impact of sanctions on the Russian economy is observed in a reduction in the inflow of foreign investment, as a result of which there was a significant slowdown in GDP growth to 0.2% per year during 2014-

2018. Investors from the European Union and the United States can be taken by entrepreneurs from other countries, for example, from China or India did not materialize.

Unfavorable sanctions also affected the Russian financial sector, significantly curbing economic growth. Some banks and businesses have missed the opportunity to enter the US and European debt markets but are still able to make their own payments and those of their customers. Russian state-owned banks need to refocus on domestic sources of funding. One of the significant cases, in connection with the imposition of sanctions, is the blocking of several financial institutions in Russia by the world's largest payment systems Visa and MasterCard.

The conditions for blocking sources of external financing applied even to organizations and banks that are not subject to sanctions. These restrictions prohibit foreign exchange payments to or on behalf of these banks (companies). And since they can no longer participate in cross-border operations, they need to change the geography of the business. Russia, in response to the sanctions, imposed a ban on the import of food products from several Western countries. Russia has enough resources, both in terms of production capacity and raw materials, to produce the bulk of goods imported from abroad on its own. With the imposition of sanctions against the Russian Federation, prices for food in the domestic market began to rise. Only after that did the Russians massively feel the impact of the sanctions. The consequences of the food embargo adversely affect both price and non-price competition. The consequence of the restriction of competition with imported products was not only an increase in prices but also a decrease in the quality of products. The corresponding measures affected the economy, namely, they caused an increase in volatility in the foreign exchange market and a significant depreciation of the national currency. The rapid outflow of capital led to a significant reduction in net international reserves. In order to support the ruble, the Bank of Russia significantly strengthened its strict monetary policy measures. This policy has driven up the cost of domestic borrowing and further hindered access to domestic credit for investors and consumers. The sharp

drop in the volume of imports as a result of the depreciation of the ruble and the adoption by Russia of measures to prohibit the import of food from Western countries had a negative impact on trade. It is almost impossible to completely exclude Russia from the system of international economic relations since there is an interconnectedness of economies at the EU-Russia level. The basis of the dependence of the countries of Western Europe on Russia is the export of Russian energy resources, to deprive yourself of these energy resources is irrational and can harm the European population. It will not be possible to organize again in a short time the supply of European countries from other regions and sources. The most serious package of Russian countermeasures was the ban on the import of food products into the Russian Federation. The list of banned goods includes a wide variety of food products - meat, dairy products, fish, vegetables, and fruits. In monetary terms, by the time the countermeasures were introduced, the total volume of the corresponding imports was about 9 billion dollars in the USA. However, the consequences of the embargo for the European Union did not become so significant since the share of agricultural exports from the European Union to the Russian Federation is less than 5% in the economy of this integration association.

The analysis showed that at the present stage, Ukrainian-Russian economic relations have acquired a more conflict character, with signs of confrontation in the conditions of Russian military aggression against Ukraine. In the current circumstances, the impact on the functioning of economic relations between the two countries and on the Ukrainian economy in particular, non-economic factors - military, information-psychological, social, and administrative - have significantly increased. Also, the direct and indirect influence of other states, primarily Western, and international organizations on the development of international economic relations between both states has noticeably increased. The current Ukrainian-Russian economic confrontation is reflected both in the structure and dynamics of bilateral trade and in the development of various industries and sectors of the economies of both countries. Although, of course, the relative impact of this confrontation on the economy of Ukraine and Russia is different due to the

difference in their scale. With a huge resource base, Russia has a huge margin of safety to withstand the sanctions of the most powerful economies in the world. However, precisely because of the sanctions, the process of restoring economic growth rates will be quite difficult and lengthy. For the most supportive development, not only sales markets are important, but also new technologies, access to which can also be partially or completely blocked due to restrictions. In general, the sanctions of the event do not threaten the complete destruction of the Russian economy and are not capable of exerting a strong influence on the further development of the country. However, in many ways, their action negatively affects the future prospects for the Russian economy, and at the present stage, the Russian authorities should either negotiate with the countries that introduced and joined the sanctions or revise the economic model of the entire country. In the long term, if current trends continue, sanctions could hit the Russian economy hard, as well as ordinary citizens.

CONCLUSION

To conclude, sanctions are unilateral or collective acts taken against a country that is judged to be in violation of international law, with the goal of compelling that country to comply with the law. Sanctions are a middle ground between diplomatic tactics and more extensive acts, such as military operations and covert operations.

Economic sanctions are an appealing foreign policy instrument because, unlike war, they are intended to resolve international conflicts and disagreements at a lesser cost and with fewer human losses. In most circumstances, the use of economic sanctions reflects the originating country's willingness to intervene in another sovereign country's decision-making process. They supplement diplomatic techniques and allow for the postponement or avoidance of the deployment of armed force. As a result, governments with an active foreign policy are more likely to use economic penalties.

The modern practice of international economic relations employs a wide range of coercive measures, some of which are used after the fact (after a violation of international legal norms), while others are used before possible violations, as a preventive measure. Economic coercive measures encompass a variety of trade restrictions, both direct and indirect - protective and anti-dumping measures to defend the internal market, embargoes, economic boycotts, countermeasures, and, of course, sanctions themselves. Sanctions can be imposed by individual nations, groupings of states, or international organizations, most notably the United Nations. They, in any event, are coercive actions applied directly or indirectly by the UN by nations or groupings of states against other governments that violate international law.

The following concepts of organization of the international economic sanctions system should be included: 1) conformity with international law norms and actions; 2) the legality of the reasons for penalty application; 3) openness; 4) single-use and single-link application¹; 5) the absence of double standards in

defining the targets of sanctions; 6) the inadmissibility of applying sanctions for protectionist and competitive goals.

The suspension of official development aid is the most prevalent sort of financial penalty. Today, however, the use of targeted financial sanctions is becoming more common, which includes freezing the accounts of certain persons involved in the development of the state's policy subject to sanctions, restrictions on such persons' movement, and freezing the accounts of certain companies (for example, terrorist sponsors). Because the country under economic sanctions is frequently controlled by an authoritarian regime, the influence of economic restrictions may not have any effect on its political decisions for a period of time, because the elites can transfer material losses to the country's population. As a result, the governments of the subject nations must carefully design the framework for imposing economic penalties, because they will surely harm national businesses and social groupings.

The European Union currently employs the following types of sanctions in international relations: diplomatic sanctions (expulsion of diplomats, suspension of diplomatic relations, suspension of official visits); trade sanctions (general sanctions related to business activity); financial sanctions (freezing of assets or economic resources, prohibition on financial transactions, restrictions on export credits or investments); military sanctions (arms embargo); trafficking sanctions. Bans on export and import (trade sanctions on specific goods such as technological equipment, oil, and diamonds); provision of specific services (brokerage, financial, and technical assistance); flights, investments, payments, and capital movements; or cancellation of tariff preferences are examples of European Union economic and financial sanctions. All legal firms and persons conducting business in the EU, including nationals of non-EU countries, should apply restrictive economic and financial measures, including targeted financial sanctions. The EU frequently applies targeted financial sanctions on specific individuals, groups, or organizations held accountable for policies or other activities.

As evidenced by an examination of the trade and economic relations of the world's major players (the United States, the People's Republic of China, the EU countries, and East and Southeast Asia), sanctions are increasingly acting as protective measures and tools for promoting the national interests of specific states, acquiring purely protectionist characteristics in achieving competitive advantages. The United States of America has precedence in these processes.

As it can be read, EU nations may be classified into three groups based on the impact of anti-Russian sanctions on their own economies and their attitudes regarding the necessity to maintain the sanctions regime: 1) countries that have suffered a significant negative impact from sanctions (or may suffer if sanctions are expanded), but support a tough stance on their continued use (Germany, Baltic states, Poland, Great Britain, etc.); 2) countries that have suffered significant losses but are inclined to soften sanctions (Italy, Spain, Slovakia, Hungary, and, to some extent, France); and 3) countries that have suffered minor losses but are inclined to soften sanctions for political reasons.

In this context, the losses of other nations that have joined the sanctions system look considerably more modest: the United States - little more than 2 billion dollars, Australia and Canada - within 0.5 billion dollars (USA each). In general, this is still substantially less than the Russian Federation's losses, which surpass \$50 billion.

At the same time, a particularly serious threat to stability is increasingly seen as Russia's internal crisis, which is caused not so much by international sanctions as by markets' loss of faith in the Russian authorities' ability to respond adequately to economic and political challenges.

The result of the study allows us to conclude that the imposed sanctions did have an impact on Danone, leading the company to sell their business in Russia which in this case is the aggressor state.

After opening in 1992 in Moscow, Danone Russia was in charge of bringing 10% income to the company as a whole. The yearly sales reached 2 billion euros, which was acquired by joining Unimilk in 2002. It quickly became a leader in four

areas, which are fresh fermented milk products, baby food, water, and clinical nutrition.

In 2013, the sales reached 21 billion euros, making Danone Russia one of the most profitable markets.

Even after the events in Ukraine in 2014, there has been no official decision to close factories and stores, focusing on the earnings that the aggressor state is bringing and covering it with the care for employees in Russia.

At last, on October 14th, 2022 the company finally decided to withdraw from doing business in the aggressor state. It is estimated that the milk production has been sold, but it would also cost up to 1 billion euros, in order to make a full transfer.

While comparing the sales that the Russian market has brought to Danone in the first half of 2022 and Ukraine's profit, it is easy to note that the aggressor state was leading.

The recommendations for Danone in the future would include fully stopping its activity in Russia and turning its focus to following its mission in other countries. Such positioning will bring back the trust of customers and allow to lower the debt, which has increased over the year.

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