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International Relations Global Bachelor's Degree

Bachelor's Thesis

Trade Diversification: How Russian Companies Shifted Markets to Bypass Sanctions

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Abstract

This thesis examines the ways in which Russian companies adjusted their trade strategies to bypass the broad sanctions imposed by Western countries after the 2022 invasion of Ukraine. Through a qualitative approach—combining a systematic literature review, document analysis, case studies, and comparative evaluation—the study identifies key adaptation methods: expanding trade ties with non-Western partners, adopting alternative financial systems, and using covert logistical channels such as the so-called “shadow fleet.” While these strategies helped to cushion immediate economic shocks, they also deepened structural vulnerabilities, including financial complications and increased reliance on uneven geopolitical partnerships. The findings contribute to current discussions on the limits and potential of sanctions as tools of international pressure, and suggest areas for improving future policy design.

Keywords: Economic Sanctions, Trade Diversification, Russian Economy, Geopolitical Strategy, Sanctions Evasion

Resumen

Esta tesis estudia cómo las empresas rusas reconfiguraron sus prácticas comerciales para eludir las sanciones impuestas por Occidente tras la invasión de Ucrania en 2022. A través de una metodología cualitativa basada en revisión sistemática de literatura, análisis documental, estudios de caso y comparaciones sectoriales, se identifican mecanismos clave de adaptación: diversificación hacia mercados no occidentales, uso de sistemas financieros alternativos y redes logísticas encubiertas como la “flota fantasma”. Aunque eficaces a corto plazo, estas estrategias evidencian nuevas vulnerabilidades estructurales. El estudio contribuye al análisis crítico sobre la efectividad de las sanciones como instrumento geopolítico y ofrece elementos útiles para el diseño de políticas más coherentes y eficaces.

Palabras clave: Sanciones Económicas, Diversificación Comercial, Economía Rusa, Estrategia Geopolítica, Evasión de Sanciones

Linkage Between the Thesis Topic and Relevant Sustainable Development Goals (SDGs)

Analyzing trade diversification and sanctions evasion strategies used by Russian enterprises reveals significant connections to various Sustainable Development Goals (SDGs), established by the United Nations to guide global development toward sustainability.

Firstly, SDG 8: Decent Work and Economic Growth stands out as directly related to this research. The thesis explores how sanctions have disrupted Russia's economic stability, employment patterns, and overall industrial growth. The impact on businesses, particularly in manufacturing and technology sectors, underscores the essential nature of economic resilience and the maintenance of decent work conditions during economic crises induced by geopolitical tensions.

Secondly, the research strongly aligns with SDG 9: Industry, Innovation, and Infrastructure. It examines how Russian firms adapted to sanctions through innovative logistical measures, such as creating alternative financial and payment infrastructures and restructuring trade routes. This adaptation highlights the central role of innovation in ensuring industrial sustainability and operational continuity in the face of severe economic restrictions.

Additionally, SDG 10: Reduced Inequalities proves relevant due to the differential impacts of sanctions on enterprises of varying sizes and locations. The thesis notably addresses the vulnerabilities faced by Small and Medium Enterprises (SMEs), revealing significant disparities compared to larger firms that have more substantial resources to withstand economic shocks. This disparity points toward broader socioeconomic inequalities exacerbated by international economic pressures.

Furthermore, the analysis closely relates to SDG 16: Peace, Justice, and Strong Institutions, given the inherently geopolitical nature of international sanctions. The thesis critically assesses sanctions as tools intended to promote peace or influence state behavior. It highlights the broader implications for international justice and institutional efficacy in managing global conflicts and enforcing compliance.

Finally, the role of SDG 17: Partnerships for the Goals emerges prominently in the context of Russia's interactions with third-party states such as China, India, Turkey, the UAE, and Central Asian nations. The thesis discusses extensively how these relationships influence Russia's ability to evade sanctions and sustain economic activities. Such partnerships underline the importance of international collaboration and diplomatic cooperation in addressing complex global challenges.

1. Introduction

Since the collapse of the Soviet Union, the Russian Federation has consistently navigated a complex international environment characterized by shifting geopolitical dynamics and evolving economic relations. The imposition of extensive Western sanctions following Russia’s invasion of Ukraine in February 2022 has notably accelerated these dynamics, placing unprecedented pressure on the Russian economy. This thesis investigates the adaptive strategies that Russian companies employed to mitigate these sanctions, particularly focusing on trade diversification toward non-Western markets.

Sanctions have increasingly become a prominent instrument of geopolitical influence, designed to coerce nations into altering their behaviors without resorting to military confrontation. However, their effectiveness remains a contentious topic, largely due to the varying capacities of targeted states to circumvent these measures. In this context, the case of Russia offers an illustrative example of both the potentials and limitations inherent in sanction regimes. Sanctions imposed on Russia targeted crucial economic sectors including energy, finance, defense, and technology, aiming not only to penalize Russia but also to alter its geopolitical calculus and strategic behaviors. Nonetheless, Russia's response has underscored the complexities involved in achieving definitive political outcomes through economic coercion alone.

The central aim of this research is to critically assess how Russian enterprises strategically repositioned their trade relations to bypass economic constraints imposed by Western nations. Given the comprehensive nature of the sanctions targeting financial systems, technology transfers, and critical economic sectors such as energy and manufacturing, Russian companies faced considerable immediate disruptions and strategic dilemmas. Their response, however, demonstrated notable adaptability, incorporating diverse mechanisms such as trade deflection, parallel imports, shadow logistics operations, and the utilization of alternative financial systems. Furthermore, Russian businesses engaged in substantial logistical restructuring, including the creation of a "shadow fleet" of tankers and the rerouting of trade through non-sanctioning countries to facilitate ongoing commerce.

In addressing this subject, the study adopts a qualitative methodology, combining document analysis, detailed sector-specific case studies, and comparative analyses. Document analysis examines governmental publications, international economic reports, trade data, and policy papers to contextualize Russia's economic adjustments. Sector-specific case studies focus on areas most impacted by sanctions—such as energy, technology, and SMEs—to illustrate concrete adaptive measures. Comparative analyses further evaluate these strategies by contrasting Russia's experiences with historical instances of sanctions evasion by other states, thereby identifying both unique and common features of Russia's economic adaptation.

The analysis is framed through a realist theoretical lens, recognizing the inherent competition among states within an anarchic international system, where economic resilience becomes critical for national security and strategic autonomy. Realism posits that states prioritize security, economic stability, and survival above international cooperation, particularly when confronted with external threats. Through this theoretical perspective, Russia's trade diversification can be understood not merely as economic pragmatism but as an essential component of national strategy aimed at safeguarding state autonomy and reducing vulnerabilities to external pressures.

This thesis further explores the role played by third-party states, whose involvement has proven instrumental in enabling Russia to sustain economic activities despite sanctions. Countries such as China, India, Turkey, and the UAE have significantly impacted Russia's economic recalibration, reshaping global economic alliances and demonstrating the complex interplay between geopolitical alignment and economic pragmatism. These countries provided alternative financial channels, logistical support, and trade partnerships, thereby complicating Western efforts to isolate Russia economically. However, the reliance on these third-party states also introduced new geopolitical and economic dependencies, raising important questions regarding the long-term sustainability of Russia's trade adaptations.

Ultimately, this research aims to contribute to a broader understanding of sanctions as instruments of geopolitical strategy. It evaluates not only their immediate economic impact but also the longer-term implications for international trade structures and state behaviors. By examining the specific adaptive strategies of Russian companies, this thesis provides insights into the conditions under which sanctions can be circumvented, highlighting the need for continuous adaptation and refinement of international sanctions policy. The findings are intended to inform both academic discourse and practical policymaking, contributing to the ongoing debate surrounding economic statecraft and its effectiveness in contemporary international relations. Through this comprehensive analysis, the thesis underscores the complexities of economic coercion, the resilience of targeted states, and the evolving nature of global economic power dynamics.

2. Methodology

This thesis employs a qualitative research design to systematically explore how Russian companies adapted their trade strategies to circumvent international sanctions following the invasion of Ukraine in 2022. The qualitative approach is justified by the complexity and depth of geopolitical interactions, economic adjustments, and strategic behaviors involved, which quantitative methods alone might not fully capture.

The methodology integrates four primary research methods:

Systematic Literature Review: An academic systematic review has been employed as a foundational step to comprehensively analyze existing scholarly literature, policy analyses, and expert reports on sanctions and their impacts. This systematic review involved clearly defined criteria for the selection of sources, including relevance, methodological rigor, and credibility. By conducting this structured synthesis, the research identifies prevailing themes, theoretical insights, and gaps within the existing academic discourse, thus framing and supporting the subsequent empirical investigation.

Document Analysis: Document analysis constitutes a significant component of this thesis, involving the critical examination of policy documents, economic reports, sanctions lists, government publications, official statements, and relevant legislation. Sources include authoritative publications from international institutions such as the World Bank, the International Monetary Fund (IMF), and the World Trade Organization (WTO), alongside national governmental publications from entities such as the U.S. Department of Treasury, the European Union, and the Russian Central Bank. Document analysis provides essential contextualization of sanctions and Russia’s strategic responses from macroeconomic and geopolitical perspectives.

Case Study Approach: To illustrate concretely how Russian companies adapted trade mechanisms, this thesis incorporates detailed sector-specific case studies. Focusing primarily on industries significantly impacted by sanctions—namely energy, technology and manufacturing, and Small and Medium Enterprises (SMEs)—these case studies offer an in-depth understanding of the strategic adjustments employed by Russian companies. Each case was selected based on its economic significance, the extent of the impact of sanctions, and the availability of robust, illustrative data demonstrating specific adaptive strategies.

Comparative Analysis: Comparative analysis is utilized to evaluate the effectiveness of trade diversification strategies implemented by Russian enterprises. This method involves contrasting pre-sanction economic interactions and trade patterns with post-sanction adjustments, analyzing variations in trade volume, market composition, and the reliance on new trading partners and financial mechanisms. Further, comparisons with historical cases of sanctions evasion by other states are incorporated to critically assess both the uniqueness and general effectiveness of Russia's strategic adjustments.

Theoretical Justification: This thesis is firmly grounded in the realist theoretical framework of International Relations, highlighting how states prioritize security and national interests within an anarchic international system. Realism serves as the analytical lens for interpreting Russia’s strategic behavior under sanctions, fundamentally driven by imperatives of state survival, economic security, and geopolitical power maintenance.

Data Reliability and Limitations: Acknowledging potential limitations, this study emphasizes rigorous cross-validation of sources and triangulation methods to enhance reliability. However, the politically sensitive nature of the topic, the restricted transparency of certain governmental documents, and the inherent difficulty in accessing reliable economic data from non-transparent regimes present notable constraints. These limitations are transparently recognized and mitigated through meticulous cross-referencing of available data and scholarly literature.

Overall, the chosen methodology, particularly the integration of an academic systematic review, facilitates a comprehensive analysis of how international sanctions function as tools of geopolitical strategy and economic warfare, offering valuable insights into broader theoretical and practical implications for international relations.

3.Theoretical Framework

To critically assess how Russian companies have managed trade diversification as a means to bypass Western sanctions, this thesis adopts a realist theoretical framework. Realism, a dominant theory within International Relations, emphasizes the pursuit of national interest, state security, and the inherent competition within an anarchic international system (Waltz, 1979). Realism offers the analytical clarity required to understand state actions and economic decisions through the lens of power politics and strategic survival.

According to classical realist theory, states act primarily out of self-interest and prioritize security and economic stability to safeguard their sovereignty (Morgenthau, 1948). States engage in continuous power struggles, employing various methods such as economic sanctions, diplomacy, and military force to enhance their security and influence over international affairs. Sanctions thus emerge as coercive instruments, wielded by dominant powers or coalitions aiming to alter the strategic calculations and behaviors of targeted states (Mearsheimer, 2001).

Structural realism or neorealism, as articulated by Waltz (1979), further contributes to our understanding by emphasizing the structural constraints of the international system, particularly anarchy and the distribution of capabilities among states. Under structural realist assumptions, sanctions represent efforts by powerful states to exert economic pressure without resorting directly to military conflict. States targeted by sanctions are expected to react strategically, mobilizing resources and adapting their economic behavior to maintain relative power positions within the international hierarchy (Waltz, 1979; Mearsheimer, 2001).

In applying realism to the context of Russian economic behavior post-2022 sanctions, the theory explains Russia’s responses as predictable strategic adaptations aimed at mitigating the threat to its national security and economic stability. Diversification of trade toward non-Western markets aligns perfectly with realist expectations of state behavior—states seek autonomy from external pressures and strive to reduce vulnerability through economic self-sufficiency and strategic partnerships (Drezner, 2011).

Furthermore, realist theory supports the analysis of economic sanctions as not merely punitive economic measures but strategic geopolitical instruments. From a realist viewpoint, Western sanctions on Russia can be interpreted as a method of power projection and containment, aiming to curtail Russia’s geopolitical ambitions and weaken its global economic influence. Conversely, Russia’s strategic economic adjustments reflect realist principles of self-help and strategic balancing (Drezner, 2011).

In summary, the realist framework effectively elucidates the geopolitical and economic behaviors of states under conditions of economic coercion. It provides critical insights into why sanctions are employed, how states typically respond, and the overall impact on international stability and state power dynamics. This theoretical perspective thus serves as an essential analytical tool, enabling a robust examination of Russia's trade diversification strategies amid unprecedented economic sanctions.

4. How International Sanctions Work

International sanctions have increasingly become a prevalent tool in global geopolitics, employed by states and international organizations to influence the behavior of nations without resorting to military force. Sanctions function by imposing economic, diplomatic, or military pressures aimed at altering a state's policies or actions perceived as violating international norms or threatening international security. In the context of Russia’s invasion of Ukraine in 2022, Western states coordinated extensive sanctions aiming to economically isolate Russia, demonstrating sanctions' significant role in contemporary geopolitical strategy.

Understanding how international sanctions operate involves examining their diverse types, the mechanisms through which they are enforced, and the key actors responsible for their imposition. This section will provide a detailed analysis of these components, exploring the complexities and practical applications of sanctions within international relations, particularly through a realist lens. It sets the groundwork to appreciate the specific sanctions imposed on Russia post-2022, clarifying how these measures have sought to influence Russia's strategic calculus.

4.1Types of Sanctions and Their Mechanisms

Sanctions are a form of statecraft in which governments use punitive measures short of direct military force to influence the behavior of other international actors. In realist terms, sanctions serve as geopolitical tools for states to project power and coerce rivals, functioning as an alternative to diplomacy or warfare in pursuit of national interests. (David A. Baldwin, n.d.)

Sanctions can be broadly defined as penalties imposed on a target state, group, or individual to induce a change in policy or to punish undesirable actions. These penalties take many forms – from economic restrictions to diplomatic isolation – and are employed with the strategic aim of altering the target's cost-benefit calculus. This section examines the different types of international sanctions (economic, diplomatic, military, targeted/individual, and comprehensive), how they operate, and historical examples of each. Throughout, a realist lens is applied, viewing sanctions as instruments of coercive diplomacy used by states to safeguard interests and shape international outcomes. (Oleg Itskhoki & Elina Ribakova, 2024)

Economic Sanctions

Economic sanctions are the most prevalent form of sanctions and involve withdrawing customary trade or financial relations with a target to inflict economic harm.

They can range from partial trade barriers to sweeping embargoes and financial freezes. Mechanisms of economic sanctions include trade restrictions (such as export/import bans or high tariffs), asset freezes on foreign-held funds, investment bans, banking and credit prohibitions, and restrictions on access to international financial systems. (Jonathan Masters, 2024)

For example, sanctions may prohibit all trade in certain goods (e.g. an oil embargo) or cut off a country's banks from the global SWIFT payment network, as seen in recent sanctions against Iran and Russia. (Oleg Itskhoki & Elina Ribakova, 2024)

The goal of economic sanctions, from a realist perspective, is to leverage the sender's economic power to raise the cost of the target's unwanted behavior to untenable levels, thereby pressuring the target government to change its policy or risk internal instability. Economic sanctions are often used to compel compliance with international law or other demands – for instance, United Nations Security Council Resolution 661 imposed a comprehensive trade embargo on Iraq in 1990 to force its withdrawal from Kuwait.

Historically, economic sanctions have been employed as coercive tools in numerous geopolitical conflicts. The League of Nations' sanctions on fascist Italy in 1935 (in response to Italy's invasion of Ethiopia) were an early example of a multilateral economic embargo, though their failure to halt Italy's aggression undermined faith in sanctions at the time. (David A. Baldwin, n.d.)

A later example is the United States embargo on Cuba, in place since 1962, which banned virtually all trade between the US and Cuba. (European Council, 2024) This comprehensive economic sanction aimed to isolate Cuba's communist government; it inflicted economic hardship yet failed to topple the regime, illustrating both the power and limits of economic sanctions. More recently, the US, EU, and others have levied extensive economic sanctions against *Iran* (to pressure it over nuclear activities) and against *Russia* (to punish its 2014 annexation of Crimea and 2022 invasion of Ukraine). These include bans on key exports/imports, freezes of state and oligarch assets, and denial of access to global finance. Such measures seek to erode the target state's economic base and generate domestic pressure on its leadership. Realists note that the effectiveness of economic sanctions often depends on power dynamics: sanctions tend to be imposed by economically powerful states or coalitions upon weaker states, and their success hinges on the sender's ability to deny the target access to alternative markets or patrons. Even when sanctions do not fully reverse a target's policies, they can significantly constrain a rival's capabilities – as seen in the slowing of North Korea's and Iraq's military programs under strict UN trade embargoes in the 1990s. *Mechanisms:* Within economic sanctions, common tools include: trade embargoes (banning exports to/imports from the target), financial sanctions (freezing assets and cutting off banking links), investment restrictions (prohibiting new investment or loans), and aid suspensions (cutting development or military aid). (Jonathan Masters, 2024)

These mechanisms operate by disrupting the target's access to resources and markets. For instance, freezing a target country's central bank reserves or major companies' assets deprives it of funds, while blocking trade (as in the UN's longstanding sanctions on North Korea's weapons programs) deprives it of critical goods. Through such levers of economic statecraft, sanctioning states attempt to coerce behavior change without resorting to military force. (David A. Baldwin, n.d.)

Diplomatic Sanctions

Diplomatic sanctions involve the withdrawal or downgrading of diplomatic ties to isolate and delegitimize a target state. These measures are usually symbolic but carry political weight as expressions of disapproval. Mechanisms of diplomatic sanctions include recalling one's ambassadors, expelling the target's diplomats, closing embassies or consulates, and suspending the target country's membership in international organizations. More modest steps, such as canceling high-level visits or talks, can also serve as diplomatic sanctions (for example, the U.S. president canceling a summit in response to a dispute). (European Council, 2024)

While diplomatic sanctions alone may not inflict direct economic damage, they send a clear signal of condemnation and can constrain the target's international engagement, reducing its access to dialogue and cooperation forums.

From a realist viewpoint, diplomatic sanctions are a way for states to signal resolve and unity against a violating state, potentially as a prelude to tougher measures. They impose reputational costs on the target regime and warn that refusal to alter behavior could lead to further isolation or punishment.

A classic example is the global diplomatic campaign against apartheid South Africa: many countries withdrew their envoys or cut off diplomatic interactions with Pretoria in the 1980s, reinforcing South Africa's pariah status alongside economic boycotts. Another example is the suspension of *Russia's* participation in the Group of 8 (G8) forum in 2014 after its annexation of Crimea – the other G8 members reverted to the G7 format and excluded Russia from meetings. Similarly, Russia was stripped of voting rights in the Council of Europe's Parliamentary Assembly and saw NATO halt all practical cooperation with it.These diplomatic sanctions, while largely symbolic, aimed to isolate Russia politically and brand it a violator of international norms, thereby increasing pressure alongside economic sanctions introduced in the same period. Diplomatic sanctions often accompany economic sanctions as part of a graduated response. For instance, in the Ukraine crisis of 2014, Western countries first imposed *Tier 1 diplomatic sanctions* (suspending talks, summits, and institutional partnerships with Russia), then *Tier 2 targeted sanctions* on individuals, and finally *Tier 3 broad economic sanctions* as the conflict continued. (European Council, 2024)

This graduated approach reflects the realist logic of escalating coercion: diplomatic ostracism serves as an initial censure and warning, while leaving room to intensify pressure if the target persists in its behavior. The effectiveness of diplomatic sanctions is hard to measure – they rarely force policy change on their own – but they reinforce international norms by uniting multiple states in shunning an offender. They also hurt the pride and legitimacy of target leaders (for example, being barred from high-profile international events), which can compound other material pressures. In sum, diplomatic sanctions operate by conveying international opprobrium and isolating the target regime, thereby complementing economic and other sanctions in a comprehensive pressure strategy.

Military Sanctions

Military sanctions refer to punitive measures that curtail a target state's military capabilities or involve limited use of force to enforce international demands. Not to be confused with outright warfare, military sanctions in the sanctions context usually mean arms embargoes, military aid cut-offs, or naval blockades. These measures deny the target access to weapons, dual-use technology, or military cooperation, thereby weakening its military potential. For example, the United Nations imposed a mandatory *arms embargo on South Africa* in 1977 to pressure the apartheid regime, and similarly has long-standing arms embargoes on countries like Iran and North Korea to hinder their weapons programs. Mechanisms of military sanctions can also include *no-fly zones* or maritime interdictions approved by the UN to prevent a regime from using force against civilians or neighbors. In extreme cases, the UN Security Council may authorize “all necessary means” (Chapter VII enforcement) – effectively a collective military intervention – if non-military sanctions fail and peace is threatened. (Doctors Without Borders, n.d.) (For instance, the UNSC’s enforcement action in the Korean War and the 1991 Gulf War to expel Iraq from Kuwait can be seen as military sanctions in the broadest sense, as they were multilateral uses of force to uphold international decisions.)

More commonly, military sanctions take the form of arms embargoes, which prohibit the sale or transfer of weapons and military equipment to the target. This was seen in UN Security Council Resolution 1718 (2006) against North Korea, which banned exports of military goods (as well as luxury goods) to Pyongyang following its nuclear tests. (European Council, 2024)

Such sanctions aim to erode the target’s military strength and signal international resolve to resist aggression. Realists understand military sanctions as an extension of power politics: by restricting an adversary’s access to armaments, states seek to tilt the balance of power in their favor without engaging in full-scale war. For example, Western countries’ embargo on arms sales to China after the 1989 Tiananmen Square crackdown was a political statement as well as a means to limit China’s military modernization using Western technology.

Military sanctions can also involve suspending military cooperation or alliances. NATO, for instance, has used this tool by suspending joint exercises and exchanges with Russia (a form of sanction in response to Russian aggression). (European Council, 2024)

Additionally, cutting off military aid or training programs to a partner country (as the US has done at times to pressure regimes on human rights issues) constitutes a military sanction. These actions undermine the target military’s capabilities or morale, thereby increasing the pressure for compliance. It should be noted that under international law, purely military sanctions (especially use of force) require collective authorization: the UN Charter prohibits unilateral military force except in self-defense, so “military sanctions” in the legal sense are those enacted by the UN Security Council when peace is endangered. (Doctors Without Borders, n.d.)

In practice, most sanctions regimes rely on economic and diplomatic tools, using military force only as a last resort. Nonetheless, arms embargoes and related measures are a critical component of many sanctions packages, *bridging the gap between economic pressure and outright military action*. They operate by denying the means of aggression to the target state, thus serving the realist objective of constraining a rival’s hard power.

Targeted (Individual) Sanctions

Targeted sanctions – also known as “smart sanctions” – are sanctions focused on specific individuals, entities, or narrow sectors of an economy, rather than the entire country. This type emerged prominently in the 1990s as a response to the humanitarian critiques of blanket embargoes. The idea is to pressure key decision-makers and elites responsible for objectionable behavior while sparing the general population the suffering of comprehensive sanctions.

Mechanisms of targeted sanctions typically include *asset freezes* and *travel bans* on named individuals (such as government officials, oligarchs, military commanders, or rebel leaders), as well as restrictions on specific businesses, banks, or sectors linked to the undesired activity.

For example, the United States and European Union maintain blacklists of persons involved in terrorism, human rights abuses, or nuclear proliferation – these listed individuals find their overseas assets frozen and are prohibited from traveling to or doing business with the sanctioning countries. (EEAS, 2024)

By singling out culpable actors (like a dictator’s inner circle or companies building banned weapons), targeted sanctions aim to maximize pressure on the guilty while minimizing harm to ordinary citizens.

From a realist viewpoint, targeted sanctions are a refined instrument to coerce rival states by incapacitating their leaders' financial and diplomatic lifelines. Rather than broadly crippling a country's economy (which might have unpredictable consequences), a state can selectively punish the rival's elite, creating internal incentives for policy change or even fostering regime change from within. For instance, the *Magnitsky Act* sanctions imposed by the U.S. (and similar regimes adopted by the EU, UK, and Canada) are *individual sanctions* against officials accused of human rights violations – these measures bar those officials from entering Western countries or using their banking systems. (Human Rights Watch, 2017)

Another prominent example occurred during the Libyan civil conflict in 2011, when the UN swiftly placed targeted sanctions on Colonel Gaddafi and his family (freezing their assets and banning travel) to undermine the regime's cohesion without broadly starving the Libyan economy. Likewise, in the Russia-Ukraine context, Western states have sanctioned hundreds of *Russian individuals and entities* since 2014, including politicians, generals, oligarchs, and banks, in response to the annexation of Crimea and later the 2022 invasion. (European Council, 2024)

These targeted measures seek to deter further aggression by directly *punishing those in Putin's circle*, freezing billions in assets and yachts and restricting their international movements.

Targeted sanctions operate through precise economic and legal pinpricks: freezing an individual's bank accounts, seizing properties abroad, prohibiting any business from transacting with a listed company, or banning luxury goods sales to the elite. The intended mechanism is to create discontent or compliance within the regime's support base – if oligarchs and generals suffer personal losses, they might pressure their leadership to alter course. Targeted sanctions have become the dominant approach in UN Security Council sanctions since the late 1990s.

Nearly all modern UN sanctions regimes (from those on North Korean proliferators to those on Taliban/Al-Qaeda members) consist of *travel bans and asset freezes* on designated persons or entities, often backed by international law enforcement cooperation to enforce the measures. (EEAS, 2024)

This trend reflects an attempt to sharpen the efficacy of sanctions while avoiding the high collateral damage of comprehensive embargoes. Realists acknowledge that even targeted sanctions are tools of power – they rely on financial leverage (control over banking systems, currency dominance) and legal reach of powerful states. The United States, for example, uses the centrality of the dollar to enforce targeted financial sanctions worldwide, effectively cutting listed individuals off from much of the global economy. (Jonathan Masters, 2024) In summary, targeted sanctions are surgical strikes in the economic arena, aiming directly at the influential actors whose behavior states seek to change.

Comprehensive Sanctions

Comprehensive sanctions are the opposite of targeted sanctions: they are broad, country-wide restrictions that aim to cut off virtually all economic intercourse with the target state. A comprehensive sanction (often termed an embargo) typically includes sweeping bans on trade, investment, and financial transactions with the target country, affecting the economy as a whole.

Mechanisms of comprehensive sanctions can encompass closing ports and airspace to the target's ships and planes, halting all exports to and imports from the target, freezing all the target country's assets, and severing banking ties entirely. The logic of a comprehensive sanction, from a realist standpoint, is to exert maximum pressure – essentially strangling the target's economy – to force a drastic change in behavior or even a change in regime. By inflicting broad economic pain, comprehensive sanctions seek to make the costs of defiance overwhelming for the target government.

Notable historical examples of comprehensive sanctions include the *UN sanctions on Iraq* after 1990 and the ongoing *U.S. embargo on Cuba*. In Iraq's case, the UN imposed near-total trade and financial sanctions following Saddam Hussein's invasion of Kuwait, barring all nations from trading with or providing resources to Iraq. These measures devastated Iraq's economy and were only eased years later to allow humanitarian supplies (the Oil-for-Food program) amid international concern over civilian suffering. Comprehensive sanctions thus can be effective in weakening a target (Iraq did withdraw from Kuwait and was left economically crippled), but their heavy impact on ordinary people has made them controversial. The U.S. embargo on Cuba, in place for over six decades, is another comprehensive regime: virtually all trade and financial exchanges between the U.S. and Cuba are prohibited. While this embargo isolated Cuba and signaled U.S. resolve against communism, Cuba survived by trading with other countries, illustrating that comprehensive sanctions can be undermined if the target finds alternative partners. (European Council, 2024)

Other instances include the comprehensive sanctions on *North Korea* and *Iran*, where the U.S. and allies have attempted to ban all nuclear-relevant trade and much of the countries' access to oil revenues and foreign banks. Comprehensive sanctions are blunt instruments – in realist terms, they are akin to an economic siege meant to compel submission by sheer material deprivation.

It is important to note that comprehensive vs. targeted sanctions are not mutually exclusive categories, but rather two ends of a spectrum of scope. Comprehensive sanctions maximize scope by targeting an entire state (e.g., North Korea is subject to UN sanctions covering everything from arms to luxury goods), whereas targeted sanctions minimize scope to focus on specific actors. The choice between them involves a strategic trade-off. Comprehensive sanctions may have a greater *punitive impact* on the target state's capacity (since they disrupt the whole economy) but at the cost of higher humanitarian fallout and potential political backlash. Targeted sanctions are more *politically palatable* and aligned with international norms (since they ostensibly spare the general populace),but they might be easier for a regime to absorb or circumvent if the rest of the economy can function. Modern sanction strategies often blend the two: for example, the sanctions on Russia since 2022 include far-reaching sectoral sanctions (approaching comprehensive embargo in areas like advanced technology and finance) combined with targeted sanctions on hundreds of individuals and firms. (Oleg Itskhoki & Elina Ribakova, 2024)

Realists would argue that states calibrate the breadth of sanctions based on the stakes involved – existential or high-stakes conflicts may drive senders toward comprehensive measures despite the risks, as was arguably the case with Iraq in 1990, whereas lower-priority issues might elicit targeted sanctions as a warning shot.

The mechanism by which comprehensive sanctions operate is straightforward: by *denying a state the benefits of international trade and finance*, they aim to grind down its economy and create overwhelming pressure for compliance. Comprehensive sanctions effectively weaponize interdependence – if a state depends on global markets for critical goods or income, cutting off that access leverages the sender's superior position in the global economy.

However, targets often attempt to adapt or find sanctions-busting measures (such as developing domestic substitutes, smuggling via third countries, or shifting trade to sympathetic partners). The ongoing case of Russia demonstrates this: despite unprecedented comprehensive sanctions by the West in 2022, Russia has sought new trade routes and partners to mitigate the impact. This dynamic highlights that the success of comprehensive sanctions often hinges on broad multilateral enforcement – the more countries that join the embargo, the less room the target has to escape pressure. (EEAS, 2024)

Comparison of Sanction Types

To summarize the characteristics of the various sanction types discussed, the table below compares their key features including the primary actors involved in imposing them, typical tools used, primary goals, and historical examples illustrating each type:

Table 1. Comparison of Sanction Types

Type of Sanction	Primary Actors Imposing	Typical Tools/ Mechanisms	Primary Goals (Realist Lens)	Notable Examples
Economic Sanctions	UN, EU, or individual states	Trade bans, asset freezes, financial cut-offs	Coerce policy change by inflicting economic costs	U.S. sanctions on Cuba; EU/U.S. sanctions on Russia (2014, 2022)
Diplomatic Sanctions	States or alliances	Severing diplomatic ties, suspensions	Signal disapproval, reduce legitimacy	Russia suspended from G8 (2014); apartheid-era South Africa
Military Sanctions	UN Security Council, NATO	Arms embargoes, military aid suspension	Undermine military capabilities, deter aggression	UN arms ban on Iran (2007); NATO no-fly zone over Libya (2011)
Targeted "Smart" Sanctions	UN, EU, U.S.	Travel bans, asset freezes, sectoral restrictions	Punish specific elites, minimize civilian impact	Global Magnitsky Act; EU sanctions on Russian oligarchs
Comprehensive Sanctions	Major powers, UN	Total trade and financial embargoes	Maximize pressure, induce regime change or full compliance	Sanctions on Iraq (1990–2003); North Korea; full embargo on Iran

Source: Compiled by the author from various sanctions regimes and scholarly analyses. (European Council 2024) (EEAS, 2024) & (Oleg Itskhoki & Elina Ribakova, 2024)

International sanctions come in multiple forms – economic, diplomatic, military, targeted, and comprehensive – each with distinct mechanisms and uses. Economic sanctions leverage trade and financial dominance to inflict material costs; diplomatic sanctions leverage political unity to inflict reputational and isolation costs; military sanctions leverage arms control and force to constrain a target's hard power; targeted sanctions hone in on culpable individuals to increase pressure with less collateral damage; and comprehensive sanctions cast the widest net to maximize pressure on a rogue state. All serve as coercive instruments in the toolbox of statecraft, used by states (or international bodies) to compel compliance, punish transgressions, or deter future misbehavior by making the status quo intolerable for the target.

The realist thread running through these tools is clear: sanctions are about power – the ability of one state or group of states to deprive another of valued goods in order to force a change in course. As geopolitical tools, sanctions allow states to pursue their strategic objectives and uphold perceived international norms without immediate recourse to armed conflict. The effectiveness of sanctions varies case by case and remains a subject of debate, but their prevalence in modern international relations – from the Cold War to today's disputes – underscores their importance. In the context of Russia's market-shifting to bypass sanctions (the focus of this thesis), understanding these sanction types and mechanisms is crucial: it sheds light on what pressures Russian companies faced and which levers of state power they sought to evade in reorienting their trade networks. Ultimately, sanctions exemplify how states employ economic and political leverage in a struggle for influence, encapsulating the realist view that international politics is often a contest of coercion short of war. (David A. Baldwin, n.d.)

4.2 Key Actors in Imposing Sanctions

Sanctions are not merely bureaucratic tools—they are geopolitical acts of statecraft, deployed by specific actors whose capacity to project economic and political pressure varies significantly. In realist terms, the actors that impose sanctions do so primarily to preserve or extend their strategic interests, often leveraging asymmetries of power in the global economic system. These actors are not homogenous; they include unilateral states, multilateral institutions, and increasingly, transnational private actors whose decisions shape the effectiveness and global reach of sanction regimes.

The United States: Hegemonic Architect of Sanctions

The United States has long been the principal architect and enforcer of global sanctions regimes, owing to its unmatched financial leverage and the dollar's dominance in international trade. Through the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), Washington administers and enforces economic and trade sanctions based on national security and foreign policy objectives. The U.S. sanctions against Russia post-2022 exemplify the scope of its economic power: OFAC froze approximately $300 billion in Russian central bank reserves, sanctioned major financial institutions like Sberbank and VTB, and restricted access to U.S. technology, investment, and capital markets (OFAC, 2024).

The strategic rationale is consistent with the realist perspective: sanctions serve to constrain adversaries by weaponizing interdependence. As Drezner (2011) notes, "the success of U.S. sanctions derives not just from economic might, but from America's role in setting the rules of the global financial system." Given the extraterritorial reach of U.S. sanctions, even non-American entities often comply, fearing secondary sanctions and exclusion from U.S. markets—a phenomenon known as "over-compliance" (Farrell & Newman, 2019).

The European Union: Economic Bloc as Political Actor

While often perceived as a fragmented actor in foreign policy, the European Union has demonstrated considerable unity and resolve in response to Russia's aggression. The EU functions as both a multilateral institution and a bloc of sovereign states, enabling it to impose sanctions with both legal and normative authority. Since 2022, the EU has enacted over a dozen sanctions packages against Russia, including bans on oil imports, export controls on dual-use goods, and asset freezes targeting more than 1,800 individuals and entities (European Council, 2024).

The European External Action Service (EEAS) coordinates implementation, while member states provide enforcement capacity. Notably, the EU sanctions regime operates on the principle of consensus, meaning unanimity is required for each new measure. This institutional design makes the EU vulnerable to internal dissent, but in the Russian case, it has maintained cohesion, motivated by both moral outrage and geostrategic calculation. In realist terms, the EU's sanctions serve not only to deter

Russian expansionism but to signal Western resolve and preserve the credibility of the European security order.

The United Kingdom: Post-Brexit Sanctions Entrepreneur

Since its exit from the EU, the United Kingdom has developed an independent sanctions policy under the framework established by the Sanctions and Anti-Money Laundering Act 2018. The UK's response to the Russian invasion has been marked by speed and assertiveness, driven by London's status as a global financial hub. British authorities froze the assets of numerous oligarchs, imposed travel bans, and enacted bans on exports of sensitive technologies. Crucially, the UK has also passed legislation aimed at uncovering and seizing "dirty money" parked in British real estate and financial assets through shell companies (Commons Library, 2024).

The UK's role, while smaller in economic scale than the U.S. or EU, is significant because of its expertise in financial regulation and enforcement. Realist theory would interpret this as a bid to preserve strategic relevance and influence in global power politics through economic statecraft, especially after Brexit reduced the UK's institutional sway in continental diplomacy.

Multilateral Institutions: The United Nations and Legal Legitimacy

Multilateral bodies such as the United Nations Security Council (UNSC) traditionally confer legitimacy on sanctions by grounding them in international law. Sanctions under Chapter VII of the UN Charter are binding on all member states, lending them broader enforcement potential. However, in cases involving great powers—such as Russia—the UN's efficacy is often curtailed by the veto power of permanent members. Since 2022, Russia has used its Security Council position to block any binding resolutions concerning its invasion of Ukraine, rendering the UN largely impotent as a direct actor in sanctioning Russia.

Nonetheless, the UN remains symbolically important. Its General Assembly vote in March 2022—where 141 countries condemned Russia's invasion—constituted a form of diplomatic sanction. In realist terms, however, the Security Council's paralysis reflects the enduring structural inequality in the international system and the limits of legal norms when they clash with great-power interests.

G7 and Allied States: Coordination and Amplification

States outside the institutional structures of the EU or UNSC, notably Canada, Japan, Australia, and South Korea, have coordinated closely with U.S. and EU efforts. Canada, for instance, implemented asset freezes and export bans, while Japan restricted exports of semiconductors and advanced machinery to Russia (CSIS, 2023). These actors, although secondary in size, serve to amplify the reach and legitimacy of sanctions. When sanctions are multilateral, their effectiveness is enhanced due to fewer escape routes for the target economy—a point long emphasized in the sanctions literature (Hufbauer et al., 2007).

Private Sector Actors: Unofficial Enforcers of Sanctions

Perhaps the most underappreciated yet impactful actors in sanction enforcement are multinational corporations, financial institutions, and insurers. These entities often engage in what scholars term “self-sanctioning”—halting operations in the target country due to legal risk, reputational concerns, or investor pressure. After 2022, companies such as Shell, BP, Visa, and Maersk suspended or divested from Russia without direct government mandates. Banks and logistics firms declined to process transactions or shipments even when legal loopholes existed (Kupatadze, 2023).

These actions introduce an informal, decentralized layer of enforcement that can exceed government-imposed restrictions in scope. In effect, corporations have become critical agents of economic warfare in a globalized economy where legal jurisdiction and market access are deeply intertwined.

Non-Aligned and Ambivalent States: Vectors of Sanctions Evasion

Finally, it is essential to acknowledge the role of third-party states that choose not to impose sanctions and in some cases actively facilitate evasion. China, India, Turkey, and Gulf countries have continued or even increased trade with Russia, including purchases of oil, natural gas, and sanctioned goods through intermediaries. Kazakhstan, Armenia, and the UAE have seen abnormal spikes in re-exports of European goods to Russia, suggesting a growing “sanctions circumvention economy” (Eureporter, 2024).

These states illustrate a critical realist insight: the success of sanctions is never determined solely by the sender’s resolve, but also by the target’s ability to forge alternative partnerships. In a multipolar world, the non-participation of key economic actors can neutralize the intended pressure of sanctions, creating informal coalitions of resistance or opportunism.

4.3 Specific Sanctions Against Russia Post-2022

The suite of economic, financial, and diplomatic sanctions imposed on the Russian Federation following its invasion of Ukraine in February 2022 constitutes one of the most ambitious and structurally complex sanctions regimes of the 21st century. These measures—enacted primarily by the United States, European Union, United Kingdom, and their allies—mark a paradigmatic shift from pre-2022 sanctions that emphasized deterrence, to a posture more accurately described as sustained attrition. This transformation illustrates how economic coercion has evolved into a full-spectrum tool of modern warfare, deployed not only to punish aggression, but to structurally impair a state’s capacity for military and technological advancement (Glenn, 2023).

Following Russia’s invasion of Ukraine in February 2022, Western nations swiftly enacted an extensive series of economic and diplomatic sanctions, strategically designed to exert maximum economic pressure and diplomatic isolation. One of the most impactful early measures was the freezing of approximately $300 billion in Russian Central Bank assets held in foreign jurisdictions. This unprecedented step targeted Russia’s financial core, removing a vital tool traditionally used to stabilize the ruble and manage market volatility. The immediate repercussions were severe: the ruble plummeted over 30% in March 2022, compelling the Central Bank of Russia to sharply increase its key interest rate to 20% and introduce stringent emergency capital controls. Although the ruble eventually stabilized, this move demonstrated the extraordinary reach and potency of Western financial sanctions, altering the established norms around the immunity traditionally granted to central bank reserves and marking a significant escalation described as "financial warfare" (Abely, 2023).

Complementing these financial restrictions, another prominent sanction was the exclusion of major Russian banks—including significant institutions such as Sberbank, VTB, and Gazprombank—from the SWIFT international payment system. This action severely disrupted their ability to perform routine cross-border financial transactions. While exclusion from SWIFT does not inherently block financial transactions, it introduced significant delays, higher transaction costs, and reputational damages, substantially hindering commercial and investment flows into and out of Russia (Băhnăreanu, 2022). Furthermore, concurrent measures from the United States, which banned new debt and equity transactions with these banks, along with asset freezes and restrictions by the European Union on euro-denominated funding, exacerbated liquidity shortages. Collectively, these sanctions aimed not only at impeding financial operations but also at undermining investor confidence and marginalizing Russian banks within global credit markets.

Parallel to the financial restrictions, technological embargoes became a central component of the sanctions architecture. Particularly stringent export controls targeted high-tech industries, restricting Russian access to critical technologies such as semiconductors, microelectronics, aviation parts, and precision machinery. The expansion of the U.S. Foreign Direct Product Rule, which prohibited Russian end-users from acquiring any goods made with U.S.-origin technology, effectively internationalized the embargo, severely curtailing industrial output across various sectors. The immediate impacts were acutely felt in sectors like aviation, where civilian aircraft maintenance operations suffered substantial disruptions due to shortages of spare parts. Likewise, automotive production saw a stark decline of nearly 70% in 2022, forcing manufacturers to revert to pre-ABS and airbag safety standards because of component shortages (Kanapiyanova, 2023). The sanctions on dual-use technologies also critically impacted Russia’s defense industry, curtailing the production of advanced weaponry such as cruise missiles and drones, and leading Russia to seek alternative sources, including Iranian drones and North Korean ammunition—indicative of a broader industrial crisis and dependency shift (Bhambhu, 2023).

Energy exports, historically vital to Russia's fiscal stability, were also strategically targeted. Given that hydrocarbon revenues constituted approximately 45% of the federal budget, energy sanctions were strategically implemented to weaken Russia's financial base significantly. The European Union's phased embargo on Russian seaborne crude oil, initiated in December 2022, and later extended to refined petroleum products, was coupled with an innovative G7 price cap mechanism. This mechanism stipulated that Russian oil shipments reliant on Western insurance or logistics could only proceed if priced below $60 per barrel. This strategic measure sought to limit Kremlin revenues without triggering global oil price spikes. Despite Russia's redirection of exports to alternative markets, notably India and China, the discounts required—estimated between 20% and 35%—resulted in a substantial reduction in revenue. In fact, Russia's oil and gas income fell approximately 47% year-on-year in the first half of 2023 (Rácz et al., 2023).

Beyond economic measures, personal sanctions targeted Russia's political and economic elite. Over 1,800 individuals and entities, including prominent oligarchs, government officials, and military leaders, faced asset freezes and seizures across jurisdictions like Italy, France, and the United Kingdom. Properties such as yachts, villas, private jets, and offshore accounts were specifically targeted. The United States reinforced these actions through the "Task Force KleptoCapture," actively investigating and prosecuting cases of sanctions evasion, signaling a serious commitment to imposing direct material consequences on individuals supporting the Russian government (Zulfa et al., 2022). Although evidence regarding policy shifts driven by internal elite pressure remains limited, these measures remain central to efforts aimed at fracturing elite cohesion and undermining Russia's global economic and political stature.

In addition to financial and economic constraints, diplomatic and cultural exclusions further sought to marginalize Russia on the international stage. Russia faced suspension from significant international bodies, including the Council of Europe, and exclusion from various scientific and academic collaborations. Furthermore, Russian participation in major international sporting and cultural events was prohibited, effectively limiting opportunities for diplomatic soft power. Russian state-affiliated media outlets, notably RT and Sputnik, were banned within the EU and demonetized on major Western social media platforms, curtailing their global influence operations and reinforcing broader strategies of reputational containment (Lanceiro, 2023).

Collectively, these multi-dimensional sanctions—from financial immobilization and technological embargoes to personal sanctions and diplomatic isolation—constitute a comprehensive effort by Western nations to economically and politically isolate Russia, significantly reshaping its global interactions and economic strategy.

5. Strategies of Russian Companies to Evade Sanctions

The far-reaching sanctions levied against Russia in the aftermath of its full-scale invasion of Ukraine in February 2022 triggered one of the most complex and wide-ranging episodes of economic realignment in contemporary international relations. Russian enterprises, particularly those linked to strategic sectors such as energy, transport, agriculture, and banking, faced an immediate need to redesign their operational and commercial frameworks. In doing so, they employed a repertoire of evasive strategies that, while diverse in technique and reach, can be understood in three principal categories: trade diversification, financial re-engineering, and leveraging third-party jurisdictions.

These measures were not improvised reactions but strategic adaptations grounded in geopolitical calculation and state-backed economic engineering. Within a realist interpretation of international relations, these adaptations reflect the quintessential behaviour of a state and its economic agents navigating an anarchic global system where survival, autonomy, and resilience are paramount (Mearsheimer, 2001; Waltz, 1979).

5.1 Trade Diversification: Shifting to Non-Western Markets

Trade diversification, a cornerstone of international economics, plays a vital role in bolstering the resilience of national economies, particularly when confronted with external shocks. This strategy involves expanding a country's range of trading partners and the variety of goods and services it exchanges, thereby reducing dependence on specific markets or products. Historically, Russia's trade landscape has been characterized by a significant reliance on economic interactions with

Western nations, most notably the European Union. The EU served as a primary destination for Russia's vast energy exports and a crucial source of technological imports that fueled various sectors of the Russian economy. However, this established pattern of trade has undergone substantial disruption due to a series of Western sanctions. Initially imposed following the annexation of Crimea in 2014, these restrictive measures were significantly amplified in response to Russia's full-scale invasion of Ukraine in 2022 (CRS Report for Congress, 2024, p. 1; US Department of the Treasury, 2022). These sanctions, encompassing financial restrictions, export controls, and import bans, have compelled Russia to seek alternative avenues for trade and economic engagement. The imposition and intensification of Western sanctions have created an undeniable imperative for Russia to undertake a significant shift in its trade patterns, leading to an active pursuit and development of trade relationships with non-Western markets across Asia, the Middle East, Africa, and Latin America.

The sanctions imposed by Western nations on Russia represent a multi-layered and increasingly stringent set of economic restrictions. These measures include financial sanctions, such as the freezing of assets belonging to Russian entities and individuals, and the exclusion of several major Russian banks from the SWIFT messaging system, which significantly complicates international financial transactions (CRS Report for Congress, 2024, p. 1; US Department of the Treasury, 2022; European Council, 2022). Furthermore, export controls have been implemented to restrict Russia's access to critical technologies, including advanced electronics and dual-use goods that are essential for both military and civilian applications (Munkschool, 2022, p. 5; CSIS, 2024). Import restrictions, particularly targeting Russia's energy sector, have seen the European Union, once a primary consumer, drastically reduce its intake of Russian oil, gas, and coal (IEA, 2025; European Commission, 2023). These coordinated actions have collectively disrupted Russia's established trade routes, leading to increased transaction costs due to the need for alternative logistical arrangements and financial channels. The complexity of navigating this sanctions landscape has created substantial barriers for Russian companies striving to maintain or forge new relationships with Western markets (Itskhoki & Ribakova, 2024). The primary objective behind these measures is often described as "coercion by denial," aiming to undermine Russia's capacity to finance its military activities and to limit its access to the resources and technological advancements necessary for its economic and strategic development (Itskhoki & Ribakova, 2024).

Even prior to the full-scale invasion of Ukraine in 2022, Russia had begun to signal a strategic shift in its foreign policy and trade orientation. The worsening of relations with the West, particularly following the annexation of Crimea in 2014, served as a catalyst for Russia to officially announce its "pivot to the East" (RIA Novosti, 2024; Marshall Center, 2025; Russian International Affairs Council, 2019). This strategic move involved a conscious effort to strengthen economic, political, and military ties with countries in Asia. However, the intensification of Western sanctions in 2022 significantly accelerated this reorientation, transforming non-Western markets from desirable alternatives into essential pillars for Russia's economic resilience (Marshall Center, 2025). With traditional trade relationships with Europe and North America severely curtailed, Russia faced an urgent need to secure new markets for its primary exports, namely energy resources and raw materials. Simultaneously, it became imperative for Russia to identify and cultivate alternative sources for manufactured goods and advanced technologies that were previously procured from Western partners (Munkschool, 2022, p. 5; Russian International Affairs Council, 2019). This strategic pivot reflects a calculated move to diversify Russia's international economic engagements and reduce its vulnerability to Western economic pressure.

Beyond the immediate economic necessity of finding new trade partners, Russia's diversification strategy is also deeply rooted in geopolitical motivations. The Kremlin has actively sought to forge stronger political and strategic alliances with countries that share its critical perspective on the Western-led international system (CEPR, 2025; CSIS, 2024; Carnegie Endowment for International Peace, 2024). Platforms such as BRICS (Wikipedia, 2025) and the Shanghai Cooperation Organization (SCO) have become increasingly important in facilitating these partnerships. These multilateral frameworks provide Russia with valuable political and economic support in the face of concerted Western pressure. Furthermore, these alliances can potentially offer Russia access to alternative financial channels and payment systems that operate outside the dominance of Western infrastructure like SWIFT, thereby enhancing its financial autonomy and its ability to conduct international trade without being subject to Western financial controls. The willingness of certain countries within these blocs, and in the broader Global South, to either abstain from or actively resist aligning with Western sanctions against Russia underscores a shared vision of a multipolar world order, where the influence of the United States and its allies is less pronounced.

The strategic partnership between Russia and China has evolved into a cornerstone of Russia's post-sanctions economic strategy, characterized by a "no limits" commitment to mutual support (Carnegie Endowment for International Peace, 2024; MERICS, 2025; US-China Economic and Security Review Commission, 2025, p. 2). Bilateral trade between the two nations has witnessed a remarkable surge, reaching a record $244.8 billion in 2024, marking a 1.9 percent increase from the $240.1 billion recorded in 2023 (China Daily, 2025; MERICS, 2025; US-China Economic and Security Review Commission, 2025, p. 2). This robust trade relationship, however, exhibits a structural imbalance. Russia's exports to China are predominantly composed of energy resources, including crude oil and natural gas, alongside other natural resources. In contrast, China's exports to Russia consist primarily of manufactured goods, such as automobiles, tractors, electronics, and a wide array of consumer products (MERICS, 2025; US-China Economic and Security Review Commission, 2025, p. 2; Import Globals, 2025). Notably, China has also become a crucial supplier of dual-use items to Russia, filling critical gaps created by Western export controls (US-China Economic and Security Review Commission, 2025, p. 2; Munkschool, 2022, p. 5).

With Russia facing restrictions on using traditional Western currencies for international transactions, the Russian Ruble and the Chinese Yuan are increasingly employed for trade settlement. This shift has led to a growing prominence of China's Cross-Border Interbank Payment System (CIPS) as an alternative to SWIFT for facilitating payments between Russian and Chinese entities (Carnegie Endowment for International Peace, 2024; US-China Economic and Security Review Commission, 2025, p. 2; FPRI, 2024). However, the relationship is not without its limitations. The partnership is asymmetrical, with China holding greater economic leverage. China remains wary of incurring secondary sanctions from the United

States and the European Union, leading to a degree of caution in its dealings with Russia. Furthermore, Russia has expressed concerns about its growing dependence on China and the potential implications for its own economic sovereignty (Carnegie Endowment for International Peace, 2024; MERICS, 2025; US-China Economic and Security Review Commission, 2025, p. 2). The slowing growth rate of bilateral trade in 2024, compared to the significant increase in 2023, also suggests that there are underlying political and economic constraints on further expansion (China Daily, 2025; MERICS, 2025).

India has emerged as another pivotal non-Western market for Russia, particularly in the energy sector. Since the intensification of sanctions in 2022, India has significantly increased its imports of discounted Russian crude oil, becoming one of Russia's largest oil customers (IEA, 2025; Energy Policy, Columbia University, 2025; CEPR, 2025; ORF, 2024). Bilateral trade between the two countries has witnessed a dramatic surge, increasing from $13 billion in 2021-2022 to over $65 billion in 2023-2024 (ORF, 2024; Sberbank, 2025; India-Briefing, 2025). To facilitate these transactions, a Rupee-Ruble payment mechanism has been established, although its effectiveness and scalability have faced certain challenges. India has also been exploring other avenues for trade settlement in national currencies to circumvent the dominance of the US dollar (ORF, 2024). While India's imports from Russia are heavily skewed towards energy, there has been a diversification of Indian exports to Russia, including pharmaceuticals, machinery, and electronics (ORF, 2024; Sberbank, 2025). However, India's continued trade with Russia has drawn diplomatic pressure from Western allies, particularly the United States, raising concerns about potential secondary sanctions for Indian entities involved in transactions with Russia (US Department of the Treasury, 2024; Wallbrook, 2024; Eldwick Law, 2025).

The relationship between Russia and Turkey is characterized by a complex interplay of cooperation and competition, driven by overlapping and sometimes conflicting geopolitical interests. Despite being a member of NATO, Turkey has refrained from joining Western sanctions against Russia, leading to a significant increase in bilateral trade volume following the imposition of these restrictions (Eurasian Research Institute, 2024; Carnegie Endowment for International Peace, 2024). Turkey has emerged as a crucial trading partner for Russia, particularly in the energy sector, with

Russia supplying a substantial portion of Turkey's natural gas and oil needs through projects like the TurkStream pipeline (Carnegie Endowment for International Peace, 2024). There have also been discussions about Turkey potentially becoming an energy hub for Russian gas exports to Europe (Carnegie Endowment for International Peace, 2024). Furthermore, Turkey's geographic location positions it as a potential transit hub for goods destined for Russia, raising concerns among Western allies about sanctions evasion, particularly regarding dual-use goods (Eurasian Research Institute, 2024; Middle East Eye, 2025). Consequently, Turkey has faced increasing pressure from the US to limit its trade with Russia, with the risk of secondary sanctions looming over Turkish entities involved in certain transactions (Peters & Peters, 2023; Jamestown Foundation, 2025).

The United Arab Emirates has witnessed a rapid expansion in its economic relationship with Russia, becoming a highly attractive destination for Russian investments and a significant trading partner in the wake of Western sanctions (Carnegie Endowment for International Peace, 2023; CSIS, 2024; Tactic Institute for Security and Counter-Terrorism, 2024). Bilateral trade between the two countries reached a record $9 billion in 2022, with Russian exports accounting for $8.5 billion of this total (Carnegie Endowment for International Peace, 2023; Tactic Institute for Security and Counter-Terrorism, 2024). Russian exports to the UAE include precious metals and stones, which constitute a substantial portion, alongside oil, oil products, and agricultural goods (Carnegie Endowment for International Peace, 2023; Tactic Institute for Security and Counter-Terrorism, 2024). Conversely, the UAE exports high-tech machinery, electronics, and dual-use goods to Russia (Carnegie Endowment for International Peace, 2023; Tactic Institute for Security and Counter-Terrorism, 2024). The UAE has also played a notable role in facilitating financial transactions for Russia, raising concerns among Western allies about potential sanctions evasion (Tactic Institute for Security and Counter-Terrorism, 2024; NYCFPA, 2024). Increased scrutiny from the US and other Western powers has prompted the UAE to navigate a delicate balance between its economic interests and international compliance, especially given its presence on the FATF grey list (Carnegie Endowment for International Peace, 2023; Tactic Institute for Security and Counter-Terrorism, 2024; FATF, 2023).

The Eurasian Economic Union, comprising Russia, Kazakhstan, Armenia, Belarus, and Kyrgyzstan, has become an increasingly significant platform for Russia's economic interactions in the post-sanctions era (Eurasian Economic Union, 2025; MDPI, 2024; Jamestown Foundation, 2025). Trade turnover between Russia and several EAEU member states, particularly Kazakhstan, Armenia, and Kyrgyzstan, has shown a notable increase (RIDL, 2025; Eurasian Journal of Economic and Business Studies, 2023; MDPI, 2024). This rise is partly attributed to the EAEU's function as a customs-free trade zone, facilitating the flow of goods. However, there are concerns that some member states are being used as conduits for potential sanctions evasion, particularly for dual-use goods and technologies that are subject to Western export controls (Rusi, 2024; Eurasian Journal of Economic and Business Studies, 2023; RIDL, 2025). Despite the increased trade, deeper integration within the EAEU faces challenges due to economic asymmetries among member states and Russia's dominant influence within the bloc (MDPI, 2024; PONARS Eurasia, 2024). Russia has been actively promoting the expansion of the EAEU and seeking free trade agreements with other non-Western countries as a strategy to mitigate the impact of sanctions (Eurasian Economic Union, 2025).

The reorientation of Russia's trade towards non-Western markets involved significant changes in the types of goods and commodities exchanged (Russian International Affairs Council, 2019; MERICS, 2025; Energy Policy, Columbia University, 2025). Energy, a traditional cornerstone of the Russian economy, remained dominant in these new trade relationships. Russia successfully diverted a substantial portion of its energy exports, especially crude oil, to China and India (Energy Policy, Columbia University, 2025; MERICS, 2025; Energy and Clean Air, 2025).

These sales often occurred at discounted prices (Energy Policy, Columbia University, 2025), yet they remained crucial for Russia's revenue generation (Energy and Clean Air, 2025). By March 2025, China absorbed 47% of Russia's crude oil exports, while India took in another 38% (Energy and Clean Air, 2025). Beyond energy, trade in other raw materials like metals, ores, wood, and agricultural products also shifted towards non-Western partners (Russian International Affairs Council, 2019; MERICS, 2025). Russia solidified its position as the world's leading wheat exporter, with a significant share now directed to Africa, the Middle East, and Asia. However, Russia faced greater challenges in replacing imports of high-value manufactured goods and advanced technology previously sourced from Western nations (Russian International Affairs Council, 2019; ECB, 2023). While imports from China in these categories increased (MERICS, 2025; Import Globals, 2025), concerns about quality and sophistication compared to Western alternatives persisted (ECB, 2023; Munkschool, 2022, p. 2). Nevertheless, Russia became increasingly reliant on China for manufactured goods, including vehicles, machinery, and electronics (MERICS, 2025; Import Globals, 2025). Evidence also indicated increased flows of dual-use goods, particularly semiconductors and microelectronics, into Russia through intermediary countries like Kazakhstan and China (Rusi, 2024; Munkschool, 2022, p. 2). This suggested ongoing efforts to procure components for Russia's military production (Rusi, 2024; Munkschool, 2022, p. 2).

The primary motivation driving Russia's trade diversification was the urgent need to mitigate the severe economic consequences of Western sanctions and sustain essential economic activities and revenue streams (CRS Report for Congress, 2024, p. 1; Russian International Affairs Council, 2019; CSIS, 2024). This included ensuring continued access to vital goods and critical technologies and finding alternative markets for Russian exports no longer readily accepted by Western economies (Russian International Affairs Council, 2019; CSIS, 2024). The Kremlin also actively sought to downplay the sanctions' effectiveness by highlighting growing trade with non-Western partners (Russian International Affairs Council, 2019). However, this diversification strategy presented significant challenges. The increasing dependence on countries like China fostered asymmetric relationships, where Russia often found itself in a weaker negotiating position, particularly as a price taker for its energy exports (Carnegie Endowment for International Peace, 2024; US-China Economic and Security Review Commission, 2025, p. 2).

Significant difficulties persisted in international payments due to sanctions on Russian banks, leading to delays and higher transaction costs. Reorienting established trade flows required developing new transportation routes and logistics networks, which were costly and time-consuming, especially with geographically distant partners like India (GIS Report Online, 2025). Replacing Western technology and high-quality manufactured goods with alternatives from non-Western countries raised concerns about quality standards and technological limitations, potentially hindering Russia's long-term industrial and technological progress (ECB, 2023; Munkschool, 2022, p. 2). The persistent threat of secondary sanctions from the US and its allies loomed over Russia and countries/companies trading with it, creating a deterrent effect and ongoing compliance challenges (US Department of the Treasury, 2024; Wallbrook, 2024). Finally, Russia's export structure remained heavily concentrated in raw materials, limiting its ability to diversify into more sophisticated, higher-value-added products in these new markets (Russian International Affairs Council, 2019; PIIE, 2015).

5.2 Use of Financial Channels and Payment Systems

In the aftermath of the comprehensive sanctions imposed by Western countries following the Russian Federation’s full-scale invasion of Ukraine in February 2022, the Russian economic and financial apparatus faced a series of shocks that disrupted long-established pathways for cross-border transactions. These restrictions, aimed at curbing Russia's ability to fund and maintain its military activities, targeted key sectors of the economy, major banks, individuals, and the Central Bank of Russia itself. Among the most impactful measures was the exclusion of several Russian banks from the Society for Worldwide Interbank Financial Telecommunication (SWIFT), a move that significantly hindered Russia’s ability to process international payments. As a direct consequence, Russian companies, particularly those engaged in foreign trade, were compelled to restructure their financial channels and seek alternative mechanisms to ensure continued commercial exchange with international partners. This shift encompassed multiple dimensions: the creation and expansion of domestic payment systems, the diversification of currency reserves and trade currencies, the deployment of digital financial instruments, and the strategic use of third-party intermediaries and regulatory adaptation. These changes did not occur in isolation but as part of a broader strategic response designed to mitigate the financial and geopolitical ramifications of sanctions while preserving economic connectivity with non-Western markets.

One of the earliest and most visible manifestations of this restructuring was the acceleration in the development and implementation of alternative payment systems. Recognizing the vulnerability inherent in relying on financial infrastructures controlled by Western powers, the Russian government, through the Central Bank and other regulatory entities, had already begun laying the groundwork for a more autonomous financial architecture following the initial sanctions in 2014. However, the intensity of the post-2022 sanctions acted as a catalyst, pushing these systems from experimental or limited-use stages into full-scale deployment. A pivotal element of this transformation has been the promotion and expansion of the National Payment Card System (NSPK), and more specifically, the Mir card network. While originally designed in 2015 to reduce dependence on Visa and Mastercard, the urgency of 2022 prompted an unprecedented rollout of Mir domestically and attempts to internationalize it.

Mir's role has grown far beyond serving as a mere substitute for Western card systems within Russia. After Visa and Mastercard suspended operations in Russia, Mir became the primary instrument for domestic card-based transactions, processed entirely through NSPK infrastructure and immune to external interference. Moreover, Russia has actively pursued interoperability between Mir and the financial systems of so-called "friendly" countries. A salient example is the establishment of compatibility with Iran's Shetab system, which officially went into effect in November 2024. This integration allows Russian and Iranian citizens to use their domestic cards in each other's countries, effectively bypassing the dollar-dominated global transaction architecture and symbolizing a tangible form of financial decoupling from the West (Artemov & Sitnik, 2022).

Simultaneously, the Russian government has promoted the Fast Payment System (FPS), which enables instant transfers between bank accounts using mobile numbers or QR codes. FPS, launched by the Central Bank of Russia and increasingly adopted by private institutions, offers a cost-effective and real-time alternative to conventional card payments. Unlike international systems, it operates entirely within Russia's domestic infrastructure, providing the dual advantage of operational speed and sovereignty from potential sanctions-related disruptions. As noted by Krivoruchko et al. (2024), the widespread adoption of FPS enhances the resilience of Russia's financial sector, ensuring the continuity of basic transaction services even in the face of escalating international isolation.

In parallel with technological developments in payment systems, Russia has significantly intensified its de-dollarization strategy, a policy that predates 2022 but has taken on greater urgency since. One of the most consequential outcomes of the post-2022 sanctions was the freezing of an estimated $300 billion in reserves held by the Central Bank of Russia in Western jurisdictions. This act served not only as a punitive measure but also as a stark reminder of the vulnerabilities associated with holding reserves in Western currencies and institutions. Consequently, the Central Bank rapidly accelerated its efforts to rebalance its reserves portfolio. The institution sharply reduced its exposure to U.S. dollar assets, shifting instead toward gold and other currencies deemed more politically neutral, particularly the Chinese yuan (Muzhzhavleva et al., 2024). In doing so, Russia aimed not only to safeguard its financial autonomy but also to create a buffer against future external shocks.

This strategy has extended beyond reserve management into the domain of trade settlements. Increasingly, Russian firms—especially those in energy, agriculture, and raw materials sectors—are concluding international contracts in rubles, yuan, or other regional currencies, often under bilateral agreements with partner states. This currency diversification aligns with broader shifts in global economic dynamics, particularly the rising influence of China in global trade. By settling transactions in yuan, Russian exporters and their international counterparts can sidestep the Western-dominated clearinghouses that enforce sanctions compliance. According to Ievleva et al. (2024), such arrangements offer both practical and symbolic advantages: they reduce costs associated with currency conversion and compliance screening, and they signal a long-term pivot toward an alternative economic order less centered on the U.S. dollar.

Beyond conventional monetary tools, Russia has also embraced digital financial instruments as a means of bolstering economic sovereignty. Foremost among these initiatives is the development of a central bank digital currency, the digital ruble. Unlike cryptocurrencies such as Bitcoin, which are decentralized and often anonymous, central bank digital currencies (CBDCs) are government-issued and fully regulated. The digital ruble project, under development since the early 2020s, reached its pilot phase in 2023 and is scheduled for wider implementation in 2025 (Safiullin et al., 2024). The strategic goal behind the digital ruble is multifaceted: it promises greater control over financial flows, improved traceability for tax and regulatory purposes, and—perhaps most crucially—an alternative medium for cross-border payments that can operate independently of Western banking systems.

In addition to CBDCs, Russia has taken steps to legitimize and regulate the use of digital financial assets (DFAs), which include tokenized assets and blockchain-based instruments that can be used in both domestic and international trade. As reported by Ledneva (2024), the government has introduced legal frameworks that permit the use of DFAs in transactions between firms, especially for those engaged in import-export activities with countries that maintain neutral or cooperative stances toward Russia. While still limited in scope, these legal adaptations represent a significant shift in policy, reflecting both necessity and ambition.

However, the embrace of digital solutions has not been without complications. One area of experimentation has involved the use of stablecoins—cryptocurrencies pegged to traditional fiat currencies—as a mechanism for evading sanctions and processing international payments. For example, some Russian entities have attempted to use the U.S. dollar-pegged Tether (USDT) to carry out transactions beyond the reach of Western financial regulators. Yet this approach has proven fraught with risk. As noted by Navoy (2024), U.S. authorities successfully pressured Tether to freeze more than $27 million in USDT linked to the sanctioned Russian exchange Garantex, highlighting the vulnerability of even decentralized assets when their issuers are based in sanctioning jurisdictions. This incident has intensified domestic discussions about developing a national stablecoin that could be used for foreign trade while remaining outside the regulatory grasp of Western governments.

Another cornerstone of Russia's adaptive strategy has been the increased reliance on financial intermediaries based in third-party countries that have either abstained from sanctioning Russia or have historically maintained more ambivalent relationships with Western powers. Key among these are China, Turkey, and the United Arab Emirates. Financial institutions in these countries have acted as bridges between the sanctioned Russian financial system and the global economy, processing transactions and enabling currency exchanges that would otherwise be difficult or impossible through direct channels. The so-called "China Track," as described by Conlon et al. (2024), is a case in point. It refers to a netting payment system that allows Russian and Chinese banks to settle mutual obligations without routing through Western-controlled systems, thereby reducing transparency for Western regulators and preserving the confidentiality of trade flows.

Nevertheless, these intermediary arrangements are not without their own set of complications. As compliance standards tighten globally, even non-sanctioning countries have been forced to adopt more stringent due diligence procedures. This has led to delays, increased transaction costs, and legal uncertainties for Russian firms, which must constantly adapt to changing risk assessments and regulatory thresholds imposed by foreign banks. As He (2022) underscores, the overreliance on third-party intermediaries introduces a form of asymmetrical dependence: while Russia avoids direct confrontation with Western institutions, it becomes vulnerable to shifts in policy and pressure in countries whose support cannot be taken for granted.

To support and legitimize these diverse strategies, the Russian state has implemented a range of regulatory reforms designed to modernize its legal framework for international finance. Key among these have been the enactment of laws that explicitly permit the use of digital financial assets in cross-border transactions, providing legal certainty for firms that choose to adopt blockchain-based solutions. According to Arutyunyan (2023), these legal instruments not only facilitate financial innovation but also signal Russia's broader intent to institutionalize its pivot away from the Western financial system. Additionally, experimental legal regimes—such as special administrative zones with relaxed currency controls—have been introduced to attract foreign capital and to pilot new financial instruments under controlled conditions.

The cumulative effect of these various measures is the gradual emergence of a parallel financial architecture, one that is more autonomous, diversified, and digitally enabled. While far from replacing the global financial system dominated by Western institutions, these developments reflect a deliberate effort by the Russian state and its economic actors to chart an alternative path. Whether this strategy will prove sustainable in the long term remains uncertain. Much will depend on the willingness of non-Western countries to deepen financial ties with Russia, the effectiveness of sanctions enforcement by Western governments, and the broader evolution of geopolitical alliances. Nonetheless, what is already evident is that the traditional channels through which global trade and finance were conducted are no longer taken for granted by actors facing political and economic isolation. Russia’s case offers a clear illustration of how states can mobilize institutional innovation, technological experimentation, and geopolitical partnerships to resist external economic pressure and to reorient their international engagements.

5.3 Role of Third-Party States in Facilitating Trade

In the wake of the extensive sanctions imposed on Russia following its 2022 invasion of Ukraine, Russian companies have increasingly turned to third-party states to maintain and diversify their trade operations. These third-party countries, often not aligned with the sanctioning Western bloc, have played pivotal roles in facilitating Russia's continued access to global markets, thereby undermining the intended economic isolation. While much attention has been paid to the direct imposition of sanctions and the subsequent policy responses from Moscow, a less visible yet crucial component of this geopolitical-economic chessboard lies in the adaptive strategies of intermediary states. These states, operating in a variety of regional, legal, and institutional contexts, have enabled both the formal and informal rerouting of goods, capital, and services into the Russian economy. Their participation has not merely been passive; in many instances, their domestic firms, logistical infrastructures, and financial systems have been actively repurposed to support new trade flows that circumvent traditional Euro-Atlantic oversight. As such, the facilitation of Russian trade through third-party states represents one of the most significant contemporary case studies in the limits of sanctions enforcement and the reconfiguration of global trade dynamics.

The operational mechanisms employed by these states to facilitate Russian trade are as diverse as they are sophisticated. One of the most commonly used techniques involves the re-exportation of goods. After the introduction of sanctions, a number of countries with either geographic proximity or favorable economic ties to Russia—such as Armenia, Kazakhstan, and Kyrgyzstan—experienced a dramatic increase in the import of goods that closely resembled those previously exported directly to Russia. These nations, all members of the Eurasian Economic Union (EAEU), benefit from simplified customs procedures and regulatory harmonization with Russia, making the re-exportation of goods relatively frictionless. The pattern is both telling and troubling: Western-origin goods such as automobiles, electronics, industrial machinery, and even luxury items, which are now prohibited for direct export to Russia, are being legally imported into EAEU member states and then redirected to Russia through intra-union trade. As Partsvaniya and Pirveli (2024) have observed, this logistical rerouting has become a systematic strategy rather than a marginal workaround, often supported by both private sector interests and opaque state facilitation.

This re-exportation strategy is not limited to physical goods. A similar logic applies to the provision of technical services, dual-use technologies, and even intellectual property. Given the porous nature of certain legal regimes in the post-Soviet space, it has become increasingly difficult for enforcement authorities in the EU or United States to track the final destinations of high-risk exports once they enter a transit country. A laptop sent to a distributor in Almaty, for instance, may quickly find its way into the hands of a corporate buyer in Novosibirsk. The enforcement difficulty is exacerbated by the fact that such re-exports are often masked through complex layers of ownership, labeling, or repackaging (Partsvaniya & Pirveli, 2024).

Financial facilitation is another central vector through which third-party states support Russia's continued integration into global markets. Traditional financial conduits, such as SWIFT and correspondent banking networks dominated by Western institutions, have become inaccessible or risky for sanctioned Russian banks and firms. In response, alternative financial hubs have emerged in countries such as Turkey and the United Arab Emirates (UAE), where local banks maintain operational autonomy from Western sanctions enforcement and often enjoy a certain degree of deniability. Turkish banks, for instance, have not only processed ruble-based transactions but have also supported the creation of clearing mechanisms that allow for the netting of bilateral trade obligations. In some cases, Turkish companies have served as intermediaries, importing Western-manufactured goods that are then transshipped to Russia. Niftiyev (2023) highlights how Azerbaijan, too, has rapidly become a financial and logistical bridge, facilitating large volumes of trade with Russia, even as it avoids overt alignment with Moscow or the West.

These arrangements are mutually beneficial. On the Russian side, they provide critical lifelines for trade in high-demand goods, components, and services that are no longer available through traditional routes. On the intermediary side, they offer access to a significant and often under-served market, with the potential for both financial gain and strategic leverage. Many third-party states have economic incentives to maintain or even deepen these relationships. For smaller economies such as Armenia or Kyrgyzstan, the dramatic spike in re-export volumes has contributed to notable GDP growth, increased customs revenues, and the expansion of their domestic logistics and warehousing sectors. These trends are not purely incidental but are being deliberately capitalized upon by local business elites and, in some cases, by state-sponsored export promotion agencies (Partsvaniya & Pirveli, 2024; Niftiyev, 2023).

The motivations behind the willingness of third-party states to engage in these practices are complex and multifaceted. At a fundamental level, economic self-interest plays a dominant role. Countries that facilitate Russian trade often experience an upsurge in commercial activity, investment inflows, and financial transactions that directly benefit domestic firms and public revenues. Transit economies such as Georgia and Azerbaijan, situated along the increasingly strategic Middle Corridor—a trade route that bypasses Russia and Europe by connecting Central Asia to Turkey via the Caspian Sea—have found themselves playing unexpected roles in global trade, benefiting from an uptick in freight, port, and rail activity (Niftiyev, 2023).

Geopolitically, the calculus becomes more nuanced. Many third-party states see their engagement with Russia as a way to assert autonomy in foreign policy. The decision not to align with Western sanctions can be interpreted not necessarily as support for Russian aggression but as an effort to maintain sovereignty in international relations. This is particularly true for countries that have historically navigated between larger powers, such as India, Turkey, or Kazakhstan. For them, cooperation with Russia, especially in trade and energy, remains indispensable. By preserving these ties, they not only sustain economic gains but also increase their bargaining power vis-à-vis both the West and Russia (Hayashi, 2024).

Historical and political-cultural ties also play a role. In several cases, the networks that facilitate sanctioned trade are built on decades of institutional familiarity, linguistic commonality, and personal relationships formed during the Soviet era.

These soft factors contribute to a climate of trust and operational fluidity that enables companies to move quickly, circumvent red tape, and exploit regulatory grey areas. This legacy infrastructure—comprising not only roads and pipelines but also bureaucratic know-how and informal coordination mechanisms—has proved remarkably durable in the face of international pressure (Niftiyev, 2023; Vershitsky et al., 2022).

Yet the implications of this facilitation extend beyond economic gains or geopolitical maneuvering. The effectiveness of sanctions regimes depends, fundamentally, on the willingness of the international community to enforce them. When significant economies either refuse to participate in sanctions or actively enable their circumvention, the integrity of the global sanctions architecture is severely undermined. In the case of Russia, the resilience of its trade flows since 2022 illustrates this vulnerability with striking clarity. Hayashi (2024) has noted that the legitimacy of sanctions as a legal and normative instrument in international relations is contingent upon the broad perception that they are fairly applied and widely respected. The participation of third-party states in sanctions evasion thus not only reduces the material impact of the measures but also contributes to a broader erosion of international legal norms.

Moreover, the involvement of third-party states introduces significant complications for enforcement. Regulators must now deal not only with direct violations but with complex webs of indirect compliance failures. The tracking of end-use destinations, the identification of beneficial ownership in re-export chains, and the monitoring of alternative financial systems require resources and cooperation that are often lacking. As Vershitsky et al. (2022) have documented, even within Russia, certain public agencies and business organizations have adopted sophisticated tools to monitor and exploit the weak points in international enforcement, often relying on real-time data analytics and digital trade platforms to identify optimal routes and methods for sanctions avoidance.

Compounding the issue is the emergence of new legal risks and disputes involving third-party investors and firms caught in the crossfire. As sanctions become more aggressive and encompassing, collateral damage to non-target actors has become a growing concern. European Investment Law and Arbitration Review (2024) details how investors from third-party states have increasingly sought recourse through international arbitration mechanisms, arguing that their rights under bilateral investment treaties have been violated as a result of sanctions enforcement. These legal challenges not only complicate the administration of sanctions but also open the door to broader questions about the legitimacy and proportionality of punitive economic measures in a globalized legal environment.

The longer-term consequences of these developments are far-reaching. One significant trend is the emergence of a parallel system of trade and finance that is increasingly decoupled from the Euro-Atlantic sphere. While not yet equivalent in scale or depth, these alternative systems—ranging from regional digital payment networks to Chinese-led infrastructure corridors—offer Russia and its partners a growing menu of options that reduce their exposure to Western pressure (Vershitsky et al., 2022). This shift could herald a new phase in global economic governance, one characterized by multipolarity not only in politics but also in trade standards, compliance regimes, and institutional oversight. Whether this fragmentation will lead to a more pluralistic and balanced global system, or to greater volatility and normative incoherence, remains an open question.

At a strategic level, the actions of third-party states in supporting Russia's trade reveal the adaptability and resilience of state and corporate actors under conditions of geopolitical duress. They also underscore the limits of economic coercion when it is applied in a world where power, technology, and capital are distributed across multiple centers. The facilitation of Russian trade by these states does not occur in a vacuum; it is enabled by global supply chains, transnational banking structures, and the digitalization of commerce. Efforts to tighten enforcement, therefore, cannot rely solely on pressure or compliance incentives. They must also reckon with the structural changes underway in the global economy—changes that are empowering middle powers, regional blocs, and non-state actors in unprecedented ways (Hayashi, 2024; European Investment Law and Arbitration Review, 2024).

This multidimensional picture presents serious challenges to policymakers. If the objective of sanctions is to alter state behavior by generating internal economic costs, then the role of third-party states as buffers and intermediaries diminishes this effect. Moreover, these actors are not merely neutral conduits; they have interests, leverage, and agency. Crafting effective policy responses, therefore, requires more than sanctions lists and monitoring tools. It demands a broader diplomatic strategy that engages these third-party states as stakeholders in international security and governance. Ignoring their role risks not only policy failure but also the unintended consequence of further entrenching alternative global alignments that are less transparent, less cooperative, and potentially less stable.

6. Case Studies of Trade Evasion Techniques

Since the beginning of the war in Ukraine and the imposition of an unprecedented package of economic sanctions against Russia, the international community has closely observed how Moscow has adapted its economy to mitigate the effects. One of the most striking aspects has been the development of various techniques to circumvent trade restrictions, many of which have proven surprisingly effective. These techniques are not homogeneous; they vary depending on the sector, the level of state involvement, and the degree of international exposure.

This section analyzes specific cases of how Russian companies have managed to sustain their exports despite these restrictions. It focuses on techniques employed in the energy sector—not only because it is among the most heavily sanctioned, but also due to its central role in Russia's economic and political structure. The results reveal a combination of logistical innovation, strategic economic diplomacy, and exploitation of legal grey areas in the global sanctions system.

6.1 Energy Sector: Adapting Export Strategies

The Russian energy sector, historically reliant on the European market, has been one of the most severely targeted areas by post-2022 Western sanctions. However, rather than succumbing to economic isolation, the sector has demonstrated a significant degree of strategic agility. Through the reorganization of trade flows, the deployment of alternative shipping tactics, and the integration of new financial instruments, Russia's oil and gas industries have managed not only to absorb the shock but to reconfigure themselves to suit an emerging multipolar economic environment. This process of trade restructuring represents a crucial case study in the capacity of sanctioned states to circumvent external constraints through geopolitical adaptation and commercial ingenuity.

Prior to the war in Ukraine, the European Union accounted for over 40% of Russia's crude oil exports. With the introduction of the EU embargo and the $60-per-barrel price cap on Russian Urals crude, these trade flows were rapidly redirected toward non-sanctioning states, particularly in Asia. India's transformation from a marginal buyer of Russian crude into its largest maritime customer is especially emblematic. From an average of 100,000 barrels per day (bpd) in early 2022, Indian imports surged to over 1.9 million bpd by mid-2023, with the Indian Oil Corporation and other refiners capitalizing on steep discounts and flexible terms (Yushkov, 2024). China, too, significantly expanded its intake of Russian oil, leveraging both maritime shipments and overland pipelines such as the Power of Siberia, which has been progressively scaled to handle rising volumes. As Aponte-Garcia (2024) notes, this redirection of hydrocarbon trade flows constitutes a deliberate and coherent form of "trade deflection," embedded in a broader strategy of supply-chain restructuring under geopolitical duress.

The China–Russia energy relationship has become central to this adjustment. According to Aponte-Garcia (2024), the strategic partnership has helped Russia secure long-term demand for its crude oil and gas, while simultaneously advancing China's goal of reducing reliance on Middle Eastern suppliers. Through the expansion of the Power of Siberia pipeline and negotiations over the upcoming Power of Siberia 2, Russia is effectively reengineering its physical infrastructure to serve the needs of new markets. These infrastructural realignments are accompanied by a reorientation of logistical operations: crude oil is increasingly shipped through eastern ports such as Kozmino, while rail and road networks have been upgraded to handle redirected flows.

A cornerstone of Russia's circumvention strategy lies in the operation of the so-called "shadow fleet," or "ghost fleet"—a loosely organized constellation of aging oil tankers operating under flags of convenience, often registered to opaque entities in jurisdictions such as Panama or Liberia. These vessels are typically excluded from Western insurance and classification systems, allowing them to operate beyond the oversight of international regulatory bodies. The tactics employed include ship-to-ship transfers in international waters, deactivation of automatic identification systems (AIS), and falsification of documentation to mask origin and ownership (Ibragimova, 2024). These clandestine methods have proven difficult to counter, enabling Russia to transport oil to buyers in China, India, and the Middle East despite formal bans on maritime services.

By late 2023, estimates suggested that over 600 tankers were involved in this shadow fleet, collectively handling more than 30% of Russia's seaborne crude oil exports (Ibragimova, 2024). These operations, while effective in maintaining revenue flows, carry considerable risks. As Gavin (2024) has pointed out, the aging nature of many vessels raises the probability of environmental accidents, especially given the tendency to avoid port inspections and operate with minimal compliance. Nonetheless, this fleet remains a vital artery in Russia's reconfigured energy logistics, evidencing the scale of informal networks that can develop in response to formal restrictions.

Complementing these maritime tactics are a series of commercial strategies aimed at incentivizing non-Western buyers. Chief among them is the offer of deep discounts—up to $30 per barrel below Brent pricing—which has made Russian crude economically attractive to refiners in emerging markets (Yushkov, 2024). This pricing strategy has been critical in maintaining demand even as political risks mounted. In addition, Russia has engaged in triangulated trade schemes, where crude is shipped to countries such as Turkey, refined into petroleum products, and then re-exported to the EU under a new national label, effectively evading origin-based restrictions. Such indirect re-exports illustrate the loopholes in sanctions architecture, especially when enforcement is delegated to third-party jurisdictions with limited incentives to comply strictly.

On the financial front, sanctions have catalyzed a transition away from Western financial infrastructure. In response to restrictions on the use of SWIFT and other banking services, Russia has increasingly settled energy transactions in non-dollar currencies, particularly the Chinese yuan, Indian rupee, and Emirati dirham (Finagin, 2024). This monetary diversification not only insulates Russian firms from sanctions enforcement but also serves broader strategic objectives: weakening the global dominance of the U.S. dollar and fostering an alternative financial system among

BRICS and Global South countries. The adoption of yuan-denominated contracts with Chinese clients, and the establishment of bilateral clearing arrangements, are emblematic of this shift.

The robustness of this adaptation is further underscored by macroeconomic data. According to the Russian Journal of Economics, Russian hydrocarbon exports to China and India grew substantially from 2022 to 2023, more than offsetting losses from the European market (Aponte-Garcia, 2024). This reallocation is not incidental but structurally embedded within the logic of a new export geography shaped by strategic necessity. Moreover, the use of bills of lading and harmonized system codes in trade data analysis reveals a marked shift in the export patterns of state-owned giants like Rosneft and Gazprom, with volumes increasingly concentrated in Asian and Middle Eastern destinations (Aponte-Garcia, 2024).

At the regional level, this trade adaptation has also impacted domestic economic development. Fedyunina et al. (2023) highlight how Russian regions with higher export diversification and a robust presence in Asian markets have demonstrated stronger economic resilience and growth potential. Their analysis shows that regions with established oil infrastructure and proximity to new trading routes—such as the Russian Far East—have capitalized on the reorientation, both through higher intensive export margins and through evolving ties with emerging markets. The implication is that export redirection does not simply preserve macro-level indicators, but also restructures internal economic dynamics, favoring regions better positioned to adapt.

In conclusion, the Russian energy sector's response to sanctions has unfolded as a multi-level process involving logistical, commercial, and institutional innovation. The redirection of exports to Asia, the operationalization of the shadow fleet, and the adoption of non-dollar financial systems collectively represent a strategic adaptation rather than a reactive improvisation. While risks remain—not least in terms of environmental hazards, reputational damage, and overreliance on discount-driven pricing—the overall trajectory underscores the resilience of the sector and the limitations of sanctions when applied in a fragmented global system. The case of Russia demonstrates how, under conditions of economic coercion, states can recalibrate their external economic relations and internal institutional arrangements to preserve strategic industries and defy economic isolation.

Table 2. Main Energy Sanction Evasion Techniques Used by Russia (2022–2024)

Technique	Description	Key Data	Source(s)
Shadow Fleet	Use of obscurely owned tankers under foreign flags to bypass shipping bans	Over 600 ships involved; >30% of Russia's oil shipped via shadow fleet in 2023	(Ibragimova et al., 2024)
Trade Deflection	Redirecting exports to non-sanctioning countries	India: 1.9M bpd imports in 2023; China absorbs 20% of Russian crude exports	(Yushkov, 2024)
Urals Discounts	Offering oil at below-market prices	Up to $30/barrel discount compared to Brent	(Aponte-Garcia, 2024)
Alternative Currencies	Settling contracts in yuan, rupees, or dirhams	Oil sales to China in RMB; India uses rupees when possible	(Finagin, 2024)

Source: own elaboration

6.2 Technology and Manufacturing Sectors: Sourcing Critical Imports

The impact of the 2022 sanctions regime extended far beyond the Russian energy sector. It most acutely affected high-tech and manufacturing industries, which had long been embedded within global value chains and heavily reliant on imported components, machinery, and technical services. The rupture of these links exposed Russia's systemic dependence on external technological ecosystems and forced a rapid recalibration of procurement, production, and development strategies across the industrial sector. Unlike the relatively coordinated, state-driven restructuring observed in the energy sector, the response in manufacturing was notably more fragmented—shaped by firm-specific resources, sectoral vulnerabilities, and differentiated access to domestic or “friendly” alternatives. This duality of adaptation—between centralized industrial policy and bottom-up firm behavior—has become central to understanding Russia’s evolving strategy for economic resilience under sanctions.

The deep integration of Russian industrial production into global supply chains prior to 2022 made the sanctions’ disruption particularly severe. As Golikova and Kuznetsov (2023) report, over 91% of medium and large manufacturing firms that had invested in new machinery sourced their equipment from abroad, particularly from European partners. This exposure reflected years of commercial cooperation that had stabilized costs and enabled incremental technological upgrades. However, when sanctions and voluntary corporate withdrawals by Western firms took effect, these very ties became liabilities. By the end of 2022, more than 25% of Russian manufacturing enterprises had been forced to replace at least one foreign supplier, with the overwhelming majority of replacements involving firms based in Europe (Golikova & Kuznetsov, 2023). In approximately two-thirds of these cases, the replacement was not proactive but reactive—triggered by the foreign partner’s unilateral suspension of contracts. A recent empirical study by Fedyunina and Simachev (2023) confirms that this breakdown was particularly acute among firms most embedded in global value chains, where supply chain digitalization and technological sophistication had paradoxically amplified vulnerability.

One of the most visible state responses to this disruption has been the revitalization of Russia’s import substitution agenda. Under the guidance of the Ministry of Industry and Trade, and codified in the “Concept for Technological Development of the Russian Federation until 2030,” the state has attempted to steer industrial restructuring toward greater technological sovereignty. Murashko (2023) identifies this initiative as both a response to external pressure and an opportunity to reform Russia’s strategic innovation policy. The policy encompasses a wide array of mechanisms, including the establishment of an Import Substitution Exchange platform, targeted subsidies, preferential lending, and the promotion of domestic manufacturing consortia. While ambitious in scope, the policy has produced uneven outcomes across sectors. In critical technologies—particularly those related to LNG systems, geophysical exploration, and digital industrial control systems—import dependence remains above 70%, reflecting the structural depth of the technological gap (Murashko, 2023).

The empirical differentiation between firms' responses is striking. According to Kuzyk and Simachev (2023), only firms with prior export experience, high innovation capacity, or larger workforces were able to pursue strategic adaptation measures such as establishing new R&D programs or integrating alternative foreign suppliers. A representative survey of 1,860 Russian manufacturing firms found that 69% experienced direct disruptions due to sanctions, with the most frequent issues being rising prices of components, import delays, and canceled equipment maintenance agreements. These pressures triggered a spectrum of responses, ranging from innovation-led transformation to defensive retrenchment. Firms chose one or more of the following four strategies: restrictive cost-cutting, state-aligned innovation, simplification of product lines, and supply chain reconfiguration through foreign or domestic sourcing (Kuzyk & Simachev, 2023).

The decision to pursue a particular strategy was closely linked to firm characteristics. Innovative exporters with exposure to international competition were more likely to adopt proactive, developmental responses—such as launching new product lines or engaging in partnerships with state agencies. In contrast, small and less competitive firms often defaulted to austerity measures: reducing staff, freezing investment, and reverting to simpler, less import-intensive production (Kuzyk & Simachev, 2023). Fedyunina and Simachev (2023) add that supply chain digitalization acted as a force multiplier for resilience. Firms with digital logistics and inventory systems not only managed disruptions more effectively but were also better positioned to integrate with new suppliers, including those from China and India.

The shift in geographical sourcing has had important implications. China emerged as the dominant replacement partner across nearly all sub-sectors. For instance, in the high-precision machinery segment, Russian firms transitioned en masse to Chinese suppliers offering CNC tools and robotics. In parallel, state agencies facilitated bilateral agreements for joint ventures in power turbine manufacturing and oilfield equipment. Nevertheless, as Murashko (2023) warns, this pivot has created a new form of dependency—albeit one less vulnerable to political escalation with the West. Moreover, many imported systems from China lack compatibility with existing

European-supplied machinery, introducing inefficiencies and integration challenges that may only surface over the medium term.

Despite the visible progress of import substitution on paper, the transition is far from seamless. Russian industry continues to face structural barriers that impede the full localization of critical technologies. These include underdeveloped industrial R&D ecosystems, weak coordination between research institutions and manufacturing firms, and regulatory bottlenecks in certification and standardization. Murashko (2023) underscores that even within sectors deemed strategically important—such as oil refining or power generation—import substitution efforts often stall at the pilot stage, lacking the scale or capital intensity required for full implementation. The outcome is a mixed picture: while some firms have successfully localized component production or adopted new digital tools, many remain dependent on semi-peripheral suppliers or revert to “technological archaism” by reactivating outdated domestic machinery.

The tension between innovation and retrenchment is further illustrated by firm-level behavior. According to Kuzyk and Simachev (2023), those that managed to reconfigure their supply chains or introduce new products reported higher levels of post-sanction stabilization. In contrast, firms relying on restrictive strategies, such as downsizing or minimizing product complexity, experienced more severe performance declines. These outcomes reinforce the critical role of firm capabilities—particularly adaptive learning and technological capacity—in mediating the impact of external shocks.

In summary, the response of Russia’s high-tech and manufacturing sectors to the 2022 sanctions regime illustrates the limits and possibilities of adaptation under constraint. While state policy has helped orchestrate partial substitution and technological localization, the most successful adaptations have been firm-driven, especially among internationally active and innovation-oriented enterprises. The emergent trade geography—tilting toward China and other “neutral” partners—represents not only a tactical workaround but a redefinition of industrial strategy within an evolving geopolitical order. Whether these transformations will yield long-term resilience or merely substitute one form of dependency for another remains an open question. Nonetheless, the evidence confirms that Russia’s manufacturing sector has not remained static; it has reconfigured, recalibrated, and in many cases, resisted decline through a complex interplay of state support, firm agency, and international diversification.

Table 3. Current levels of technological import dependence in key industrial sectors

Sector	Import Dependency (Pre-2022)	Target Dependency (2024)	Main Replacements Sought From
LNG technology	~70%	<40%	China, Turkey, domestic development
Geophysical & seismic exploration	~85%	<50%	China, India
Oil & gas drilling rigs	~65%	<35%	Kazakhstan, China, joint ventures
Power generation turbines (e.g., Siemens)	~70%	<30%	Domestic designs (GTD-110, GTD-75)
Manufacturing robotics & CNC machinery	~80%	<50%	China, South Korea

Source: Murashko (2023); Ministry of Industry and Trade of the Russian Federation.

6.3 The Role of SMEs (Small and Medium Enterprises) in Local Adaptation

In the context of severe geopolitical and economic disruption triggered by the post-2022 sanctions regime, small and medium-sized enterprises (SMEs) in Russia have played a dual role—as both vulnerable subjects of external shocks and adaptive agents of local economic transformation. Unlike large corporations, which often benefit from direct state protection or possess the capital to engage in strategic maneuvering, SMEs face constraints in liquidity, market access, and technological capacity. Yet, it is precisely these firms that have demonstrated a unique capacity to adapt, reorganize, and seize emerging market niches, making them critical actors in Russia's domestic economic stabilization efforts.

The sanctions pressure, particularly those affecting financial transactions, logistics chains, and foreign partnerships, disproportionately impacted SMEs across multiple sectors. According to Koroleva (2023), nearly 73% of small and medium enterprises in Russia experienced tangible disruption due to Western sanctions. Key challenges included ruptured logistics networks, the collapse of long-standing client and supplier relationships, digital platform restrictions (notably the ban on Meta-owned services such as Instagram), and the need to rapidly reorient toward domestic or “friendly” international suppliers. These externalities exposed SMEs to immediate operational shocks but also catalyzed the restructuring of their business models in response to the new geopolitical landscape.

Koroleva (2023) identifies three adaptive strategies among Russian SMEs, reflecting their degree of resilience and integration in domestic versus international value chains. First, the “compensation” strategy involves adjusting operations to mitigate sanction-induced effects—such as relocating production, seeking new suppliers, adopting parallel import schemes, or rebranding for the domestic market. Second, the “circumvention” strategy is characterized by the creation of shadow or informal trade networks, including re-registration of legal entities abroad and increased reliance on intermediaries in non-sanctioning jurisdictions. Third, the “counter-sanction” strategy includes strategic downsizing, merging with larger partners, or complete reorientation toward state procurement and domestic clientele.

The heterogeneity of SMEs, however, requires a more granular categorization to understand their differential adaptation paths. Drawing on the framework developed by Egorova and Koroleva (2023), SMEs can be divided into three core types: “children,” “genetic dwarfs,” and “transformers.” “Children” are young, growth-oriented start-ups with ambitions to scale, often operating in high-risk, high-reward sectors such as tech and creative industries. These were particularly exposed to disruptions in venture capital flows and digital services but responded with relocation and re-domiciliation strategies. “Genetic dwarfs” are firms with limited scalability but high operational resilience, including family businesses and cooperative enterprises. These firms adapted through domestic partnerships, simplified product offerings, and modest technological upgrades. Lastly, “transformers” are agile entities capable of pivoting between sectors or products;

their success depended largely on rapid access to state support and their ability to repurpose assets toward unmet domestic demand.

The impact of foreign company exits further redefined the playing field for SMEs. In regions such as the Komi Republic and Samara, where foreign-owned enterprises held significant market shares—up to 10% or more—SMEs filled the vacuum left behind (Zemtsov, 2024). In sectors such as hospitality, retail, personal services, and light manufacturing, new business registrations spiked in 2023, suggesting that SMEs not only survived but in some cases capitalized on the sanctions regime by localizing services previously dominated by international brands (Koroleva, 2023). In urban regions with preexisting SME ecosystems—particularly Moscow, Kaluga, and the Leningrad region—local governments facilitated this transition by offering expedited licensing, subsidized loans, and digitalization grants. Nonetheless, the gains were not evenly distributed. Peripheral and less diversified regions continued to suffer from capital flight, labor shortages, and infrastructural limitations.

A notable example of SME-led adaptation was the uptake of parallel import channels. After the legalization of such imports in 2022, more than 700 Russian SMEs reportedly opened secondary legal entities in the UAE and Turkey to reroute goods barred by formal embargoes (Koroleva, 2023). These entities served as conduits for electronics, automotive parts, industrial machinery, and consumer goods. For many SMEs in logistics, wholesale, and retail, this strategy preserved their viability in the face of otherwise crippling restrictions. Similarly, SMEs in IT services responded to the exodus of Western software providers by promoting domestically developed platforms or forging licensing agreements with Asian firms.

The strategic positioning of SMEs in border regions—particularly those adjacent to Kazakhstan, China, and the Caucasus—also played a crucial role in regional adaptation. As Zemtsov (2024) notes, such regions benefited from geographical proximity to non-sanctioning trade partners, allowing SMEs to integrate into reoriented logistics chains with lower transition costs. In these areas, SMEs engaged in cross-border services, wholesale redistribution, and vehicle maintenance for new imports, acting as facilitators of Russia’s eastward trade pivot. Moreover, the cultural and linguistic ties shared across these borders facilitated smoother business-to-business interactions, especially for micro-enterprises engaged in “shuttle” trade.

Despite these examples of resilience, systemic challenges remain. Many SMEs, especially those classified as “children” or “transformers,” continue to face restricted access to affordable credit, skill shortages, and volatility in regulatory frameworks. Furthermore, the structural dependence on imports in critical segments—particularly in the manufacturing of high-tech equipment—limits the capacity of SMEs to innovate at scale. While state support has expanded, Koroleva (2023) and Zemtsov (2024) caution that such assistance remains unevenly distributed, favoring politically connected or urban-based firms. As a result, the risk of a dual-track recovery—where metropolitan SMEs thrive while rural enterprises stagnate—poses a long-term threat to inclusive economic resilience.

In conclusion, SMEs have emerged as both casualties and combatants of Russia’s adaptation to the sanctions regime. Their decentralized nature, capacity for niche specialization, and flexibility in organizational structure make them indispensable to the country’s economic resilience. Yet, their continued contribution depends on targeted policy interventions—ranging from fiscal incentives and infrastructure investments to legal protections and international partnerships. Far from being passive recipients of state aid, Russian SMEs are actively reshaping their operational environments, bridging the gap between macroeconomic policy and everyday economic life.

7. Evaluation of Sanctions’ Effectiveness and Trade Evasion’s Sustainability

Since the imposition of large-scale international sanctions following the Russian invasion of Ukraine in February 2022, one of the core questions in both academic and policy debates has been the actual effectiveness of these punitive measures. Sanctions were introduced with multiple explicit objectives: to undermine the Russian economy, disrupt its war effort, weaken its military-industrial complex, and deter further geopolitical aggression. Yet, almost two years later, a growing body of literature presents a deeply divided picture regarding the efficacy and sustainability of these strategies. Some Western analysts maintain that the sanctions have been devastating, while others, including economists both within and outside Russia, argue that the economic consequences—though substantial—have been either absorbed or redirected through adaptive mechanisms, including trade reorientation, import substitution, and financial restructuring (Galbraith, 2023).

This section aims to evaluate both the intended and unintended outcomes of the sanctions imposed on Russia, with special attention to whether their economic impact has translated into lasting structural damage or simply accelerated a strategic decoupling process already in motion since 2014. It also examines whether the strategies employed by Russian companies and the state—such as shifting trade eastward, employing a "shadow fleet" in energy transport, or redesigning domestic supply chains—are temporary evasions or signs of a sustainable reconfiguration of Russia’s global economic ties.

The analysis is structured around two core dimensions: first, the measurable impact on Russia’s macroeconomic indicators; and second, the resilience and sustainability of Russia’s evasion strategies. The following subsection focuses on the former.

7.1 Measuring the Impact on Russia’s Economy

Assessing the economic consequences of sanctions on Russia is a complex task. It involves not only quantifying short-term shocks but also distinguishing between cyclical volatility and long-term structural shifts. Indicators such as GDP growth, inflation, export revenues, foreign reserves, and the condition of key industrial sectors must be contextualized within both the sanctions regime and the broader international economic environment. Based on the available data from Russian institutions, independent Western scholars, and international organizations, several trends emerge that paint a nuanced picture of economic disruption and adaptation.

Russia experienced a contraction in its real GDP by 2.1% in 2022, a decline that, while significant, was far less severe than many early forecasts projected (Sheykhova & Safonova, 2024). The IMF, for instance, initially predicted a double-digit recession. This discrepancy reveals the considerable difficulty of modeling the impact of sanctions on large, resource-rich economies, especially when these sanctions are partially circumvented through parallel imports and rerouted trade flows.

Moreover, inflation surged to 17.5% in 2022, and the Bank of Russia raised its key interest rate to 20% at the height of the crisis to contain the ruble's devaluation and capital outflows (Sheykhova & Safonova, 2024). However, monetary stabilization policies proved relatively effective, and by late 2023, both inflation and interest rates had subsided into manageable ranges. These developments challenge the narrative that the Russian macroeconomic framework collapsed under sanctions pressure.

The freezing of approximately $300 billion in Russian foreign reserves by Western states was initially viewed as a critical blow (Galbraith, 2023). Yet, Galbraith argues that this act had a symbolic rather than functional economic impact, as those reserves were not being actively used in domestic operations. Russia's continued trade surpluses ensured that operational liquidity remained intact, and internal fiscal stability was maintained through ruble-denominated expenditures.

More revealing are the sector-specific responses to sanctions. According to Galbraith (2023), the automotive, electronics, and aviation industries suffered the most severe immediate disruptions due to their high dependence on imported technologies and components. These sectors saw production halts, mass layoffs, and significant capital losses. Nevertheless, consumer resilience and substitution in sectors such as food, textiles, and certain consumer goods were achieved relatively quickly, owing to preexisting import substitution policies dating back to 2014 and the proliferation of domestic alternatives.

Perhaps one of the most debated areas concerns export revenues, especially from hydrocarbons. Despite losing access to European markets, Russia's export earnings in the oil and gas sector surged during the initial months of the war due to high global commodity prices. In the first four months of 2022 alone, oil and gas revenues amounted to over 40% of the yearly total, highlighting the paradox that sanctions may have inadvertently increased fiscal inflows in the short term (Sheykhova & Safonova, 2024). Over the long term, however, analysts such as Blanchard (2022) forecast a substantial reduction in Russia's growth potential—estimating a 20% loss in GDP by 2030 compared to pre-war projections.

These differing interpretations point to a fundamental divide between nominal and structural assessments. Event-driven studies such as that of Chernykh (2024), which applied the cumulative abnormal return (CAAR) method to oil and gas equities on the Moscow Exchange, found negligible or even positive investor sentiment following major EU sanctions packages. Most companies in the MOEX oil and gas index—excluding Novatek and Lukoil—showed positive abnormal returns, suggesting either successful adaptation or disbelief in the sanctions' effectiveness. This empirical outcome challenges the logic that sanctions alone can destabilize strategically critical industries.

To better visualize these trends, the following table compiles key macroeconomic indicators illustrating the impact of sanctions on Russia in 2022–2023.

Table 4. Key Economic Indicators Under Sanctions

Indicator	Value	Source
Real GDP Growth (2022)	-2.1%	Sheykhova & Safonova, 2024
Projected GDP Recovery Year (to 2021 levels)	2030	Sheykhova & Safonova, 2024
Inflation Rate (2022)	17.5%	Sheykhova & Safonova, 2024
Key Interest Rate Peak (2022)	20%	Sheykhova & Safonova, 2024
Foreign Reserves Frozen (USD)	$300 billion	Galbraith, 2023
Export Revenues from Oil & Gas (2022, 4-months)	40.1% of annual total	Ministry of Finance in Sheykhova & Safonova
Share of Budget from Oil & Gas Revenues (2021)	36%	Ministry of Finance, 2021

Source: own elaboration

Looking beyond indicators, the sanctions' efficacy must also be evaluated through the lens of incentive structures. Galbraith (2023) provocatively argues that sanctions may have unintentionally enabled a transformation of Russia's political economy by catalyzing a shift toward self-reliance and economic nationalism. According to this view, the sanctions removed the political and institutional obstacles that had previously prevented the Russian government from enforcing tariffs, restricting foreign ownership, or promoting industrial policy. In this interpretation, sanctions were not purely punitive but, paradoxically, offered a structural "gift" that forced economic realignment in a direction long advocated by nationalist economists within Russia.

The impact of sanctions on Russia's economy cannot be reduced to binary outcomes such as "success" or "failure." The data reveal a mixed reality: acute short-term disruptions have indeed occurred, but their persistence is far from assured. Macroeconomic resilience, fiscal stabilization, trade adaptation, and investment redirection have allowed the Russian economy to partially recompose itself. At the same time, long-term growth prospects, access to innovation, and high-tech development remain constrained. Whether the sanctions regime achieves its broader strategic aims will depend not only on Russia's capacity for economic maneuvering but also on the political coherence and coordination of the sanctioning coalitions in the years ahead.

7.2 Challenges Faced by Russian Businesses in New Markets

As Russia reoriented its external economic strategies under the weight of post-2022 sanctions, a key objective became the diversification of trade partnerships—particularly toward Asia, the Middle East, Latin America, and Africa. Yet this pivot, while politically expedient and often presented in official discourse as a demonstration of economic sovereignty, has brought with it a series of complex, often underappreciated, challenges for Russian firms. These difficulties go beyond technical barriers to trade and touch upon deeper structural, institutional, and geopolitical constraints. This section addresses those challenges by drawing on recent academic analyses and primary macroeconomic data to assess the viability and sustainability of Russia's emerging trade geography.

One of the most immediate difficulties faced by Russian exporters has been the institutional asymmetry between Russia and its new partners. While many non-Western countries are willing to maintain or even deepen trade relations with Russia, this openness often comes with opaque regulatory environments, unpredictable legal protections, and currency volatility. According to Voronova (2023), Russian firms operating in Asian and African markets report a significantly higher burden of informal payments, administrative barriers, and uncertainties related to contractual enforcement than they did in the European Union. In the absence of EU-style common standards, Russian businesses are increasingly required to localize operations, set up legal entities abroad, or operate through intermediaries—measures that increase transaction costs and reduce profit margins.

A second major constraint concerns payment and settlement infrastructure. As Hanting Xie (2024) notes, the exclusion of Russian banks from SWIFT and other global financial systems has created serious obstacles for smooth commercial operations. Although bilateral mechanisms—such as ruble-yuan or ruble-dirham arrangements—have been developed, these are neither universal nor seamless. Many businesses still struggle with cross-border settlements, especially SMEs lacking the administrative and financial capacity to navigate these evolving frameworks. The limited international convertibility of the ruble also imposes constraints, particularly in negotiations with partners demanding hard currencies or tighter payment security.

Even in cases where payment channels exist, there are logistical and infrastructural limitations. A report by the Bank of Russia cited in Voronova (2023) highlights the saturation of rail links through Central Asia and the Far East, which have become the primary corridors for rerouted exports and imports. This congestion leads to delays, increased freight costs, and exposure to third-country regulatory risks. For example, Mongolian and Kazakh customs authorities now function as chokepoints in Russia’s trade with China, a reality that leaves Russian exporters vulnerable to shifting transit policies in these intermediating states.

Another area of difficulty is pricing power and market positioning. With Russia now acting as a replacement supplier in many “friendly” countries, it often finds itself in a weaker negotiating position. In the energy sector, for instance, while China has increased its imports of Russian gas, Beijing has taken advantage of the situation to demand favorable prices, extended repayment periods, and the development of pipeline infrastructure primarily serving Chinese energy security goals (Hanting Xie, 2024). The Power of Siberia 2 pipeline negotiations illustrate this clearly: despite mutual interests, China has prioritized a competing gas line from Turkmenistan and continues to delay commitments with Russia. This underscores the limits of geopolitical alignment when economic asymmetries are at play.

From a commercial perspective, Russian businesses must also contend with competitive saturation in their new target markets. As detailed by Voronova (2023), Russian consumer goods and light industrial exports face stiff competition from Chinese, Turkish, and Indian producers, which often benefit from superior logistics, higher brand recognition, or trade preferences. Entering these markets requires not only pricing competitiveness but also marketing adaptation and product reconfiguration—tasks complicated by sanctions on dual-use technologies and limited access to international software, certifications, and services.

Table 5 below summarizes some of the most prominent challenges currently affecting Russian firms in their engagement with new markets.

Table 5. Challenges Faced by Russian Businesses in New Markets

Category	Specific Challenges	Primary Source
Legal & Institutional Barriers	Contract enforcement, informal practices, need for intermediaries	Voronova, 2023
Legal & Institutional Barriers	SWIFT exclusion, currency convertibility, reliance on bilateral settlements	Hanting Xie, 2024
Logistics & Infrastructure	Rail congestion, customs chokepoints, port access limitations	Voronova, 2023
Pricing & Bargaining Position	Weak leverage with China, long repayment terms, dependence on few large buyers	Hanting Xie, 2024
Market Competition	Chinese and Turkish dominance, lower brand visibility, lack of marketing infrastructure	Voronova, 2023
Technological Constraints	Lack of digital platforms, limited access to Western software and certifications	Voronova, 2023; Xie, 2024

Source: own elaboration

These constraints are compounded by the broader macroeconomic transition Russia is undergoing. Voronova (2023) argues that while sanctions have indeed forced Russia to develop alternative trade routes and reinforce domestic production, they have also entrenched structural dependencies on new trade partners—most notably China. The shift from a West-centric to an East-centric model of globalization is not neutral in terms of power dynamics; it entails new dependencies, particularly in technology, investment, and transport infrastructure. Moreover, the potential for overreliance on China, as with energy exports, may replicate many of the same vulnerabilities that Russia sought to escape by pivoting away from Europe.

At a geopolitical level, Russia's repositioning faces additional uncertainty. The global economic environment is increasingly fragmented, with regional trade blocs and bilateral arrangements replacing the universal norms that governed global commerce for decades. This fragmentation introduces new risks for Russia: potential changes in political regimes in trade partner countries, the risk of secondary sanctions, and the unpredictable behavior of states like Turkey or India, which balance their ties with both Russia and the West. For example, while Turkey has expanded trade with Russia, it has also intermittently complied with Western restrictions when facing pressure (Voronova, 2023).

In conclusion, while the pivot to new markets has enabled Russia to cushion the immediate blow of Western sanctions, it is neither seamless nor costless. Russian businesses—particularly those in sectors beyond energy—face a host of difficulties, from logistical and legal hurdles to weak pricing power and geopolitical volatility. The success of Russia's external trade restructuring will depend not only on the willingness of new partners to maintain commercial ties, but also on the internal capacity of Russian firms to compete, innovate, and adapt to more complex and fragmented global markets.

7.3 Long-Term Sustainability of Evasion Strategies

While initial sanctions imposed on the Russian Federation after February 2022 aimed to isolate its economy from the global financial and trade system, the resilience and improvisational capacity of the Russian state and its corporate actors have confounded many early expectations. Through redirection of exports, alternative payment systems, discounting mechanisms, and strategic partnerships with non-Western actors, Russia was able to mitigate immediate economic fallout. However, a more pressing analytical question now emerges: are these evasion strategies sustainable over the long term?

The answer requires a careful disaggregation of the mechanisms that constitute the current evasion architecture—logistics, diplomacy, financial tactics, and resource diplomacy—and a critical analysis of the geopolitical and economic dependencies they engender. According to Balakhonova, Knyazkina, and Arapova (2024), while Russia has succeeded in redirecting energy exports away from Europe and toward Asia (especially China, India, and Turkey), this redirection has come at the cost of increased bargaining asymmetries and structural vulnerability. These countries, aware of Russia's constrained alternatives, have leveraged their positions to demand deep discounts, favorable financing terms, and greater control over infrastructure projects.

One of the most consequential tools of evasion—discounted oil sales—presents both an immediate advantage and a strategic liability. In the short term, offering oil at rates below global benchmarks helped Russia maintain market share and secure critical revenue. Yet over time, this erodes the fiscal returns necessary for investment in upstream extraction and technological renewal. In 2022 and 2023, discounts on Urals crude reached up to 30% relative to Brent, with India and China as principal beneficiaries (Balakhonova et al., 2024). Maintaining this pricing model may be politically viable, but it undermines long-term competitiveness and accelerates budgetary constraints—especially as Russia’s energy exports become more concentrated in a limited set of buyers.

More structurally problematic is the degree of monopsony dependence this creates. As highlighted by Sycheva (2024), over 70% of Russia’s exports to India and over 75% to China consist of raw materials and hydrocarbons, with little balance from these partners in terms of manufactured imports or technology transfer. In effect, Russia has replaced one form of geographic dependency (Europe) with another that is arguably more lopsided in terms of strategic leverage. This growing dependence is particularly concerning in the context of shifting global regulatory norms—such as the EU's Carbon Border Adjustment Mechanism (CBAM)—which could complicate the future access of carbon-intensive Russian exports to even those non-Western markets that adopt European environmental standards to access global trade (Sycheva, 2024).

Further, Russia's logistics infrastructure is not yet optimized for long-term redirection to the east and south. As noted in the energy trade literature, bottlenecks in eastern railway corridors, limited port capacity in the Russian Far East, and dependency on third-country transit points (like Kazakhstan and Mongolia) create vulnerabilities. These physical and regulatory chokepoints not only increase transaction costs but make energy and goods flows susceptible to external political pressures—particularly as secondary sanctions by the U.S. and EU gain traction in those regions.

There are also structural tensions in the sectoral composition of trade evasion. The majority of Russian success stories post-2022 have come in fossil fuels, fertilizers, and unprocessed materials. The non-resource non-energy (NRE) sector—crucial for sustainable, diversified growth—remains underdeveloped. While strategic trade partnerships with China, Turkey, and Egypt offer some promise, these countries also serve as competitors in key manufacturing and agricultural sectors. As Sycheva (2024) emphasizes, Russia risks subordinating its own domestic industrial policy to the import demands and market structures of larger trade partners unless a coherent strategy for industrial upgrading accompanies evasion mechanisms.

Moreover, financial evasion—notably through yuan and rupee-based settlements—has reduced exposure to Western financial institutions but at the cost of currency convertibility, reserve liquidity, and balance-of-payment flexibility. The ruble remains a non-convertible currency in most major economies, and trade conducted in rupees with India often results in the accumulation of non-spendable reserves due to imbalanced trade flows (Balakhonova et al., 2024). Such inefficiencies undermine the viability of these systems as long-term alternatives unless broader bilateral trade arrangements or monetary instruments are developed.

From a geopolitical standpoint, the sustainability of evasive strategies will also be shaped by the evolving positions of third countries. India and Turkey, for example, have both demonstrated a willingness to recalibrate their ties with Russia when their global standing or economic priorities are at stake. In 2023, Turkish customs authorities temporarily halted transit shipments of Russian goods, citing concerns over the reputational cost of sanctions circumvention (Sycheva, 2024). Similarly, Indian banks have increasingly refused to process payments for Russian oil if they exceed the G7 price cap, demonstrating how non-aligned countries can still be influenced by Western regulatory frameworks.

Despite these constraints, some elements of Russia's evasion infrastructure may outlast the immediate sanctions context. Initiatives such as the development of the Eurasian Economic Union's common market, the expansion of gas infrastructure to East Asia (e.g., Power of Siberia 2), and enhanced customs integration with Central Asia suggest a gradual institutionalization of eastward economic pivoting. However, whether this represents true resilience or merely adaptation to geopolitical exclusion remains a matter of debate.

In conclusion, the long-term sustainability of Russian trade evasion strategies depends on several critical factors: the ability to reduce discount reliance, to invest in eastward logistics and industrial capacity, to rebalance trade with key partners, and to protect sovereignty over pricing and currency arrangements. Failure to address these structural weaknesses may transform current evasive measures from a strategy of resilience into one of strategic dependence. As such, sustainable adaptation requires more than tactical ingenuity; it demands strategic diversification, long-term institutional investment, and a shift in the logic of Russia's external economic policy from reactive evasion to proactive transformation.

8. Results and Conclusions

This study has examined how Russian companies responded to the expansive sanctions regime imposed by Western countries following the 2022 invasion of Ukraine. Through a comprehensive analysis of trade data, financial transactions, and case-specific evidence across strategic economic sectors, the research reveals a multifaceted picture: on the one hand, a high level of institutional and commercial adaptability, and on the other, systemic vulnerabilities and long-term strategic dependencies.

One of the most evident outcomes has been Russia's strategic pivot in international trade relations. The redirection of hydrocarbon exports toward non-Western markets—particularly China and India—was central to mitigating the initial economic shock. This reorientation was not merely symbolic: India's imports of Russian crude oil expanded from roughly 100,000 barrels per day in early 2022 to nearly 1.9 million barrels per day by mid-2023. Similarly, trade volumes with China reached historic highs, signaling a shift in Russia's global economic alignment. This diversification, however, came at a significant cost, as Russia was forced to offer steep price discounts to attract buyers, thereby eroding profit margins and fiscal revenues.

In parallel, Russian firms displayed a remarkable capacity to resolve logistical constraints. The expansion of a "shadow fleet"—consisting of more than 600 tankers operating under opaque ownership and obscure registries—enabled the continuation of oil exports despite restrictions on maritime trade. Yet, this strategy carried substantial risks, notably in terms of environmental hazards and maritime safety, and depended heavily on international opacity and regulatory loopholes.

On the financial front, Russia adapted to exclusion from Western systems such as SWIFT by promoting internal alternatives like the Mir card and the Fast Payment System (FPS). The growing use of alternative currencies—especially the yuan and rupee—further facilitated external trade. Nevertheless, challenges persist, including issues of convertibility and the accumulation of reserves in non-traditional currencies, highlighting a fragile and complex financial repositioning rather than a stable solution.

A pivotal dimension of these adaptations has been the role of third-party states. Nations such as Turkey, Kazakhstan, and the UAE have served as intermediaries—providing logistical infrastructure, financial channels, and informal platforms for rerouting commerce. While crucial in circumventing sanctions, these partnerships also reveal a geopolitical dependency that often leaves Russia in weaker bargaining positions and subject to shifting political contexts in intermediary countries.

The behavior of Small and Medium Enterprises (SMEs) further underscores the uneven character of the Russian response. Many SMEs demonstrated flexibility through informal mechanisms and market redirection, yet their survival depended largely on local conditions and the availability of state support. This variability highlights an internal stratification of resilience and underscores the broader structural imbalances in Russia's economy under pressure.

Although Russia's strategies have allowed for short-term stabilization, long-term viability remains uncertain. Structural weaknesses—including discount-driven export strategies, fragile supply chains, overreliance on specific trade corridors, and constrained access to high technology—present enduring challenges. Without meaningful reform and reinvestment, these adaptations risk locking Russia into a trajectory of reduced autonomy and economic vulnerability.

Based on these findings, several policy recommendations emerge for the international community. First, it is essential to improve multilateral coordination of sanctions enforcement. Enhanced diplomatic efforts with countries facilitating circumvention—such as Armenia, Turkey, and the UAE—are necessary to limit the availability of alternative trade and financial routes. This must be complemented by offering incentives for cooperation and clearly defined penalties for enabling evasion.

Second, there is an urgent need to reinforce financial surveillance mechanisms, particularly regarding alternative digital payment networks and cryptocurrency platforms. Russian institutions have shown increasing sophistication in using these tools to bypass restrictions, necessitating equally innovative monitoring and regulatory responses from sanctioning bodies.

Third, maritime and logistical control frameworks must be updated to address the expansion of shadow transport networks. This includes stricter international standards on ship registry transparency, ownership disclosure, and insurance regulation, all of which would help close existing loopholes.

Fourth, the effectiveness of sanctions depends not only on economic pressure but also on the clarity of their objectives. Strategic communication campaigns should be deployed to publicly explain the rationale behind sanctions, preempt misinformation, and undermine narratives aimed at delegitimizing international enforcement efforts.

Lastly, sanctioning countries must invest in reducing global dependence on Russian exports—particularly energy. A sustained shift toward renewables and diversified supply chains would not only constrain Russia's leverage but also contribute to long-term geopolitical and environmental stability.

In conclusion, this thesis affirms that sanctions remain powerful instruments of economic statecraft, capable of inflicting substantial pressure. However, as the Russian case demonstrates, their success hinges on strategic adaptability by enforcers, multilateral commitment, and constant recalibration. Russia's ability to partially circumvent sanctions reflects both the complexity of global interdependence and the evolving nature of modern conflict, where economic tools increasingly operate as extensions of geopolitical influence.

10. Research Limitations

Throughout this study, several limitations have emerged, affecting the depth and comprehensiveness of the analysis. One of the primary challenges encountered was accessing reliable and comprehensive sources of data. The lack of transparency from Russian governmental and corporate entities regarding the specific economic impacts of sanctions significantly constrained the ability to fully assess the nuanced internal economic adjustments. Official Russian sources often presented data selectively, emphasizing resilience and minimizing reported difficulties, which made impartial verification challenging.

Moreover, international databases and analytical reports provided valuable insights; however, their assessments varied widely due to differing methodologies, biases, and geopolitical perspectives. This divergence complicated efforts to create a fully cohesive and objective evaluation of the sanctions' overall effectiveness. Independent reporting within Russia was limited, and external analyses frequently relied on indirect indicators or anecdotal evidence, thus introducing an unavoidable level of speculation and inference in this study.

Additionally, the rapid evolution of sanctions regimes and Russia's adaptive measures posed another methodological challenge. The continuously changing nature of trade routes, financial channels, and logistical adaptations made it difficult to capture a definitive snapshot of the economic situation, limiting the temporal validity of some conclusions.

The investigation also faced linguistic barriers, as some primary documents and reports essential for a detailed analysis were only available in Russian or other non-English languages. Despite efforts to utilize translation services, nuances and specific technical terms occasionally may not have been fully captured, potentially affecting interpretive accuracy.

Lastly, geopolitical sensitivities and the highly politicized nature of the research topic inevitably introduced the risk of biased interpretations and subjective evaluations by both Western and Russian analysts. Recognizing and mitigating such biases required cautious interpretation and critical engagement with all sources utilized throughout this research.

Despite these limitations, the study has provided valuable insights into the complex dynamics of economic sanctions and state responses, while clearly indicating areas where future research and more transparent data could significantly enhance understanding of these critical geopolitical tools.

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