Effect of the sanctions imposed on Russia on the world economy

The aim of this literature review is to expand the topic of sanctions imposed on Russia as this problem needs more research due to the novelty of the issue. Some papers have been already published, so we can have a closer look on researchers' thoughts. Sanctioning Russia affects not only sanctionee but also imposers themselves. The purpose of the study is to investigate the overall impact of financial and economic sanctions on Russia for the world.

Russia has been under the close supervision since the collapse of the USSR in 1991. Ever since 1992 Russia started its 'conquest' from entering the independent Moldova. This led to creating of so-called Pridnestrovie (de facto ruled by Russia) which is absent on the maps and not acknowledged by United Nations. However, serious steps have started to be taken since 2014 after Russian annexation of Crimea. Russia is stated to be the most sanctioned country at the moment (Girardone, 2022).

The reviewed literature gives us the main understanding of the most common sanction typology and tries to give an answer to the question: 'Do the sanctions work at all?' Literature available is scarce as the topic has only started to draw attention of the scholars, moreover, a few statistical data is available, especially from the Russia's side. Many researches, both theoretical and empirical, show that sanction policy has not resulted in as much efficiency as expected. I observe the tendency of researches blaming European and Russian codependency in import-export relationships. Hausmann et al. (2022) state that the main sanction target is energy supply. Girardone (2022) refers to European Commission stating that 43% of EU's gas imports. Moreover, Mbah and Wasum (2022) highlight that fertilizers and agricultural products also take a big part of overall Russian exports. "The EU accounts for 40% of Russia's imports, but Russia constitutes only less than 2% of EU exports" (Haussmann et al., 2022).

When talking about sanction typology, Girardone (2022) argues, that at the moment there is no commonly accepted classification. Author suggests the following: restrictions towards Russia can be classified as (i) individual sanctions, (ii) economic sanctions, (iii) restrictions on media and (iv) diplomatic measures. He gives a definition of so-called smart sanctions to be 'selective penalties that use financial institutions to put pressure on specific groups, and directly impact governments, individual officials or elites (in case of Russia, the oligarchs). van Bergejik (2022) argues with Western analysts about calling sanctions imposed on Russia without precedent. To prove his point of view, author gives examples of the experience with Iraqi invasion of Kuwait in 1990 and sanctions on Iran on 2012. Also researcher emphasize the fact that restrictions were already taken in 2014, but they were not serious enough to prevent future events. Moreover, aggressor's economy got stronger and more prepared, so new sanctions did not give a desirable effect.

Hausmann et al. (2022) highlight that the main purpose of sanctions was to be a real substitution of armed conflict, as it must motivate aggressor to surrender. Nonetheless, 2 out of 3 sanction cases seem not to work at all (van Bergejik, 2022). Sanctioning countries that follow specific ideology while starting a serious invasion is hard due to the unwillingness to change the course and going 'to the winning end'. In the literature I have studied authors agree with the narrative of sanctions inefficiency. However, Schropp and Tsigas (2022) offer completely opposite point of view. Authors conduct that the design of sanctions makes the difference. People might think that this kind of penalty works on the principle 'more is better', but it is not the case. Mahlstein et al. (2022) in their article use a computable general equilibrium (CGE) analysis to estimate different possible outcomes for Russia and so-called 'Allies' (coalition of sanctioning countries). Calculations show, that economic burden is distributed drastically different between Allies. The main reason for it is that each country has their own sanction set. In addition, Russia answered with

countersanctions putting more pressure. Schropp and Tsigas (2022) also used CGE analysis but in order to estimate optimal sanctions choice for Allies. Modelling revealed that sanctioners should choose sanctioned sectors and extent of punishment wisely. It is better to target specific sectors than organize a total embargo. In section 5 authors speculate on the topic of additional strategies for Allies. Ideas are either to share the economic burden between Allies equally or to donate to Ukraine extra generated tariff rents. Analysis and calculation showed that 'burden-sharing between Allies (1) eradicate any controversial divergence in economic gain and losses within the group of Allies, therefore achieving equitability of the sanction burden; (2) decrease Allied average losses; and (3) increase economic harm for Russia, regardless of the effects metric and the tariff increase chosen' (Schropp & Tsigas, 2022).

The literature review has demonstrated wide-spread thought of sanctions inefficiency at the moment. Researchers tend to claim that penalties in the way they are now cause more damage to sanctioners than sanctionees and call for further empirical analysis. Existing models provided several options for further Allies' steps to minimize their losses and maximize negative impact on Russia's economy. Schropp and Tsigas (2022) and Mahlstein et al. (2022) believe that sanctions still can be proved to be useful if measures are taken. This study is relevant because sanctioning one of the biggest countries is a precedent that cannot be easily overlooked by world society as it affects not only Russia and Allies, but other states as well.

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