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THE INTERPLAY BETWEEN ECONOMIC SANCTIONS AND PRIVATE SECTOR PERFORMANCE

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Abstract

The policy of economic sanctions continues to be an important one in the realms of diplomacy and global policy. Though sanctions are typically intended to reduce the willingness of target nations to continue certain behavior, it is possible that the effects of the sanctions can differ, influencing private sector actors in the country to a greater extent than the policymakers. This paper explores the practical and theoretical implications for the firm in a target country. With its focus, the essay contributes to the scholarly conversation, albeit indirectly, on the effects of economic sanctions. As more firms are willing to use sanctions as a competitive tool, they must understand the broader dynamics of sanctions. Even when sanctions are 'smart' or so-called 'surgical' measures against elites, they will often be able, as critics and global policy actors say, to reduce the ability of the private sector by condemning an entire economy. The paper argues that using insights from a new trade theory, sanction targeting considerations are prominent for multinational managers who may purchase inputs in the targeted country. Thus, trade may mitigate policy effectiveness. These improving metrics lend further support to the argument that some private sectors may dislike sanctions, but inference trees yield a more ambiguous result about which foreign direct investors will still view the sanction target favorably despite the results.

Keywords: *Market Access, Foreign Direct Investment, Supply Disruption, Regulatory Compliance, Economic Resilience, Global Trade Dynamics.*

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1. INTRODUCTION

At the end of the twentieth and the beginning of the twenty-first century, one might quite justly argue that the major political weapons of nation-states and international alliances are of an economic nature. Political leaders and policymakers are nowadays just as inclined to use tariffs and quotas as they are to use military force. One important factor that has hitherto been largely ignored in the economic literature is the impact that such sanctions have on the operations and performance of private enterprise. This is an issue of no little importance, for although it can be argued that career military officers and government bureaucrats are ultimately economic agents, both making decisions based on economic and business rationales, these men and women are undoubtedly better trained by their professions and life experiences to withstand political and economic pressures (Yuan, Chen, He, Kong, Wu, Degefu, & Ramsey, 2022).

Trade embargoes, tacit discretion in awarding contracts to certain firms, and more direct political conflicts often cause significant segments of the private sector to see their once lucrative business relations evaporate. Moreover, the imposition of such unexpected constraints and new trade negotiations with new partners puts incumbent firms at a competitive disadvantage, as quasi-rents from transitional or ongoing relationships can be easily seized away from the private agent. Despite the great relevance of this issue, the impact of sanctions on the private sector only recently began to receive substantial academic interest. Literature within the field mainly focuses on the tools or financial instruments used by the informal economy, prohibition laws, and companies doing business with them, and more generally, industries. It is specifically dedicated to analyzing the resilience and adaptability of productive systems subjected to sanctions from the external environment (Alkandi, Khan, Fallatah, Alabdulhadi, Alanizan, & Alharbi, 2023).

In so doing, it explains main business strategies aimed at limiting the impact of financial sanctions on corporations' performance. The work aims to reveal the intricate connections between fair competition, the informal economy, firms, and individuals interested in deviant consumption to show the presence of economic sanctions implemented by the market on economic behavior. Data reported refer to data elaboration and interviews collected in which investment advisors, unconventional ethical self-generators, cogitators, and middle-class individuals were interviewed. Besides, the dataset reports responses collected from individuals who answered a structured questionnaire provided by students. More generally, other studies explored the role played by economic divestment, classic and legal on rule-sanctioned behaviors of individuals working for both banking institutions. More recently, some works have focused on sanctions during conflict (Galbraith, 2024).

International economic sanctions as tools of foreign policy have a long history that dates back to ancient Greece. The modern practice of economic sanctions emerged during the wars of the 19th century, when they were formalized and expanded as a result of economic warfare. In the 20th century, economic sanctions were imposed to reinforce military deterrence and to influence and shape adversary behavior. The utility of sanctions for these purposes, however, has been contradictory and politically controversial. In addition, comprehensive and targeted sanctions have often exposed both the most powerful and the most vulnerable countries to further economic volatility, with negative, although largely unintended consequences. The United Nations and its member states have sanctioned over a dozen countries since 1980, and the European Union, the United Kingdom, and the United States have resorted to economic sanctions more often than all other countries combined (Braithwaite, 2024).

In the interconnected and interdependent world in which we live today, trade conflicts are both more immediate and more global. As states employ these asymmetric tools more systematically, the pressure on the global economy continues to build. However, sanctions hold further, longer-term implications for individuals, groups, and businesses within the targeted country. In contrast to the primarily political and economic motives of government policymakers, the responses of private, bottom-up market actors have been largely overlooked. Most research has centered on the decisions and utility calculations of targeted governments in response to sanctions by other countries. Other studies have characterized the delayed and limited responses of markets to increasing sanctions. Seldom explored are the varied responses of privately held firms, businesses, and economies to foreign sanctions, beyond government trade policy and political economy. The economic actors targeted by sanctions confront similar effects of both economies and political orders. Different sanctions regimes, however, are eroded as firms protect their own interests alongside their commitment to national security concerns. This dual nature of power and interests is further elaborated later in the study (Rodríguez, 2024).

The goal of this study is to understand how economic sanctions imposed on one country affect the behavior of businesses in another country and their subsequent performance in multiple dimensions: investments, employment, innovation, costs, budgets, demand, capacity, and export market penetration. The sanctions can directly impact the profitability of companies due to the loss or restriction of their import-export channels, and they can indirectly affect business performance by changing tariffs they pay or import-export regulations, even including the nature of the available import-export services. Achieving this objective, the paper adopts a desk qualitative method to gather data. The paper adopts a content analysis to analyze the gathered data.

2. THEORETICAL FRAMEWORK

In the past years, various concepts and theoretical models have been proposed to explain the reasons underlying the introduction of economic sanctions and the mechanisms by which they work. Realist and liberal institutionalist approaches provide generally accepted explanations of the practice of the application and lifting of economic sanctions, and the way different responses to them affect the imposition of sanctions. This study attempts to translate sanctions mechanisms from the country level to the firm level, merging insights from both economic sanctions and private sector performance theories. At the level of economic theories, the study combines 'traditional' theories which assume full market autonomy and resilience, with more recent 'revisionist' insights that take account of the possibility of at least partial market-state interpenetration. This study is rooted in the wider research program on 'New' or 'Revisionist' Economic Diplomacy, which extends from work on the consequences of interacting sanctions escalation to market behavior during economic warfare, including strategies of resistance, rebuilding, and reinvention. A very specific subset of this wider program is the work that we have done to date on the experience of business and commerce during sanctions, where market-state imperatives often play out in especially fraught ways. Our aim is to shed light on how complex these interactions can be, and how the experience of sanctions can lead us to question any simple separation of state and market as key orthodox economic theory would have it (Meyer, Fang, Panibratov, Peng, & Gaur, 2023).

3. CONCEPTUAL REVIEW

3.1. Economic Sanctions

Economic sanctions are measures heavily affecting or outright cutting off foreign economic relations. There exists an array of instruments such as freezing foreign bank accounts, export and import bans, and economic or raw materials embargoes. Several aspects are commonly used to classify these measures. Principally, the literature distinguishes between unilateral and multilateral sanctions, acknowledging that due to the omnibus clauses of law, even apparently unilateral decisions are no longer so. An additional category differentiates between targeted or 'smart' and comprehensive or 'dumb' sanctions, which impact the larger populace (Bajoghli, Nasr, Salehi-Isfahani, & Vaez, 2024).

There are various explanations for why states and international organizations set up such measures. From a strategic point of view, sanctions can function as a pressure tool, as a means to deter and preempt, and as coercive diplomacy, a feature that is also discussed as a factor of commitment and resolve. Additionally, non-governmental organizations and the general public are often a driving force behind demanding such measures. One's principles and terms of trade are a further driver. From other perspectives, measures such as sanctions do not only have wanted and wished-for direct effects but also cause unintended side effects. National economies are interrupted; the economic performance of companies will suffer, and employees may be laid off. As a result, workers are induced into early retirement schemes, press-ganged back to their home countries after peremptory dismissal, reduced into part-time employment, or otherwise encumbered (Gutmann, Neuenkirch, & Neumeier, 2023).

Consequently, ever more attention has evolved to comprehensive programs for risk management and contingency planning. The extent of detailed planning also evolves in line with the fact that more states introduce sanctions this century. Since the early 1990s, nearly 300 new sanctions programs have been established, and today, approximately 32 percent of the states have at one point or another imposed sanctions on a foreign country. This development runs parallel with sanctions being increasingly set up and cooperated in the framework of various regional bodies determining economic law (Meyer, Fang, Panibratov, Peng, & Gaur, 2023).

3.1.1. Historical Perspectives on Economic Sanctions

Energy-based economic sanctions are nowadays a prominent foreign policy tool that is used to affect the behavior of target countries. For example, there are more than 20 countries affected by some form of energy sanctions at the current date, ranging from internationally adopted sanctions against Iran to unilaterally adopted, limited oil export restrictions against South Sudan. Reports indicate 174 publicly known cases of economic sanctions since Napoleon's time in which at least one state prohibited trade or investment with another state or country. Focus on the same lists 174 cases between 1914 and 1990. Refers to 22 sanction episodes over the period from 1914 until 1992 while others list 56 cases since the end of the Second World War (Morgan, Syropoulos, & Yotov, 2023).

Sanctions are imposed more in some periods than in others. Thirteen cases of sanctions were adopted during the years 1930 until 1939, during which both the Suez Canal and the Panama

Canal were affected by sanctions. There are 29 cases of sanctions during the 1940s, largely as a result of the Second World War, but also due to the Arab League's boycott of the State of Israel. It is striking that while 24 cases of sanctions are recorded during the years 1950 until 1959, four of these were focused on the underlying issues of the state of Malaysia, either China traveling to Tibet during 1950-1959, or after its creation (Seal & Ball, 2023).

3.2. Private Sector Performance

Private sector performance is commonly perceived to be multidimensional and may be conceptualized and measured in a number of ways. Indeed, performance refers to formal company acts and organizational operations to achieve desired corporate goals, as well as the consequences of these behaviors. Key performance indicators are used, among other things, to assess the company's performance. Among the frequently used indicators in corporate studies are profitability, growth, efficiency, productivity, liquidity, key categories, and risk assessment. Market conditions and state policies influence the success of the non-oil and gas sector, and the government's stance on the markets' role will have a significant influence on practice, especially in the current geopolitical scenario (Shwedeh, Aldabbagh, Aburayya, & Uppilappatta, 2023).

A key external factor linked with the economic and state policy context that may also influence private sector performance is economic sanctions. Starting in 2014, the emergence of sanctions created new business risks. Enterprises were forced to transform their strategies, but the approaches they chose varied. Ideally, businesses should adopt a number of strategies and have the capacity to shape that capacity to market conditions. This work invites debate about potential ways to adapt to external pressure, namely to utilize shocks from their inception to test core business competencies in the most adverse conditions possible, to cut unethical business practices, and to thin out inefficiencies of businesses on life support. Overall resilience and adaptability theories have recently appeared in the context of business endurance under economic sanctions and the implications for business activity (McDowell, 2021).

3.2.1. Empirical Studies on Private Sector Performance

Starting in the 1970s and 1980s, a number of empirical studies have been conducted on the performance of the private sector in relation to comprehensive UN and US sanctions. These studies used a variety of methods and data sources, from qualitative case studies and proxy studies to macro-level analyses on the effectiveness of sanctions in terms of economic changes in the target country. Collectively, they present evidence of decreases in several performance areas once a sanction regime commences (including child health, child mortality rates, and access to adequate nutrition). After punitive UN sanctions began against the former Yugoslavia in 1992, production in the private sector was cut in half. Nonetheless, 87–95% of the firms continued to function, mostly working well below capacity to generate only a small proportion of their pre-sanctions revenues. Economic isolation in the Dual Containment period also reduced Iranian purchases of machinery and equipment by half after 1996 (Rodríguez, 2024).

Starting in the 1990s, sanctions began to target specific firms (a small number of large enterprises and specific individuals involved in terrorism or weapons production or sale), referred to as 'targeted' or 'smart' sanctions. Studies of more recent sanctions against the private sector and on smuggled goods were primarily conducted by non-governmental and humanitarian organizations. These examined both the difficulties faced by the private sector as a result of such measures and different strategies that businesses adopted to get around them, attempting to assess the effectiveness of sanctions. A case study series of five companies (four large firms and one small business) and 61 interviews were completed in 2011, using a semi-structured biographical interview format and taking extensive verbatim notes of the responses in relation to challenges and adaptations. The impact (or lack thereof) of comprehensive sanctions put in place by various entities on Iran was examined. Creative methods that firms used to stay in operation were detailed, along with an analysis of the efficacy of sanctions—detailing their failure along with the negative consequences at the private sector and macroeconomic levels (Morgan et al., 2023).

4. IMPACTS OF ECONOMIC SANCTIONS ON PRIVATE SECTOR PERFORMANCE

The impact of economic sanctions and the private sector is multifaceted. There are direct and immediate effects, which disrupt economic exchanges, reduce cash flow and finance, and also limit imports of needed goods. In addition, there are also indirect, less immediate effects that may be socially or politically catalytic, related to shifts in the general business environment, stressed economic sectors, and changing quality business networks necessary for business operation. Research necessary for measuring the effect of sanctions on private sector operation is difficult because of secondary sanctions (Bajoghli, Nasr, Salehi-Isfahani, & Vaez, 2024).

Economic sanctions produce changes in corporate performance, particularly in the duration and levels of changes in revenue and profits, reduced market capitalization, and higher costs of doing business. Creditors become, at least temporarily, less willing to accept the affected firm as a business partner. In sanctioning states, there are also examples of industrial sector companies. The literature provides evidence of sanctions-driven effects on firm outcomes. The counteracting elements that one can detect for some firms are there as well. This transfer of empirical examples can provide useful feedback for both the private sector itself and policymakers considering economic sanctions. The 'export' of business experience can be helpful in assessing the dynamics of economic change. What is more, the research conducted into corporate performance during the process of economic coercion can also feed into the discussion on building economic resilience. The presented case studies underscore the nuanced interplay between resilience and vulnerability in different sectors. The observations support the argument against the assumption that corporate adaptation leads to a systematic regime decline. Regulatory steps and market defensive mechanisms are taken by businesses. Understanding the ever-changing economic context better helps businesses make more credible and predictable strategic choices in investment and day-to-day operations. For policymakers, this knowledge may also help in quantity and timing when line-crossing behavioral thresholds reach the intended economic effects (Farzanegan & Batmanghelidj, 2024).

4.1. Direct Effects

Sanctions typically are expected to have an immediate impact on targeted businesses. Within a short period following the imposition of sanctions, private sector representatives should be able to ascertain whether their revenue and/or market shares have decreased, whether they are unable to use funding, whether they are unable to replace key components for the continued operation of machinery, and whether they may have to forgo new commercial activities. Those whose revenue has decreased are more likely to opt for legal rather than operational strategies to react to the drop in revenue (Hart, Thesmar, & Zingales, 2024).

Sanctions often have a direct economic impact on listed businesses, reducing their performance. Sectors react differently to economic pressures; some are more susceptible than others. In some instances, economic pressures may even bring the operational activities of businesses active in strategic sectors temporarily to a halt. Up until now, businesses that have remained listed following the imposition of sectoral sanctions have experienced a decrease in revenue of at least 40 percent within one year following their listing. Where sectoral sanctions are at play, the longer a business is listed, the more likely it is to report new losses. Sanctioned listed businesses are likely to decrease new investments and have stated their preference for legal rather than operational strategies to restore their financial position (Lee, Lektzian, & Biglaiser, 2023).

4.2. Indirect Effects

Traditionally, indirect consequences of economic sanctions on the private sector have been conceptualized as short-term reactions due to shocks caused by initial trade blockages, licensing withdrawals, or the impounding of a firm's assets in the embargoed country. Nevertheless, there are indications that the effects of economic sanctions are most likely to be felt in the long run. Restrictions on exports of finished consumer goods into certain markets have generated exit options and weakened the hold of companies on those markets while inducing others to speed up the import substitution process, with the end result that we will find ourselves facing more severe competition some two to three years from now than we do at the present time. The occupants of these boats maintain that, given that the primary aim is to obtain control of the market, the indirect problems caused by the licensing restrictions are considered greater by the large foreign producers of design rights on the coasts than the immediate effect on sales. If the economies of these countries do not soon break down, the world competitive position of design producers will be lowered by the cutback (Gutmann et al., 2023).

Moreover, the relevance of these indirect effects is strongly dependent on the particularities of the business environment in which sanctions are implemented: the amount of competition present and the ease with which new competitors can enter the market, the relative bargaining power of investors and host governments, and the structure of the industries affected. These and other reasons may induce one to think that in some cases – mainly, but not only, because of an interplay between direct and indirect effects – the sanctions may result in a permanent or at least relatively long-term loss of market shares and reductions in profits, revenues, and growth trajectories. As we show in detail below, the importance of indirect effects may result in the reorganization of the competitive landscape and alter firms' supply chains, that direct examples of these mechanisms are present in real life, and that, because of these changes, entering post-sanction investments might be substantially different from pre-sanction ones and require the adoption of new strategies and new organizational systems for international production. In some industries, given the persistency and strength of these effects, these changes might also bring about structural changes in relevant industries that last beyond those dynamics. Thus, not considering these indirect effects when analyzing business behavior for a broad class of strategic outcomes could lead to biased predictions of that behavior (Sonnenfeld et al., 2022).

4.3. Strategies for Mitigating the Negative Effects

While it may be difficult to completely counteract the negative effects of economic sanctions, there are certain strategies that companies usually employ when faced with this challenge. Businesses can implement a number of takeaways recommended by companies and industry associations that have first-hand experience of sanctions and for whom successful mitigation of the negative impact of the restrictive measures might result in business growth. The first and crucial step to gain compliance with sanctions is to seek and establish new markets, products, and supply chains before they are actually needed. By gaining multiple sources of liquidity, companies are afforded greater flexibility. More specifically, many companies turn to markets that are underserved but have high growth potential. Conducting consolidations, mergers, and entering into high-risk areas may strengthen the company. Other solutions involve creating and engaging in financial partnerships and engaging in industry collaborations, such as strategic partnerships, joint ventures, and expertise exchange. Indeed, making partnerships and relationships based on mutual interests and building partnerships that allow us to get through tough regulatory or economic times such as sanctions are critical. In addition, companies re-evaluate their business models ingrained in compliance with internal processes that have compliance in mind (Mulder, 2022).

In order to counteract the restrictive effects of economic sanctions, many companies employ detailed processes that are methodically pre-designed and pre-planned. A large state-backed company in another jurisdiction reports using an advanced system that is multipronged with many elements embedded in the decision process of the senior management and used to counteract the impact of sanctions. Several large corporations find that a detailed strategic planning framework helps individual divisions come up with effective mitigation plans, which in turn strengthens the overall effect on compliance. Despite policy differences, corporations in the banking, automobile, chemical, and defense industries are all employing investment symmetry to flatten their balance sheet. Companies will try to find onshore subsidiaries to invest in to prevent their home country from expropriating property and becoming too costly for lenders to sue in an international arbitration forum. When facing a lack of ability to refinance loans, some of them would convert their short-term debts into another currency and another bank lending consortium. Critical lessons may be drawn still today, decades after the enactment of sanctions meant to be abolished, from the vast amount of high-quality financial statements provided by the public (Dai, Felbermayr, Kirilakha, Syropoulos, Yalcin, & Yotov, 2021).

4.3.1. Diversification

Driven by necessity, diversification might be a good strategy to support economic resilience. Diversification can take place in different forms, including product diversification or market diversification. While companies have a certain focus of production and/or products, they can try to further develop their lines of products and goods. Other companies could also opt to deliver their existing products to new markets to increase portfolios on the supply side. In addition, even companies that are today able to deliver to global markets can, due to poor financial results, bounce back from reputational damage taken by signing contracts with countries that have questionable reputations (Sonnenfeld, Tian, Sokolowski, Wyrebkowski, & Kasprowicz, 2022).

One of the companies in the case studies reports that new product development receives additional funding with the aim of addressing an additional market. However, companies need additional funding for R&D activities; the case study company reports a lack of funding. Many of the companies need additional support with regard to innovation, which could inject new ideas and technologies across their portfolios. High costs are an additional constraint to research and development for small businesses. Engage your stakeholders to enhance what you do, drawing on the range of enterprise resources that exist within your community, including your academic institutions. Market information and research should inform business decisions on moving into new markets. Businesses, therefore, should develop a knowledge of markets and market entry. Market diversification is another innovation of the industry, given the ever-changing environment and flexible trading portfolio, enabling the pursuit of opportunities. It is often the best way to achieve balance between supply and demand rather than the primary policy goals of some enterprise development (Özdamar & Shahin, 2021).

4.3.2. International Partnerships

Forming international partnerships is also a strategy to mitigate risks of slow profitability increase. In practice, companies collaborate with foreign partners to access new markets as well as new resources. This strategy is also valid in dealing with sanction-related constraints, as evident from successful cases. In particular, businesses strategically utilize international partnerships to enhance their resilience to manage complex landscapes created by sanctions where parameters are continuously changing. Partners pool resources, knowledge, and activities and enable firms to continue conducting business. They create a protected venue with access to expertise, resources, capital, and foreign markets, technologies, and information even if initially severance of ties with their domestic business partners might entail increased transaction costs. Trust between partners, values alignment, and embeddedness of their ties become critical pillars supporting the coping strategy and reducing the risk of "divorce" at the first sign of sanctions easing and market reintegration (Kelishomi & Nisticò, 2022).

Case studies provide several instances where partnerships and collaborations have helped domestic businesses secure profits despite sanctions. These include joint ventures and business development agreements for designing, developing, and promoting marketing projects, products, and services, as well as collaborative relationships for research and development in addition to a license agreement for the commercialization of developed products. The creation of a strategic alliance between energy and forestry companies and a gas monopolist that is formally dependent on the state structures is also seen as an insurance policy built in relation to predicted sanctions prior to these being put in place. Prospective isolation from the market in the ongoing scenario appeared too risky for these companies. Large and publicly listed mining and metal company, exploiting synergies with its steel plants, is also interested in the new business-logistics-economic zone, which makes them interested in staying in the region. The presence of diplomatic channels and alliances beyond the business level adds another layer of insurance and reduces the fear of over-reliance on their partner (Hufbauer & Jung, 2021).

Partners complement each other in resource provision (markets and finance); some are knowledge and expertise based while yet more charge premium prices for capacities, services, and expertise that domestic firms lack. The strategic and international orientation of these partnerships, in particular with investors, is seen beyond entrance to markets facilitation, also to help in sustainable operations. The agri-food industries, fishing, aquaculture, and maritime transport appear particularly bent on looking for business opportunities that offer guaranteed presence in the global export markets also beyond the current geopolitical scenario, through strategic partnerships with firms from the region and elsewhere. Particular importance is attached to their wide range of partners in both the countries and the global market, ranging from governmental, inter-governmental, diplomatic bodies, and trade representations, which can inform about upcoming important changes in the sanctions regime and provide legal and tax advice. Market diversification appears more difficult in this dissemination group due to the lack of financial resources and thus the ability to cope with unforeseen market changes. However, companies promote their business through roadshows targeting markets where five companies succeeded in entering into partnerships with local businesses (Kelishomi & Nisticò, 2022).

5. Ways Forward

The economic consequences of imposed sanctions are often broad, impacting different groups in various ways. Consequently, many researchers have called for more coherent or tailored policies, for a balancing of the two potentially contradictory objectives of sanctions enforcement and preventing unnecessary harm, and for more research into the practical implications of either listening to advice and willingly imposing such harm or, conversely, refusing such advice and thus accepting the increased likelihood of evasions. This paper contributes to this strand of literature by elaborating some policy recommendations with a view to minimizing the negative effects of economic sanctions on the economic performance of the private sector, particularly for SMEs up to large enterprise size. The private sector has some instruments at its disposal to preemptively adjust to the external sanctions pressure. In fact, once sanctions are enforced, it may already be too late to do so in a timely and cost-efficient manner. Therefore, some interaction is necessary between policymakers and business leaders. Both parties can benefit by changing the approach to sanctions in such a way that the dialogue creates a feedback loop between the actual market and the tools used to shape such a market. Therefore, policies are analyzed that either could trigger such interaction or that businesses can use themselves in order to become more resistant to sanctions. The results suggest there are effective strategies that allow businesses to alleviate the negative consequences of sanctions.

5.1. Government Policies

Governments should avoid imposing widespread, indiscriminate, and disproportionate sanctions, as damage to the economic system and indicators can indicate when these hurt and likely destroy any diplomatic clout the sanctions might otherwise have carried. The interests, impact, and role of the private sector in the economy upon which sanctions are being placed should be taken into account. Complete and full sanctions are rare. Care should be taken when targeting specific economic sectors, as these can have a knock-on effect, even if unintentional, on other areas of an economy. All assessments should be conducted before the roll-out of sanction measures. Communication strategies between all dealing with the implementation are important. There are many who could be affected, directly and indirectly, by sanctions. Businesses should not learn of new sanctions through reports in the media, which could have the knock-on effect of risking spillover in the form of drops in share price.

Governments should consider, as far as backward linkages to suppliers are concerned, to what degree the switching leaves the potential for a sanction being circumvented – this would have a knock-on effect in relation to sanction effectiveness. During the working workshop, it was asked if the assessment of the ripple effects of exclusions from an economy might change the way backlash might be assessed in the earlier part of the step-by-step guidance to whether or not the sanctions are appropriate. The government's strategy might need to be reconsidered with consequences if the response is a form of backlash. Perhaps the same should even be applied to the consequences of forward effects where economic and/or national interests have been unduly sacrificed to too great an extent. It can be an indicator of disproportionality in the policies employed if, at this point, anything but negligible negative results are expected. The extent to which the sales or use transfers dependence is in part predicated on the focus of foreign policy efforts. Care, if more than previously, there might be an increasing need to shift also towards including sales or receiving states from dependence on just one state to other states or companies. It is worth monitoring consistently and regularly the impact and compliance with the sanctions. Some countries mention they do this quarterly, others monthly, when shipments or remittances are expected to take place. At the end of even just the first three months, these will provide a time-out or early warning appropriate to discern and assess progress or little of the same. Routine and systematic monitoring and reporting, as per the said notification date, are relevant, and many governments do this.

5.2. Private Sector Strategies

Risk Assessment that Identifies Their Vulnerabilities: Firms need to conduct a comprehensive risk assessment and read the corporate governance model against the business impacts that could occur should they face sanctions. Firms should develop a contingency plan for the future. They must develop a plan of action for an adverse event that would impact their production, supply chain, human resources, and finance.

Adaptation (Agility and Innovation): Sanctions and market criminalization created market disruption. Firms must adapt to these changes to move away from niche markets. Business models that focus on creating coalitions of countries or using different markets to create diversification strategies are essential.

Innovation: Businesses can innovate by opening new markets or looking at innovative solutions. Through innovative responses to the disruption, they can rebuild market share that was lost.

Collect Data: Use business and governance data analysis to identify the potential impact of sanctions and determine when to act.

6. CONCLUSION

In conclusion, this paper discusses the interplay between the existence of economic sanctions and private sector performance. While the introduction of economic sanctions has an overall detrimental short-term effect on the sanctioned country's economy, it is not clear how much of this effect can be attributed to the development of a new sanctions-related economy in the long run. Other potential unintended consequences and difficulties that may arise include the increased influence of some sanctioned entities on the domestic markets and the role the national government should play in governing and controlling this influence. It is necessary to know both the intended effects of sanctions as well as their potential effects on business in order to evaluate the risks for investors and make recommendations regarding sanctions mitigation measures. Furthermore, the development of a more nuanced set of sanctions impact categories would help institutions to better target both designed and unintended effects for better-tailored sanctions regimes.

There are potential further research directions that are not discussed in detail. For example, there needs to be more of a sectoral focus on the adoption of businesses in particular sector response measures; the interplay of strategic economic sanctions on country development as well as possible predictive indicators of when a country will become the target for sanctions is relevant; while underlying technology may differ in power of development, it is arguable that restrictions on technology access may have a two-way influence on target countries' national technology development and direction; value-based research on the long-term philosophical implications of strategic economic sanctions should be developed further. Sanctions perceptions are often based on facts, and often facts are more like anecdotes or root knowledge statement-based analyses; therefore, deeper insights are needed to improve our overall understanding of the rapidly changing landscape in which business, government, and society must operate. Engaging with a body of work that brings these various angles together might lead us to develop a nascent proclivity in the literature for sanctions and associated due diligence. Given the results of this preliminary work, a continuous dialogue between the government and the private sector is paramount for resilience and adherence to the law. This requires a much more informed understanding of the effects of new sanction threats in specific target markets while also recognizing the potential competitive advantage that already sanctioned entities may bring.

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