Economic sanctions disruption on international trade patterns and global trade dynamics: Analyzing the effects of the European Union’s sanctions on Russia.

Doornich, J. B. & Raspotnik, A.

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Introduction

Since the spring of 2014, the European Union (EU) and its member states have imposed a range of diplomatic and economic sanctions against the Russian Federation. The sanctions were introduced in response to Russia's annexation of the Crimean Peninsula and actions taken to destabilize the political situation in eastern Ukraine (Council of the European Union 2014). The measures limit Russian access to capital markets in the EU, restrict business and diplomatic relations, and target specific economic sectors in Russia, such as sensitive technologies and services used for oil exploration and production. The sanctions have primarily aimed at changing Russia's policy towards Ukraine and forcing Russian military operations out of the region (Raik, Helwig, and Jokela 2014).

Governments frequently use economic sanctions, such as trade barriers, tariffs, or restrictions on financial transactions, to influence or undermine the political actions or regimes of other countries. Such sanctions are imposed by one or more countries to negatively affect the target country's economy. As such, they seek to signal or coerce a change in the prevailing policies or regimes of the target country (Davis and Engerman 2003; Giumelli 2011; Hufbauer et al. 2007; Neuenkirch and Neumeier 2015). Scholars have extensively studied the effects of such sanctions on the target country's economy (Neuenkirch and Neumeier 2015; Peksen and Drury 2010) as well as the effectiveness of sanctions in bringing about change in the target country's prevailing policies and regimes (Dizaji and van Bergeijk 2013; Drury 1998; Lektzian and Patterson 2015; Marinov 2005).

Scholars have also provided insights into the impact of sanctions on bilateral trade relations between the sanctioner and the target country, and into third-party countries' involvement in imposed sanctions. These scholars focus on the effect of unilateral and multilateral sanctions on the target country (Drezner 2000; Elliot et al. 2007; Joshi and Mahmud 2018; Kaempfer and Lowenberg 1998); the effect of third-party countries acting as "sanction busters" or "black knights" that fill the trade void and signal support for the target country (Early 2009; Hufbauer, Schott, and Elliot 1990); and the effect of sanctions on the target country's integration into the global economy (Lektzian and Patterson 2015; McLean and Whang 2010). Although these scholars provide some understanding of the effect of economic sanctions on trade relations, we lack descriptive studies of sanctions' implications for trade patterns between the sanctioner and the target country. In this study, we aim to fill this gap by providing new insights into: (1) the impact of sanctions on bilateral trade patterns between the sanctioner and the target country and (2) the impact of sanctions on the target country's integration into the global economy.

The extant literature builds novel theories from large datasets covering up to 1,000 cases with historical timeframes of up to 20 years (Morgan, Bapat, and Krustev 2009). This methodological approach is limited to exploring the effectiveness of sanctions by constructing novel hypotheses that are tested in order to generalize findings at a higher level of abstraction (Hedström 2005). Although this method provides insights into the complexity of sanctions, we believe more descriptive studies are needed to provide more detailed outlines of the implications of economic sanctions for international trade patterns and the effect of sanctions on the target country's integration into the global economy. Therefore, in this paper, we undertake an extensive analysis of the economic sanctions imposed by the EU on Russia. The study serves as an illustrative case example that further enhances our understanding of the implications of economic sanctions for international trade patterns and global trade dynamics.

In the following sections, we present a brief outline of the phenomenon of economic sanctions. We then provide an introductory, simplified timeline of significant events and decisions related to the sanctions imposed by the EU on Russia. Thereafter, we outline our methodological approach before we analyze the sanctions' impact on bilateral trade patterns. We do so by following the bilateral trade trendline to three years after the implementation of the sanctions, and by investigating the trade dynamics between several EU member states and Russia. Further we analyze the impact of the sanctions on Russia's integration into the global economy. In this regard, we discuss the potential power of the EU as a multilateral sanctioner and the role of third-party countries that have acted as sanction busters. Finally, we synthesize our work and offer suggestions for additional research.

Economic sanctions as a foreign policy measure

Economic sanctions are coercive instruments aimed at influencing the policies and regimes of another country by constraining international trade. Kofi Annan, the former Secretary General of the United Nations, reflected on economic sanctions as a political instrument used in geopolitical conflicts, stating that they involve "more than just verbal condemnation and less than the use of armed force" (United Nations 2000).

In the early to mid-1900s, sanctions were often used to amplify military actions (Davis and Engerman 2003; Hufbauer et al. 2007). Between 1914 and 1945, they were utilized to disrupt military ventures (e.g., the sanctions imposed by the US against Japan in 1917 and in 1940-1941; the sanctions imposed by the UK and the League of Nations against Italy in 1935-1936) or to complement a broader war effort (e.g., the sanctions imposed by the UK against Germany in 1914-1918). In recent decades, economic sanctions have been used as a form of diplomatic pressure expected to affect the target country's behavior (Davis and Engerman 2003). Such sanctions generally aim at influencing the target country's internal actions and structures (e.g., to change political structures, to ensure freedom and democracy, to strengthen human rights and labor rights, to change nuclear policies) or its external activities and interactions (e.g., annexations of land, military actions). The effectiveness of economic sanctions is measured in terms of their ability to inflict economic harm on the target country (Neuenkirch and Neumeier 2015; Peksen and Drury 2010) and to pressure the target country into enacting policy changes (Dizaji and van Bergeijk 2013; Drury 1998; Lektzia and Patterson 2015; Marinov 2005). Such measures may be enforced by one country, several countries, or an international organization (Hufbauer et al. 2007). One country usually initiates the sanctions, but enforcement can then become multilateral (Galtung 1967). The sanctioners are typically larger countries that possess more economic and military power than the target country (Davis and Engerman 2003).

Although governments frequently employ economic sanctions with the aim of bringing about change in a target country's political actions or regimes, research finds that sanctions only have a modest effect on political or regime change (Marinov 2005; Neuenkirch and Neumeier 2016; Oechslin 2014). The majority of studies analysing the effectiveness of sanctions indicate that there have only been few instances in which economic sanctions have led to changes in the policies and regimes of the target country (Dizaji and van Bergeijk 2013; Marinov 2005; Neuenkirch and Neumeier 2016; Oechslin 2014; Pape 1997).

The Ukraine crisis and the EU's sanctions against Russia

At the end of 2013, Ukrainian President Victor Yanukovych withdrew from the Eastern Partnership (EaP) initiative, a joint initiative involving the EU, its member states and six East European states (Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova, and Ukraine). The EaP was proposed in 2008 with the goal of strengthening political and economic relations between the EU and its East European neighbors. The initiative, which built on the existing European Neighborhood Policy (ENP), sought to strengthen the partnership developed under the ENP agreement; yet without granting any realistic option of EU membership (Crombois 2015).

Ukraine's sudden withdrawal from the EaP led to widespread protests by pro-European actors in western Ukraine and pro-Russian actors in eastern Ukraine. In February 2014, police fired on protestors at Maidan Square in Kiev and dozens of protestors lost their lives. Protestors continued to demonstrate against President Yanukovych's sudden withdrawal from the initiative as well as alleged corruption, authoritarianism, and a pro-Russian attitude. The protests led the president to flee Kiev the same month.

To support the pro-Russian movement, President Vladimir Putin called on the Russian Parliament to send military forces into Crimea in southern Ukraine on March 1, 2014. Thousands of troops wearing unmarked uniforms crossed the border to Ukraine, and the Crimean Peninsula was eventually annexed within two weeks. In mid-April 2014, the first formal military actions aimed at pro-Russian protestors were initiated by the Ukrainian Parliament. Less than a month later, separatists in the Donetsk and Luhansk regions declared their independence from Ukraine and their support for Russia.

In June 2014, President Petro Poroshenko, who won the Ukrainian presidential election in March 2014, signed the Ukraine–European Union Association Agreement (AA), which fell within the framework of the EaP. The agreement included a Deep and Comprehensive Free Trade Agreement (DCFTA) that granted Ukraine access to certain sectors within the European Single Market, and involved the free movement of goods, services, and labor within the EU. The agreement also aimed to ease EU investors' and companies' access to the Ukrainian market.

President Poroshenko's signing of the AA escalated the political tensions between Ukraine and Russia, as it shifted Ukraine's focus towards the EU. In an attempt to keep Ukraine from signing the agreement, President Putin offered USD 15 billion in loans to Ukraine as well as significant cuts in the price of gas exported from Russia to Ukraine.

In response to Russia's annexation of Crimea and Sevastopol and the corresponding violation of Ukraine's sovereignty, the US imposed economic sanctions on Russia in early March 2014. The EU and its then 28 member states implemented similar sanctions in mid-

March, while other western countries with political and trade relations with Russia supported the sanctions. The aims of the sanctions were to undermine Russia's policy towards Ukraine and to pressure the country into withdrawing its military forces from Ukraine.

Initially, the restrictive measures were relatively soft. They included a travel ban as well as a freeze on the assets of 152 Russian individuals and 37 Russian entities. By June 2014, new measures were added to restrict the EU's economic relations with Crimea and Sevastopol. This new set of measures included a ban on imports from these regions, restrictions on trade and investments, a ban on exports of certain goods and technologies, and a prohibition on supplying tourism services in these areas. A month later, more comprehensive sanctions were imposed following the attack on Malaysia Airlines flight MH17. The sanctions have been continually reassessed and are currently expected to expire in June 2021. The following measures are at the core of the EU's sanctions:

- Limited access to primary and secondary capital markets in the EU, and to sensitive technologies in the oil and military sectors for certain Russian banks and companies,
- A ban on exports and imports of arms,
- A ban on exports of dual-use goods for military use or military end users in Russia, and
- Limited access to certain sensitive technologies and services that can be used for oil production and exploration.

In response to the economic sanctions, Russia introduced counter-sanctions against the EU, the US, and supportive western countries in August 2014, including a ban on imports of certain agri-food products and raw materials from these countries. A simplified timeline of the Ukrainian crisis and the economic sanctions introduced by the EU is provided in Appendix 1. The US and the EU claim that the economic sanctions will be removed once Russia changes it policies towards Ukraine and implements the Minsk Protocol of September 2014, which was extended by the Minsk II accord of February 2015. The Protocol requires a full cease-fire in the Donetsk and Luhansk regions, the withdrawal of heavy weapons, the release of prisoners of war, and the restoration of control over the state border in the conflict zone to the Ukrainian government.

The implementation and dynamics of the economic sanctions should also be understood in terms of underlying geopolitical rivalry between the EU and Russia; an adversarial relationship that became more complicated with Russia's annexation of the Crimean Peninsula (Foxall 2017; Forsberg 2013; Haukkala 2015; Nitoiu 2016; Nitoiu and Sus 2019).

Methodology

As this study seeks to approach the phenomenon of economic sanctions from a descriptive point of view, we provide an in-depth analysis of the sanctions imposed on Russia by the EU. Our descriptive approach complements previous studies on the imposition of economic sanctions, which have been dominated by exploratory studies aimed at developing hypotheses or theoretical constructs. These studies have generated rich insights into the effectiveness of sanctions and provided an important foundation for the development of a more in-depth understanding using current case examples. As such, this study contributes to the extant literature by moving the focus from theorizing about economic sanctions to explicitly examining the dynamics of bilateral and global sanctions in a single case study (Hedström 2005).

We gathered the data used for our empirical analysis from several statistical databases, including EuroStat, RosStat, and UNCTADstat, and compared them to ensure accuracy in the figures. The data were simulated from the year 2000 to 2017 in order to derive an overview of historical trade patterns between the sanctioner (the EU) and the target country (Russia), and to gain insights into trade developments over time. To ensure a better overview of the sanctions' effects on bilateral trade, we only show changes in percentages and refrain from highlighting actual numbers.

We first outline the effect on bilateral trade between the EU and Russia to analyze the impact of sanctions on internal trade patterns between the sanctioner and the target country. We then describe the historical development of bilateral trade between the EU (and its member states) and Russia from 2000 to 2017. This provides an understanding of how trade trends had developed prior to the sanctions and how the sanctions immediately affected bilateral trade. As the sanctions against Russia are enforced by multiple countries that are collaborating within an international organization, we also describe the power of multilateral economic sanctions. In a next step, we examine the trade patterns between Russia and its main trading partners in order to analyze Russia's integration into the global economy. This leads to a fruitful discussion of how third-party countries (in our case, China) have the potential to reduce the effects of economic sanctions.

The impact of sanctions on bilateral trade patterns

Bilateral trade between Russia and the EU

Since 1997, bilateral trade between the EU and Russia has been based on the bilateral Partnership and Cooperation Agreement, which initially ran for 10 years and was renewed annually from 2007 to March 2014. While the EU's main exports to Russia were machinery, transport equipment (cars), chemicals, medicines, electrical and electronic goods, and agricultural products, mineral fuels dominated Russia's exports to the EU (Szczepanski 2014). When the sanctions came into force in June 2014, bilateral trade was hit hard and many commercial ties were severed. In 2014, the value of exports from the EU to Russia dropped by 12.96% (RosStat 2015, 2017). In 2015, the value of exports continued to decline, falling by 39.92%. After two years of dramatic declines in EU exports to Russia, trade stabilized in 2016 when the value of exports fell by only 0.80%. By 2017, the total value of goods exported from the EU to Russia settled down at 4.6% (EuroStat 2018). This made Russia the EU's fourth-largest export market that year. Although Russia holds this position ever since 2008/2009, its share of EU-exports is nowadays closer to Turkey (fifth-largest export market) than Switzerland (third-largest) (Eurostat 2019).

A similar tendency can be seen in the decline in imports from Russia to the EU. In 2014, the value of Russian goods imported by the EU fell by 6.98%, while the decline in 2015 was 39.05%. The value of imports then stabilized in 2016, when it fell by only 4.51%. In 2017, Russia ranked third in terms of exports to the EU, accounting for 7.8% of the total import value (EuroStat 2018). Prior to the sanctions – in 2014 – Russia also ranked third, yet with 11% of all EU imports (Eurostat 2015).

Generally, bilateral trade between the EU and Russia began to rise again in 2017 when the value of exports from the EU to Russia increased by 22.14% and the value of imports from Russia to the EU rose by 24.25%. The dynamics of bilateral trade between the EU and Russia from 2000 to 2017 are illustrated in Figures 1 and 2. The figures show that the economic sanctions imposed in 2014 had an immediate effect on bilateral trade between the EU and Russia. They also demonstrate that bilateral trade rose again in 2017 (Havlik 2019).

Figure 1: Russia's annual imports from the EU (thousands of USD). (Sources: EuroStat 2018; RosStat 2015, 2017; UNCTADstat 2018a, 2018b)

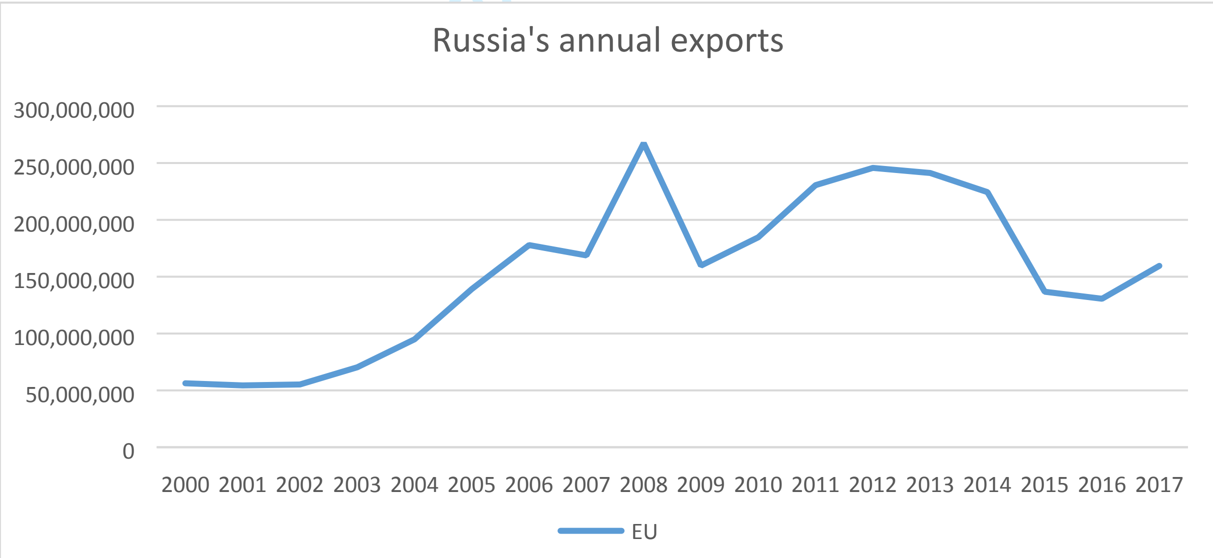

Figure 2: Russia's annual exports to the EU (thousands of USD). (Sources: EuroStat 2018; RosStat 2015, 2017; UNCTADstat 2018a, 2018b)

The figures show that after a steady increase in bilateral trade between the EU and Russia ever since 2000, trade immediately declined when the sanctions were introduced in the spring and summer of 2014. However, bilateral trade rose again just two and a half years after the sanctions were first imposed, demonstrating that the sanctions only had an immediate effect on bilateral trade.

The decline in bilateral trade can also be explained by other circumstances not directly related to the sanctions. The sanctions were implemented just five years after the global financial recession of 2009, which was preceded by a significant drop in the oil price at the end of 2008. The oil price again fell dramatically from a peak of USD 115 per barrel in June 2014 to less than USD 35 at the beginning of 2015 owing to an economic downturn in 2014. As Russia is one of the world's biggest producers and exporters of oil and gas, and as its GDP relies heavily on petroleum-related activities, the country's economy is highly influenced by global petroleum prices. This makes Russia vulnerable to volatile swings in oil prices. As such, even though the sanctions had a significant effect on bilateral trade, other circumstances must be acknowledged as also having an impact, such as the general downturn of the Russian economy, largely caused by the falling oil price and the ensuing ruble depreciation (Christie 2016; Fritz et al. 2017; Giumelli 2017).

At the same time, and given the historical increase in trade since early 2000, we would expect a further increase in bilateral trade in the absence of sanctions. Although bilateral trade quickly rose again just two years after the sanctions came into force, the level of trade would have continued to increase if the sanctions had not been implemented. Therefore, we cannot claim that the value of bilateral trade has recovered. Even though it quickly improved, it is still far from the level seen in 2013 with the bilateral trade relationship assumed to be permanently affected (Havlik 2019).

Significant losses with top trading partners from the EU

The statistics for bilateral trade between Russia and its top trading partners within the EU indicate that these member states suffered the most in terms of economic losses. Figures 3 and 4 show Russia's total trade with the EU (left axes) and international markets (right axes). These figures exemplify the value of Russia's exports to and imports from its top trading partners within the EU. Russia's top trading partners from the EU have been the same since 2000, and they are the same for both exports and imports. However, their significance in terms of exports and imports differs.

With regard to import markets, the Netherlands is Russia's largest trading partner, followed by Italy, Germany, and Poland. When it comes to exports, Germany is the largest trading partner for Russia, followed by Italy, Poland, and the Netherlands. These trading partners have experienced different effects of the sanctions in terms of changes in total values of imports from and exports to Russia. All of them experienced few effects from the sanctions in 2014 but major effects in 2015.

In terms of Russia's imports from the EU, the Netherlands is the top trading market. In 2015, the value of goods imported from the Netherlands fell by 39.72%. The value of imports from Poland declined by 39.64% and from Germany by 36,25%. Italy was hardest hit by the sanctions, as Russia's imports of Italian goods fell by 44.10% in 2015, which was more than the EU average. In 2016, Russia's imports from the Netherlands and Italy fell by 27.22% and 26.37%, respectively but rather stabilized in the case of Poland with a decrease of only 4.36%. Imports from Germany increased again in 2016 with an increase of 33.65%.

Russia's exports to its top trading partners in the EU also declined. Russia's exports to Germany were hit hardest, falling by 16.28% in 2014 and 37.38% in 2015 before stabilizing in 2016. Exports to Poland and the Netherlands declined by around 39% in 2015 but stabilized in 2016. Russia's exports to Italy fell by 35.87% in 2015 and 4.44% in 2016. These figures show that Russia's top trading partners in the EU suffered from the imposition of the sanctions, as both imports and exports declined.

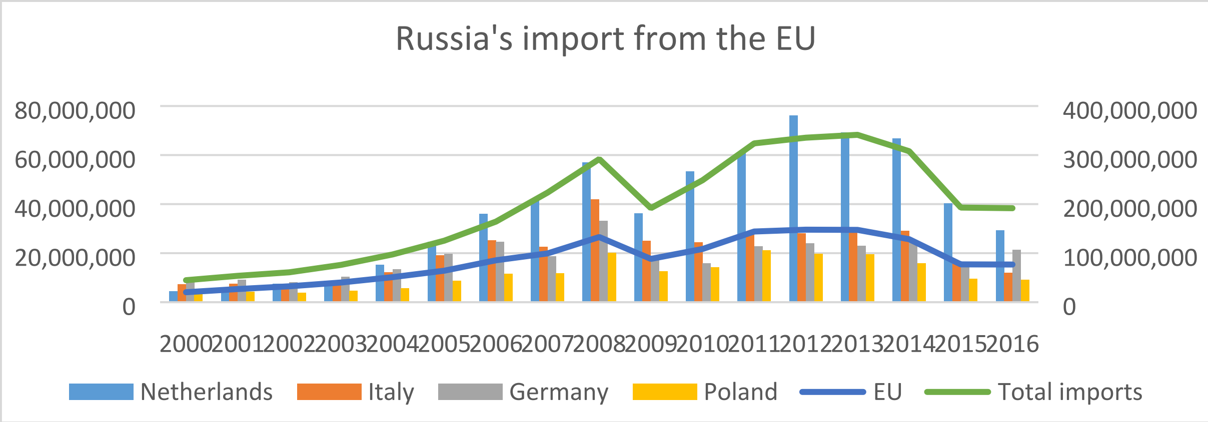

Figure 3: Russia's imports from the EU and its main trading partners (thousands of USD). (Sources: EuroStat 2018; RosStat 2015, 2017; UNCTADstat 2018a, 2018b)

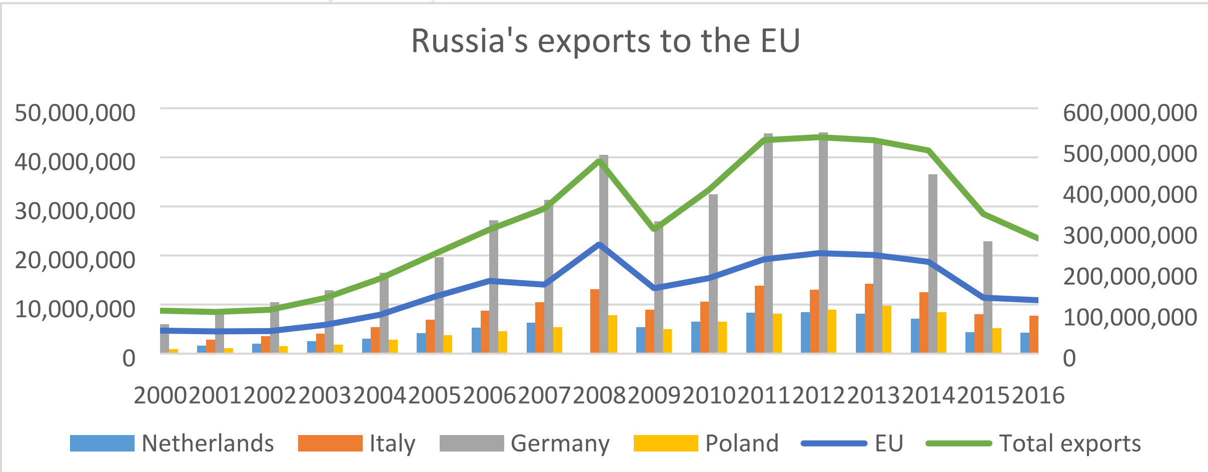

Figure 4: Russia's exports to the EU and its main trading partners (thousands of USD). (Sources: EuroStat 2018; RosStat 2015, 2017; UNCTADstat 2018a, 2018b)

The statistics on bilateral trade between Russia and the EU show that trade was immediately restricted due to the sanctions. We argue that although the economic sanctions against Russia immediately harmed bilateral trade with the EU, trade quickly recovered, albeit not to the level of the original trade trendline.

The impact of sanctions on Russia's integration into the global economy

The EU as a multilateral economic sanctioner

The extant literature discusses whether unilateral or multilateral sanctions are most effective for inducing changes in the target country's behavior. Scholars argue that multilateral sanctions are more effective than unilateral sanctions and that multilateral sanctions increase the likelihood of the target country acquiescing to the sanctioners' demands (Bapat and Morgan 2009; U.S. Government Accountability Office 1992). These scholars argue that when a coalition of countries enforces sanctions, the target country has fewer alternative trading partners. This, in turn, restricts the target country's integration into the global economy. Conversely, in the face of unilateral sanctions, the target country has more opportunities to find new trading partners. Consequently, the sanctions are more likely to be successful given multiple sanctioners. At the same time, some scholars claim that unilateral sanctions are more effective than multilateral sanctions (Drezner 2000; Kaempfer and Lowenberg 1998; Miers and Morgan 2002). These scholars argue that multilateral sanctions reduce the likelihood of success (Elliot et al. 2007) and that multilateral sanctions may be counterproductive (Miers and Morgan 2002).

Some researchers suggest that when an international organization imposes sanctions, the effects and likelihood of success are greater because the organization holds more power than single or multiple nations. In addition, there is less risk of free-riding, as all countries in the institutional coalition are forced to comply with the sanctions imposed on the target country (Drezner 2000; Martin 1992).

In our case, the sanctions were enforced by an international organization of *sui generis* nature. As the EU, with its then 28 member states, is the main trading partner for Russia, one might expect the sanctions to inflict so much economic hardship on Russia and restrictions on its integration into the global economy that Russia would feel pressured to change its policies towards Ukraine.

Russia's total exports and imports to the EU as percentages of the total value of international trade are illustrated in Table 1. The table also indicates the percentage of Russia's trade with China, as bilateral trade with this country is discussed in the next subsection, which concerns third-party countries. The US is also included in the table because it was the country that initiated the sanctions against Russia. The figures show that the EU accounts for a significant share of Russia's total imports from and exports to international markets. In fact, the EU stands out at as Russia's largest trading partner.

% of total imports	2010	2011	2012	2013	2014	2015	2016	2017
EU	46.09	44.16	46.42	46.23	45.17	40.06	46.34	45.18
US	6.62	6.81	5.71	5.34	4.92	5.03	5.42	5.02
China	4.94	6.65	6.76	6.83	7.53	8.30	9.94	11.02
% of total exports	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
EU	43.64	44.50	44.06	43.19	41.67	39.93	40.10	40.15
US	2.41	2.57	3.19	3.27	3.49	3.67	3.02	2.94
China	13.62	13.78	13.90	14.69	16.84	18.11	19.98	19.57

Table 1: Russia's imports and exports to the EU, the US, and China (percentage of total value). (Sources: RosStat 2015, 2017; UNCTADstat, 2018a, 2018b)

The figures indicate that the EU accounts for almost half of Russia's trade with global markets. The decline in bilateral trade with the EU corresponds to Russia's total decline in trade with global markets after the imposition of the sanctions. The total value of goods exported by Russia fell by 4.80% in 2014 and 31.27% in 2015. In 2016, the value of exports fell by 17.46% (UNCTADstat 2018a). The total value of goods imported by Russia declined by 9.78% in 2014 and 37.31% in 2015 before stabilizing in 2016 (-0.74%). In 2017, the value of goods exported by Russia to international markets increased by 25.28%, while imports increased by 24.11% (UNCTADstat 2018a).

These figures reveal Russia's dependence on the EU for international trade. They also demonstrate how a sanctioner is capable of restricting the target country's integration into the global economy when the target country is highly reliant on the sanctioner for trade. The analysis supports previous findings indicating that the target country's reliance on trade with the sanctioner affects the extent to which the sanctions can constrain the target country's integration into the global economy (Martin 1993; McLean and Whang 2010; Lektzian and Patterson 2015). We therefore argue that when economic sanctions are imposed on a target country that heavily relies on trade with the sanctioner, the target country's integration into the global economy is immediately constrained because of the restrictions on bilateral trade. Furthermore, when the sanctioner is an international organization, the target country suffers in terms of its integration into the global economy. Yet, the likelihood of greater success and effectiveness of sanctions imposed by an international organization remains debatable, especially with regard to the EU – an international organization of *sui generis* nature. Even though the sanctioner is an established member organization, this particular coalition of members does not seem to have the political power needed to bring about change in the target country's behavior (Beyer and Zogg 2018; Chatzky 2019; Siddi 2018). This is mainly due to the lack of leadership and institutional weakness of the EU's (almost non-existing) foreign policy (Raik, Helwig and Jokela 2014).

Third-party countries as sanction busters

The ability of sanctions to limit the target country's integration into the global economy depends on whether third-party countries support or undermine the sanctions. Sanctions placed on a country that relies on trade with the sanctioners immediately restrict trade between the involved parties. The target country's loss of trade with the sanctioner creates a trade void that can be filled by trade with third-party countries. Third parties that undermine sanctions by increasing their imports from and exports to the target country can help the target country to offset economic losses, thereby limiting the economic consequences for the target country. As the main objective of sanctions is to negatively affect the target country's economy, the involvement of third parties that undermine sanctions reduces their effectiveness. Target countries that are supported by third-party countries are also more likely to resist the sanctioner's attempt to influence or undermine their political actions and regimes (Early 2011; Hufbauer, Schott, and Elliott 1990).

Third parties may be motivated to undermine economic sanctions by a political desire to be seen as "black knights" or by an economic desire to engage in "opportunistic rent-seeking" behavior (Drury 1998; Early 2011; Hufbauer, Schott, and Elliott 1990; Peksen and Peterson 2016). A third party acting as a black knight attempts to thwart the sanctions by offsetting the target country's losses for political reasons. Such behavior often focuses on gaining the target country as an ally or on the pursuit of prerogative power (Hufbauer, Schott, and Elliott 1990). However, previous studies show that black knights are not able to sufficiently affect the outcomes of sanctions (Drury 1998; Hufbauer et al. 2007). Early (2011) found that while black knights are insufficient on their own, a third party with a commercial motivation is more likely to negatively affect the outcome of sanctions.

A third party that engages in opportunistic rent-seeking behavior seeks to profit from the trade void. When industries and companies from the sanctioning country leave the target market, the trade void can be filled by third-party countries. Lektzian and Biglaiser (2013) emphasize that the sanctioner has few opportunities to entice third parties to withdraw from the target country. When an economic advantage appears possible, third-party countries can be expected to trade with and invest in the target country (Drezner 2000). If the economic and commercial incentives are significant, the target country's allies will most likely act as sanction busters by filling the trade void (Early 2009; 2012).

These different motives for undermining sanctions were, for example, evident when the US introduced sanctions against Cuba during the Cold War (Early 2009, 2011; Lektzian and Biglaiser 2013; Peksen and Peterson 2016). Japan, Canada, and the UK increased their trade with Cuba owing to commercial interests, and they eventually became Cuba's leading trading partners. The Soviet Union, on the other hand, acted as a black knight in response to the US sanctions against Cuba—it increased its trade with Cuba, and provided the country with extensive economic subsidies, assistance, and military aid. The motive was political, and revolved around the Soviet Union's desire to keep the Castro regime from weakening and to ensure the stability of the communist ideology in the country.

Sanction busting based on commercial interests was also evident in the US sanctions against Angola in the late 1980s. As US firms withdrew from all oil activities by selling their shares in Angolan oil fields, European companies bought licenses and, thereby, allowed operations to continue (Rodman 2001). Similar rent-seeking behavior occurred in conjunction with the US sanctions against Iran in the mid-1980s when European companies bought licenses from US petroleum companies to continue operations. Given the risk that third-party countries can undermine sanctions, McLean and Whang (2010) stress that the sanctioner must take the target country's opportunities to find new trading partners into account. If the sanctioner is able to gain the support of the target country's main trading partners, the sanctions are more likely to be successful. When the sanctioner is the target country's main trading partner, international support is less likely (McLean and Whang 2010).

In the case of the sanctions against Russia, the trade void was quickly filled, at least to some extent, by China. Table 1 shows that trade between China and Russia has increased in the past ten years, with a significant boost after the introduction of the sanctions. China's share of total imports and exports has steadily increased since 2010, but there was a notable increase in trade between China and Russia in 2015. China's total share of imports from Russia increased from 6.38% in 2013 to 8.30% in 2015, while China's share of total exports rose from 14.69% in 2013 to 18.11% in 2015, with increases also evident in 2016 and 2017.

China has strategically focused its development on trade and cooperation with Russia through its Belt and Road Initiative and the free-trade agreement (FTA) with the Eurasian Economic Union (EEU), which was signed in May 2018. The FTA aims to open a trade corridor and enhance investments between China and the EEU countries (Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan). Moreover, it is designed to improve trade and logistics in strategic sectors, such as energy, agriculture, and manufacturing; reduce non-tariff barriers; and facilitate economic and industrial relations between China and the EEU countries. The EEU itself was established in 2015 to act as an economic counterweight to the EU and to address China's intensified projects, such as the New Silk Road. The agreement allows for trade to flow from China to the EU's borders without custom duties.

The Arctic region may serve as a revealing case in this regard, as the EU's economic sanctions are also designed to negatively affect Russian economic activity in the Arctic (Depledge and Tulupov 2016). The sanctions curtail Russia's access to certain sensitive technologies and services that can be used for oil exploration and production, and they prohibit European companies from selling, supplying, transferring, or exporting related technologies. Thus, the sanctions have forced Russia to look East, notably to China, for investments in both oil and gas activities and logistics opportunities along the Northern Sea Route (NSR) (Liu 2018; Sun 2018).

The sanctions made China the primary partner for numerous Russian energy and infrastructure initiatives that involved the Siberian and Russian Far Eastern regions (Koivurova et al. 2019). For example, when western companies withdrew their funding for the

Yamal LNG project, the China National Petroleum Corporation and the Chinese Silk Road Fund stepped onto the scene. They now hold a 9.9% share in the project, which officially came online in December 2017 and has already delivered LNG to China via the NSR (Liu 2018). Additional energy initiatives may also be possible in light of a June 2018 announcement that a USD 10 billion development initiative between the China Development Bank and Russia's Vnesheconombank would include projects involving the Russian Arctic region (Koivurova et al. 2019).

China included the Arctic Ocean in its Maritime Silk Road project, which falls under the Belt and Road Initiative launched in 2013. The "One Belt, One Road" includes the NSR, and is expected to allow goods to be exported to Russia and Europe through the Arctic Ocean, thereby cutting down transportation time and risk, and providing an alternative to the Suez Canal. Russia is enhancing its northern ports (e.g., Murmansk, Arkhangelsk, and Vladivostok) to facilitate this development (Devonshire-Ellis 2017). Sun (2018) argues that international diplomatic isolation as well as western strategic (economic) pressure on Russia formed the foundation of the country's changing attitude toward China's role in the NSR and the Arctic. Prior to the sanctions, China's Belt and Road Initiative was largely seen as a geopolitical/geo-economic strategy aimed at weakening or marginalizing Russia's dominance in the Arctic region (Sun 2018). However, since 2014, Sino-Russian political relations have been explicitly focused on Arctic cooperation, as evident in, for instance, the 2017 China–Russia Joint Statement on Further Strengthening Comprehensive, Strategic and Cooperative Partnership. Notably, the statement encompasses a focus on the NSR in the Arctic, scientific research, energy resources, tourism, and environmental protection (Liu 2018). Notwithstanding this, Russia remains somewhat cautious in its (Arctic) interactions with China.

Our study shows that when the main trading partner imposes sanctions, third-party countries can take advantage of the resulting trade void. When third-party countries are not direct allies of the sanctioner, they are able to fill the trade void for rent-seeking purposes. In such cases, the sanctions provide economic advantages to third-party countries (Lektzian and Biglaiser 2013). Based on our analysis, we argue that the imposition of sanctions on a large economy creates opportunities for third-party countries because of the resulting trade void.

Conclusions

This paper described how economic sanctions affect bilateral trade patterns between the sanctioner and the target country, and how sanctions restrict the target country's integration into the global economy. We addressed this complexity by investigating a single case example using a descriptive approach. We offered an extensive analysis of the economic sanctions imposed by the EU on Russia in the aftermath of Russia's annexation of the Crimean Peninsula and actions taken by Russia to destabilize the political situation in eastern Ukraine.

Our analysis shows that, initially, the sanctions significantly affected bilateral trade between the sanctioner and the target country. Bilateral trade between Russia and the EU was immediately harmed by the sanctions, as both imports and exported declined. However, bilateral trade recovered after two and a half years, although it did not return to the trade trendline that had been developed over the previous decade. Furthermore, our analysis shows that when the target country relies on the sanctioner for international trade and when the sanctioner is an international organization, then the target country's integration into the global economy is heavily restricted. Finally, our analysis indicates that when sanctions are introduced, a trade void arises that creates opportunities for third-party countries (e.g., China in our case) to undermine the sanctions by increasing exports to and imports from the target country. We therefore assume that sanctions placed on a large economy create opportunities for third-party countries because of an emerging trade void. This, in turn, limits the effects of sanctions aimed at restricting the target country's integration into the global economy. As such, third-party activities can sustain the target country's integration into the global economy and reduce the economic harm that the target country experiences.

Our descriptive analysis has several practical implication for our understanding of the effect of economic sanctions on global trade and politics. First, trade voids are quickly filled and strategically pursued by third-party countries. In today's ever-shifting global order, it is not surprising that the present case reveals China as a "sanction buster" and "black knight." Even though China is not yet able to replace the EU as a source of imports and exports for Russia, structural gaps in the bilateral trade relationship between Russia and China have been considerably reduced in recent years (Havlik 2018, 2019). Second, the (long-term) effectiveness of economic sanctions remains questionable. Even though sanctions were imposed on Russia in mid-2014, the conflict in eastern Ukraine continues and the (legal) situation of Crimea is still disputed. Thus, as of July 2020, the economic sanctions imposed by the EU to change Russia's behavior in the Ukraine have not had the desired effect. We therefore believe that the international sanctions imposed on Russia were mainly of a symbolic, political nature, symbolizing the sanctioners' stand on Russia's policies and actions.

We acknowledge that several explanations are possible—the propositions presented here are based on our interpretations of the extant research and the case study itself. Additional research should further investigate the theoretical propositions by testing them on other cases. As (economic) sanctions are frequently used by world leaders as a political instrument and as this paper demonstrates the ability of sanctions to disrupt international trade patterns, future studies should attempt to approach this phenomenon from an interdisciplinary perspective by integrating theories from the academic fields of international business and international relations. Such efforts would enrich our understanding of the means used in economic sanctions and the (political) effectiveness of those sanctions. Even though the extant research suggests that sanctions are unlikely to result in political change in the target country, sanctions and other political instruments, such as embargos and trade tariffs, are still used in international conflicts. However, when economic sanctions fail to change the prevailing policy or regime of the target country, they only serve to communicate dissatisfaction with the prevailing political situation and act as a symbol of the sanctioner's multidimensional power (or related ambitions).

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Appendix 1: Simplified timeline of unfolding events and decisions related to the economic sanctions.

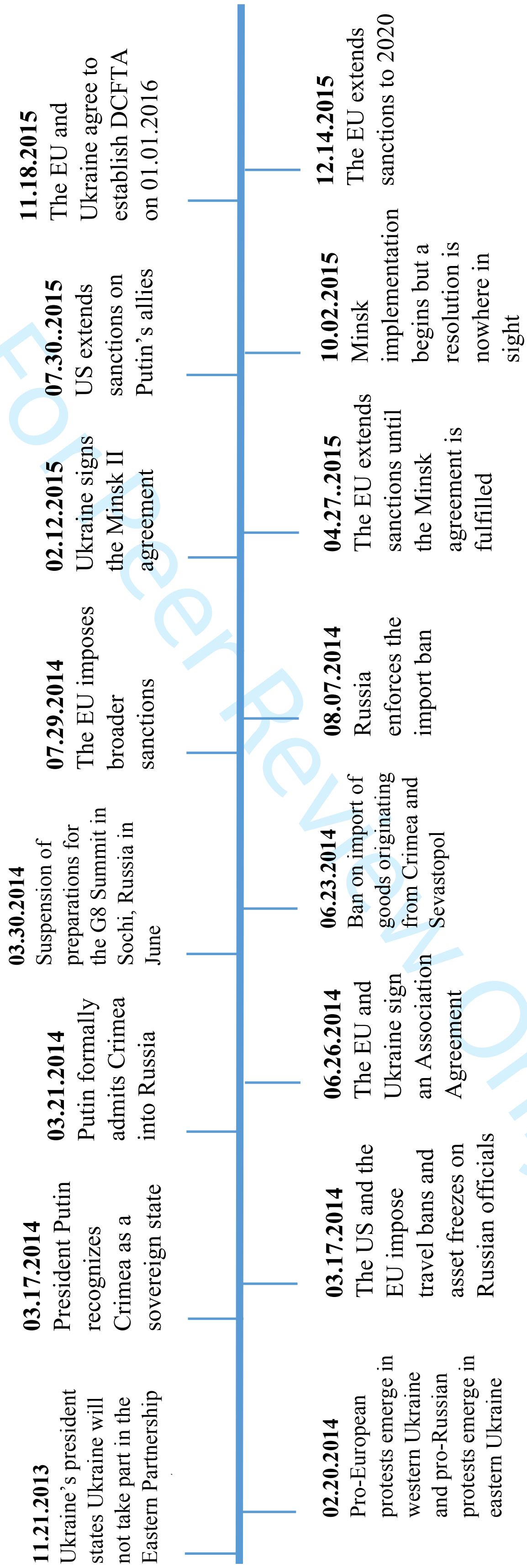

Figure 1: Russia's annual imports from the EU (thousands of USD). (Sources: EuroStat 2018; RosStat 2015, 2017; UNCTADstat 2018a, 2018b)

Figure 2: Russia's annual exports to the EU (thousands of USD). (Sources: EuroStat 2018; RosStat 2015, 2017; UNCTADstat 2018a, 2018b)

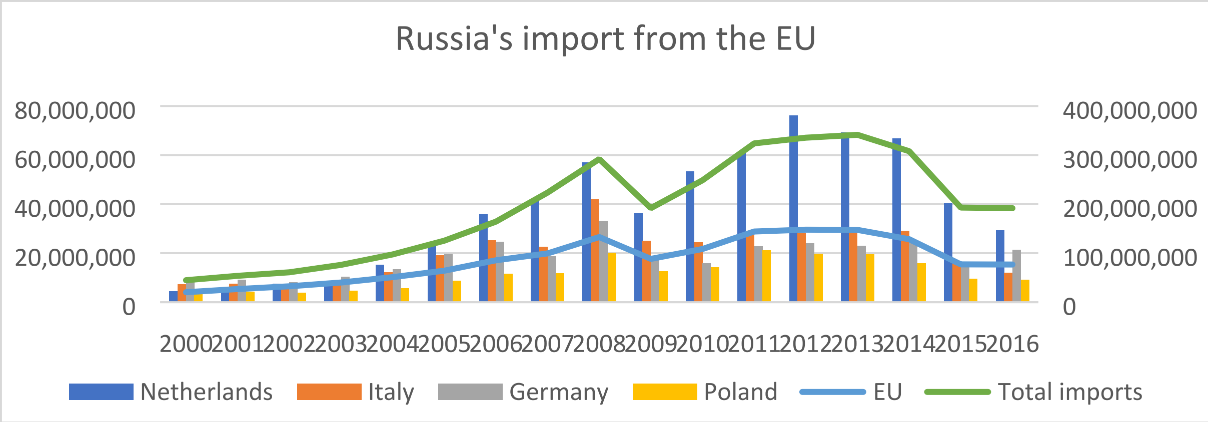

Figure 3: Russia's imports from the EU and its main trading partners (thousands of USD).
(Sources: EuroStat 2018; RosStat 2015, 2017; UNCTADstat 2018a, 2018b)

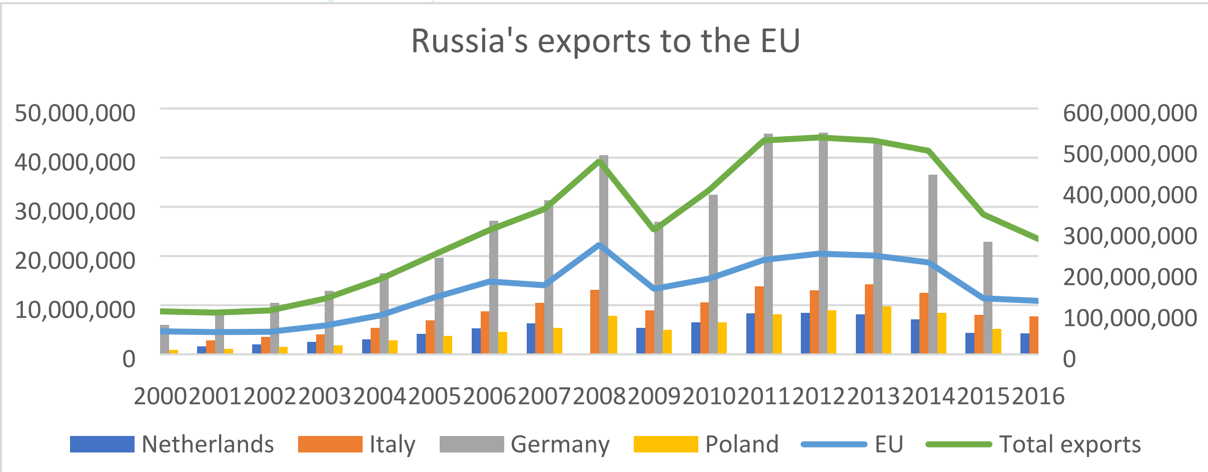

Figure 4: Russia's exports to the EU and its main trading partners (thousands of USD).
(Sources: EuroStat 2018; RosStat 2015, 2017; UNCTADstat 2018a, 2018b)

% of total imports	2010	2011	2012	2013	2014	2015	2016	2017
EU	46.09	44.16	46.42	46.23	45.17	40.06	46.34	45.18
US	6.62	6.81	5.71	5.34	4.92	5.03	5.42	5.02
China	4.94	6.65	6.76	6.83	7.53	8.30	9.94	11.02
% of total exports	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
EU	43.64	44.50	44.06	43.19	41.67	39.93	40.10	40.15
US	2.41	2.57	3.19	3.27	3.49	3.67	3.02	2.94
China	13.62	13.78	13.90	14.69	16.84	18.11	19.98	19.57

Table 1: Russia's imports and exports to the EU, the US, and China (percentage of total value). (Sources: RosStat 2015, 2017; UNCTADstat, 2018a, 2018b)

Appendix 1: Simplified timeline of unfolding events and decisions related to the economic sanctions.