

Sanctions against Russians twice as effective since Ukraine invasion, finds study

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Sanctions targeting Russian government officials have been significantly more effective at barring those individuals from the global financial system since the invasion of Ukraine, according to a study from

researchers at The University of Texas at Austin.

In an experiment comparing the effectiveness of targeted sanctions before and after the invasion, UT Austin faculty members Michael G. Findley and Daniel L. Nielson and their collaborator, J.C. Sharman at the University of Cambridge, posed as potential customers—including Russian officials first sanctioned in 2012—seeking access to the [global financial system](#). The results of the experiment's two phases suggest the 2012 sanctions only became effective a decade later, after the outbreak of war and the dramatic increase in international scrutiny.

In about 5,000 emails to business law firms and other corporate service providers, the research team sought to set up shell companies and international business bank accounts. In half the emails sent, they assumed the names of individuals targeted in Russian sanctions laws. In the other emails, they posed as customers from low-corruption countries such as Australia and New Zealand.

In response to emails sent between November 2019 and December 2020, before the invasion of Ukraine, the researchers found that names explicitly barred by Russian sanctions laws still had more or less the same access to those global financial services as people not listed. But in the second phase of the study, conducted in May 2022, a few months after the invasion began, it became much more difficult for sanctioned individuals to access financial services. In 2020, it took an average of 14 email inquiries for a sanctioned Russian official to acquire an anonymous shell company; by the middle of 2022, that average had doubled.

"These findings suggest that war, not law, proved important in sanctions enforcement," said Nielson, a professor in UT Austin's Department of Government. "This is a critical question, since economic sanctions are the main nonviolent means of coercive diplomacy in today's world. And,

of course, with the Russian invasion of Ukraine, this is a pretty burning question."

But the researchers are careful to note that more effective sanctions still are not perfect. "Even though it's much more difficult for sanctioned individuals to get access to the global financial system, we find it striking that they still have access," Nielson said. "Because emails are cheap to send, the costs to Russians seeking to evade sanctions do not seem to be extreme, even after the Russian invasion."

Financial sanctions have become an essential part of any country's statecraft and a key tool in the West's response to Russian aggression. But previous studies of sanctions' efficacy have focused primarily on sanctions that affect governments directly, the researchers write, rather than sanctions that target individuals.

"Before this research, there was no rigorous experimental evidence about the effectiveness of sanctions on individuals, or 'smart sanctions,' such as those naming the Russians closely associated with the government's invasion of Ukraine," Nielson said. "Our initial results led us to conclude that there was little evidence that smart sanctions are effective in normal circumstances. However, the war appeared to significantly increase scrutiny of Russian individuals and made it more difficult for them to access international financial services."

The team's investigation initially grew out of their work auditing compliance with global financial transparency standards. Testing the extent to which financial middlemen, such as business law firms and other corporate service providers, complied with Russian sanctions was the last piece of their initial audit. That research, which became the first half of their new study, concluded in November 2020.

"At that point, we detected no meaningful difference in access to the

global financial system for Russian names on a sanctions list compared to innocuous customers," Nielson said. "After Russia invaded Ukraine, we saw an opportunity to check if anything had changed. And it has, quite dramatically."

More information: Michael G. Findley et al, [Testing the Effectiveness of Targeted Financial Sanctions on Russia: Law or War?](#) (2022).

Provided by University of Texas at Austin

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