

Sanctions and International Law: A Double-Edged Sword in Foreign Relations

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Abstract

Economic sanctions are increasingly employed in international relations as a foreign policy tool, representing a middle ground between diplomacy and military action. Their growing use necessitates careful consideration of their effects on trade, legality, and ethics. While intended to modify the behavior of targeted entities, sanctions can disrupt trade patterns, potentially leading target countries to diversify trade under less favorable terms. Legal frameworks, such as the U.S. International Emergency Economic Powers Act, grant governments broad authority to impose sanctions, raising concerns about oversight. The application of sanctions also raises questions about compliance and enforcement for businesses operating globally. The theoretical underpinnings involve issue linkage and information asymmetry, impacting the success or failure of sanctions. This analysis explores the legal, economic, and ethical dimensions of economic sanctions within international trade law, considering their intended results, collateral consequences, and implications for global economic interactions.

Keywords: Economic Sanctions, International Law, Foreign Relations.

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1. Introduction

Sanctions have existed ever since the dawn of trade and economic activity started as far back as 432 BC, when the Athenian Empire banned traders from Megara from its marketplaces. It was not however until the 20th century that it became more comprehensive or targeted measures such as import bans, export restrictions, asset freezes, and travel prohibitions (Abuhgris N). It serves as legally and politically strong instruments designed by states or international bodies to influence behavior or uphold global norms. These may be applied unilaterally by one government or multilaterally through an organization such as the United Nations some of which is under Article 41 of UN Charter Chapter VII, the Security Council may mandate “interruption of economic relations” including trade and financial restrictions, which become binding on all UN Member states (Article 41). Yet, unilateral sanctions not backed by collective institutions like the UN or WTO often generate contentious legal debates around sovereignty, extraterritoriality, and legitimacy. Despite Divergent legal foundations, both types remain key levers for non-military diplomacy, exerting sustained economic pressure while avoiding armed conflict.

Economic penalties were codified in the modern era, particularly during the interwar years one of the examples was when Italy was sanctioned by the League of Nations in 1935 for its invasion of Ethiopia, however the implementation of oil embargoes and canal closures was not very successful (Italo-Ethiopian War,n.d.). The UN took on this role after World War II, and during the Cold War and the 1990s, the Security Council used Chapter VII sanctions more frequently, roughly thirteen cases in the 1990s as opposed to just two in the previous era (Elliott et al,n.d.). As a result, trade sanctions became a non-military but effective kind of international pressure that developed from spontaneous, old-fashioned instruments into formalized economic diplomacy methods. Several layers of international law provide the legal basis for sanctions.

Chapter VII of the UN Charter expressly gives the Security Council the authority to take action under Articles 39 until 42 when it determines that there are threats to the peace. While Article 41 permits non-military punishments, Article 39 gives it the responsibility of making decisions (Cassidy,2013). These UN-approved policies have significant credibility and are binding on all member states. In addition to the UN, customary international law lays out important guidelines for the legitimate application of sanctions, including necessity, proportionality, and due process. In

addition to regulating economic interactions, the WTO regime incorporates customary law into its interpretive framework through dispute-settlement procedures (DSU). Legal and normative issues are brought up by unilateral sanctions outside of these frameworks, particularly when they violate sovereignty or act as extraterritorial coercion. The legitimacy of sanctions has come under the watchful gaze of the world due to the rising significance, especially with regard to humanitarian consequences and WTO compliance.

The idea that sanctions are a "double-edged sword" capture its dual justification nature, which includes a preventive measure against future wrongdoing and disciplinary retaliation for past or current non-compliance. The goal of disciplinary sanctions is to hold actors accountable for illegal activity, whereas preventive measures warn that violations will have financial repercussions. However, their use frequently results in contradicting effects. For example, sanctions may weaken a regime's illegal capabilities, but they usually have a severe negative impact on civilians by interfering with their access to services and means of livelihood. Sanctions run the risk of becoming ineffective over time without diplomacy running alongside them, and they might even serve to strengthen authoritarian narratives. This metaphor emphasizes how important it is to regulate policies. Sanctions can encourage compliance, but if they are not in line with humanitarian protections and strategic goals, they may potentially have unanticipated consequences.

Therefore, in general sanctions support a rules-based global order by reaffirming the idea that violations have repercussions, which embodies both regulative enforcement and diplomatic risk. However, sanctions might lead to counteract or geopolitical rivalry, harm supply networks, and sever trade partnerships. Recent instances include energy carve-outs within Russia sanctions that maintained its revenue sources and the tariff exchanges between the United States and China that developed into a larger trade dispute. The scope and humanitarian exclusions of sanctions may also reveal significant disagreements among allies. They inevitably cause political tension in diplomatic ties, even when they are well-meaning. Therefore, using this "double-edged sword" requires diplomatic unity, strategic accuracy, and an understanding of the wider implications in the humanitarian and global arenas.

2. Methodology

This study employs a qualitative and interdisciplinary approach integrating legal analysis, economic evaluation, and ethical inquiry to examine the operation of economic sanctions under international trade law (Bagheri et al, 2021). The research combines doctrinal legal interpretation of international instruments—such as the UN Charter, GATT 1994, and WTO dispute-settlement provisions—with economic analysis of trade patterns and investment flows. It adopts case-study and content-analysis techniques to assess the effectiveness and humanitarian consequences of sanctions from the perspectives of governments, corporations, and affected populations.

As was applied by legal articles (Althabhwawi & Zainol,2014), this article applies a qualitative legal methodology that emphasizes textual interpretation, contextual coherence, and institutional critique rather than quantitative measurement. The approach situates sanctions within their dual legal-political function—as instruments of diplomacy and coercion—while evaluating their compliance with principles of necessity, proportionality, and due process under international law. By integrating doctrinal, empirical, and normative perspectives, the methodology enables a holistic understanding of how sanctions reshape legal obligations, economic behavior, and ethical accountability in global governance.

3. Theoretical Debate and Frameworks

In the writing of Corcoran P. Trade and wars: Checking the president's overbroad trade sanction authority, he highlighted particularly under domestic legal frameworks like Section 232 of the Trade Expansion Act and the International Emergency Economic Powers Act (IEEPA), which give the executive branch broad discretion to restrict trade on broadly defined "national security" grounds, Corcoran critically examines the broad reach of the U.S. president's authority to impose trade sanctions in his perceptive 2021 Note (Corcoran,2021). He also underlines that these explanations are alarmingly ambiguous and could be abused, particularly when presidents use them to get around global commitments under World Trade Organization (WTO) regulations. The Note emphasizes how administrations have been able to evade both international and congressional scrutiny by abusing national security terminology. Additionally, Corcoran places this matter in the context of the developing WTO jurisprudence, specifically citing the Russia - Transit case, in which the WTO panel determined that Article XXI of the GATT is not totally self-judging and that the national security exception requires the existence of a true international emergency.

This was a turning point in WTO practice, indicating a shift toward increased accountability and restricting the degree to which governments can use national security rhetoric to justify protectionist policies. In order to limit executive overreach and better align U.S. trade sanction procedures with constitutional checks and international legal standards, Corcoran finally argues for urgent statutory reforms, including stronger judicial review, improved procedural safeguards, and more clear definitions.

Furthermore, an analysis from Compliance Week underscores a significant rise in the enforcement of trade sanctions, particularly by the U.S. through the Office of Foreign Assets Control (OFAC), reflecting a global trend toward tighter regulatory control and accountability (Jaeger, 2014). The article highlights that enforcement has become increasingly proactive, with regulators demonstrating less tolerance for delays, oversight errors, or misunderstandings in compliance. Companies are now expected to comply immediately with rapidly evolving sanction regimes or risk facing steep civil and even criminal penalties. This pressure extends beyond politically involved entities like businesses of all sizes and industries are now legally obligated to remain updated on sanction changes, even if they have no direct ties to foreign policy matters. The increased scrutiny and aggressive enforcement posture mean that organizations can no longer afford to be reactive; instead, they must implement robust internal screening, risk assessment, and due diligence protocols to prevent inadvertent violations. In this regard, OFAC in particular has established a high bar for corporate responsibility, sending a message that noncompliance or carelessness is no longer a valid excuse. Jaeger's research demonstrates how trade sanctions have changed from being political instruments to being rigorous legal requirements for the private sector, where a failure to meet enforcement standards can have serious financial and reputational repercussions.

In the article titled, *Heightened Compliance Expectations: More Than Just Big Fines* published by Compliance week (2014), a billion dollar settlement and improved cooperation with the Department of Justice has shown how the US adopted a far harsher approach on the enforcement of sanctions in recent years. This correlates to the previous article on how the enforcement efforts of the Office of Foreign Assets Control (OFAC) have significantly raised the expectations placed on private sector compliance, both within and outside the United States. As a result of this stricter approach, businesses must now practice strong internal processes that cover everything from staff training and legal evaluation to active risk assessments and monitoring in

order to comply with penalty requirements. While systems like these are important to reduce liability and avoid violations, they come with high operational and financial demands, especially for small and medium-sized enterprises (SMEs) that often lack the resources or personnel to manage these complex situations. To discuss further, this article also shows that non-US companies are not immune from enforcement, especially if they conduct business with US entities, cases involving Credit Suisse and Barclays make this point clear. More worryingly, even accidental violations like indirectly encouraging banned transactions, can result in serious penalties. Although OFAC provides incentives like lower fines for early remedial action and voluntary disclosure, businesses without advanced compliance framework can nevertheless face an unfairly high burden of maintaining compliance. This implies that sanctions enforcement puts a long-lasting compliance impact on the larger corporate environment in addition to financial penalties.

In Massol, Hache & Banal-Estañol (2023), the article gives insight into the beneficial evidence observed on how trade sanctions can fracture regional markets and stir-up the long-standing economic patterns which expand beyond legal compliance. This study which focuses on Iranian methanol exports between 2012 and 2016 revealed that prior to sanctions Asia's methanol markets particularly in China, India, South Korea, and Southeast Asia were closely integrated with regional prices generally similar to one another. However, once sanctions were imposed, the market was divided into two distinct zones where China and India maintained trade ties with Iran through alternative routes and logistics, while South Korea and Southeast Asian countries halted imports altogether. This separation led to different pricing zones within the same region, indicating that sanctions do more than penalize a targeted state, they also cause changes in regional trade behaviour and relationships. Therefore, even when countries were not directly involved in the sanctioning decisions, they were forced to adapt their sources, negotiate new supply lines, or face higher costs due to changes in logistics. The study highlighted how sanctions extend outwards and create uncertainty and operational complications for businesses across entire regions and not just those under scrutiny.

As discussed by Riak and Bill (2022), foreign-imposed sanctions in the African context are often perceived as instruments of influence used by powerful nations, rather than as genuine efforts to uphold international norms. This perception can generate distrust and prompt shifts in diplomatic

alliances as affected countries look for alternative partnerships beyond the reach of western powers. The authors further emphasize that sanctions, rather than promoting reform or compliance, may encourage existing development challenges and in some cases completely halt any development by restricting access to trade, foreign investment, and critical financial aid. Such unintended consequences deepen economic hardship and can foster political resistance. In response, the study advocates for regional diplomacy approaches, including mediation and negotiation over the coercive economic measures. Cooperative conflict resolution mechanisms are presented as more effective in preserving international relationships while allowing solutions that are sensitive to local context. The findings reinforce the idea that sanctions do not operate in isolation instead they shape economic behaviour and influence diplomatic alignment across regions. In Africa, where many economies remain emerging and reliant on external support, sanctions carry the risk of undermining long-term development and regional unity. The article concluded by underlining the importance of balancing accountability with fairness, as well as attention to regional dynamics, when designing and implementing global economic policies.

As discussed by Blakeslee (1917), the study provides insight into how democratic governments have historically acted on the world stage, challenging the common assumption that democracies are inherently peaceful or cooperative in foreign affairs. By examining historical cases such as Athens, Republican Rome, revolutionary France, and early America, Blakeslee demonstrates that democratic systems do not automatically prevent a country from engaging in aggressive actions. Public support and the legitimacy afforded by democratic governance have historically been used to justify territorial expansion, military interventions, and economic coercion. Blakeslee's historical perspective continues to remain relevant today by highlighting that modern democracies despite elected leadership may still employ economic sanctions or other forms of coercion by framing it as necessary for peace or national security. The findings caution against equating democratic legitimacy with moral authority and instead advocates for accountability and multilateral approaches in foreign policy. Overall, the study contributes to a broader understanding that democracy alone does not guarantee peaceful international behaviour but when combined with international rule-based cooperation, it can meaningfully support global stability.

Continuing the discussion on the legal and diplomatic limits of sanctions, it is important to recognize how the rules set by the World Trade Organization can complicate their use. One of the key principles is found in GATT Article I, often referred to as the Most-Favoured-Nation (MFN) rule, this principle requires all WTO members to treat their trading partners equally which means that if a country offers a trade benefit like a reduced tariff to one nation, it must offer the same benefit to all other WTO members. However, when countries impose unilateral sanctions such as selective tariffs, they often violate this expectation by intentionally targeting specific states for political reasons. In a similar way, GATT Article XI prohibits measures like quotas or import bans, which are commonly used in sanctions. Unless these restrictions can be justified under specific exceptions, they generally go against the rules that promote open and fair trade among member countries. If a country attempts to justify a trade restriction on another under the veil of national security, Article XXI becomes relevant. This security exception is invoked by many states to shield themselves from standard GATT obligations when citing war or emergencies, however, the ambiguous wording of Article XXI led to complex disputes, most notably the 2019 Russia – Traffic in Transit case. A WTO panel concluded that Article XXI is not entirely self-judging and is subject to objective review, marking a shift toward holding states accountable for citing national security exceptions.

Essentially, nations subjected to sanctions have a formal avenue to challenge them through the World Trade Organization's Dispute Settlement Mechanism (DSM). Affected states may bring a case before a WTO panel if a sanction appears to violate Article I or XI without proper justification. While Article XXI provides a defense based on national security, Article XX allows exceptions for objectives such as public health, environmental protection, or ethical concerns but only when applied in good faith. For example, a trade restriction intended to safeguard human life could be defended under Article XXI(b), whereas a measure claiming security without genuine emergency context may be overturned if challenged. Overall, these provisions underscore that sanctions cannot be applied unilaterally without legal review even when imposed by economically or politically strong states. Further stressing the importance of transparent, rule-based economic measures that uphold international norms where such approach helps preserve the stability of the global economic system, sustain

multilateral cooperation, and mitigates the risk of sanctions being misused as instruments of threat.

Next, looking at Mohammad Rohimi et al. (2024) writing, they provided valuable insight into how regional trade agreements (RTAs) can act as a strategic tool for navigating sanctions and managing foreign relations. The authors highlight that Malaysia's engagement in RTAs such as the ASEAN Free Trade Area (AFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the ASEAN-China Free Trade Area (ACFTA) is not only driven by trade liberalization goals, but also by a wish to reinforce geopolitical stability and economic durability amid rising global tensions. In situations where unilateral sanctions threaten global trade routes and access to markets, RTAs serve as legal and diplomatic shields, allowing states like Malaysia to broaden economic partnerships and reduce dependency on any main global player or known as an influential state. These agreements built upon provisions such as GATT's Article XXIV, also require legal balancing and regulatory reforms to ensure compatibility with international trade obligations. Malaysia by including itself in multiple overlapping trade frameworks, gains both legal flexibility and political leverage in managing foreign pressure or sanctions risks. Therefore, the study suggests that RTAs play a significant role in safeguarding national interests, not only by facilitating trade but also by providing structured alternatives for diplomacy and economic flow in a sanctions-sensitive international environment.

The involvement of ASEAN states is connected to protecting their economic interests, and at the same time showing the importance of building regional cooperation within international trade law. The authors further highlight that ASEAN does not take a passive stance in these disputes but instead actively participates as a third party. By doing this, ASEAN aims to safeguard its own economies, but also to present a united regional voice. In addition, ASEAN also continues to push for an international trading system that is both stable and transparent. This is seen as a way to encourage economic growth, and the policies promoted by ASEAN reflect a clear commitment to working through multilateralism and regional cooperation. The text also brings up actual dispute cases to show how these issues play out in practice. For example, the U.S. shrimp import prohibition (DS58) and the European Community's restrictions on biotech products (DS291) serve as illustrations of how sanctions can be challenged. In both cases, the measures were argued to be discriminatory or overly restrictive. These disputes reveal how

sanctions may have harmful effects on international trade and even risk violating the rules set by the WTO. The shrimp case (DS58) is particularly interesting because it captures the tension between protecting the environment and following trade rules. It brings out the difficult question of whether sanctions are serving a genuine purpose, such as environmental protection, or if they are instead being used as a disguised form of protectionism that ends up discriminating against certain trade partners.

4. Results

4-1.Unintended Consequences: The Economic and Humanitarian Costs of Sanctions in Global Trade

The use of economic sanctions in international relations are increasing, using it as a tool of foreign policy between nations. The use of economic sanctions provides a buffer between diplomacy and military intervention, making it a preferred tool in international relations (Miyagawa,1992). However, as in most matters of life, this tool needs to be used in moderation with careful consideration of its effects on trade, legality and ethics (McGee,2016). This tool is often used to shape or destabilize the political actions or regimes of other countries (Doornich & Raspotnik,2020).

The downside of sanctions is that it can leave a negative impact on the targeted countries which may lead to economic contraction and job losses (Maha et al.,2024). This can be seen in the sanction imposed on Iran which reduced its oil exports significantly which resulted in severe economic disruption and widespread unemployment in the energy sector. (Maha et al., 2024). Like most sanctions, these measures disrupt economic equilibrium due to the significant increase in the cost of goods and services (Maha et al., 2024). As in the law of supply demand, the reduction in demand would force companies to cut back on production and lay off workers, leading to unemployment. Similarly, the sanctions imposed by the European Union on Russia, following the annexation of the Crimean Peninsula, illustrate how such measures can negatively affect bilateral trade and constrain a target country's integration into the global economy (Doornich & Raspotnik, 2020).

As is the case in today's world, the imposition of sanctions does not just affect politics but they also create legal, economic and ethical challenges. They can disrupt trade flows, alter supply chains, and affect investor confidence (Maha et al.,2024). If a major trading partner of Malaysia, such as China or the United States, were to face sanctions, the ripple effects would likely harm Malaysia's trade volumes and employment (Maha et al.,

2024). Sanctions may prompt target countries to diversify trade, potentially under less favorable terms, and countries sometimes bypass trade sanctions by importing goods from sanctioning countries through third parties (Maha et al.,2024).

Sanctions can have unintended consequences, affecting various sectors and actors within the targeted economy. Restrictions on access to essential goods can disproportionately affect vulnerable populations and exacerbate humanitarian crises (Ellis,2013). As Ellis (Ellis,2013) argues, economic sanctions may have multiple targets, extending well beyond the original recipient, especially when employed as a general deterrent. The political effects of sanctions on the target nation are sometimes perverse, generating increased levels of political resistance to the sanctioners' demands (Ellis, 2013).

The effectiveness of sanctions as a tool of coercive diplomacy remains a subject of debate. Evidence suggests that sanctions related to security concerns are seen as more effective. The success of economic sanctions is influenced by factors such as trade linkage, prior relations, and duration. Sanctions are more likely to succeed when there is strong pre-sanction trade, when sanctions are implemented swiftly, and when they involve countries with better pre-sanction relationships.

The use of economic sanctions raises ethical questions, particularly concerning their humanitarian impact and proportionality (Zandman,2008). Sanctions can restrict access to essential goods, disproportionately affecting vulnerable populations. As Zandman (Zandman,2008) notes, sanctions lack solid ethical and legal foundations, with their effectiveness being highly questionable. Additionally, the economic cost, particularly for the implementer, is substantial (Zandman,2008). McGee and Yoon (McGee & Yoon,2016) highlight that while many articles focus on the utilities and dis-utilities of sanctions, few examine the ethical aspects, applying different ethical approaches to evaluate whether sanctions pass the ethical test.

There are many legal frameworks available to enable the imposition of economic sanctions. U.S. trade laws, like Section 232 and the IEEPA, grant the president extensive authority to impose trade restrictions, often justified by "national security" concerns that are vaguely defined. The enforcement of trade sanctions by the U.S., particularly through OFAC, has become more stringent, with companies expected to comply swiftly or face severe penalties. Bogdanova (Bogdanova,2022) analyzes the legality of unilateral economic sanctions against the background of various norms and principles

of public international law, noting that the questionable legality of such sanctions, reinforced by the decentralized system of public international law enforcement, enables more powerful states to misuse economic sanctions.

4-2.Economic Impact and Trade Dynamics

Economic sanctions can significantly impact international trade patterns and global trade dynamics. Doornich and Raspotnik (Doornich & Raspotnik, 2020) conclude that sanctions negatively affect bilateral trade between the sanctioner and the target country and that sanctions constrain the target country's integration into the global economy. Export-dependent countries like Malaysia would receive the brunt from disruption of trade flows, consequently reducing competitiveness and job losses (Maha et al.,2024). Given the nature of relationships between countries are linked together with the state of their economy, the sanctions imposed can lead to decreased demand for Malaysian exports, leaving businesses with no choice but to reduce their workforce.

4-3.Legal Frameworks and Enforcement

The legality of economic sanctions differs based on the jurisdiction and specific measures being enforced. There are also countries that enacted their legislation to make way for the government to authorise the imposition of sanction as a response to perceived threats to national security or violations of international law (Understanding Trade Sanctions: A Legal Perspective, 2024). For example, the controversial power exercised by the U.S. in relying on laws such as the International Emergency Economic Powers Act and the Trading with the Enemy Act to enforce economic sanction programs was criticized to be overly broad and lack sufficient oversight. The purpose of these laws was to grant the executive branch broad authority to control economic activity as a response to national security threats.

Trade sanctions by agencies like OFAC have become more rigid, requiring companies to comply swiftly or face severe penalties which is burdensome as it forces the business that operates globally to operate within the complex system of sanctions to ensure that their activities abide by the restrictions. In reaching a state compliance by the businesses, companies need solid compliance systems, including related due diligence, reviewing transactions and staying on top of new regulations.

4-4.Ethical Implications and Humanitarian Concerns

The use of sanctions has its downsides in terms of the ethical implication towards ordinary people and whether the response is truly proportionate.

Sanctions can give a negative impact such as restricting access to essential goods and would in turn be prejudicial towards vulnerable populations, worsening humanitarian crises globally. Hence, the use of sanctions is often controversial and highly debated whether the use of sanctions to attain foreign policy objectives outweigh the costs to civilians. As McGee (McGee,2016) pointed out, although economic sanction has a seemingly good purpose, the execution of the sanction is often questionable as it often resulted in unethical outcomes.

In short, economic sanction is a complex tool used for foreign policy and it impacts significantly on all matters relating to trade. Although the use of sanction is deemed a peaceful alternative to military action, it is imperative to evaluate the intended result and the implication it leaves on global economic interactions. The increase in use of economic sanction in international relations pushes the need for a more comprehensive legal framework to regulate enforcement mechanisms to ensure its implication is ethical and not prejudicial.

5. Analysis & Discussion

The logic of sanction is rooted on the issue linkage such as negotiating the lift of sanction for another trade agreement. This allows for each country to prioritise what it wants (Onder,2021). The priorities of each country varies and are usually tied to specific political or security goals. Sanctions are more effective and impactful when the focus is on weaker or less competitive sectors as it forces the targeted country to shift resources in order to cope with the damage. When sanctions are lifted, financial markets usually respond positively. However, the benefits are smaller for companies that are closely linked to the government. These theories help us understand the strategies and calculations behind the enforcement of sanction as a tool of foreign policy.

As addressed before, a wide range of legal framework exists that enable the governments to impose economic sanctions. For example, U.S. trade laws such as Section 232 and the IEEPA grant the president extensive authority to impose trade restrictions in the name of 'national security' as justification where the concerns are vaguely defined. Because 'national security' is not clearly defined, it opens doors for abuse especially when governments try to bypass their commitments under WTO rules. A dispute at the WTO between Russia and Ukraine proves that Article XXI which allows national security exceptions, cannot be decided solely by a country. Instead it requires proof of a real international emergency. The trend of WTO decisions with regards

to national security is gradually moving towards stricter oversight and accountability as seen in this case. In the U.S., laws such as the International Emergency Economic Powers Act and Trading with the Enemy Act are used as a legal basis to implement sanctions. This status enables the president and executive branch wide-ranging powers to control economic transactions as a response to perceived threats in the name of ‘national security’. However, this wide-ranging power is highly critiqued as there is no sufficient check and balance to prevent abuse. Sanctions can also take the form of tariffs, which governments sometimes use to create economic pain in hopes of pressuring the other state into altering its policies that best fit the country's own agenda. Many countries have enacted legislation that grants their governments the authority to impose sanctions in response to perceived threats to national security or violations of international law.

U.S. trade sanction enforcement, especially through OFAC, has tightened, requiring companies to comply swiftly or face severe penalties. Authorities have shifted to a more proactive stance, leaving little room for delays or errors. All businesses, regardless of political involvement have no choice but to be alert to avoid legal risks as sanction at its nature is complicated and requires careful navigation of the framework to ensure operation remains lawful. To mitigate these risks, businesses must ensure diligent background checks being done, transaction screening and continuous monitoring of legal updates. Although the main aim of sanction is to influence the conduct of targeted parties, it also triggers a chain of complicated legal, economic and ethical dynamics making it important to analyse such a framework. Evaluating why sanctions succeed or fail is crucial in order to determine its effectiveness as a diplomatic tool. Security driven sanctions tend to work better as a diplomatic tool. Security-driven sanctions tend to work better, and insights gained after sanctions are imposed often prove more reliable than those based on pre-sanction predictions. It is also proven that the implementation of sanctions is deemed effective in preventing countries from initiating nuclear weapon programs, but not so much at stopping ongoing programs.

Assessing sanctions also requires considering their influence not only on the targeted state but on the wider global community. Findings reveal that sanctions produce both expected and unexpected outcomes, impacting different sectors of the targeted economy. For instance, the harm it did on civilians and the worsening condition of the humanitarian crisis. Politically tied companies often bear the brunt of sanctions, facing longer duration of

decreased profit and even after sanctions are lifted, their stock prices recover more slowly as compared to other companies.

Sanctions do not just affect the economy, but it shapes foreign relations in significant ways. Targeted nations often try to diversify trade, sometimes forced to accept less favorable deals to lessen dependence on traditional partners (Maha et al.,2024). Sanctioned states may deepen ties with non-participating countries, creating new geopolitical alliances. For example, nations penalized by the west often turn toward Eastern partners, shifting global balance of power (Althabhwawi et al.,2024; Maha et al.,2024). A clear example is Russia's strengthening economic and political ties with China due to the sanction from the U.S. and EU (Althabhwawi et al., 2024; Maha et al.,2024). Malaysia mitigates its economic susceptibility to global economic fluctuations and external disruptions by diversifying its trade relationships through regional agreements (Rohimi et al.,2024). This strategy helps to cushion the effects of restricted access to Western markets and financial networks (Maha et al.,2024). Amazingly, Malaysia and China marked the 10th anniversary of their comprehensive strategic partnership in 2023, highlighting their growing ties (Althabhwawi et al.,2024).

Sanctions can tarnish a country's reputation as a reliable supplier, a perception that often sticks even after restrictions are removed, giving competitors from other nations an advantage (Hufbauer et al.,1997). Even after sanctions end, their legacy remains, often driving up the costs of rebuilding and hindering long-term development (Bezuidenhout et al., 2019). Investor trust is vital for economic growth and job creation (Maha et al.,2024). International disputes breed an environment of uncertainty and instability, which can discourage investment (Maha et al.,2024). Companies may adopt a cautious approach, delaying or cancelling expansion plans due to the unpredictable economic plans (Maha et al.,2024).

Sanctions also strain trade relations as political relations reduce cooperation and diplomatic engagement (Maha et al.,2024). This can make it difficult to settle disputes or negotiate trade agreements, which further interfere with attempts to maintain or increase bilateral trade volumes (Maha et al.,2024). When trade ties weaken, alternative trading partners or sources of goods and services may be sought by the countries (Maha et al.,2024). This may result in a reorientation of trade patterns, as enterprises seek to broaden their supply chains and reduce reliance on countries with which they have been at odds politically (Maha et al.,2024).

The use of economic sanctions is increasing in world politics, yet they lack solid ethical and legal foundations, with their effectiveness being highly questionable (Ellis,2013; Zandman,2008). Overall, countries and international society rely excessively on sanction recently, which hardly makes any difference to the target country (Gong et al.,2022). On the contrary, these sanctioned countries possibly survive under the pressure of economic sanction and form a new strategy to develop (Gong et al., 2022). In this case, the sanction no longer affects the state's actions and policies, and what is worse is that ineffective sanction delivers those states which do not perform obligations are free of punishment (Gong et al.,2022). Additionally, the economic cost, particularly for the implementer, is substantial. Sanctions may be imposed not to bring about maximum economic damage to the target, but for expressive or demonstrative purposes (Kaempfer & Lowenberg,2007). Moreover, the political effects of sanctions on the target nation are sometimes perverse, generating increased levels of political resistance to the sanctioners' demands (Kaempfer & Lowenberg,2007).

Sanctions may prompt target countries to diversify trade, potentially under less favorable terms, and countries sometimes bypass trade sanctions by importing goods from sanctioning countries through third parties. The debate over the effectiveness and ethics of sanctions continues . Sanctions are viewed as an appealing alternative to military action, but their long-term and indirect consequences can be considerable. It is critical to thoroughly evaluate the use of sanctions in international trade law, taking into account their intended results, collateral consequences, and implications for global economic interactions.

6. Conclusion

In summary, to ensure that sanctions contribute positively to global stability and legal consistency, several key recommendations emerge from this study. First recommendation that we suggest is that coordination by states is utmost important when it comes to sanctions, multilateral sanctions should be given priority rather than unilateral sanctions. This is because unilateral measures often invite misunderstanding that can provoke disputes and often lack legitimacy. On the other hand, multilateral sanctions often follow the international norms and distribute the political and economic burden more evenly among members. Secondly, under Article XXI of GATT the WTO's rules should be clarified regarding security exceptions because this is where the interpretations have become vague where it allows some states to justify trade restrictions under the loosely defined national security concerns, which later could result in the undermining of the credibility of the legal trading system that is supposed to oversee the situation. In addition to that, a sustained political discussion should always accompany sanctions to preserve good diplomatic relationships and reduce the likelihood of long-term hostility or isolation in light of political developments. And lastly, it is important to strengthen the WTO's Dispute Settlement Mechanism to better handle sanctions-related conflicts. This emphasis on a reliable and neutral dispute resolution process reinforces legal accountability, provides alternatives for affected nations, and promotes trust in the global trade framework.

As highlighted in this study, sanctions have increasingly become a significant instrument in economic diplomacy that is positioned between the need for calculated negotiation and the risk of direct confrontation. It operates as signals of disapproval and as mechanisms of pressure, yet their use also carries profound implications for trade relations, legal reform, and global diplomacy. The findings emphasize that the reliance on a broad term often used such as "national security" may open the door to abuse and lower the trust in international cooperation, and the measures imposed can also be a burden not only towards a targeted government but also on private sectors and vulnerable populations in general. Notably, this dynamic underlines the double-edged nature of sanctions where on one hand, they aim to enforce compliance and uphold international norms but on the other, they risk destabilizing global trade. For this reason, legal transparency, procedural fairness, and strategic restraint are identified as essential to ensuring that

sanctions remain tools of responsible diplomacy rather than instruments of disguised protection or coercion. Ultimately, sanctions should not be treated as an isolated response but as part of a broader diplomatic strategy where enforcement mechanisms are balanced with engagement to safeguard both order and stability within the international trade system.

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