

Intelligence MEMOS



From: Lawrence Herman
To: Canadians Concerned About Trade
Date: May 12, 2022
Re: **RUSSIAN SANCTIONS WILL REVERBERATE FOR DECADES**

Canadian and American governments announced plans last month to liquidate Russian assets frozen by sanctions and to distribute the proceeds to affected victims and to war-torn countries.

As Russia's brutal ground war grinds on, this is a significant escalation of the parallel sanctions battle, illustrating their ever-expanding reach. It also presages long-lasting effects on international business beyond Russia with potential expansion to other places where Western sanctions apply, such as Myanmar, Iran and Syria.

In the case of the Ukraine war, even if hostilities are ended by some kind of stalemate or armistice, the web of Western sanctions will be embedded in global trade and capital markets for decades.

Sanctions can be categorized in two ways. First, there are the prohibitions and asset freezes applied to individuals and entities, political actors, senior officials, companies and other commercial operations. In the case of Russia, these number in the many hundreds. They have resulted in the withdrawal of Western companies from doing almost every kind of business in or with Russia.

The other category is systemic, directed to broad economic sectors in the target country. In the Russian case, sanctions have frozen out access to foreign reserves in Western banks, to capital and financial markets, to the international banking system at large, to technology and corporate supply chains generally.

As in most cases, it is US sanctions that led the way, aggressively prohibiting any kind of Russian dealings well beyond US borders, reaching around the world to hit Russian-related operations with any kind of involvement in the US banking and financial system. Any business exposed to American sanctions will cease to have any kind of dealings involving Russia as a result.

Some commentators say that economic pressures in themselves won't produce a military win for Ukraine or achieve any sort of geopolitical solution. Sanctions take a long time to have effect and are actually of limited use in crippling the war-fighting power of a large, resource-rich and nuclear-armed country like Russia, says Nicholas Mulder, assistant professor at Cornell University and a leading expert on the history of sanctions.

Others take a different view, saying sanctions are clearly having an effect on Russia's war-waging capability, improving Ukraine's military position in an incremental but ever-increasing way, leading to a possible stalemate on the ground and an eventual armistice. A review by the Peterson Institute of International Economics, a leading US think tank, has said even in the remote chance that some individualized sanctions on persons or businesses might be lifted as events unfold, wide-scope financial, banking, technology and market prohibitions on Russia won't be unwound for decades.

And even in the unlikely scenario of a military-political solution in Ukraine, there are other forces at play, mainly that President Joe Biden and other leaders have labelled Vladimir Putin and his circle as war criminals. Under international law, war crimes include intentionally targeting civilian populations, willfully killing or causing suffering, and widespread destruction among other serious violations of laws applicable in armed conflict. Individuals who commit such crimes can be prosecuted by international tribunals such as the International Criminal Court or by individual countries under their own domestic laws.

Apart from accusations of personal guilt, Western governments, including the US, Canada and in the European Union, have stated that the invasion of Ukraine constitutes breaches by Russia of the UN Charter and other principles of international law. Article 2(4) of the Charter provides that all members of the UN "shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations."

International law experts have said that the Russian invasion of Ukraine has egregiously violated these basic legal principles.

Leaving aside the myriad procedural challenges of getting Mr. Putin and Russia before an international court, the political, legal and moral force of these accusations will make it virtually impossible for Western governments to look the other way and unwind the array of sanctions, whatever military and political settlement might be achieved in Ukraine.

Political reality will not allow Western governments to swiftly retract accusations of war crimes and breaches of the UN Charter or put aside the appalling acts of Russian forces in their devastation of Ukraine.

It means that well after the military conflict ends, Russian sanctions will continue to have deep-seated structural effects on trade and business relations for decades.

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A version of this Memo first appeared in [The Globe and Mail](#).