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Navigating the New World Order: How International Sanctions Regimes and Trade Fragmentation Are Reshaping Corporate Risk Management and Organizational Strategy

Iqra Kiran
Lecturer International Law, Bahçeşehir University, Northern Cyprus
E-mail: iqra.kiran@baucyprus.edu.tr

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Abstract

The rules-based order that governed international economic relations after the Cold War is under sustained strain. Sanctions regimes have multiplied, especially since Russia's full-scale invasion of Ukraine in February 2022, while export controls, the paralysis of World Trade Organization (WTO) appellate review and the growing use of national security exceptions have fragmented the trading system. This article examines how these legal developments change the risk environment of multinational corporations and what they require of corporate risk management and organizational strategy. It combines doctrinal legal research with qualitative documentary analysis. Primary instruments of the United Nations, the United States, the European Union, the United Kingdom and the WTO, together with five leading decisions chosen against stated criteria, are analysed and coded against the components of enterprise risk management. The analysis shows that sanctions exposure now arises from overlapping and sometimes conflicting extraterritorial obligations, that judicial review gives corporate actors only partial and slow protection, and that weaker WTO disciplines no longer constrain trade restrictions reliably. The article contributes two concepts: international legal literacy, understood as an organizational capability rather than a specialist function, and the compliance-efficiency frontier, which frames the trade-off between legal exposure and operational efficiency in supply chain design. It argues that sanctions risk should be governed as a strategic, board-level matter and proposes short-term and long-term recommendations for firms and regulators, offering practical guidance for boards and compliance functions. Because the study is doctrinal and conceptual, expert interviews and firm case studies are identified as the next step.

Keywords: International Sanctions Law; Trade Fragmentation; Corporate Risk Management; Geopolitical Risk; Organizational Strategy

Introduction

The architecture of international economic relations is fracturing. For roughly three decades after the Cold War, scholars, policymakers and corporate strategists widely assumed that economic interdependence, organised through the WTO and an expanding network of bilateral investment treaties, would promote growth and discourage conflict between states. That assumption can no longer be held with confidence (Drezner, 2003; Farrell & Newman, 2019; Witt, 2019). Staff of the International Monetary Fund (IMF) estimate that the long-run cost of trade fragmentation could reach as much as 7 per cent of global output in a severe scenario (Aiyar et al., 2023).

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The Russian Federation's full-scale invasion of Ukraine in February 2022 prompted one of the most extensive uses of economic sanctions since the Second World War, and by 23 July 2026 the European Union alone had adopted twenty-one packages of restrictive measures against Russia (Council of the European Union, 2026b). In parallel, the United States tightened its technology controls on China (Bureau of Industry and Security [BIS], 2022).

The legal literature on sanctions is written mainly from the perspective of states and international institutions (Biersteker et al., 2016; Farrall, 2007; Tzanakopoulos, 2011), while management research tends to treat sanctions as an external shock whose legal content is taken as given (Henisz et al., 2010; Meyer et al., 2023; Witt, 2019). Few studies examine how specific legal features of contemporary sanctions, such as their extraterritorial reach, the standard of review applied by courts and the scope of security exceptions, should shape the way firms identify, assess and govern risk. This article addresses that gap by linking the legal analysis directly to the questions that managers and boards must answer.

The central argument is that overlapping sanctions obligations have created a category of legal risk that conventional risk management frameworks are poorly equipped to handle, because it is systemic, forward-looking and bound up with strategy rather than confined to discrete compliance events (COSO, 2017; Hufbauer et al., 2007; ISO, 2018). For firms with significant exposure to sanctioned markets, the consequences of a serious breach can include loss of access to US dollar clearing, criminal liability in more than one jurisdiction and lasting reputational harm. The article makes two conceptual contributions: international legal literacy as an organizational capability, and the compliance-efficiency frontier as a way of framing supply chain decisions under sanctions risk.

Research Objectives

1. To map the legal architecture of contemporary sanctions regimes and trade restrictions under international law and under the principal domestic and regional systems that implement them.

2. To analyse how leading judicial and quasi-judicial decisions allocate legal risk between states and corporate actors.

3 . To translate these findings into a framework for corporate risk management and organizational strategy, and into recommendations for firms and regulators.

Literature Review

The first theovetical framework is Legal scholarship on sanctions has concentrated on three questions. The first concerns the authority of the Security Council and its limits. Happold (2003) showed that Resolution 1373 (2001) marked a move towards quasi-legislative obligations imposed on all states, and Reinisch (2001) argued that the Council should itself be accountable under human rights and humanitarian law when it imposes economic sanctions (see also Farrall, 2007; Tzanakopoulos, 2011). The second concerns the design and effectiveness of sanctions. Hufbauer et al. (2007) remain the standard empirical reference, Drezner (2003) explained why the threat of sanctions often achieves more than their imposition, and the Global Sanctions Data Base now makes systematic comparison possible (Felbermayr et al., 2020). The third concerns unilateral and regional sanctions, in particular EU practice (Giumelli, 2013; Moret et al., 2016), and the contested legality of extraterritorial measures (Lowenfeld, 2008).

Finding Legal scholarship defines the authority, design and effectiveness of sanctions, but it is written mainly from the perspective of states and international institutions rather than the firms that must comply with the measures it studies.

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The Second theovetical framework is International business research has long treated political risk as a feature of the environment in which multinational firms operate (Kobrin, 1979), and the subject has returned to prominence (Bremmer, 2005; Henisz et al., 2010). Caldara and Iacoviello (2022) constructed a widely used index of geopolitical risk, Witt (2019) set out de-globalization as a field of inquiry, Petricevic and Teece (2019) argued that firms need dynamic capabilities to cope with a bifurcating world economy, and Farrell and Newman (2019) showed how states use their control over financial and information networks to coerce others. Research on sanctions as a management problem has grown since 2022: Meyer et al. (2023) set out a research agenda on international business under sanctions, and Gaur et al. (2023) found that Russian firms adapted to the targeted sanctions imposed after 2014 without a persistent loss of performance.

Finding Management research supplies measurement tools and strategic concepts for geopolitical risk, but it still treats the legal content of sanctions as an external, undifferentiated shock rather than as distinct legal mechanisms with different implications for firms.

The third theovetical framework is Enterprise risk management (ERM) frameworks, notably the COSO framework (COSO, 2017) and ISO 31000 (ISO, 2018), stress the integration of risk with strategy, yet in practice legal risk is usually placed within the compliance category, and Power (2007) showed that risk management often favours auditable process over substantive judgement. Strategy research offers concepts for responding to a volatile environment: scenario planning (Schoemaker, 1995; Wack, 1985), dynamic capabilities (Teece et al., 1997) and organizational ambidexterity (O'Reilly & Tushman, 2013). Scholars working between law and management have also treated legal knowledge as a source of competitive advantage rather than only a cost. Bagley (2008) described legal astuteness as a managerial capability, and Siedel and Haapio (2010) developed the idea of proactive law.

Finding: These frameworks and theories supply the vocabulary needed to integrate legal risk with strategy, but neither has yet been connected systematically to the legal mechanics of contemporary sanctions.

Based on the review of relevant theories, concepts and previous studies, it can be concluded that: Legal studies explain the content and validity of sanctions but rarely ask what follows for corporate governance. Management studies recognize geopolitical risk but seldom engage with the legal mechanics that determine a firm's actual exposure, such as the jurisdictional basis of secondary sanctions, the reach of anti-circumvention duties or the standard of review that a court will apply to a designation. This article draws on both. It uses doctrinal analysis to identify the legal sources of exposure and management theory to explain how organizations can build the capabilities needed to manage that exposure.

Research Methodology

This study employs doctrinal and conceptual legal research approaches, using qualitative documentary analysis. It combines doctrinal legal research, which involves the systematic analysis of treaties, legislation, regulations, and judicial decisions to identify, organize, and evaluate applicable legal rules (Hutchinson & Duncan, 2012), with documentary analysis of official materials, including enforcement guidance and monitoring reports (Bowen

Research Scope: Primary legal instruments, judicial and quasi-judicial decisions and official documents on sanctions and trade restrictions, and their implications for corporate risk management and organizational strategy.

- Population and Sample Scope: No human population or sample is used; the corpus is a purposive sample of primary legal sources and five leading decisions selected against the criteria set out below. 2009). No statistical analysis was conducted, as the research questions focus on the content and effects of legal rules rather than relationships between variables.

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- Area Scope: The United Nations, the United States, the European Union and the United Kingdom, which issue the sanctions with the widest practical reach, together with the World Trade Organization as the principal forum in which trade restrictions are tested.

- Time Scope: March 2014, when the European Union adopted its first restrictive measures over Crimea, to 3 October 2026, the cut-off date for the legal material. Older authorities are included where they remain governing statements of principle.

Document Study: Primary sources were taken from official repositories: EUR-Lex, the Federal Register and the United States Code, the United Nations Official Document System, the WTO documents database, the Reports of the International Court of Justice, and the official judgment collections of the UK Supreme Court and the Court of Justice of the European Union. Figures were taken from the institutions that publish them.

Five decisions were selected against four criteria: the decision was given by an authoritative international body or an apex domestic court; it addressed one of three questions central to corporate exposure, namely the limits of economic coercion, the reviewability of individual designations and the reviewability of trade restrictions justified on non-economic grounds; it remains a leading authority on that question; and its reasoning carries direct implications for corporate actors. The selection also covers five forums: the International Court of Justice, the Court of Justice of the European Union, the UK Supreme Court, a WTO panel and the WTO Appellate Body.

The analysis proceeded in four stages. Each source was first recorded in a structured template. Each proposition was then coded deductively against four components of enterprise risk management drawn from COSO (2017) and ISO 31000 (ISO, 2018): risk identification, risk assessment, risk response, and governance and oversight. The coded material was then compared across jurisdictions and decisions to identify convergences and conflicts, and the results were synthesized into the findings and recommendations. Table 1 records the coding for the five decisions.

Field Study: No field study was undertaken, because the research questions concern the content and legal effect of legal instruments and judicial reasoning rather than the measurement of firm behaviour.

Research Finding

Objective 1 The results of the research were as follows:

United Nations Mandatory Sanctions: The Charter Framework

The legal basis for multilateral sanctions is Chapter VII of the Charter of the United Nations. Under Article 41 the Security Council may decide on measures not involving the use of armed force, including the interruption of economic relations, and under Article 25 its decisions bind all 193 member states (Charter of the United Nations, 1945). UN practice has moved from comprehensive measures, such as those imposed on Iraq by Resolution 661 (1990), towards targeted asset freezes, travel bans and arms embargoes (Biersteker et al., 2016). On 3 October 2026 the Council had 15 sanctions regimes in force, each administered by a sanctions committee (United Nations Security Council, n.d.), and Resolution 2664 (2022) introduced a standing humanitarian exemption to asset freezes across these regimes.

United States Unilateral Sanctions: The IEEPA Framework

The United States maintains the most extensive unilateral system, administered mainly by the Office of Foreign Assets Control (OFAC) under the International Emergency Economic Powers Act (IEEPA). The Countering America's Adversaries Through Sanctions Act (CAATSA) of 2017 placed secondary sanctions on a statutory footing (Countering America's Adversaries Through Sanctions Act, 2017; International Emergency Economic Powers Act, 1977). Primary sanctions prohibit US persons from dealing with designated parties, whereas

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secondary sanctions expose non-US persons to exclusion from the US market or financial system if they engage in specified dealings with sanctioned targets (Office of Foreign Assets Control [OFAC], n.d.). The maximum civil penalty per violation is the greater of $377,700 and twice the value of the transaction (OFAC, 2025).

The European Union Sanctions Framework

EU sanctions are adopted by a Council decision under Article 29 of the Treaty on European Union (TEU) and, for economic measures, by a regulation under Article 215 of the Treaty on the Functioning of the European Union (TFEU) that binds operators directly. The Russia regime rests on Regulation (EU) No 269/2014, which provides for asset freezes, and Regulation (EU) No 833/2014, which contains the sectoral restrictions. At its last review on 22 September 2026, the Council reported twenty-one packages, more than 3,000 listed individuals and entities, and about €210 billion of Central Bank of Russia assets immobilised in the EU (Council of the European Union, 2026b). For firms, the most significant feature is the anti-circumvention architecture of Regulation 833/2014: the no Russia clause, the duty on EU parent companies to ensure that their third-country subsidiaries do not undermine the sanctions, and due diligence duties for battlefield goods. The 21st package extended export restrictions to entities in China, India, Kazakhstan, Kyrgyzstan, Türkiye and the United Arab Emirates (Council of the European Union, 2026a). Exposure therefore no longer depends on dealing with Russia directly.

The United Kingdom

The United Kingdom operates its own regimes under the Sanctions and Anti-Money Laundering Act 2018. Since 28 January 2026 the UK Sanctions List, maintained by the Foreign, Commonwealth and Development Office, has been the only source of UK designations (Foreign, Commonwealth & Development Office [FCDO], 2026), so screening systems that still rely on the closed OFSI Consolidated List are no longer reliable.

Extraterritoriality and Its Corporate Implications

Extraterritorial reach is the most contested feature of the system. Since the Lotus case (1927), lawful prescriptive jurisdiction has been tied to recognized connecting factors such as territory, nationality and effects (Lowenfeld, 2008). Secondary sanctions formally condition access to the US market, but in practice they regulate dealings between non-US parties. The EU's Blocking Statute, Council Regulation (EC) No 2271/96, prohibits EU operators from complying with the listed US measures. In *Bank Melli Iran v Telekom Deutschland* (2021) the Court of Justice held that the prohibition applies even where no US authority has ordered compliance, but that an EU operator may terminate a contract with a listed person without giving reasons, provided the termination was not motivated by compliance with the US measures. China's Anti-Foreign Sanctions Law of 2021 adds a further source of conflicting obligations. The result is a set of overlapping regimes in which compliance with one may itself be unlawful under another.

The WTO Crisis and the Erosion of Rule-Based Trade

Since December 2019 the WTO Appellate Body has lacked the quorum needed to hear appeals, so a panel report can be appealed into the void and left unadopted (Aiyar et al., 2023; Naidu, 2026). The system had given trade-dependent businesses a measure of legal predictability (Van den Bossche & Zdouc, 2017). Its weakness has encouraged reliance on the security exception in Article XXI of the General Agreement on Tariffs and Trade (GATT) to cover measures with geopolitical motives, which panels review with considerable deference (WTO Panel Report, 2019).

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United States Export Controls and Friend-Shoring

US export controls rest on the Export Control Reform Act of 2018 and the Export Administration Regulations administered by BIS, whose Entity List restricts exports to named foreign parties (BIS, n.d.). The semiconductor controls of 7 October 2022, extended in 2023 and 2024, reached items produced outside the United States with US technology (BIS, 2022, 2023a, 2023b, 2024) and illustrate what Farrell and Newman (2019) call weaponized interdependence. Friend-shoring and reshoring were given legislative form in 2022 by subsidies conditioned on domestic content (CHIPS and Science Act, 2022; Inflation Reduction Act, 2022). On 30 January 2026 a WTO panel found the Inflation Reduction Act's domestic content bonus credits inconsistent with WTO law, but the United States appealed into the void in February 2026 (Naidu, 2026; WTO Panel Report, 2026), so an adverse ruling need not lead to compliance.

Objective 2 The results of the research were as follows:

Five decisions were analysed against the criteria set out in the Research Methodology, and the findings are drawn together in Table 1.

Kadi and Al Barakaat International Foundation v Council and Commission (2008)

In Kadi I the Grand Chamber of the Court of Justice held that EU measures implementing Security Council resolutions must respect the fundamental rights protected by the EU legal order, and annulled the listing because the appellants had not been told the grounds for it or given an opportunity to respond (Kadi and Al Barakaat, 2008). In Kadi II the Court confirmed that the EU courts must review whether the reasons for a listing are supported by evidence (European Commission v Kadi, 2013). For firms, the case provides a basis for challenging listings, but it also shows that a listing may be valid at the UN level while unlawful under EU law, which creates real uncertainty for compliance teams (Farrall, 2007; Reinisch, 2001).

Military and Paramilitary Activities in and against Nicaragua (Nicaragua v United States of America) (1986)

The International Court of Justice did not accept that the general US trade embargo of 1985 breached the customary principle of non-intervention, and it observed that a state is not bound to continue particular trade relations longer than it sees fit in the absence of a specific legal obligation (Nicaragua v United States, 1986). Because the Court decided only that this embargo was lawful, more extreme coercion, and secondary sanctions that seek to dictate the commercial choices of third states and their firms, remain contestable, a distinction that should inform how firms assess the durability of a measure (Drezner, 2003).

Bank Mellat v Her Majesty's Treasury (No 2) (2013)

The UK Supreme Court held, by a majority, that a 2009 Treasury direction under the Counter-Terrorism Act 2008 requiring UK financial institutions to cease business with Bank Mellat was disproportionate, because it singled out that bank when other Iranian banks presented comparable risks, and unfair, because the bank had not been allowed to make representations (Bank Mellat v HM Treasury (No 2), 2013). The decision offers firms a route to a remedy, but it also shows the limits of that route: the direction was quashed only in 2013, long after the commercial damage had been done.

Russia: Measures Concerning Traffic in Transit (WT/DS512, 2019)

The panel held that Article XXI of the GATT is not wholly self-judging, but it gave considerable deference to Russia's assessment of its essential security interests and upheld its invocation (WTO Panel Report, 2019). Later panels found US steel and aluminium tariffs not justified under Article XXI, yet the United States appealed those reports into the void (WTO

Panel Report, 2022). Firms therefore cannot treat WTO rules as a dependable constraint on trade restrictions imposed by major economies.

United States: Measures Affecting the Cross-Border Supply of Gambling and Betting Services (WT/DS285, 2005)

The Appellate Body accepted that US restrictions on the cross-border supply of gambling services were necessary to protect public morals under Article XIV(a) of the General Agreement on Trade in Services, but found that they failed the requirements of the chapeau (WTO Appellate Body Report, 2005). The United States did not comply, and in 2007 Antigua and Barbuda was authorized to suspend obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (WTO Arbitration Decision, 2007), which foreshadowed the present enforcement problem.

Taken together, the five decisions show that courts and tribunals assert legal limits on sanctions and trade restrictions, but the review they offer is partial, often slow and deferential on questions of security. Table 1 summarizes the coding.

Table 1 Leading decisions and their implications for corporate risk management

Decision	Legal question	Holding	Implication for firms (ERM component)
Kadi and Al Barakaat (CJEU, 2008); Kadi II (2013)	Reviewability of individual designations	EU measures implementing UN listings must respect fundamental rights; listing annulled for lack of reasons and hearing	Listings can be challenged; UN and EU positions may diverge (risk response; risk identification)
Nicaragua v United States (ICJ, 1986)	Limits of economic coercion	1985 trade embargo not a breach of non-intervention; no duty to continue trade absent specific obligation	Unilateral measures are broadly lawful, but extreme coercion and secondary measures remain contestable (risk assessment)
Bank Mellat v HM Treasury (No 2) (UKSC, 2013)	Reviewability of individual designations	Direction singling out one bank was disproportionate; failure to consult was unfair	Remedies exist but arrive late; financial exposure persists during litigation (risk response; governance)
Russia Traffic in Transit (WTO panel, 2019)	Reviewability of security-based trade restrictions	Article XXI reviewable, but deference given; Russia's invocation upheld	WTO rules are a weak constraint on security-based measures (risk identification; risk assessment)
United States Gambling (WTO Appellate Body, 2005)	Reviewability of restrictions on non-economic grounds	Measures necessary for public morals but failed the chapeau; non-compliance followed	Favourable rulings may not be implemented; legal wins do not ensure market access (risk assessment; governance)

Note: Author's analysis of the decisions cited, coded against the components of COSO (2017) and ISO 31000 (ISO, 2018).

Objective 3 The results of the research were as follows:

The findings for the first two objectives carry four implications for corporate risk management and organizational strategy, discussed in turn below.

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The Limits of Conventional Risk Management Frameworks

Conventional ERM practice, even when based on COSO (2017) and ISO 31000 (ISO, 2018), places legal risk within the compliance category, and the findings suggest three reasons why this is poorly suited to sanctions risk. First, compliance-centred approaches concentrate on known designations and give less attention to future designations, new anti-circumvention duties and secondary sanctions; the EU's 21st package shows how quickly the perimeter of exposure can move (Council of the European Union, 2026a). Secondly, risk matrices treat compliance failures as discrete events, whereas a serious sanctions breach is more often systemic, because loss of correspondent banking or dollar clearing can affect an entire business and several authorities may penalize the same conduct, as when three UniCredit Group banks agreed in 2019 to pay a combined $1.3 billion to federal and state authorities (U.S. Department of the Treasury, 2019). Thirdly, siloed structures cannot identify exposure embedded in supply chains, ownership structures and payment routes (Chopra & Sodhi, 2004; Power, 2007), and routing transactions through intermediaries or third countries does not remove exposure where a US connection exists, while enforcement now extends to crypto-asset service providers (Council of the European Union, 2026a; OFAC, 2021).

Geopolitical Risk as a Strategic Concern

The findings also show that geopolitical risk is a recurring and partly foreseeable feature of the environment of internationally active firms rather than a rare exogenous shock (Bremmer, 2005; Caldara & Iacoviello, 2022; Kobrin, 1979). Scenario planning (Schoemaker, 1995; Wack, 1985), dynamic capabilities (Petricevic & Teece, 2019; Teece et al., 1997) and ambidexterity (O'Reilly & Tushman, 2013) explain how firms can test their strategy against regulatory scenarios, sense legal change and re-route supply chains when sanctions change.

International Legal Literacy as an Organizational Capability

The first conceptual contribution is international legal literacy, defined as the organization-wide capacity to recognize, interpret and act on the international and foreign legal rules that affect a firm's strategy, operations and relationships. It builds on Bagley's (2008) legal astuteness, which concerns individual managers and mainly domestic law, and on proactive law (Siedel & Haapio, 2010), but it extends them in two directions: its subject matter includes public international law, extraterritorial regulation and conflicts between legal orders, which the first objective identified as the main sources of exposure, and it is treated as a distributed organizational capability rather than knowledge held by a specialist legal function.

The capability has three components. Sensing is the ability to monitor designation risk and legal change across several regimes, including changes such as the closure of the OFSI Consolidated List. Interpreting is the ability to translate legal developments into business assessments, for example on conflicts of law (*Bank Melli*) and on remedies after a wrongful listing (*Kadi*; *Bank Mellat*). Integrating is the ability to embed these assessments in board deliberation, strategic planning and supply chain decisions, which the US Department of Justice's guidance on corporate compliance programmes also expects of senior management and the board (U.S. Department of Justice, 2024).

The Compliance-Efficiency Frontier in Supply Chain Design

The second contribution is the compliance-efficiency frontier, the set of supply chain configurations that achieve the lowest feasible compliance risk for a given level of operational efficiency. The idea borrows the logic of the efficient frontier in portfolio theory (Markowitz, 1952). A firm inside the frontier could reduce its legal exposure without losing efficiency; a firm on the frontier faces a genuine trade-off that must be resolved by strategic choice rather than by compliance procedure alone. The frontier moves with each new sanctions package,

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Entity List addition or anti-circumvention duty, and due diligence on supply chain partners has become part of it, since EU and US rules oblige exporters to verify destination and end use (BIS, n.d.; Council of the European Union, 2026b) and deliberate avoidance of knowledge can satisfy a knowledge requirement in US law (*Global-Tech Appliances, Inc. v SEB S.A.*, 2011). The concept is offered as a heuristic; measuring the frontier for particular firms is a task for future empirical work.

Discussions and Conclusion

The results of objective 1 research showed that: In relation to the first objective, the analysis showed that contemporary sanctions and trade controls impose extraterritorial and overlapping obligations on multinational corporations, and that compliance with one regime may be unlawful under another.

The results of objective 2 research showed that: In relation to the second objective, the case law showed that courts and tribunals assert legal limits on sanctions and trade restrictions but offer corporate actors only partial and slow protection. *Kadi* and *Bank Mellat* confirm that designations can be challenged, while *Russia Traffic in Transit*, read with the later appeals into the void, shows that WTO disciplines are no longer a dependable constraint on trade-restrictive measures.

The results of objective 3 research showed that: In relation to the third objective, the article argued that international legal literacy should be treated as an organizational capability integrated into board governance, strategic planning and supply chain management, and that supply chain choices can be framed by a compliance-efficiency frontier that moves as the law changes.

Conclusion

The legal and strategic environment facing internationally active firms has changed markedly since 2014, and especially since 2022. The proliferation of sanctions, the fragmentation of trade and the weakening of multilateral legal mechanisms have produced a category of systemic legal risk that calls for a rethinking of corporate risk management and organizational strategy.

The study has limitations. It is doctrinal and conceptual, it does not include primary data from firms, and it concentrates on Western sanctioning systems. Its propositions should therefore be tested through expert interviews with compliance officers, general counsel and board members, comparative case studies of firms that restructured their Russian or Chinese operations, and survey research developing measures of international legal literacy. For firms with significant international exposure, a limited understanding of this legal environment has become a strategic weakness rather than a technical gap in compliance.

Recommendation

The recommendations in Table 2 follow from the findings. The short-term measures for firms respond to the finding that exposure now arises through third-country counterparties, ownership chains and payment routes, and to changes in official lists; the long-term measures respond to the finding that sanctions risk is systemic and strategic and therefore belongs at board level (COSO, 2017; U.S. Department of Justice, 2024). The measures for regulators respond to the procedural lessons of *Kadi* and *Bank Mellat* and to the appellate vacuum at the WTO (Naidu, 2026), and the proposal for harmonized due diligence standards draws on the Financial Action Task Force Recommendations, most recently updated in June 2026 (Financial Action Task Force [FATF], 2026).

Table 2 Recommendations by addressee and time horizon

Addressee	Short term (within about 12 months)	Long term (structural or institutional)
Multinational corporations	Map exposure across all regimes, including ownership, intermediaries and payment routes; update screening to current official lists; adopt escalation protocols; review sanctions and termination clauses	Board-level oversight of sanctions and trade risk; build international legal literacy and, where justified, a geopolitical legal risk unit; integrate legal scenario planning; redesign supply chains with the compliance-efficiency frontier in view
Regulators and policymakers	Clearer guidance on extraterritorial reach, ownership and humanitarian exemptions; coordinated timing and adequate wind-down licences; reasons for designations sufficient for effective challenge	Restore two-tier WTO dispute settlement; develop harmonized minimum due diligence standards on the FATF model

Note: Short term refers to measures that can be taken within about twelve months; long term refers to measures requiring structural or institutional change.

New Knowledge

The study's contribution to new knowledge is threefold, and each element carries a clear practical benefit. First, for management scholarship, it supplies a legally grounded account of where sanctions exposure comes from, so that geopolitical risk can be analysed through identifiable legal mechanisms rather than treated as a single undifferentiated external shock. Second, for legal scholarship, it shifts the focus of sanctions analysis from the validity of state measures to their consequences for corporate governance, building a bridge between legal and management research that neither field has built on its own. Third, it introduces two original concepts, international legal literacy and the compliance-efficiency frontier, which give boards, compliance officers and regulators a shared vocabulary for decisions that are currently made on an ad hoc basis, so that sanctions risk can be governed with the same rigour as financial or operational risk. Because the study is conceptual, these contributions are presented in Figure 1 as a conceptual model that traces the argument from the legal findings to the two new concepts and their consequences, rather than as an empirically tested framework.

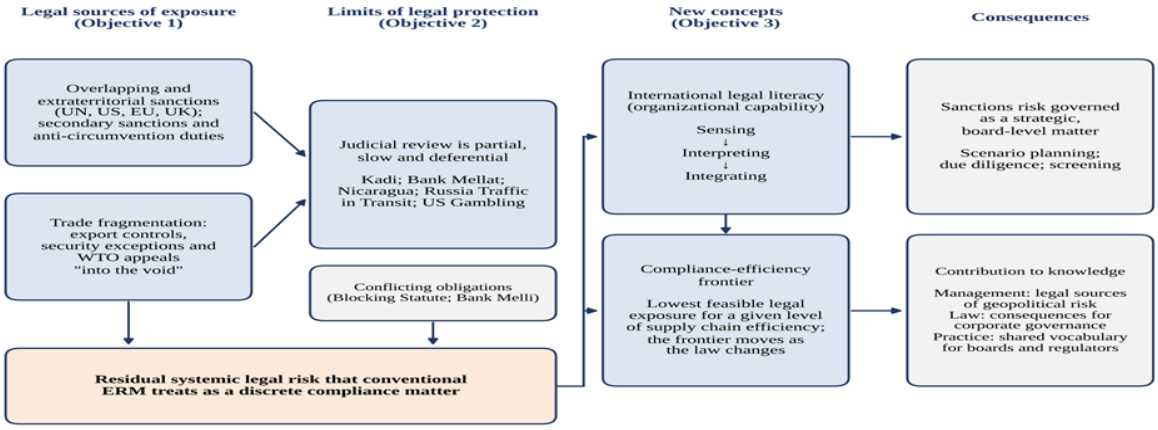

Figure .1 Conceptual model of the study's contribution to new knowledge

Note: Author's synthesis of the findings for Objectives 1 to 3. The model summarizes the argument of this conceptual study; its relationships are proposed for empirical testing rather than tested here.

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