

2nd ECOFIN

*Novice
General
Assembly*



TOPIC: The Impact of Western Sanctions on the Russian Federation and its Citizen

CHAIRS: Lucas Sorensen, Gianna Goodman Bhyat

LAIMUN XXVIII

December 3-4

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LAIMUN XXVIII

December 3-4

Letter from the Secretaries-General

Dear Delegates,

On behalf of our entire staff, it is our pleasure to welcome you to Session XXVIII of the Los Angeles Invitational Model United Nations (LAIMUN) conference. LAIMUN XXVIII will take place on Saturday, December 3 and Sunday, December 4 of 2022 at the Mira Costa High School (MCHS) campus.

Our staff, composed of over 100 MCHS students, has been working tirelessly to make your debate experience the best it can be. You will find your dais members to be knowledgeable about the issues being debated and MUN procedure. We pride ourselves in hosting a conference that is educational and engaging, and we hope you take advantage of that as you prepare and debate.

At LAIMUN, we value thorough research and preparation. We ask that delegates write position papers following [these directions](#). The deadline to submit position papers to be considered for Committee and Research Awards is Friday, November 25 at 11:59 PM PT. The deadline to submit to be considered for Committee Awards is Thursday, December 1 at 11:59 PM PT.

We also encourage all delegates to read the [LAIMUN Rules of Procedure](#) for conference-specific information and as a reminder of points and motions that can be made during committee.

Feel free to reach out to our staff with any questions or concerns you may have. Delegates can find their chairs' contact information next to their committee profile and the Secretariat's email addresses on the staff page. Any member of the LAIMUN staff will be happy to assist you.

We look forward to seeing you in December!

Sincerely,

Allyssa Lessinger and Brady Stephens
Secretaries-General, LAIMUN XXVIII
secretarygeneral@mchsmun.org



Introduction to the USG

Hi Delegates! My name is Tucker and I'm the Under-Secretary General of General Assembly committees. This is my fourth year in the Mira Costa Model UN program and I am ecstatic to welcome you all to LAIMUN XXVIII.

I'm so excited to see various diplomatic strategies in committee regarding the pressing issues we encounter on a global scale. Our chairs will hold the delegates to high standards of research, diplomacy, speeches, and solutions.

At LAIMUN, we have a strict no pre-written resolutions policy—resolutions can only be worked on at your chair's discretion. Please verify that your work is authentic to ensure all delegates experience a fair and accurate simulation of a United Nations conference.

The Mira Costa Model UN program has provided me with incredible opportunities and lasting memories; I hope that LAIMUN XXVIII will be a memorable experience for you as well! Mira Costa MUN provides a profound opportunity for delegates to gain knowledge, confidence, speaking skills, and most importantly, a new understanding of international relations and current events. All LAIMUN XXVIII staff have worked hard to provide the best experience for everyone in attendance and we wish you the best of luck throughout your preparation!

If you have any questions or concerns, please don't hesitate to reach out to GA@mchsmun.org or other members of the Secretariat. I can't wait to see you in December!

Regards,

Allyssa Lessinger and Brady Stephens
Secretaries-General

Tucker Gauss
Under-Secretary General

Introduction to the Dias

Hello Delegates!

My name is Lucas Sorensen and I am one of the ECOFIN Novice chairs for LAIMUN XXVIII and I really look forward to seeing you all in debate! I am currently a Senior at Mira Costa and this is my fifth year of MUN. Being a part of Mira Costa MUN has been a great experience and going to conferences has been a great experience for me, including going to New York for NHSMUN last year! Outside of Mira Costa's MUN program, I swim competitively and go to the gym when time permits. I also love to go surfing, hang out with my friends at the beach, and watch soccer religiously. On campus, I'm on the Mira Costa varsity swim team and involved in the political debate club as well as the philosophy club. I love reading, food, and music, so be sure to reach out to me if you have any music recommendations! In ECOFIN we tried to make our topic as relevant to current issues as possible, as well as keep it broad to allow every country to have a policy on these pressing issues. I hope all of you leverage this to the best of your ability to ensure you have entertaining, creative, and well-put solutions. If you have any questions or comments be sure to reach out to us, and best of luck to you all!

Best regards,

Lucas Sorensen

Hi Delegates! My name is Gianna Goodman-Bhyat, my pronouns are she/her, and I am a sophomore here at Mira Costa High School. A couple fun facts about me: I am a fedora enthusiast, my go-to Starbucks order is an iced chai latte with oat milk, and I have a not-so-secret love of musical theater. I am actually involved with an organization called Anchorless Productions, which works to introduce the art of musical theater to students with developmental disabilities. Forming relationships with the students there has been one of the best experiences of my life, and has greatly influenced me as a person. I would highly recommend volunteering to anyone in the South Bay area. In addition to Anchorless, I participate in competitive indoor rock climbing. I've been climbing for the past six years and love connecting with others in the community, so if you're a climber as well, please let me know!

This will be my second year participating in MUN, and I am extremely grateful for the opportunity to be your chair. I think that MUN is an amazing program, because it allows students to learn about international relations and gain a better understanding of global perspectives. Being a part of this program has been a great experience thus far, and I plan to continue with it for the remainder of my highschool years.

The topic we have chosen for ECOFIN is one which appears to be very dynamic at this moment in time, and I'm looking forward to hearing some creative and innovative solutions. Feel free to reach out with any questions or concerns. I'm super excited to see you all in debate!

Best of luck,

Gianna Goodman-Bhyat

Committee Description

The Economic and Financial Committee of the General Assembly, deals with many issues pertaining to economic growth and development. Historically, ECOFIN has worked through obstacles in the way of successful international macroeconomic policy, the financing of globalization and interdependence, and sustainable development. This Second Committee also handles special circumstances such as the sovereignty of the Palestinians in East Jerusalem and Syrian Golan. The committee was first founded on the 25th of April, 1945 and its membership is open to any member states of the UN, and follows the same parliamentary procedures as the General Assembly. With 193 members currently, ECOFIN works to encourage international growth through financial assistance and improvements in financial affairs; each of its members are considered equally and are afforded identical voting rights.

Within the General Assembly, ECOFIN is unique because it serves to lead the development of a coordinated approach to economic issues centric to local, national, and global economies. This committee largely assists in the development of lower-GDP nations to provide economic stimulus and growth through financial aid and proper resource allocation. A notable ECOFIN project is the establishment of the Sustainable Energy for the All initiative. This program aims to increase investment in renewable energy sources with the ultimate goal of widespread access to sustainable and modernized energy by 2030.

In recent years, ECOFIN has aided in resolving major disputes in the Middle East such as insisting Palestine end its occupation in Syria. This was due to the human rights violations

heavily affecting the economic environment because of the military, social, and political stress the occupation was putting on the people. ECOFIN has also illustrated a major stress on Least Developed Countries and Landlocked Developing Countries, through their collaboration with the IMF and the World Bank. Having an understanding of the involvement ECOFIN has in current affairs will be essential in understanding the topics being discussed.

Topic A: The Impact of Western Sanctions on the Russian Federation and Its Citizens

I. Background

Since 2014, Russia has maintained a military presence in Ukraine, occupying Crimea and the Donbas following the Ukrainian revolution.¹ In response to this, many western countries, such as NATO and EU members, introduced sanctions in early March of that year, which included travel bans, the freezing of assets, and the halting of many financial dealings.² These sanctions caused the ruble's value to drop from 2.4% of a Swiss Franc, a currency widely regarded as the most stable in the world, to 1.4% of a Swiss Franc within only a year.³ While this may be seen as a testament to the effectiveness of sanctions, this drop in value follows a 19-year trend.⁴ If anything, the depreciation of the ruble has slowed in the past decade.⁵ Following its initial depreciation, the ruble bounced back very quickly, and after the 2022 sanctions, it rose from 1.2% prior to the invasion, to 1.7% following autarkic measures implemented by Russia. However, despite the strength of the ruble, sanctions have caused Russia to lag behind predicted GDP growth, a result of widespread bank runs, a doubling of

¹ Steven Pifer, "Crimea: Six Years after Illegal Annexation," Brookings (Brookings, March 9, 2022), <https://www.brookings.edu/blog/order-from-chaos/2020/03/17/crimea-six-years-after-illegal-annexation/>.

² "Ukraine and Russia Sanctions," Archived Content (U.S. Department of State), accessed June 2, 2022, <https://2009-2017.state.gov/e/eb/tfs/spi/ukrainerussia/index.htm>.

³ Olga Protska, "Top 10 - the Most Stable Currencies in the World in 2022," FXSSI (FXSSI - Forex Sentiment Board, January 25, 2022), <https://fxssi.com/top-10-world-most-stable-currencies>.

⁴ "Inflation Rate between 2000-2022: Russia Inflation Calculator," ₱100 in 2000 → 2022, accessed June 2, 2022, <https://www.in2013dollars.com/russia/inflation/2000?amount=100>.

⁵ "Inflation Rate between 2000-2022: Russia Inflation Calculator," ₱100 in 2000 → 2022, accessed June 2, 2022, <https://www.in2013dollars.com/russia/inflation/2000?amount=100>.

unemployment, and high inflation that has plagued Russia since the collapse of the Soviet Union.

⁶ Sanctions have aimed not only to cause economic hindrance, but many focus on halting Russia's progress in areas such as militarization and space exploration.⁷ Furthermore, numerous sanctions imposed in 2014—such as their suspension from the council of Europe and the banning of many Russian banks⁸—attempted to diplomatically and economically isolate Russia. However, the sanctions imposed in 2014 paled in comparison to those in 2022, especially in regards to their economic impacts.

On February 24th, 2022, the Russian Federation invaded Ukraine. This event was condemned by the international community and was followed by widespread sanctions imposed by numerous Western nations, primarily on their gas and oil exports, which had remained largely untouched by the 2014 sanctions. As a result, Russia simply started selling the majority of its oil to India and China, deepening their economic ties and leaving Europe with crude oil prices more than 6 times higher than in 2020.⁹¹⁰ Russia's response to the EU ban on Russian oil was similar to their response to gas and other sanctions, wherein Russia required rival countries to buy gas

⁶ "Russia's War on Ukraine: The Economic Impact of Sanctions - Congress," IF12092, accessed June 17, 2022, <https://crsreports.congress.gov/product/pdf/IF/IF12092>.

⁷ Shannon Tiezzi, "Japan Eyes Sanctions on Russia," – The Diplomat (for The Diplomat, July 18, 2014), <https://thediplomat.com/2014/03/japan-eyes-sanctions-on-russia/>.

⁸ "Sweeping New US and EU Sanctions Target Russia's Banks and Oil Companies," The Guardian (Guardian News and Media, September 12, 2014), <https://www.theguardian.com/world/2014/sep/12/russia-sanctions-us-eu-banks-sberbank-oil-gazprom>.

⁹ Sam Meredith, "Russia Hits Back at the EU's Partial Oil Embargo, Says It Will Find Other Importers for Its Crude," CNBC (CNBC, May 31, 2022), <https://www.cnbc.com/2022/05/31/russia-oil-moscow-says-it-will-find-other-importers-after-eu-ban.html>.

¹⁰ "Crude Oil Prices: Brent - Europe," FRED, June 2, 2022, <https://fred.stlouisfed.org/series/MCOILBRENTU>.

with rubles or through Russian banks.¹¹ Following widespread energy shortages and massive spikes in prices, numerous countries caved.¹² Russia's effective retaliation to Western sanctions reflected a policy of greater economic independence, as they leveraged their position as Europe's largest oil exporter. Additionally, following the freezing of foreign Russian assets, amounting to hundreds of billions of dollars,¹³ Russia threatened to nationalize foreign companies operating in Russia.¹⁴ This move, while extremely risky for most other countries, demonstrates Russia's desire to preserve jobs and further their economic independence from the rest of Europe. In doing this, Russia has moved their economic dependency to China, with Yuan-Ruble trading soaring to 1,067% after Russia's invasion of Ukraine.¹⁵ While the European market has partially closed and may reopen as the EU is faced with gas shortages, the Asian market, especially India and China, has opened up.

Many of the sanctions imposed were intended to inflict economic damage upon those responsible for the invasion of Ukraine, hence the sanctions that targeted specific individuals and Russian-owned companies. These sanctions, however, were oftentimes ineffective, as they could

¹¹ Frances D'Emilio and Geir Moulson, "Russia Demands Natural Gas Payments in Rubles, Leaves a Loophole," PBS (Public Broadcasting Service, March 31, 2022), <https://www.pbs.org/newshour/world/russia-demands-natural-gas-payments-in-rubles-leaves-a-loophole>.

¹² Al Jazeera, "EU Gives Companies Green Light to Buy Gas from Russia," Oil and Gas News | Al Jazeera (Al Jazeera, May 16, 2022), <https://www.aljazeera.com/economy/2022/5/16/eu-gives-companies-green-light-to-buy-gas-from-russia>.

¹³ "Russia Stored Large Amounts of Money with Many Countries. Hundreds of Billions of It Are Now Frozen," NBCNews.com (NBCUniversal News Group, March 17, 2022), <https://www.nbcnews.com/data-graphics/russian-bank-foreign-reserve-billions-frozen-sanctions-n1292153>.

¹⁴ Jeanne Whalen, "Russia Considers Nationalizing Western Businesses That Have Closed over Ukraine Invasion," The Washington Post (WP Company, March 11, 2022), <https://www.washingtonpost.com/business/2022/03/10/russia-nationalize-foreign-business-ukraine/>.

¹⁵ Harry Robertson, "Yuan-Ruble Trading Surges More than 1,000% as China and Russia Draw Closer Together amid Us Tensions," Business Insider (Business Insider, May 31, 2022), <https://markets.businessinsider.com/news/currencies/yuan-ruble-trading-surges-china-russia-ukraine-us-dollar-2022-5>.

be easily dodged by the targeted magnates, allowing them to become closer to Putin in the process.¹⁶ Although they were intended to hurt those responsible, rather than the people of Russia, the opposite result ultimately occurred, with unemployment predicted to double to 9.6% this year from 2021.¹⁷ Russia has accordingly implemented several countermeasures to prevent further damage and reverse existing damage. Upon the war's outbreak, for example, numerous companies opted to close operations in Russia. McDonald's was one such company, and their close allowed Happy Meals to be sold for obscene prices, with some going for over ₺7,500—or \$56.¹⁸ In response to this, Alexander Govor bought the chain in Russia and rebranded it, allowing 62,000 employees to keep their jobs, and dramatically reducing US economic influence in the country¹⁹. It also perverted the Golden Arches Theory, which claims that no two countries with a McDonalds have ever been at war since establishing a McDonalds. The basis of this theory is the idea that two countries who are economically dependent on one another have too much at stake to risk waging war²⁰. And so while this example demonstrates the inefficiencies of US sanctions as well as Russia's adaptability, it simultaneously showcases the way in which increasing globalization and economic ties do not guarantee peaceful political relations. This example also

¹⁶ “Russian Billionaire Dodges Politics and Sanctions to Flourish,” South China Morning Post, May 5, 2022, <https://www.scmp.com/news/world/europe/article/3176582/ukraine-war-russian-billionaire-vladimir-potinin-dodges-politics>.

¹⁷ “Russia’s War on Ukraine: The Economic Impact of Sanctions - Congress,” IF12092, accessed June 17, 2022, <https://crsreports.congress.gov/product/pdf/IF/IF12092>.

¹⁸ “McDonald’s to Exit from Russia,” accessed June 17, 2022, <https://corporate.mcdonalds.com/corpmcd/en-us/our-stories/article/ourstories.mcd-exit-russia.html>.

¹⁹ Zahra Ullah, “Rebranded McDonald's Restaurants Are Unveiled in Russia,” CNN (Cable News Network, June 13, 2022), <https://www.cnn.com/2022/06/12/business-food/mcdonalds-restaurant-replacement-russia-ukraine-intl/index.html>.

²⁰ Haeber, J. (2008, January 28). *What is the Golden Arches Theory of conflict prevention?* CBS News. Retrieved August 29, 2022, from <https://www.cbsnews.com/news/what-is-the-golden-arches-theory-of-conflict-prevention/>

serves to reflect the manner in which Western sanctions have ultimately harmed the general population of Russia, rather than the elite whom they were initially expected to target. Many sanctions aimed at halting transactions with Russians or Russian companies have only perpetuated further damage among small businesses and civilians instead of large corporations and tycoons, who have been able to maintain their wealth by exploiting loopholes, such as shell companies and proxies.²¹

II. UN Involvement

The UN has adopted very few measures to respond to the Russian military presence in Ukraine, and has failed to impose any kind of sanctions. Being a permanent member of the Security Council, Russia has used its position to veto any and all resolutions regarding its invasion. This included a recent resolution that would force Russia to withdraw all troops from Ukraine.²² In contrast to this, the General Assembly voted 141-5 to condemn Russia's invasion. However, being the General Assembly, the body has no authority to enforce this resolution and can only demand that Russia withdraw their troops.²³ Russia ignored the condemnation and continued to push into Ukraine. Fortunately, the General Assembly *did* manage to suspend Russia from the Human Rights Council upon the review of some deeply unsettling photographs

²¹ Charles Maynes, "Russians Are Feeling the Impact of Sanctions, but the Worst Is Still Yet to Come," NPR (NPR, April 22, 2022), <https://www.npr.org/2022/04/22/1094390348/russians-are-feeling-the-impact-of-sanctions-but-the-worst-is-still-yet-to-come>.

²² "Russia Blocks Security Council Action on Ukraine || UN News," United Nations (United Nations), accessed June 17, 2022, <https://news.un.org/en/story/2022/02/1112802>.

²³ Peter Granitz and Joe Hernandez, "The U.N. Approves a Resolution Demanding That Russia End the Invasion of Ukraine," NPR (NPR, March 2, 2022), <https://www.npr.org/2022/03/02/1083872077/u-n-set-to-hold-vote-that-would-demand-russia-end-war-in-ukraine>.

that detailed the withdrawal of Russian troops from Bucha.²⁴ This 93-24 vote passed after claims that Russian troops had abducted, raped, robbed, tortured, and killed residents of Bucha.²⁵

While the UN has taken actions against Russia in the political sphere, such as reaffirming the Helsinki Accords, which the Soviet Union—and thus Russia—signed, they have not yet passed any resolutions regarding sanctions. This trend of inaction extends to many prominent NGOs, as the only organizations who wield enough economic power to actually have an effect on Russia are multinational corporations, such as the aforementioned McDonald's. However, as these companies withdraw from Russia, the government simply reopens them or a Russian company buys the newly-defunct business, essentially negating the withdrawal's impact altogether.

Despite this, certain treaties have been able to gain some influence, however nominal, over the Russo-Ukrainian War. The most significant example of this is the Helsinki Final Act. The accords, signed by the US, Canada, and every then-existing European state except Albania and Andorra, asked that disputes would not be solved by force or threat of force, and disputes would be settled peacefully. The Final Act, while seen by the Soviet Union as consolidating their eastern holdings, was not a treaty, and thus not binding. Despite this, the Helsinki Accords are commonly referred to when talking about the fear of war in Europe, and are part of the reason that the majority of Europe has been able to exist in a state of peace for so long.

III. Topics to Consider

²⁴ “UN General Assembly Votes to Suspend Russia from the Human Rights Council | | UN News,” United Nations (United Nations), accessed June 17, 2022, <https://news.un.org/en/story/2022/04/1115782>.

²⁵ “UN General Assembly Votes to Suspend Russia from the Human Rights Council | | UN News,” United Nations (United Nations), accessed June 17, 2022, <https://news.un.org/en/story/2022/04/1115782>.

A. The Effectiveness of Sanctions

For the past century, the US has relied on economic sanctions as their ultimate weapon for accomplishing foreign policy objectives. The use of sanctions first became prominent during the post-cold war era, and have since been imposed on innumerable states with whom the US maintained economic ties. Yet despite its popularity, the effectiveness of this policy has remained a point of contention for almost as long as it has existed. While the primary goal of sanctions generally revolves around inflicting harm upon those responsible for decision making in order to encourage their reconsideration, many Western policy experts now maintain that they should aim to hurt civilians instead, in order inspire uprising against the high profile individuals that the sanctions are intended to target.²⁶ While both of these arguments may have some merit to them, neither strategy has yet proven to be without flaws. Sanctions that target individuals can oftentimes be avoided by creating shell corporations and using another individual in order to make transactions.²⁷ In a bid to cover for this, sanctions expand, and in doing so hurt the people who need to make those same transactions, while high profile individuals continue to find loopholes that allow them to maintain their money and power. On the other side of things, sanctions that target an entire country often have a significantly smaller impact on those in power, and mostly result in further harm done to the people buying sanctioned goods. So while the effectiveness of sanctions may be up for debate, it is worth noting the ways in which negative impacts on common citizens are often overlooked.

²⁶ Richard N. Haass, “Economic Sanctions: Too Much of a Bad Thing,” Brookings (Brookings, July 28, 2016), <https://www.brookings.edu/research/economic-sanctions-too-much-of-a-bad-thing/>.

²⁷ Person and Humeyra Pamuk, “Ukrainian Lawmakers on U.S. Visit Accuse Russians of Sanctions Dodge Using Georgia,” Reuters (Thomson Reuters, June 15, 2022), <https://www.reuters.com/world/europe/russians-using-georgia-bypass-sanctions-say-ukrainian-lawmakers-2022-06-15/>.

B. How Russia Deals With Sanctions

As was to be expected, Russia has leveraged the power of their central bank in order to mitigate the effects of sanctions. Not only has their central bank been able to rebound the ruble after it experienced a minor collapse, but they have also been able to reinvigorate their domestic industry.²⁸ In the modern world, a great symptom of globalization is a kind of interconnectedness that was not felt prior to the age of technology. While this degree of interconnectedness has proved to be advantageous in several regards, for Russia, it is a disaster. Russia's economic dependence on foreign entities, which is virtually inevitable in a globalized world, means that they may soon face shortages in niche everyday products like paper.²⁹ The solution to this would have to be a total restructuring of the economy, something that many countries find themselves unable to do when sanctions are implemented on such a scale. However, Russia was able to accomplish exactly this 30 years ago, following the collapse of the Soviet Union. Already, with talks of nationalizing foreign industries, Russia is showing their tendency and comfort to revert back to a command economy. While GDP growth may slow and inflation may increase, Russia will most likely continue their current path, as they have been doing since 2014. Their experience in restructuring entire economies gives them an advantage and sense of unpredictability that may render sanctions completely ineffective. In fact, Russia similarly adapted to Western sanctions during the Cold War. Upon the outbreak of the Korean War, the US embargoed strategic goods,

²⁸ Charles Maynes, "Russians Are Feeling the Impact of Sanctions, but the Worst Is Still Yet to Come," NPR (NPR, April 22, 2022), <https://www.npr.org/2022/04/22/1094390348/russians-are-feeling-the-impact-of-sanctions-but-the-worst-is-still-yet-to-come>.

²⁹ Charles Maynes, "Russians Are Feeling the Impact of Sanctions, but the Worst Is Still Yet to Come," NPR (NPR, April 22, 2022), <https://www.npr.org/2022/04/22/1094390348/russians-are-feeling-the-impact-of-sanctions-but-the-worst-is-still-yet-to-come>.

such as oil, that were imported from the USSR and its satellite states, and refused assistance to any nation who did not do the same. This was a complete failure, as the US deprived itself and its allies of strategic goods and was then forced to back down in response to diplomatic pressure from its allies.³⁰

C. The Coercion of Foreign Nations to Implement Sanctions

Sanctions are not always implemented solely for the purpose of perverting some kind of political agenda. Sometimes, they are used to force a change in economic policy. Following United States and European Union oil sanctions on Russia, the US became a massive exporter of liquified natural gas, with Europe making up 74% of their LNG exports, compared to an average of 34% last year.³¹ This increase contrasts with a significant decrease of natural gas being exported to Asia, as Russia now dominates the Asian market, supplying massive amounts of Chinese and Indian gas.³² This example serves to demonstrate the manner in which one country may pressure foreign nations to impose sanctions, not only to try and harm Russia, but to insert itself into the European market.

Two countries that have been negatively affected by the introduction of sanctions are Hungary and Bulgaria, as they are highly reliant on Russian power, and the EU embargo on natural gas and oil would spell disaster for them. Whereas Poland, a large proponent of a Russian

³⁰ “Embargoes and Sanctions - Cold War Sanctions,” Encyclopedia of the New American Nation, accessed June 17, 2022, <https://www.americanforeignrelations.com/E-N/Embargoes-and-Sanctions-Cold-war-sanctions.html>.

³¹ “U.S. Liquefied Natural Gas Exports to Europe Increased during the First 4 Months of 2022,” Homepage - U.S. Energy Information Administration (EIA), accessed June 17, 2022, <https://www.eia.gov/todayinenergy/detail.php?id=52659>.

³² “U.S. Liquefied Natural Gas Exports to Europe Increased during the First 4 Months of 2022,” Homepage - U.S. Energy Information Administration (EIA), accessed June 17, 2022, <https://www.eia.gov/todayinenergy/detail.php?id=52659>.

oil and natural gas embargo, maintained their gas storages at 83.6% full in May, Bulgaria and Hungary had their storages filled to 19.72% and 22.56% respectively.³³ Sanctions caused gasprices to double in Bulgaria, attesting to the harm that they have the potential to cause, not only for the sanctions' recipient, but also to the country that imposes them .³⁴ While these countries did not support the imposition of sanctions, their membership in the EU compelled them to act in solidarity with their wealthier counterparts. This, of course, meant with the exception of Hungary, who was excused after opposing the ban for 26 days.³⁵ Nonetheless, there do still remain several examples of countries who were arguably coerced into imposing sanctions on Russia. This may be worth some consideration when assessing a country's policy regarding the impacts of sanctions on the Russian Federation and its citizens.

IV. Case Study: McDonald's

The Golden Arches Theory was first set forth by Thomas Friedman, who claimed that "No two countries that both have a McDonald's have ever fought a war against each other."³⁶ He said this in a bid to show how interconnectedness from globalization brought about peace as their deep economic ties would be a great enough deterrent to stop war. He has since updated his theory, but shortly after this, the theory once again became true as McDonald's withdrew from

³³ Mirela Petkova et al., "Weekly Data: Can Bulgaria Live without Russian Gas?," Energy Monitor, May 30, 2022, <https://www.energymonitor.ai/tech/networks-grids/weekly-data-can-bulgaria-live-without-russian-gas>.

³⁴ Mirela Petkova et al., "Weekly Data: Can Bulgaria Live without Russian Gas?," Energy Monitor, May 30, 2022, <https://www.energymonitor.ai/tech/networks-grids/weekly-data-can-bulgaria-live-without-russian-gas>.

³⁵ David M. Herszenhorn, Jacopo Barigazzi, and Barbara Moens, "After Orbán Pipes up, Hungary Skips Russian Oil Ban," POLITICO (POLITICO, May 31, 2022), <https://www.politico.eu/article/orban-hungary-eu-oil-ban-exempt-euco/>.

³⁶ Edward Luce, "The End of the Golden Arches Doctrine," Subscribe to read | Financial Times (Financial Times, May 10, 2015), <https://www.ft.com/content/1413fc26-f4c6-11e4-9a58-00144feab7de>.

Russia.³⁷ McDonald's was a restaurant in Russia that signified better relations between the US and Russia, with the first McDonald's opening in Moscow in 1990, staying open past closing time in order to serve 30,000 customers.³⁸ The golden arches were seen as a thawing of relations between Russia and America, as well as a testament to the restructuring of the Russian economy. However, this period of normalized economic relations has since ended. Russians responded to the closing of the American-run company in a variety of ways. Some felt it was a sign that Russia was no longer open for business, as it had been 30 years prior.³⁹ In contrast, many others wished it good riddance, hoping to replace the company with Russian owned businesses and hoping to rid themselves of American culture and influence in an act of patriotism.⁴⁰

Following the Russo-Ukrainian War and sanctions that followed, McDonald's closed its Russian business due to the uncertain economic and operating climate.⁴¹ Following its closure, many Russians began selling McDonald's items for highly inflated prices, including—but not limited to—a Big Mac for \$36 and a McDonald's paper bag for \$300.⁴² This price gouging followed for a few weeks before some locations began to operate independently of McDonald's

³⁷ Edward Luce, "The End of the Golden Arches Doctrine," *Subscribe to read | Financial Times* (Financial Times, May 10, 2015), <https://www.ft.com/content/1413fc26-f4c6-11e4-9a58-00144feab7de>.

³⁸ NatashaTurak, "Goodbye, American Soft Power: McDonald's Exiting Russia after 32 Years Is the End of an Era," *CNBC* (CNBC, May 25, 2022), <https://www.cnbc.com/2022/05/20/mcdonalds-exiting-russia-after-32-years-is-the-end-of-an-era.html>.

³⁹ NatashaTurak, "Goodbye, American Soft Power: McDonald's Exiting Russia after 32 Years Is the End of an Era," *CNBC* (CNBC, May 25, 2022), <https://www.cnbc.com/2022/05/20/mcdonalds-exiting-russia-after-32-years-is-the-end-of-an-era.html>.

⁴⁰ NatashaTurak, "Goodbye, American Soft Power: McDonald's Exiting Russia after 32 Years Is the End of an Era," *CNBC* (CNBC, May 25, 2022), <https://www.cnbc.com/2022/05/20/mcdonalds-exiting-russia-after-32-years-is-the-end-of-an-era.html>.

⁴¹ "McDonald's to Exit from Russia," accessed June 17, 2022, <https://corporate.mcdonalds.com/corpmcd/en-us/our-stories/article/ourstories.mcd-exit-russia.html>.

⁴² Zahra Tayeb, "Russians Try to Sell Big Macs for around \$36 Each and a McDonald's Paper Bag for More than \$300, Following the Closure of Branches," *Business Insider* (Business Insider, March 13, 2022), <https://www.businessinsider.com/russians-selling-mcdonalds-menu-items-big-mac-store-closures-2022-3>.

or closed entirely. Despite selling the company, McDonald's felt their foremost responsibility was to their employees, whom they continued to pay at full salary until they had sold their Russian locations and had secured jobs for their 62,000 Russian employees at these rebranded locations.⁴³ McDonald's gives an excellent example of both the effects of sanctions and how they should be carried out. This move cost McDonald's \$1.4 billion, as the investments they made into the Russian economy were unable to be recouped due to American sanctions on Russia.⁴⁴ Despite this loss, they tried their best to ensure the success of their employees by guaranteeing their wages and future jobs. After Alexander Govor bought the 847 locations, he agreed to continue this and let them work at the rebranded McDonald's, Vkusno and Tochka.⁴⁵ Many McDonald's locations continue to operate with changed names and veiled arches, a testament to how business and money will continue to flow despite the implementation of sanctions and Russia's continuing economic independence from Europe and America.⁴⁶

V. Guiding Questions

1. Does your country support sanctions on Russia, and if not, how should you go about opening up the Russian economy?
2. How will further sanctions hurt the Russian people and how can this be mitigated?
3. How can sanctions more effectively target those they are meant to hurt?

⁴³ "McDonald's to Exit from Russia," accessed June 17, 2022, <https://corporate.mcdonalds.com/corpmcd/en-us/our-stories/article/ourstories.mcd-exit-russia.html>.

⁴⁴ Bizjournals.com, accessed June 17, 2022, <https://www.bizjournals.com/bizwomen/news/latest-news/2022/05/mcdonalds-to-get-out-of-russia-in-a-14-billion.html?page=all>.

⁴⁵ Reuters, "McDonald's Will Sell Its Russian Restaurants to a Local Operator," New York Post (New York Post, May 19, 2022), <https://nypost.com/2022/05/19/mcdonalds-selling-russia-restaurants-to-alexander-govor/>.

⁴⁶ Person, "Big Macs Still Sold in Russia despite McDonald's Exit," Reuters (Thomson Reuters, June 16, 2022), <https://www.reuters.com/business/retail-consumer/big-macs-still-sale-russia-despite-mcdonalds-exit-2022-06-16/>.

4. Should sanctions be abandoned in favor of more effective tools?

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