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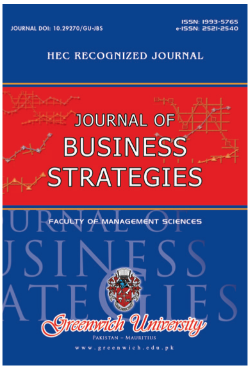

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EDITORIAL NOTE

I am pleased to inform all the readers that Higher Education Commission Pakistan (HEC) has recognized Journal of Business Strategies in "Y" category. The credit goes to every member of Editorial Board.

Special thanks goes to Patron, Dr. Seema Mughal, Tamgha-e-Imtiaz, Vice-Chancellor, Greenwich University, Pakistan, and Editor-In-Chief Professor Dr. A.Q. Mughal, Sitara-i-Imtiaz, Research Professor, Greenwich University, Pakistan.

In this Volume, 18, No. 1 (June, 2024), most of the articles cover the difficult picture of the world, after World War I, and World War II.

The first article discusses the Economic Sanctions against Russia: "Impact, Challenges, and Global Repercussions. Historically sanctions have been employed by nations to exert pressure on adversaries through economic means, like travel bans, trade embargoes and asset seizures.

Second article examines the evolving role of BRICS in global economic governance, especially in light of recent membership expansion. This research highlights the collective impact of BRICS on WTO and the new development bank.

The third article highlights that Economic Sanctions are one of the most commonly used instruments of foreign policy. They are used to impact actions of states and other actors without using military actions. The research focuses on the development, effectiveness, and ethical considerations of Economic Sanctions as an instruments of foreign policy.

The fourth and fifth articles discuss national issues, like Ex-Post Impact of Floods on Socio-economic conditions of local population in Khairpur, and Relationship between Market Risk and Trading Volume.

I hope our valuable readers will enjoy reading these research published in JBS Volume 18, No.1.

Professor Dr. Shafiq ur Rehman
Editor
Journal of Business Strategies
Greenwich University
Pakistan

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ECONOMIC SANCTIONS AGAINST RUSSIA: IMPACT, CHALLENGES, AND GLOBAL REPERCUSSIONS

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ABSTRACT

This study examines the role of economic sanctions as a foreign policy tool, focusing on the case of Russia. Historically, sanctions have been employed by nations to exert pressure on adversaries through economic means. In modern contexts, the scope of sanctions has evolved to include travel bans, trade embargoes, and asset seizures. Following Russia's annexation of Crimea in 2014 and the invasion of Ukraine in 2022, the United States and its allies imposed extensive sanctions on Russia, significantly impacting its economy, politics, and society. This research aims to assess the effectiveness of these sanctions in altering Russia's behaviour and to explore how the country has adapted to them. By analysing the direct economic effects on key sectors and the broader implications for international relations, the study seeks to contribute to the understanding of sanctions as a complex instrument of coercion in global politics.

Keywords:Economic sanctions, Russia, Foreign policy, International Relations, Adaptation, Effectiveness.

INTRODUCTION

Economic sanctions, also known as trade sanctions are not new to many (Demir, 2024). Countries have used economic sanctions as a foreign policy tool for centuries (United States General Accounting Office, 1992). Indeed, for centuries, nations have used military tools and economic sanctions to punish other nations. The weapon was used against adversaries to bring them to their knees through economic sanctions, albeit through indirect wars. However, the nature of economic sanctions and their goals have changed tremendously over time. (Jan, 2023). In modern times, the definition slightly shifted from what was said. Today, it refers to travel bans, trade embargoes, export restrictions, and asset seizure of sanctioned entities as countries, companies, or individual bodies (Demir, 2024). In addition, economic sanctions' nature and goals have changed dramatically over time (Jan, 2023). The case of Russia is taken to study as it is under the grip of economic sanctions imposed by the United States and its allies, including Western countries and the European Union. From the economic, political, and societal points of view, Russia's economy, politics, and society have been affected far beyond the sanctions' borders, making the sanctions a key point of friction in relations between Russia and the international community.

BACKGROUND

Over the history of most nation-states, economic sanctions have always been a significant part of that nation-state's foreign policy. Economic sanctions have been used to affect foreign policy and national security objectives and meet present domestic political and economic pressures and needs (Alexander, 2009). According to Abughris (2024), sanctions first appeared recorded in the world in 432 BC, when the Athenian Empire banned Megara traders from its marketplaces and thus strangled the economy of rival city-states. The Romans also used economic sanctions to punish rebellious provinces. It also includes such other early sanctions as the Continental System, which Napoleon imposed against the British during the Napoleonic Wars, the US Embargo Act of 1807, which Thomas Jefferson's administration banned foreign trade with Britain and France to try to prevent impressment of American soldiers by the British, and numerous blockades and embargoes between the North and South during the American Civil War (Dvorin, 2022).

Moreover, British officials made preparations for World War I, especially in the context of free trade. Nicholas Lambert, a historian, has revealed that British naval officials thought of drastic measures to stop the war as fast as possible by isolating Germany and its allies from the global economy (Farrell,2022). The League of Nations in 1919 included the establishment of the League of Nations imposing verbal or economic sanctions against an aggressor or nations who violated its provisions (OUPblog, 2011).

Economic sanctions were a standard means in various conflicts in the 20th century. Economic sanctions did, in fact, succeed in November 1935, but were fruitless in checking Mussolini's occupation of Abyssinia (Justin, 2021). In 1939-1941, the US, Britain, and the Netherlands imposed trade restrictions against Japan, putting compound containment measures against

Japan into effect to weaken it economically. Imposing restrictions on bilateral trade played an important role in achieving this strategic goal (Compound Containment, 2022, pp. 61-78) In Cold War like the US sanctions against Cuba, the 1960s–1970s United Nations (UN) sanctions against Rhodesia, the 1981–1983 Siberian gas pipeline and the 1980s antiapartheid sanctions, and post-Cold War cases like Iraq, Serbia, Haiti, Libya, and Iran (National Academies of Sciences, Engineering, and Medicine, 2000).

Nevertheless, in recent years, economic sanctions have been used (decidedly, in 2014, several countries took targeted economic sanctions against Russia connected to its annexation of Crimea and behaviour in eastern Ukraine). In addition, in February 2022, after the invasion of Ukraine, the United States, the European Union, and other countries introduced or significantly expanded sanctions on Russia (Geneva Graduate Institute, 2022).

Statement of the Problem

Particularly with Russia, the use of economic sanctions as a foreign policy instrument has been a divisive one. Crimea in 2014 and continuous involvement in the conflict in eastern Ukraine have led to the imposed by the United States, European Union, and other countries. These sanctions' effects and ramifications on Russia's political and economic environment are extensive and complex.

Objectives of the Study

1. To assess the impact of economic sanctions on Russia's political and economic landscape, determining their effectiveness as a tool of foreign policy.
2. To examine the direct economic effects of sanctions on key sectors of the Russian economy, including energy, finance, and trade, and how these have influenced overall economic performance.
3. To explore how Russia has adapted to the imposition of sanctions, including shifts in trade partnerships and domestic policy changes aimed at mitigating economic challenges.

LITERATURE REVIEW

Theoretical Framework

The framework used in this study is multifaceted, realist, liberal, and constructivist, while applying them to the impact of economic sanctions on Russia.Sanctions are instruments of coercion against adversaries without military engagements, and states act in their self-interest; this is realism. Hence, this perspective highlights the competitive aspect of international relations, and sanctions deter aggressions and demonstrate power (Drezner, 2000).

Liberalism encourages adherence to global norms and the role of international institutions, while sanctions instigate compliance with global standards. From this perspective, sanctions do not only entail punishment but can also help promote dialogue and produce compliance with the obligations entrenched within international expectations regarding human rights and territorial integrity (Orenstein & Kelemen, 2017).

It further adds how identities and social norms shape state behaviour. However, the role of narratives for sanctions and sanctions for public perception and legitimacy is underscored. According to this theory, whether or not sanctions work depends on how the targeted state and the international community perceive and frame them (Bosse, 2022).

The study seeks to synthesize these theories to systematically study the complexities and potential consequences of economic sanctions as a foreign policy tool, especially in the context of Russia's foreign policy action.

Historical Context of Russia-West Relations

Throughout the history, Russia has a complicated relationship with Western powers (Tellis, 2024). Scholars and experts have explored and published research reports and articles on the Russian relationships with the West and the way they evolved and worked out.

The 16th century was the time when Russia was first established in direct contact with the West and they had a **love-hate relationship** with the West since. Such ambiguity has historical reasons. From the Christianity to socialism, Russia has always shared many ideas with the West (Bogatyrev, 2022). Furthermore, Imperial Russia was emerging as a great power in Europe in the 1700s, it confronted other Nordic and European powers. In addition, relations between neighbouring states were tense and therefore 18th century an example of this is when the French ambassador, the Baron de Breteuil, noted cultural disjoints between Russia and other European powers (Murphy, 2024).

Scholars have examined Russia's foreign policy during 18th and 19th

century, highlighting its conflicts with European powers such as Poland and Sweden in the 18th century, and France and Britain in the 19th century. Overall, Russia's relations with Western powers were shaped by its expansionist policies and its desire to establish itself as a major European power such as in the middle of the 18th century, Russia assumed a key role in a big European conflict – the **Seven Years' War** (Lavrov, 2018). Moreover, the Congress of Vienna (1815) marked a significant turning point between Russia – Western relationship. 1815 marked a peak of Russian power in Europe,Russia emerged as one of the great European powers (Ellman, 2022).

Some scholars argue that there has been use of soft power between Russia and the western power on other side. Russia and Europe have been rather closely connected from political, economic and cultural standpoints over the last five centuries as Aust (2016) holds. The relationship between Soviet Union (and Russia post 1991) and other European countries and societies went beyond the dynastic relations, political alliances, economic trade and individuals transfers of culture in the course of the 18th century onwards.

Moreover, the WW2 was a period of high levels of cooperation and was necessary to securing the defeat of Nazi Germany by United States, itsallies and Russia (U.S. Department of State, 2016). The range between the Western powers and Russia were also characterized back to Cold war era by heavy shift from cooperation to confrontation (German, 2024). Nevertheless, this has been the most serious crisis in Russian–Western relations since the end of the Cold War in terms of mutual sanctions by the United States, the European Union and some other Western allies versus Russia (Menkiszak, 2016).

Additionally, according to Podraza (2025) the tension escalated after the expansion of the EU and NATO's influence in the post-Soviet region reinforced Russia's sense of being treated as a defeated power by the West. This sentiment was further fuelled by the belief that the West lacked respect for Russian interests and dignity, giving rise to what has been termed the **"Weimar syndrome**"- a phenomenon associated with the asymmetric end of the Cold War.

Current Studies and Findings on Russia Sanctions

Recent studies have shown that the effect of sanctions on Russia's economy has been complex. The United States government's use of targeted economic sanctions in an attempt to force changes to public policy in Russia stems from the passage of the Magnitsky Sanction, Sergei Magnitsky Rule of Law Accountability Act of 2012 and began with a list of eighteen individuals in April 2013 not affiliated with any specific crimes or injustices, only identified to have broken civil and human rights in Russia. Such sanctions were imposed in multiple rounds from March and April 2014 and repeated in three rounds from July and September 2014 and again in September and October 2017 (Gaur et al., 2023). Since Russia's invasion of Ukraine in February 2022, the US, UK, and EU have added sanctions, among countries including Australia, Canada, and Japan, more than 16,500 sanctions have been placed on Russia (BBC, 2022). Since then, roughly 1,000 multinational companies and counting have ceased business in Russia. This decrease in the presence of multinationals will result in an unavoidable negative shock on sector-specific total factor productivity (TFCP) (McDaniel & Ghei, 2022). The most significant proportion of Russia's pain on the economy is due to the loss of FDI from subsidiaries of companies domiciled in the allied nations, and therefore, the entire trade embargo by the West and withdrawal of FDI potentially reduce the GDP of Russia by 28 percent, proclaimed by Mahlstein et, al. (2022).

Gaps in the Literature

Research on sanctions and their long-term effects on Russia's internal dynamics and international relations is significantly lacking. While most of the existing studies concentrate on issues regarding the immediate economic impacts, including the decline in GDP and the disruption of trade, almost no consideration is given to the socio-political effects of long-term sanctions on public opinion and governance in Russia.

Moreover, the literature neglects how the sanctions affect Russia's relations with non-Western countries, which might respond to Western sanctions with other strategies. The fact that it closes this gap helps to fill the lacuna in understanding the global economic picture as countries figure out how to navigate the sanctions regime.

In addition, where sanctions are even deemed effective thus far in altering state behaviour, their unintended outcomes are rarely examined, particularly the risk that sanctions may buttress nationalist sentiments and perpetuate authoritarianism in the targeted state. It is important to address these gaps to understand the intricacies surrounding economic sanctions and broader relations issues in international relations in the current context of developing countries.

Findings

Overview of Economic Sanctions Against Russia

With the advent of Russia's occupation of Crimea in 2014, sanctions have been the first weapon in the Western arsenal of coercive diplomacy against Russia's integration into the global financial markets. The full-scale invasion of Ukraine in 2022 represented a turning point in which countries aligned themselves in an unprecedented manner through sanctions, ranging from export controls and restrictions to relevant sectors, including energy (Itskhoki & Ribakova, 2024).

Moreover, the Russia sanctions can be divided into three phases. After Russia annexed Crimea and the start of Russia-sponsored war in Eastern Ukraine, there was the first phase. In March 2014, the United States added to the Treasury Department's Sectoral Sanctions Identifications (SSI) List under the Executive Order sectoral sanctions on the Russian economy's financial, energy, and defence sectors, which brought the entities in these sectoral sanctions under sectoral sanctions concerning the United States. Many of these sanctions fell on the financial industry (Welt et al., 2022).

Largely unilaterally somewhat haphazard actions of the US, like the Countering America's Adversaries Through Sanctions Act (CAATSA), passed in August 2017, including cybersecurity, crude oil projects, financial institutions, defence sector, and penalizing banks and others, characterized the second phase of sanctions on Russia between 2015 and 2021. In April 2018, sanctions on Russian oligarchs and companies such as Rusal (a Russian aluminum company) affected global aluminium markets and in 2019 and 2021, restrictions on Russian sovereign debt were affected, for example, cybersecurity, oil projects, finance, or defence (Itskhoki & Ribakova, 2024).

Additionally, following Russia's full-scale invasion of Ukraine, the international community has imposed extensive sanctions against Russia in a third phase of sanctions. Much of the original set of sanctions, which were financial sector sanctions and denied Russia access to global financial markets and architecture, was reissued and thereby received more staying power. However, before the invasion, the US had gone after sovereign debt markets, financial institutions, and Kremlin elites. Following Germany's suspension of its certification on February 2022, the US sanctioned the Nord

Stream 2 pipeline operator on February 23, 2022 (Hilgenstock, Ribakova, &Wolff, 2023).

Furthermore, the US, EU, and G7 took broader sanctions on restricting Russia's currency exposure, freezing assets, and banning export controls, removing many Russian banks from SWIFT (Hilgenstock, Ribakova, & Wolff, 2023). Another essential part of the third phase of sanctions and the US expanded export controls further (Kilcrease, 2022) such as the US and UK imposing an embargo on Russian oil, the European Union taking its sixth sanctions, banning oil imports from Russia altogether, and natural gas (Itskhoki & Ribakova, 2024).

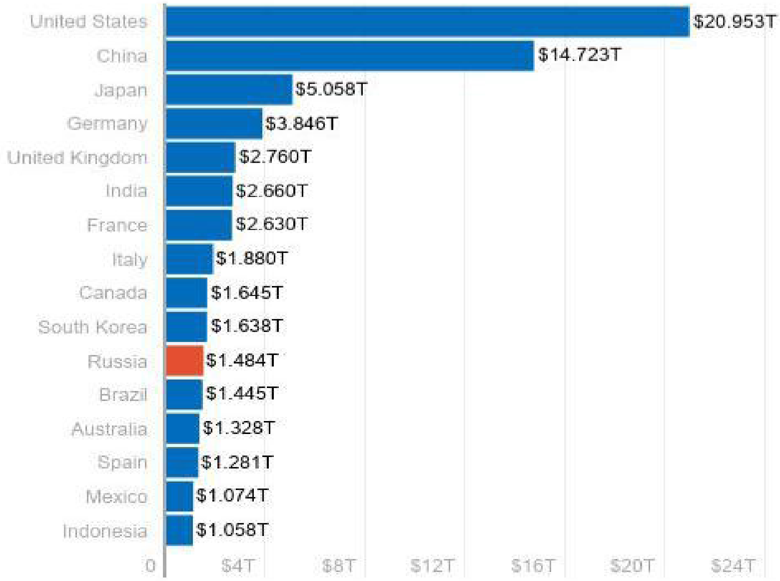
Also, Ukraine's allies sought to hamper Russian oil and gas revenues. The G7/EU set up the price cap mechanism for Russian crude oil and oil products to respond to these issues. Crude oil, effective from December 5, 2022, when the embargo started, was set at a cap of $60 per barrel. The cap was also introduced on February 5, 2023, for oil products with a $45 per barrel cap in place for oil products trading at a discount to crude oil, e.g., fuel oil, and a $100 per barrel cap for oil products selling at a premium to crude oil, e.g., diesel (Itskhoki & Ribakova, 2024).

At the beginning of March 2022, the Russian Federation was subjected to a significant number of sanctions imposed against its economy, which have a significant impact on it. Moreover, the effect of Western sanctions on both Russia's GDP and levels of personal disposable income has been considerable. Russia which is world's 11th largest economy (Figure1) and its role as the prime commodity exporter among emerging markets gives it a structurally significant position (Mulder, 2022).

Economic Impact of Sanctions on Russia

At the beginning of March 2022, the Russian Federation was subjected to a significant number of sanctions imposed against its economy, which have a significant impact on it. Moreover, the effect of Western sanctions on both Russia's GDP and levels of personal disposable income has been considerable. Russia which is world's 11th largest economy (Figure1)and its role as the prime commodity exporter among emerging markets gives it a structurally significant position (Mulder, 2022).

Figure 1: Russia has the world's 11th largest country



Source: World Bank

Energy Sector and Export Revenue

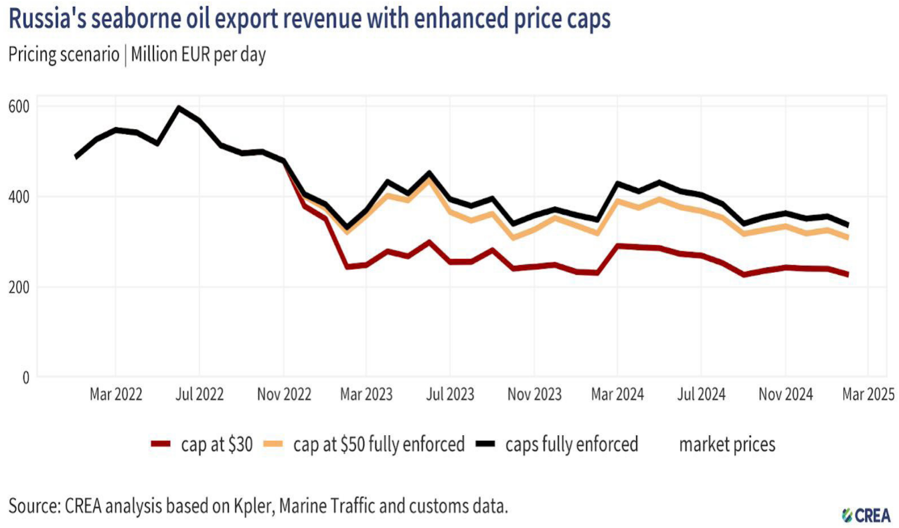
Europe was Russia's largest energy export market. Moscow supplied nearly 40 percent of the natural gas consumed by the EU and nearly one-third of the bloc's crude oil. In 2022, the EU announced an embargo on imports of most Russian crude oil and joined the G7 price cap.

However, the sanctions have inflicted pain on Russia's economy, with oil and gas revenue declining when the price cap was implemented. According to the Kyiv School of Economics, Russian oil exports "dropped to $64.40 per barrel" at the end of 2024 (exports were initially $70 per barrel). This suggests that the Russian government is generating less revenue from oil sales (Temnycky, 2025). Additionally, according to CREA, Russia's oil export revenue increased by 41% (EUR 136 bn) from the start of the sanctions in December 2022 until the end of February 2025. In February alone, a USD 30 per barrel price cap would have slashed Russian revenues by 40% (EUR 4.26 bn). Additionally, since introducing sanctions until the end of February

2025, thorough enforcement of the price cap would have cut Russia's export revenues by 12% (EUR 40.4 bn) (approximately EUR 1.2 bn) (Figure 2) (Katinas & Raghunandan, 2025).

Figure 2: Russia's seaborne oil export revenue with enhanced price cap

Pricing scenario | Million EUR per day



Source: Centre for Research on Energy and Clean Air (CREA)

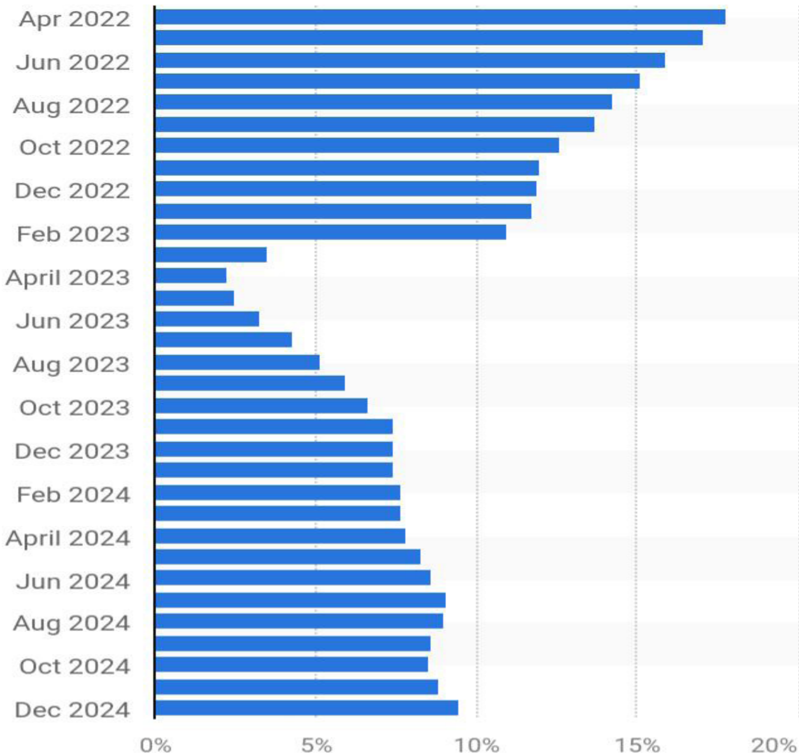
Domestic Economic Challenges

The sanctions have created major domestic economic problems, inflation and domestic interest rates in Russia in the twenties, loss of reserves of foreign exchange, bankruptcy in domestic businesses and enterprises, and an increase of difficulties in interbank and state bank transactions. By January 2025, 1733 individuals and 382 entities were subject to UK sanctions under the Russian regime, and more than 2400 entities were under EU sanctions. The broad spectrum of companies and individuals working in and affected by the measures included billions of pounds and dollars of money and significant assets in companies and real estate (Szyszczak, 2025).

In addition, sanctions on the Russian financial system greatly impacted the Bank of Russia. Around $300 billion, out of $640 billion of assets, were frozen, causing domestic bank runs and sharp ruble depreciation (Ribakova, 2022).

In addition, the inflation rate in Russia in December 2024, which was comparable to the previous year, was 9.5 percent. In 2024, the inflation rate was expected to rise by 7.9 percent; the highest rate obtained during the period observed was in April 2022, at 17.8 percent (Figure: 3) (Statista Research Department, 2025).

Figure 3 : Inflation rate from April 2022 to December 2024 in Russia



Source: Statista Research Department

The sanctions have also severely cracked down on Russia's human capital. Beyond that, an exodus of talented and skilled workers, especially in the tech sector, has really hurt Russia's global competitiveness. Official data from the Ministry for Digital Development (Prokopyenko, 2024) indicates that around 100,000 IT specialists emigrated from Russia in 2022 and did not come back.

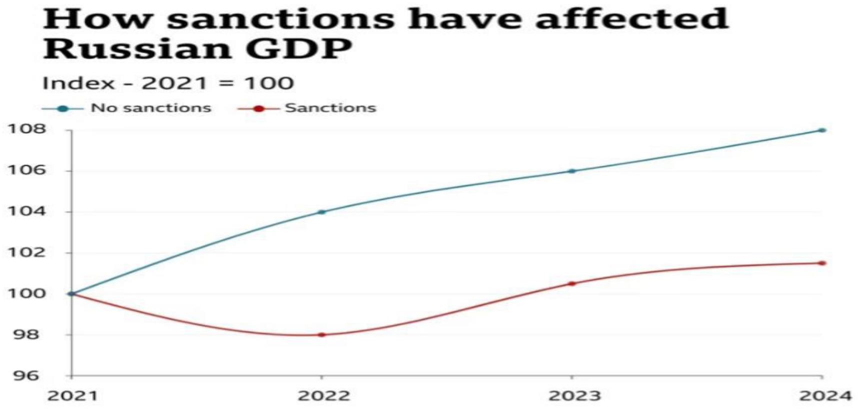
Along with Rosstat information, the Russian Federal State Statistics Service (Rosstat) rate showed that in mid-2023, the unemployment rate was 6.8 percent (approx. 4.8 mil. people, Harward, 2025). The limits of Russia's production capacity were stark in 2024. Eighty-one percent of the industrial facilities were working at their capacity, while 73 percent of the enterprises stated labor shortages. The number of people out of work on the High Street for the first time in memory is just 2.3 percent, with some 1.6 million jobs unrecovered (Prokopenko, 2024).

Adaptation and Economic Resilience

Some analysts claim that Russia has managed to find ways to overcome these obstacles. However, King's College London (2024) International Monetary Fund also reported in 2022 that the first war year in Russia caused the economy to dwindle by 2.1%. Its various sanctions have allowed Russia to import many of these sanctioned Western goods by partnering with countries such as Georgia, Belarus, and Kazakhstan (BBC, 2024). However, these figures show that Russia's economy grew by 2.2 percent in 2023 and 1.1 percent in 2024 (Figure : 4) (IMF, 2024). However, the US Treasury argues that the sanctions are damaging Russia, cutting its economic growth by 5%. (BBC, 2024).

The IMF's initial predictions in spring 2022 that GDP would be slashed between 8 and 9 percent as a result of sanctions (Chavarria, 2024) are less bleak than realized. More importantly, this indicates that sanctions did not bring the Russian economy down (Berman, 2024).

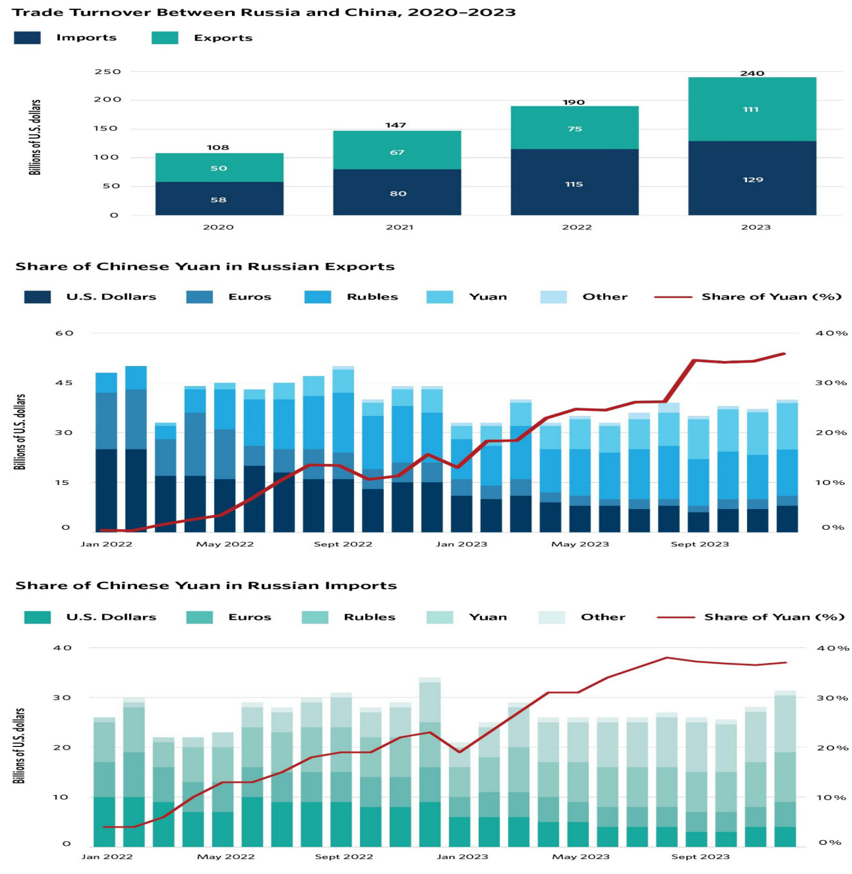
Figure 4 : How Sanctions have affected Russian GDP



Source: IMF and US Treasury calculations

However, the Western sanctions inspired Russia to connect itself deeper into China's embrace. Moreover, in 2023, both countries showed a trade turnover of over $240 billion: Russia's imports from China comprised 38 percent, and its exports to China were 31 percent. In December 2023, Russia received payments in yuan for 35.8 percent of its exports and paid 37 percent of its imports in yuan.23 From then, in the same period, it took Ruble payments for 35.7 percent of its exports and payments in Rubles for 31.5 percent of its imports. That amount — $68.7 billion in yuan and $64.7 billion in dollars — is more than the amount Russian companies and individuals held in 2023, which was $68.7 billion (Figure : 5) (Prokopenko, 2024)

Figure 5 : Trade turnover between Russia and China, 2022- 2023



Source: China's General Administration of Customs, Russian Central Bank

Russia's Response to Sanctions (Russia from west to east)

In response to Western countries' economic sanctions against Russia, changed export picture since 2022 boils down to two factors: the EU dramatically pivoting away from buying Russian oil and gas, and China and India replacing them as the main buyers. Russia developed a multi-prong attack strategy to counteract its negative impact on the Russian economy and political scene. Key aspects of Russia's response include:

1. **Reduced Dependence on Western Markets:**
   Economic diversification is one way to reduce Russia's dependence on Western markets. Russia has pursued expansion and diversification of partnership networks and trade relations, especially with non-Western countries like China and India. This has also included a new trade agreement and a change in exports to these nations to compensate for lost business in the West.

2. **Domestic Production Enhancement:**
   Russia's government measures to facilitate the development of domestic industries (agriculture and technology). Import substitution initiatives have been developed that seek to substitute foreign items with locally produced ones, thus decreasing the risk of exposure to sanctions. For example, the agricultural sector has grown tremendously, and Russia has become a leading grain exporter worldwide.

3. **Sanction Response:**
   Response to sanctions has included increasing foreign currency reserves and encouraging the use of the Ruble in international trade. Sanctions have also made inflation worse, compounded by the measures the Central Bank of Russia has taken to stabilize currency.

4. **The use of sanctions as political rhetoric:**
   Among, the citizens of the Russian government by turning them into nationalism. In this way, the government has painted sanctions, which are framed as acts of aggression from the West, as unifying elements, strengthening support for the policies. Such has been the case, as many experienced economic hardships but more favoured.

5. Resilient businesses:

   Russian businesses have adapted to the new economic environment, which has enabled them to innovate. Many companies have innovated in finding alternative suppliers and markets, demonstrating the flexibility given by the external environment.

Overall, Russia's response to sanctions involves strategic adaptation, economic resilience, and political mobilization that seeks to blunt the effect of outside pressures and strengthen the country's national unity.

International Community's Role

The international community is crucial in addressing global challenges and fostering cooperation among nations. This role is primarily facilitated through institutions like the United Nations (UN), which serves as a dialogue and collective action platform. The UN's Charter emphasizes resolving disputes peacefully and promoting social progress, human rights, and international law.

One of the UN's primary functions is to maintain international peace and security. It achieves this by deploying peacekeeping missions, mediating conflicts, and imposing sanctions when necessary. These actions aim to prevent conflicts from escalating and to protect vulnerable populations. The effectiveness of these measures often hinges on the commitment and cooperation of member states, highlighting the interdependence of global peace efforts.

In addition to peacekeeping, the international community enhances economic cooperation through various treaties and agreements. These frameworks aim to create a more equitable global trading system and support sustainable development initiatives, particularly in developing countries. Economic collaboration fosters growth and stability, which is essential for addressing broader social issues.

Moreover, the international community addresses pressing global issues such as climate change, health pandemics, and humanitarian crises. Organizations like the UN can effectively tackle challenges that transcend national borders by coordinating responses and mobilizing resources. Collaborative efforts in these areas underscore the necessity of a unified approach to complex global problems.

The international community must ensure that globalization benefits all nations, particularly marginalized ones. This requires a commitment to inclusive policies that promote equity and solidarity among states, as emphasized in the UN's Millennium Report. In summary, the international community's role is vital in fostering cooperation, promoting peace, and addressing global challenges through collective action and shared values.

CONCLUSION

Summary of Key Findings

On the large dimension of the extent to which economic sanctions against Russia are effective, within their responses and upon international relations. According to one of the key findings, sanctions inflicted great economic pain on Russia but have seen mixed results at the political end of the leveling scale. The sanctions have chipped away at the economy's GDP and raised inflation. Still, they haven't tamed the Kremlin's strategy using strikes that are calculated accordingly, specifically in Ukraine.

One of the most significant findings is that Russia valiantly expanded the economy, established new partnerships, increased production, and turned to the nation's nationalism while it was under sanctions. While the economic sanctions may be appropriate as a foreign policy tool to compel compliance or behavioral change, they may not work alone. Instead, they may reinforce and strengthen what has already been written in political narratives and uphold authoritarian governance.

It also indicates that the international community has significantly affected the context of the sanctions being implemented. Other non-Western countries have been more variably accommodating with Russia, with much more accommodating responses than from the West. The fact, that this divergence reflects an inherently volatile world of non-uni-polarity with shifting power constellations of power.

Implications for Foreign Policy

This study provides essential ramifications for foreign policy, most significantly using economic sanctions as a statecraft instrument. The first step is to accept that sanctions sometimes can backfire and, therefore, be ripe with conviction that the targeted regime will resist sanctions and that the people's attitude toward the West will be hostile. Sanctions cannot be anything less than immediate economic and, at the same time, balanced sanctions, taking into account their political and social ramifications in the distant future.

The study also recommends implementing diplomatic engagement, multilateral cooperation, and economic sanctions of NCDs as part of a foreign policy strategy. Dialogue and negotiation may have to be combined with the sanctions to have the desired effect. In this way, conflict resolution could be developed as a framework that addresses the root causes instead of simply penalizing the states for a certain action.

The findings also show how much value international concord can bring to imposing sanctions. If the response is fragmented, such a reaction erodes its effectiveness and opens room for alliances of other states. Alliance and partner cohesion, however, are preconditions for sanction application to bear fruit.

Recommendations for Future Research

Future research is also likely to examine the impact of sanctions on the formation of political dynamics in the targeted state, particularly authoritarian nations. Analysing how sanctions improve our understanding of public opinion, governance, and civil society can tell us what sanctions do and do not do.

Additionally, such studies could shed light on what factors contribute to a successful or unsuccessful sanction by reviewing several case studies concerning fines in various countries. In addition, they may look at how sanctions interact with other diplomatic tools, such as military alliances or economic incentives for alternative avenues to achieve foreign policy ends. Second, non-Western countries’ responses to sanctions should be investigated: how had they taken action against the rest of the world, that is, against Western as well as sanctioned states? This factor is more and more important in a world ruled by multi-polarity and ongoing geopolitical crises.

Economic sanctions have opportunities and challenges and are also used as a foreign policy tool. Nevertheless, they are not always practical due to the unity of the community of states and the ‘resilience’ of the targeted regime.

Policies and sanctions, however, occur in a fluid global power dynamic that requires sanctions policy and reaction to be flexible about their potential consequences. If the international community can adopt a more inclusive approach of not simply coercive use of power but rather diplomatic engagement and multilateral cooperation, conflict resolution and global stability will pave the way.

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THE ROLE OF EMERGING ECONOMIES IN SHAPING GLOBAL ECONOMIC POLICIES: THE BRICS NATIONS

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ABSTRACT

This study examines the evolving role of BRICS (Brazil, Russia, India, China, and South Africa) in global economic governance, especially in light of recent membership expansions. The BRICS nations represent a significant portion of the world's population and economic output, challenging traditional economic powers such as the United States and the European Union. Through a comprehensive analysis of theoretical frameworks, historical context, and case studies, this research highlights the collective impact of BRICS on international institutions, particularly the World Trade Organization and the New Development Bank. The findings emphasize the necessity for traditional powers to adapt to the changing dynamics introduced by emerging economies, advocating for a more inclusive global economic governance model. The paper also identifies gaps in the literature regarding the long-term effects of BRICS initiatives and the implications of new member states on the bloc's influence.

Keywords: *BRICS, Global Economic Governance, Emerging Economies, International Institutions, Sustainable Development, World Trade Organization, New Development Bank.*

INTRODUCTION

In the last four decades of the twentieth century, necessary global economic governance arrangements were born and passed away for various reasons. Some countries, namely Brazil, Russia, India, China, and South Africa (collectively referred to as the BRICS nations), have become very prominent on the global stage. Narlikar (2010) points out that these countries make up almost a third of the world's population and economic output and are challenging the hegemony of traditional economic powers such as the United States and the European Union. However, alongside the bridging of the gap in terms of financial clout between these nations, they have also started to shake up the global economic structures and policies, such as advocating for reforms in the work of international financial institutions, such as the International Monetary Fund (IMF) as well as the World Bank (Feng, 2016).

The recent addition of new BRICS members only stressed the expansion once again of the importance of those countries and manifested the changing global governance. Expected to add fresh viewpoints and interests, new members could have altered the agenda of BRICS and improved its role in the world (Brett, 2021). With these nations soon appearing to cooperate in multiple areas, including trade, investment, and sustainable development, their combined effect is vast and calls into question what drives international economics.

PROBLEM STATEMENT

Emerging economies, however, pose a significant challenge to traditional economic powers in adapting to their new influences. The emergence of BRICS nations complicates the world economy. These nations are redefining the international norms to assert their interests, and powers must re-consider old policies and frameworks in responding to the new dynamics. This shift calls for an inclusive mode of thinking that incorporates the views of economies in the making (Gonzalez, 2019).

OBJECTIVES

The objectives of this study are:

- To analyse the collective impact of BRICS on global economic governance, focusing on their strategies and influence.
- To explore case studies that illustrate BRICS' influence in international forums, particularly in key economic discussions.
- To assess the effectiveness of BRICS initiatives in shaping global economic policies, especially in light of the recent membership expansion.

LITERATURE REVIEW

Theoretical Framework

On the theoretical aspect, the study of emerging economies, particularly the BRICS countries, can be anchored on different theories. Two theories, constructivism and institutionalism, explain the dynamics of BRICS in global governance.

Social constructs in international relations are emphasized by constructivism. Such a perspective holds that states, too, have identities and interests formed through social interaction and shared beliefs (Wendt, 1999). In the case of BRICS, member countries have established a collective identity, which helps influence the manifolds of interactions between member countries on the global stage. If they were to promote unity, solidarity, and collaboration internally, BRICS nations could resist the influence of traditional powers and work for a multipolar world order (Acharya, 2014). Their collective bargaining power is crucial in international forums, such as trade and development, given that this shared identity is crucial as you can negotiate issues like that.

In contrast, institutionalism emphasizes how international institutions play a role in what states do and aid in cooperation. Various institutions, through the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), have been set up by the BRICS nations to improve the collective bargaining power of BRICS nations and to foster development in partner member states (Kahler, 2013). These institutions are where BRICS collaborates, formulates policy, and represents the leading platforms where its influence can be asserted in global governance. In addition, institutionalism emphasizes the role of norms and rules in direct state interactions, a particularly relevant aspect because BRICS is trying to develop its standards instead of those derived from existing Western-dominated frameworks.

Since these theories don't contradict each other, they offer a comprehensive understanding of how BRICS countries tackle the issue of international relations and form a global economic policy dependent on both the identity of the countries and the structural arrangements in their aspect.

HISTORICAL CONTEXT

BRICS has its roots over a decade back to 2001 when economist Jim O'Neill coined the term BRIC to identify Brazilian, Russian, Indian, and Chinese potential as a new world economy (O'Neill, 2001). The first BRIC summit in 2009 formalized grouping, which is a big step in these nations' collaboration to boost their global governance weight. By including South Africa in 2010, BRIC became BRICS, a reflection of the group's desire to reflect emerging economies at a broader scale and deal with the issues affecting both developing and transition economies.

The sequential turning points of BRICS' growth include the creation of the New Development Bank (NDB) in 2014, which will fund infrastructure development and sustainable development projects within member countries and other emerging economies. The bank can be seen as an attempt to offer alternatives to supposedly the existing Western financial institutions like the World Bank and the IMF (Vasudevan, 2019). BRICS also provides provisions that include the Contingent Reserve Arrangement set up in 2015, which provides liquidity support to member countries facing the balance of payments crisis as additional financial cooperation among the five countries.

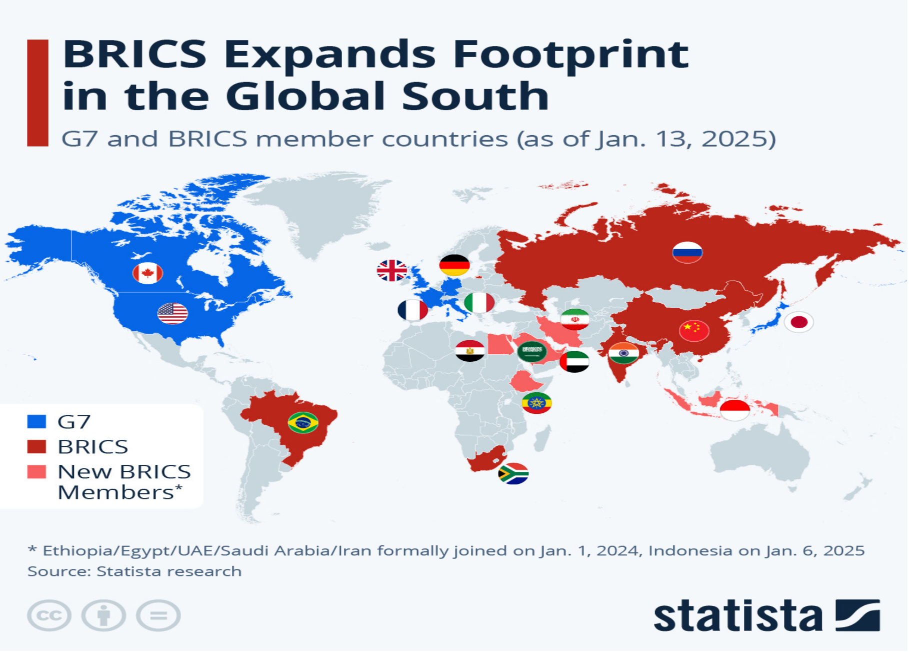

Figure 1BRICS Expansion compared to G7

Particularly significant is the recent membership expansion of BRICS to include new countries that are interested in joining the partnership. It points to the bloc's wish to grow stronger internationally and address difficulties presented by classic economic powers. New members define the group by adding varied presence and demands, which could shift the timetable of the

BRICS and its place in international forums, thus turning the Rio group into a more indication voice among the world's south (Brett, 2021).

CURRENT STUDIES AND FINDINGS

Recently, BRICS has become a more common target of attention, such as the Purveyor of Global Economic policies. Scholars have studied BRICS initiatives to investigate their effectiveness in promoting development and mutual cooperation between member countries. An example is that some studies show favours of the New Development Bank (NDB) for financing infrastructure projects in developing countries in the pursuit of sustainable development goals (Khan, 2020). The NDB's projects are designed to work in parallel with the United Nations Sustainable Development Goals (SDGs) in that the NDB plays a critical role in helping to solve the world's most significant issues through the force of collective action in fostering financial cooperation.

The BRICS countries have also been researched regarding their strategies to articulate their interest in international trade negotiation. It has been important in the campaign for reform on subsidies and barriers to trade in favour of developing countries (Baldwin, 2016). By performing this collective action, BRICS addresses at once the capacity to influence global economic governance as a representation of interests of emerging economies and the capacity to collective action around a common cause through differences in political structure and economic coordinates.

Also, current studies highlight the role of intra-BRICS cooperation in weathering global issues such as climate change and global health emergencies. Working in the pool of resources and expertise empowers the BRICS nations in the power of negotiation in international forums and is also a part of global solutions (Zhang, 2022). Its cooperative stances on climate finance and pandemic response have made it an important driving force of global governance and seeks to make the international order fairer.

Similarly, it stresses the need to negotiate efficiently through the internal differences between BRICS countries. Consistent with the importance of an action's collective identity, many obstacles created by an action's unique economic interests and amounts of political agendas prevent the action from coming together (Huang, 2021). These dynamics must be understood to assess the long-term viability and influence of BRICS on global governance.

GAPS IN THE LITERATURE

BRICS has attracted a throng of literature, yet several remain to be filled in. It is one of the long-term impacts of BRICS initiatives on global economic governance and the effectiveness of the institutions. Studies have pointed to the quick pedagogical advantages that the New Development Bank and other activities bring, but there are few studies to date focused on their longevity and time.

In addition, a study on how new member states affect BRICS dynamics and decision-making processes is also lacking. For assessing BRICS' evolving role in international relations, it is important to understand how the inclusion of diverse economies changes collective strategies and influence in global forums (Gonzalez, 2019). Further research should also consider the effect internal disparities have amongst member states on the ability of the bloc to work collaboratively and the bloc's effectiveness overall.

FINDINGS

Case Study 1: BRICS and the WTO

In the context of trade negotiations as well as its actual policy outcomes, the World Trade Organization has increasingly encountered the BRICS nations–Brazil, Russia, India, China, and South Africa– as significant players. Together, they exert influence, especially as the major emerging economies, which allows them to represent and push the interest of developing countries to counter conventional powers like the United States and the European Union (Cohen, 2018).

Collective Influence and Negotiation Strategies

Coalition Building: BRICS countries have built coalitions to strengthen their wielding of power during WTO negotiations. Together, they can help to escalate their voices on important matters, such as agricultural subsidies, trade barriers, and special and differential treatment (SDT) for developing nations. This cooperative approach has enabled the developing countries to negotiate with more effect those interests that developed countries often control the agenda of international trade (Mattoo & Subramanian, 2013).

Despite the effort, the BRICS countries show that their economic interests and political systems are diverse, which means there is something to be resolved on each issue. Take, for example, that since China wishes to assume leadership in the e-commerce negotiations, India and Brazil have voiced apprehensions over how such negotiations could affect the progress of the Doha Development Agenda (DDA) (Baldwin, 2016).

The BRICS nations have always insisted upon focusing on developmental issues in the WTO framework. Reforms that emphasize the interests of less developed countries include reduction of agribusiness subsidies in the developed lands and opening access to markets for products from emerging economies are helping them. It mirrors their larger ambition of improving the global trading system to one that is more equal (Gonzalez, 2019).

KEY AREAS OF INFLUENCE

WTO e-commerce negotiation:

China plays a leading role in WTO e-commerce negotiations and has made her best efforts to influence digital trade rulemaking to match her own interests. However, India and Brazil have been more cautious and have decided on the basis of protection of their domestic industries and a balancing approach that carefully takes into account the developmental requirements of all the member states. The complexities of the influence of BRICS are reflected by this dynamic, where diverging priorities can make them unable to put up a united front (Zhang, 2022).

As part of the negotiations of fisheries subsidies, BRICS nations have also tried to be influential. The biggest fishery subsidizer also has a difficult position in the coalition: China. The internal tensions that can arise within BRICS framework are apparent in India and Brazil's proposal of metrics to exclude China from receiving SDT flexibilities (Vasudevan, 2019). It highlights the difficulties associated with keeping member states that have different interests together.

Advocacy of Reform:

Notwithstanding the continued democratic backsliding in world politics, BRICS has been advocating for reforms within the WTO in order to enhance its legitimacy and the ability to deliver value for money. They call for a more inclusive process for decision-making that takes into account the developing country's thoughts. The case for this advocacy lies in the fact that the perceived imbalances in the global trade system prima facie do not take into consideration emerging economies' interests and, more often than not, prefer the interests of developed nations (Huang, 2021).

Case Study 2: The New Development Bank (NDB)

Establishment and Objectives of the NDB

The New Development Bank (NDB), established in 2014 by the BRICS nations, is a step in the evolution of global financial architecture. To this, they conceived the bank as an alternative to the World Bank and the International Monetary Fund (IMF), which are repeatedly criticized over their governance and lending practices that favour developed countries around the world. Founded with the aim of channelling funds for the infrastructure and development of emerging economies and developing countries, the NDB is consistent with the priorities and requirements of its member states.

Several factors drove the establishment of the NDB. The first is that BRICS countries realized the imperative for the institution to provide better satisfactory answers to infrastructure and development funding gaps in its borders and beyond. Developing countries are facing an annual gap of trillions of dollars in terms of infrastructure development (Khan, 2020). To bridge this gap, the NDB attempts to offer loans and financing in cases specific to its member countries.

One intention of the NDB was to make the BRICS stronger in terms of bargaining vis-à-vis the global financial system. With a surplus of funds, these nations are then able to use their power as a bloc to raise money for projects that wouldn't otherwise get financing from conventional banking institutions. To support sustainable development and public and private projects, promote regional integration, and support (promotion of) harmony with the overall goals of BRICS (Vasudevan, 2019), the bank has a mandate.

Impact of the NDB on Global Financing and Development Policies

The NDB has put in huge amounts of work to influence global financing and development policies. The bank focuses on infrastructure projects aimed to play a role in the economic growth and development of member states and at large. NDB projects are located in different sectors, namely energy, transportation, water resource management, and urban development. Financing these critical areas would help the bank contribute to the achievement of the United Nations' Sustainable Development Goals (SDGs).

One of the innovations introduced by the NDB concerns how it finances its projects. The NDB takes a different angle compared to other traditional banks, which often come with strict conditions attached to loans, and member states are free to draw the project in their own ways. This flexibility has been particularly beneficial to new member states, which may have other developmental priorities and challenges. The NDB has provided financing for transportation infrastructure projects in Brazil whilst financing renewable energy projects in India (Zhang, 2022).

New Member States inclusion

The recent expansion of the NDB to the new member states further cements its role in global financing. The bank has expanded its membership in countries like Bangladesh, Egypt, and the United Arab Emirates. This broadens the NDB's ability to deal with a wider range of stresses at the developmental level and gives it more tools by which to fund projects. The addition of new members also reflects the bank's position of supporting South-South cooperation. Indeed, the concept of South-South cooperation is about a collaboration among developing countries to accomplish common goals (Gonzalez, 2021).

The NDB, however, has challenges and criticisms that could affect its usefulness. Normally, critics argue that the bank must be accountable and transparent in its operations, especially if there is expansion in its project portfolio. Some projects have raised concerns over the way the environment and society are impacted, which, in turn, may be against the bank's own commitment to develop sustainably (Khan, 2020). This places the NDB amidst the conflicts of geopolitics, where member states also may have different priorities and measures that would complicate decision-making.

Impact on Global Development Policies

The entry of NDB into the global financial geography is redefining the outlines of development financing. The NDB then serves as an alternative funding source that helps traditional institutions reconsider the types of lending and projects they will approve. As the world works to combat climate change and support environmental stewardship, the bank has clearly added its weight to the sustainable development effort. If the NDB is to grow, it has the potential to create new standards for the financing of development that pay equal attention to economic growth and social and environmental concerns.

As a significant new development bank, the New Development Bank has filled a void left by traditional institutions and responded to the demands of its member states. By focusing on the NDB, we can see that it takes on a critical role in global development. The NDB will certainly grow its membership and impact global financing and development policies, having significant consequences for the future of international cooperation with emerging economies.

Case Study 3: BRICS in the G20

Role of BRICS Nations in Shaping Agendas and Outcomes at G20 Summits

Through the years, the G20 has become a premier forum for international economic cooperation, which includes the world's largest economies, where the main global issues are discussed. By pooling their influence as the BRICS nations – Brazil, Russia, India, China, South Africa – the member countries of the G20 have wielded their strength to advance the interests of emerging economies and developing nations agenda on the dominant agenda of G20.

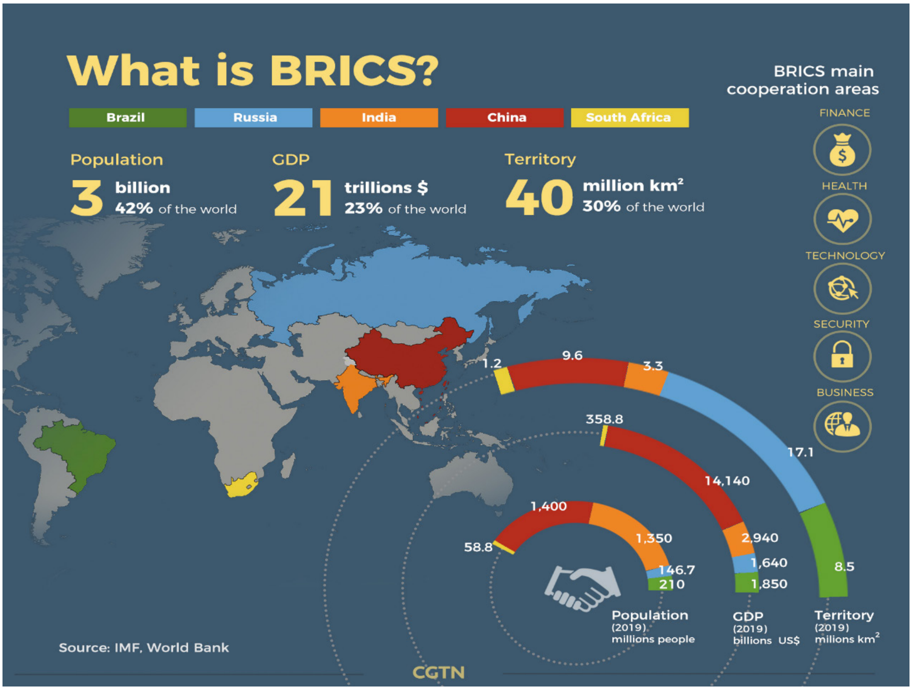

Figure 2BRICS Areas of Cooperation

Advocating for Inclusive Economic Growth

One of the primary purposes of the BRICS crisis inside the G20 structure was to suggest more inclusive economic growth. For the BRICS nations, policies that combat income inequality and that help promote sustainable development have consistently been identified as essential. They have since pushed various initiatives aimed at promoting job creation, better social protection systems, and access to resources for all (Chaudhuri, 2020). This and the other G20 goals of fostering resilient global economies and making growth more inclusive are not just consistent with the G20's advocacy but practically consonant with the original intent of globalization and the Universal Periodic Review process itself.

Development Issues

BRICS nations also worked to promote development issues at the top of the G20 agenda. In particular, they have called for higher spending on infrastructure, health care, and education, especially in developing nations. Among examples are the 2030 Agenda for Sustainable Development and the financing of the sustainable infrastructure projects they already proposed in the 2016 G20 Hangzhou Summit during the BRICS Leaders 2017. (Li, 2017). This focus on development is a reflection of the different perspectives that BRICS nations provide the G20, expressing how a new generation of markets cannot be left out.

Climate Change and Environmental Sustainability

At G 20 summits, climate change has become a dominant theme, and the countries in BRICS have expressed the need for collective global action. They have been vocal supporters of cutting greenhouse gas emissions and green energy programs. During the 2021 G20 summit in Rome, BRICS countries highlighted the necessity of sustainable development as a route to solving climate change as well as other global problems (Zhang, 2022). In this area, the recognition that economic growth and environmental sustainability are interconnected has been reflected in this proof of their collaborative efforts.

Analysis of Collaborative Efforts and Their Impact on Global Economic Policy

The joint efforts of the BRICS nations, which have contributed to global economic policy, are essential as they give them representation in the G20. Through unity, the BRICS countries have been able to let their voices be heard and guide the path of the discussion and the likely set outcome to favour their interests.

The front presented by BRICS nations in the G20 has increased its bargaining power. Finally, they have negotiated more collectively, such as trade, investment, and financial regulation. Therefore, it was not surprising that at the 2017 G20 summit in Hamburg, BRICS leaders pushed for the mention of language advocating for fair trade practices and reform of trade systems because they were not made equitable (Brett, 2021). This illustrates how, in combination, mass BRICS can be used to raise voices for development issues congenial to their developmental interests.

The BRICS countries have also created the norms and rules governing global governance to the extent they have been associated with the G20. This is about the shift of the globe from the global economic governance landscape spurred on by BRICS to achieve an excellent representation of emerging economies and changes in the current international financial institutions. The countries that have resonated with their emphasis on inclusivity and fairness have become other developing countries, and a broader movement toward a more equitable global economic order has materialized (Gonzalez, 2019).

The impetus for Global Action

The success of the above response gave BRICS countries the impetus for global action. For instance, during the COVID-19 pandemic, BRICS countries encouraged coordinated actions to deal with the health crisis and its « ripple effect » on the economy. In times of disorder, they advocated for equitable access to vaccines and financial aid for exposed economies, especially vulnerable economies, particularly advocating for solidarity (Khan, 2020). However, this response also illustrated their willingness and ability to work together to solve a major challenge facing the world.

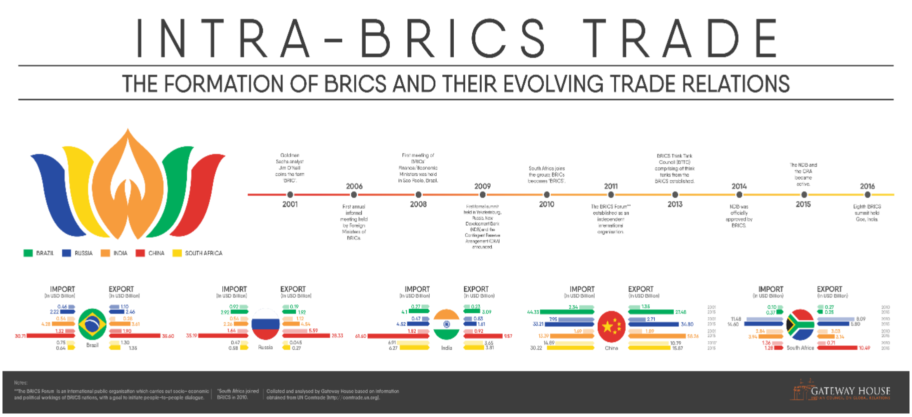

Figure 3Intra-BRICS Trade

Challenges and Limitations

The BRICS has its challenges in the G20 to maintain cohesion and effectiveness in the organization. Member states mature politically and economically at different rates, resulting in priorities that may hinder cooperative efforts. To give you an example, China often presses for more predations of the economy, while India may promote more market-supportive policies. It can often complicate negotiations and consequently hinder the effectiveness of BRICS as a bloc in the G20 (Chaudhuri, 2020).

The G20 includes the BRICS nations that have emerged as powerful players within the framework, influencing the agenda and outcome to an extent more reflective of the interests of emerging economies and developing countries. Their coordinated efforts for the promotion of inclusive economic growth, tackling development matters, and supporting climate action. Nevertheless, the conditions of sustaining the cohesion of the members with widely different interests are major contributions to the complexity of their task. The evolving nature of the G20 presents the BRICS as crucial players in successfully negotiating these complexities and exercising their collective interests.

International Initiatives and Collaborations

Among other initiatives that make up BRICS's involvement in enhancing economic cooperation among the member states and others, BRICS has launched such initiatives. Of these are the BRICS Business Council and the BRICS Think Tank. The BRICS Business Council was established to facilitate trade and investment between member countries by promoting business interconnections and partnerships. As a result, these have been successfully organized, and a series of exchange forums and meetings have been launched that have spurred bilateral trade and investment flow among the BRICS countries (Porca-Konjikusic et al., 2024).

The BRICS Think Tank is a means for exchanging and dialogue of ideas for policy making. As a forum for discussion and the making of policy recommendations on major global issues, it brings together scholars and other experts. Fostering an understanding of the BRICS economic and political pulse has contributed to developing strategies to address the everyday challenges of BRICS countries (Porca-Konjikusic et al., 2024).

Consequently, with new members, the bloc brings new opportunities as it will have more economic power, but it will also have more challenges as the members have different interests and priorities. Because different members of the membership have different levels of economic development and political stability, achieving cohesive action on an economic cooperation initiative benefitting members can be difficult (Chaudhuri, 2020).

Comparative Analysis

In some aspects, BRICS is distinguished from other emerging economies or groupings like ASEAN and MINT (Mexico, Indonesia, Nigeria, Turkey). Unlike ASEAN, which follows a political and economic cooperation policy among large emerging economies, the approach of BRICS is different and is based on a strategic one. For instance, ASEAN has succeeded in creating a single market and producing base, unlike BRICS, where the latter is informal and has a consensus in its structure (Gonzalez, 2019).

The same strategy switching by the blocs can be referred to as the dynamics arising from the expanded membership of BRICS. For instance, this strengthening of influence is done through collective bargaining by BREXIT to lobby for change in the structure of global governance. At the same time, ASEAN strives to create economic resilience through trade agreements and regional cooperation. Unlike MINT countries, to achieve economic growth, they use their demographic advantage and wealth to attract foreign investment (Li, 2017). This analysis examines the contrast between how emerging economies pursue their strategies and aims and argues that there is a need to modify the approaches to economic cooperation and development.

CONCLUSION

Summary of Key Findings

This research points out the significant role of BRICS nations in shaping global economic policies, taking into account that these countries are carrying out their joint projects and participating in international venues, such as G20. The analysis unveils that BRICS has been successful in lobbying for the cause of emergent economies by advocating for the development of an inclusive economy and sustainable development, which are two main themes of debate in the global scenario. There have been such initiatives as the BRICS Business Council and the BRICS Think Tank that have aimed at increasing economic cooperation between member states, demonstrating the possibility of pooling in broad efforts to confront common problems.

In addition, as a result of adding new members, BRICS has now become wider and stronger, but also complicated decision-making. The varied political and economic backdrop of the member countries can offer a bloc greater chances of successful bargaining and can also cause difficulty in achieving an agreement. Although BRICS lacks the capacity to directly influence the agendas and results of major international summits, the growing influence of BRICS in the global governance landscape is shown by its ability to shape the agendas and outcomes of these summits.

Finally, the comparison of BRICS and other emerging economies (ASEAN and MINT) further highlights the distinct strategies employed by different blocs in the era of global economic governance. BRICS is political cooperation and advocacy for reform grouping, whereas some other groupings aim at regional integration while some aim at economic resilience. The multifaceted approach to global economic policy shows that one cannot forget that emerging economies display a range of different perspectives on building a more just global order.

Implications for Global Economic Governance

The results of this research reinforce the need to take emerging economies, mainly BRICS, into account when global economic policies are being formulated. In the era of a growing multipolar world, the voices of emerging economies must be incorporated into the decision-making process, which will shape their economic future. However, this is not only about equity, but it is also a practical approach towards realizing policies that take into account the realities and needs of global diversity.

For BRICS perspectives to be integrated into global economic frameworks, it is necessary to establish platforms for dialogue that allow for the sharing of ideas and best practices among other economies, including the emerging one. Such a thing could involve changing the way that existing international institutions, like the IMF and World Bank, work to be more in keeping with emerging economies' specific interests. Secondly, it can promote partnerships between BRICS nations and other developing countries to promote collaborative efforts in common challenges like climate change and economic inequality.

With its expanded membership, BRICS will need to develop new combinations of perspectives to create a more inclusive global economic landscape. This evolution opens a chance for BRICS countries to start advocating for sustainable development, equitable resource distribution, and social inclusion in line with the United Nations' Sustainable Development Goals.

RECOMMENDATIONS FOR FUTURE RESEARCH

The role of BRICS going forward should be explored also in the context of the contributions of new member states (in this case in particular Brazil and Russia). Assessing the effectiveness of BRICS in global governance will be much more informed by an understanding of these countries' impact on BRICS's collective identity and policy priorities. Further, comparative studies on the changes in regional development and economic cooperation of emerging markets brought by BRICS initiatives can mean an opportunity to review the bloc's performance.

Additionally, the research could explore the problems and possibilities of the membership diversification of BRICS. By investigating how different member states address their individual economic circumstances while helping secure the bloc's common objectives, we will gain insight into the workings and potential influence of the bloc in global economic policy in the future.

Finally, the fact that BRICS nations play an important role in bringing about more inclusiveness in the global economic ecosystem. As the power of emergent economies on the global economic governance stage has been well recognised, brics has come forward as an important partner in creating such a governance. What the bloc flags as a priority to promote sustainable development and equitable growth is most relevant to the challenges facing the international community today.

As BRICS develops, its advancement will depend on the bond of openness and cooperation in combating global economic constriction. A more balanced and fair global economic order can be achieved following the integration of different perspectives and contributions not only from the old but also from the new members in discussions about international economic policies. Perhaps the future of global governance lies in our capacity to appreciate the roles played by all nations, especially those from emerging economies such as BRICS.

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ECONOMIC SANCTIONS AS A TOOL OF FOREIGN POLICY: EFFECTIVENESS AND ETHICAL CONSIDERATION

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ABSTRACT

Economic sanctions are one of the most commonly used instruments of foreign policy; they are used to influence the actions of states and other actors without using military action. This research paper focuses on the development, effectiveness, and ethical considerations of economic sanctions as an instrument of foreign policy. Using in-depth case studies of North Korea, Iran, and South Africa, this paper assesses the effectiveness of sanctions to achieve their purposes. Sanctions' performance is gauged with both quantitative measures, like GDP decline and trade volume reduction, and qualitative variables such as geopolitical factors and the internal political strength of a country. However, the paper particularly focuses on the ethical effects of sanctions, particularly unanticipated humanitarian impacts and problems of proportionality. Thus the study presents policy recommendations that improve the effectiveness and moral feasibility of sanctions through the assimilation of new tools like AI and Block-chain in sanctioning as well as across multilateral coordination. The paper thereupon adds to the contemporary debate on the role of economic sanctions in global governance, with a focus on innovative approaches and ethical grounds for responses to international challenges.

Keywords*:* *Economic Sanctions, Foreign Policy, Humanitarian Impact, Multilateral Coordination.*

INTRODUCTION

A crucial tool in modern foreign policy, economic sanctions is used by both countries and international bodies. Sanctions strive to change a target country's or organization's behavior by applying economic pressure, usually to achieve political goals without using force. Given the rise of global economic interdependence, sanctions have gained traction as a strategic alternative to direct intervention, affecting everything from financial markets to the livelihoods of individuals in targeted nations. Sanctions' potency lies in their flexibility; they can range from targeted measures on individuals to comprehensive embargoes affecting entire economies, as seen in cases from South Africa's apartheid era to ongoing sanctions against Iran and North Korea (Allen 2013).

Modern international relations will see sanctions as a continuous development tool in the world of globalization, and each situation highlights the adaptation of sanctions to the change of political landscapes(Nephew 2018). This adaptation capacity emphasizes the importance of their strategic importance, but also provides moral issues: while sanctions can facilitate foreign policy objectives, they usually create challenges of humanitarian aid and unexpected economic impact and thus incomplete relationships with civilians. Consequently, a central issue in the current discourse is whether sanctions' coercive intentions justify their humanitarian costs. This paper contributes to that discourse, evaluating both the efficacy of sanctions and their ethical implications within the framework of modern international governance.

BACKGROUND OF THE STUDY

International diplomacy has a long history of using economic penalties, dating back to ancient Greece and Rome. Established during World War I as a formal tool of foreign policy, the League of Nations expanded its reach by using sanctions to deter violence and uphold international order(Hufbauer 2007). The 20th century marked a major change, with sanctions becoming an integral part of multilateral activities organized by institutions such as the United Nations, particularly during the Cold War, when sanctions acted as a counterweight to nuclear escalation (Baldwin 1985).

As global goals turned towards advancing human rights, preventing the spread of nuclear weapons, and punishing acts of aggression without inciting war, sanctions took on new significance in the post-Cold War era(Morgan 2009). One of the rare cases when sanctions had the desired effect without having a major negative humanitarian impact was South Africa, where they assisted in pressuring the apartheid government to adopt democratic transformation. Even if more recent examples, such as the sanctions on Iran, demonstrate the complex interplay between international politics, economic power, and humanitarian concerns, the financial restrictions imposed by the US and the EU have caused severe economic hardship and political resistance(Nephew 2018).

This study examines how sanctions evolve over time, their ethical implications, and their effectiveness in achieving foreign policy goals. Analyzing key cases such as North Korea, Iran, South Africa, and Pakistan as well as the role of the United States, the European Union, and the United Nations, the study aims to clarify the moral and practical impact of sanctions. With the rise of targeted sanctions, especially in the context of financial and trade restrictions, the role of sanctions in modern governance has evolved, prompting the need to refine policies that minimize humanitarian impact while maximizing political efficacy (Peksen 2019).

OBJECTIVE OF STUDY

This research seeks to discuss the evolution and effectiveness of economic sanctions as an important foreign policy tool. A specific objective is to trace:

1. To analyze the economic suction as develop tool of foreign policy
2. To evaluate the humanitarian and ethical implications of suction and the design causes to least harm the civilian population and to be consistent with humanitarian norms in general

RESEARCH QUESTIONS

1. How have economic sanctions developed as a tool of foreign policy?
2. What are the humanitarian and ethical implications of sanctions? How might sanctions be designed to cause the least harm to civilian persons or populations and to be consistent with humanitarian norms in general?

METHODOLOGY

The research design in this study is systematic and employs an exploratory style of study to analyze prevailing thought based on the literature. Such an in-depth analysis is in line with the central aims of the research, seeking a deep understanding of the topic. The data for the study are gathered from the secondary sources such as books, research articles, archives, and journals. To ascertain relevance and accuracy, purposive sampling is used in the selection of the data. The research instruments include internet sources, archives, historical records, and academic papers. The data gathered is analyzed through content and thematic analysis, while other resources are thoroughly examined through an explanatory approach.

SIGNIFICANCE OF THE STUDY

In international relations, this work is important for several reasons. Initially, it contributed to the general understanding of economic sanctions as a flexible foreign policy tool, especially at a time when direct military action was sometimes politically costly and diplomatically unpopular. By examining the development, effectiveness, and moral impact of sanctions, this study examines how sanctions function as a tool of "soft power" that uses economic influence to achieve political goals without resorting to armed conflict. This is especially important in today's international relations, where issues such as nuclear proliferation, human rights abuses, and territorial disputes prioritize non-military means.

This research assumes importance as it focuses on the humanitarian and ethical dimensions of sanctions by discussing people affected by it, how it changes the dynamics of power, and, in the worst case, has causality in the opposite direction against international humanitarian standards. It shows how sanctions imposed on North Korea, South Africa, and Iran further weaken and strengthen international standards on their way to sparking debates over their ethics.

A comprehensive analysis of previous and current sanctions processes does offer some recommendations for the drafting of sanctions that will carry the credibility of strategic effectiveness as well as moral responsibility. Since the international community is indeed aware of the implications of humanitarian relief, the results of this study may just offer an opportunity to call for more focused sanctions in order to avoid losses in the financial sector.

Lastly, further scholarly and political debates will focus on this question of the optimal impact of the sanctions on global governance. This paper demands that all readers worry about long-term efficiency of sanctions by weighing the pros and cons of the old sanction system as measured in the terms of sanctions, morals, and international rights. In doing so, it helps to form crucial opinions about modern foreign policy and international relations.

PURPOSE AND SCOPE OF THE RESEARCH

The main objective of this study is to use the development of financial sanctions as a foreign policy instrument and to assess the effectiveness of the estimated results. This study will investigate the sanction system's case study from current sanctions against Iran and North Korea to determine the trend and failure in various geographical political environment. Global institutions such as the United States, the European Union and the United Nations. Further, it will critically examine the practice imposed by different state and non-state actors since the early 20th century. The study also looks into the major debate concerning the role of sanctions in international governance and the moral and humanitarian implications.

This will contribute to the scholarly discourse and policy deliberations over the optimal design of punishments to maximize their efficacy and minimize their unintended consequences.

RESEARCH GAP

It is this background that the present study tries to bridge some key gaps in extant literature relating to economic sanctions as an instrument of foreign policy. Though there is immense literature on the use of sanctions over time, theoretical formulation, and ethical issues, there remain many limitations and frontiers yet to be explored:

Effectiveness and Long-Term Impact: Although there is still significant work done on the evaluation of the effectiveness rates of economic sanctions (Hufbauer et al., 2007; Pape, 2017), much of the existing literature provides minimal analysis in terms of the long-term effectiveness of sanctions, especially in their effect on political stability and economic recovery in target countries post-sanction. The necessity of recent studies is to understand how sanctions linger for extended periods in target states, especially when their objectives refer to enforcing governance or human rights changes.

Humanitarian Impact and Smart Sanctions: Very few studies were conducted on the humanitarian costs of comprehensive sanctions and their effects on the civilian population. For example, Joy Gordon (2010) and David Cortright (2002) have denounced the blanket effect of comprehensive sanctions on civilian life. Further research is required regarding the humanitarian impact of targeted or "smart sanctions." Though such sanctions target minimal collateral damage, studies assessing their effectiveness or ethical considerations are nearly unnoticeable. This research will investigate whether targeted sanctions really do reduce humanitarian suffering and increase political elites without touching the lives of the majority of the people.

Ethical and Legal Considerations in the Digital Age: Sanctions' ethical critiques, particularly under the just war theory framework, are not germane as much to the future cyber sanctions scenario but relate more to the classical approach with traditional economic sanctions. Yet, with cyber sanctions and digital tools for compliance come changes in the nature of ethical and legal considerations. What needs to be weighed then is what these new sanctions take from and add to the already established humanitarian principles and whether such sanctions are legitimate under international law, especially in light of this growing digital and cyber sanctions.

Comparative Analysis of Case Studies: Current literature tends to focus on isolated cases, such as sanctions on Iran, North Korea, and Venezuela, without systematically comparing the cases. This research tries to do it by comparing multiple cases in order to identify patterns, common challenges, and outcomes and provide insight into circumstances under which sanctions are most and least effective.

JUSTIFICATION FOR THIS RESEARCH

It is critical to bridge these research gaps in order to understand better the complex and fast-changing impact of economic sanctions. First, the long-term effects of sanctions explain to policymakers how they may realize political objectives without compounding humanitarian crises. Second, given that the sanction landscape is continually being transformed by technological progressions, it is all the more important to understand the ethical and legal implications of new digital tools used in enforcing sanctions. Lastly, by conducting the comparative analysis of such cases, it will be better understood how sanctions, placed against broader backgrounds of these cases, will respect the best practice among humanitarian and international law principles. Therefore, the research is intended to present an updated, ethically informed perspective on economic sanctions as a mechanism for shaping international relations.

LITERATURE REVIEW

The review will be of economic sanctions as a tool of foreign policy with which exploration concerning issues related to concepts, practice, ethics, and international law are conducted. The review further speaks to an empirical assessment of the effectiveness with respect to humanitarian impact and international law in the context of sanctions.

Overview of Existing Research and Key Theories

Theoretical Frameworks: Coercion and Deterrence

Coercion and discouragement are the theoretical foundations of economic sanctions, and in the sanctions literature, coercion is a crucial instrument for compelling governments to abide by the regulations. Drezner (1999) asserts that sanctions are a non-military instrument that influences people's cost-benefit analyses by compelling them to adhere to international norms. This strategy is supported by realistic theories of international relations, which maintain that nations must think about the measures necessary to ensure their own security and commonly use sanctions to achieve their geopolitical goals(D. A. Baldwin 2020).

Galtung's seminal work (1967) critiques the logic of coercion, emphasizing the "sanctions paradox," where economic restrictions aimed at influencing political elites frequently end up imposing severe hardships on the civilian population, which can inadvertently strengthen public support for the sanctioned regime. His analysis underlines humanitarian concerns and questions the ethical legitimacy of sanctions as a foreign policy tool, laying the groundwork for substantial scholarship on the unintended humanitarian effects of sanctions(Gordon 2016).

THEORIES OF DETERRENCE

As to the deterrence approach, sanctions not only penalize transgressions of international regulations but also act as a deterrent to future misconduct. Within the paradigm of non-spread, Pape (1997) highlights this viewpoint, arguing that sanctions are employed as punitive and preventative measures to discourage countries like North Korea and Iran from pursuing nuclear programs. Scholars contend that in order to preserve the legitimacy and consistency of law enforcement, punishment must be harsh enough to dissuade targeted from repeating their behavior(Cortright 2000).

Constructivist and Liberal Theories

The constructivist literature operationalizes the normative dimension by pointing out that sanctions are important tools, in the long run, in establishing international norms, since they are used to force countries to comply with norms on human rights and environmental issues(Finnemore 1998). Constructivists argue that sanctions strengthen the international community's normative framework by signaling shared values and reinforcing expectations around responsible state behavior. The liberal theory further emphasizes the role of multilateral institutions such as the UN in enforcing sanctions, arguing that coordinated, internationally recognized sanctions are more effective because of their broader legitimacy and the combined economic and diplomatic influence of several countries (Kirshner 1997).

Game Theory and Economic Models

Game theory and economic models provide analysis tools to control the strategic interaction between the sender and the target state. Lektzian and Souva (2007) believe that sanctions and targeted countries such as rational agents are like rational agents and evaluate costs and potential benefits before promising sanction policies or answers.Sanctions are only effective if their credibility can be established based on thegame theory. A sanctioning party may relax or withdraw some or all the penalties too early, making the target nation believe this is possible and reducing the deterrent effect of the penalties. The other possible impact of sanctions on the economy of the targeted nation can also be predicted based on some economic models which will provide numerical measures to analyze their effectiveness(T. C. Morgan 1997).

Critical Analysis of Previous Studies and Theoretical Frameworks

Effectiveness of Sanctions: Successes and Failures

Empirical research shows that mixed successful sanctions Hufbauer, Schott, and Elliott (2007) have done an in-depth analysis, reviewed more than 200 cases, and discovered that sanctions had about one case policy objective. Pape (1997) disputes this conclusion, claiming that the Hufbauer et al. study is too positive and that the threat of military intervention often has more impact on effectiveness than sanctions do. Additionally, Pape contended that punishments might, in the case of authoritarian regimes, improve state control by externalizing guilt for internal suffering and occasionally result in negligible compromises.

Other scholars, for instance, Drezner, argue that the success of the sanctions depends on many variables like the sanctioning state's economic interests in the target state and the level of international cooperation toward the implementation of the sanctions regime. According to Drezner, unilateral sanctions, especially when there is not much great international cooperation, often create weak pressure on the target since it is the case in the meager success witnessed from US sanctions against Cuba and sanctions against

North Korea that operated unilaterally(Drezner 1999).

Targeted vs. Comprehensive Sanctions

In the last decades, ever-increasing worries over the humanitarian implications of the sweeping application of economic sanctions culminated in the development of targeted prohibitive measures. As seen by Gordon (2016), wide sanctions on Iraq in the 1990s were associated with colossal civil suffering. It was out of this trend that politicians developed a package of more targeted policies, namely travel bans, asset freezes, and arms embargoes so as to maximize. Targeted sanctions are said to be more effective than general sanctions because they have a direct impact on the policymakers and do not adversely affect the public at large, especially when used with diplomatic and other coercive means(Brzoska 2003).

The Role of International Cooperation

International cooperation is part and parcel of sanctions, in general, and it has been proven to be much more effective in the framework of a multilateral sanctions regime than in a unilateral one. Kirshner states that the risk of target states exploiting economic ties with non-participating states to breach sanctions could be minimized and effective action could be made stronger with multilateral sanctions. Still, the situation becomes significantly difficult if countries possess strategic or economic interests with the target and refuse to impose sanctions. For instance, China and Russia avoid sanctions on North Korea(Haggard 2017) and Turkey's non-adherence to Western sanctions against Iran(Katzman 2018).

Humanitarian and Ethical Concerns

These criticisms have increased more than threefold, with a humanitarian twist to arguments by the academia that they constitute at times a form of collective punishment that contravenes international humanitarian law. According to Gordon, the disparate impacts of sanctions on vulnerable groups raise moral concerns over whether they meet the discriminating and proportionality standards advanced by the just war theory. Like in economic warfare, Court right and Lopez 2000, also criticize sanctions and urge policymakers to consider alternatives that would achieve state objectives without causing disproportionate harm to people.

Sanctions and International Law

Sanctions compliance with international law is still a subject of debate, especially about humanitarian obligations. International law requires that sanctions respect humanitarian principles; in other words, they should not cause unnecessary suffering to civilian populations. This view has resulted in changing the UN sanctions policies into more targeted sanctions to ensure that they meet the requirements of the legal and ethical standards that international humanitarian law enforces.

CASE STUDIES

North Korea

North Korea is among the hardest sanctions cases in history. They have been used extensively since the 1990s, mainly to curb its nuclear weapons program and the violation of human rights. Though this regime still exhibits strength and ingenuity for dodging sanctions, and its neighbors are now aggressively driving their respective geopolitical agendas, the challenge is extremely challenging.

Geopolitics Dynamics

The sanctions against North Korea have exposed as sheer hypocrisy the very divergent interests of regional and global powers involved in the issue. China, for example, remains North Korea's largest trading partner, thus playing a pivotal role both in enforcing and undermining sanctions. Beijing supported some UN Security Council resolutions imposing sanctions on North Korea while its economic aid to stabilize the regime has often prevented a collapse that might eventually have brought about a refugee crisis at its borders. For example, the fact that China still imports coal from North Korea even after sanctions speaks volumes about its balancing between adhering to international pressure and national interest. Similarly, South Korea oscillates with a mix of being hardline and engagement-oriented in an instinctive quest for dual priorities: denuclearization and reconciliation. (Revere 2019)

Methods that Helped Avoid Sanctions

As a regime, North Korea's methods for avoiding sanctions naturally present it as resourceful. Some major methods of evasion include:

Cryptocurrency Heist: According to the United Nations, in a report issued in 2020, North Korea, through cyberattacks, hacked more than $2 billion in banks and cryptocurrency exchanges and used this money to fund its nuclear program. Such acts also undermine the international community's efforts toward locking the regime down economically.(United Nations 2020.)

Maritime Trafficking: North Korea has carried out ship-to-ship transfers of oil and other proscribed goods, largely under flags of convenience that mask origin. Such a ruse assists the regime in keeping access to lifeline resources despite very strict sanctions.

Humanitarian Consequences

Sanctions have brought humanitarian consequences and are badly impacting civilians. In the report given by Human Rights Watch in 2019, it was stated that the sanctions were strictly impacting the country's food insecurity condition. More than 10 million North Koreans faced malnutrition. Sanctions have also restricted the activities of humanitarian organizations and have made vulnerable groups suffer more.(Human Rights Watch 2024)

Effectiveness

Despite these failures, there have been a number of successes in restricting the flow of critical technologies and financial resources to North Korea by means of sanctions. Nonetheless, the continued development of the regime's nuclear ability, along with its corresponding economic adaptability, exposesthe shortcomings of a sanctions-alone strategy.

Iran

Sanctions on Iran have mainly targeted its nuclear ambitions and its influence in the region. The complexities of the Iranian political system as well as its inclusion in the global economy make it a very interesting case for understanding the various effects of sanctions.

Economic Effects

Sanctions on the exports of Iranian oil and on the country's banks have brought harsh economic impacts. For instance, sanctions by the EU and US in 2012 jolted Iran's GDP to shrink by about 9%, and a fall in oil exports from 2.5 million barrels per day to fewer than 1 million barrels per day. These impacts have significantly exhausted the foreign exchange reserves of Iran, compelling the government to reduce subsidies and increase the price of consumption goods, which elicited citizen discontent (K. Katzman 2021)

Domestic Political Effects

Sanctions have led to normalization in Iran's hardline politics, within which the groups see the Western powers as enemies. The sanctions simultaneously triggered public anger, which took shape in the fuel price-protest movements of 2019. With these two effects, it is clear that the impact of sanctions is a double-edged sword that indeed harms the government but also empowers the government to blame external sources for internal suffering. (Alimardani 2020)

Pre-and Post-JCPOA Dynamics

The Joint Comprehensive Plan of Action (JCPOA) was, in a word, a watershed in Iran's history with regard to sanctions. This was an agreement signed in 2015 that temporarily removed most of the sanctions imposed on Iran for the limits set to be placed on its nuclear program. Its economy improved during that time as there was growth from foreign investments and oil revenues. However, when in 2018, the United States withdrew from the JCPOA and restored sanctions on Iran, all these achievements were erased, and economic hardship was welcomed along with deepening tensions in the region.(Geranmayeh 2020.)

South Africa

Sanctions against apartheid South Africa are a rare example of sanctions where there was success in putting pressure for political reforms. This sanction had strong support from multilateralism and careful targeting to avoid causing harm to civilians, while the situation is different with North Korea and Iran.

Targeted Measures

Sanctions on South Africa included arms embargoes and general trade restrictions, as well as cultural boycotts, like banning South Africans from participating in international sports. This was in tandem with grassroots campaigns that had corporations and governments divest from South African assets. (Hufbauer 2007)

International Unity

The wide basis of support for the sanctions against South Africa, involving governments, international organizations, and civil society, permitted a strong onslaught against the regime without leaving too many loopholes for evasion.(Mazrui 1995)

Lessons Learned

South Africa's experience provides several lessons: First, multilateral efforts are useful for getting broad-based actions against certain regimes of concern. Second, targeted measures can be effective by focusing on people and the economy rather than the people only. Third, sanctions should be integrated with broader diplomatic efforts so that sanctions do not get relegated to the bottom of the rank of priorities.

DISCUSSION AND ANALYSIS

Effectiveness of Sanctions

In detail, on both qualitative and quantitative analyses, it can be determined whether economic sanctions have been effective or not. Even though widely applied to discourage certain undesirable actions, like the proliferation of nuclear weapons and violation of human rights, the effectiveness of sanctions remains largely debated. There is a critical need to evaluate them with regard to the achievement of the planned objectives by a set of sanctions, and other economic and political aspects.

Quantitative Indicators

This can be defined by several metrics in terms of success or failure. One integral measuring the success or failure of sanctions is GDP contraction. For example, the sanctions levied in the 2010s on Iran shocked its economy, causing it to contract by an astonishing -6.6% in 2012 (K. Katzman 2021). In North Korea, a similar contraction is also evident, where, even under sanctions, the country's economy is able to continue through alternative sources of revenue generation, such as cybercrime and contraband trade.

Some of the quantitative indicators involve trade volume reduction, which is very evident, as in the case of South Africa under the apartheid regime. International isolation of the country resulted in sharp cuts to exports and imports, thus restricting access to technology, capital, and markets. Success, however, depends on the capability of persistent enforcement of such measures on different states and actors.

Reportedly managed to limit access to luxuries and high-tech arms in North Korea but still did not allow it to stop its nuclear weapons program. The case of the export decline is stronger with figures reaching 90% in some sectors, whereas North Korea displayed great creativity in finding other routes and other resources.

Qualitative Factors

Political factors rather than economic ones are critical for telling why sanctions succeed and fail. Sanctions will be more successful in their intentions if the target nation is politically vulnerable or already experiencing domestic upheavals. A prime example lies with South Africa: where international sanction accumulated with an intrinsic and stronger force against apartheid, it eventually led to change in the political atmosphere. The UDF and ANC employed sanctions as a way of levering the government to have demands and end apartheid. This consequently led to the dismantling of apartheid (Hufbauer 2007).

On the other hand, in North Korea, with entrenched leadership, the sanctions have had limited political impact as the regime could frame the international pressure as an external threat to national sovereignty. If there is one thing on which Kim Jong-Un's rule has demonstrated success, it is in domestic control. Sanctions can be rallying calls for national unity, not incentives to comply with international norms in this case. Therefore, political transformation-the disarmament of nuclear capabilities, for example-is beyond reach.

Unintended Consequences

Among the major adverse effects of sanctions, perhaps one of the most significant is the unintended consequences that sanctions usually create. These usually fall disproportionately on civilian populations. Sanctions lead to economic hardship, tend to exacerbate humanitarian crises and even foster internal political solidarity around authoritarian regimes. In Iran, sanctions have generated high inflation and unemployment levels rising thereby with poverty in a country whose most vulnerable sections of society face all these proportions. Similarly, the North Korean sanctions have led to malnutrition and a little health system, which destroys millions of innocent civilians.

Besides, sanctions can sometimes strengthen the targeted regime. Reimposing U.S. sanctions after the United States pulled out of the JCPOA in 2018 from Iran was further strengthened more and more anti-Western sentiments, providing hardliners with solid ground in the political arena, as Geranmayeh (2020) mentioned. The rise of nationalism and resistance to this kind of intervention can make things even more difficult for international players to maneuver influence over the political elite through sanctions.

Challenges of Enforcement

One of the significant challenges to effective sanctions is enforcement. Since the world's economy is so interdependent, then always an inconsistency exists between enforcement of sanctions and multi-actor cooperation needed in enforcement of such sanctions. A case in point of geopolitical considerations undermining sanctions enforcement is China's role in North Korea. China has continued providing North Korea with key supply needs including energy sources since they were restricted by the UN (Revere 2019). This selective nature of enforcement dilutes the impact of sanctions and underscores the need for a more holistic, integrated program of sanctions compliance.

Ethical Considerations

Economic sanctions have profound and multifaceted ethical implications.

Conceived to target elites and political decision-makers within a country, economic sanctions most severely hit the general population. On this account, economic sanctions raise poignant questions as regards collective punishment, proportionality, and humanitarian impact.

Collective Punishment

Economic sanctions usually punish the entire population of the targeted nation, without consideration of their individual involvement or responsibility for the policies that lead to the sanctions. Questions of justice and fairness arise, because the most vulnerable civilians, women, children, and the elderly, suffer under the weight of the economic pressure. The UN's "Guiding Principles on Business and Human Rights" stresses the duties of governments not to engage in activities causing damage to the civilian population. Sanctions, however, bring suffering throughout all strata of a people.

Sanctions in the case of North Korea have denied access of mostly children and elderly people to staple items like food and medicines. As stated by a 2019 Human Rights Watch report, the food insecurity in the country had reached a point of alarm because more than 10 million North Koreans were suffering from malnutrition(Human Rights Watch 2024). In such circumstances, sanctions appear to place a stamp of collective punishment rather than punishing decision-making elites responsible for the nuclear weapons program.

Proportionality

Another issue of ethics is proportionality. Sanctions are usually criticized for being overly harmful to civilians, especially in such situations where the intended political purposes are not achieved. For instance, while the sanctions do appear to have incapacitated the Iranian economy, they cannot demonstrate an overwhelming modification in the nuclear program of that country. Under these circumstances, one may ask, "Are the harms inflicted on civilians proportionate to the political objectives pursued?

South African experience does, however demonstrate that with a considerable amount of sensitivity, sanctions could work without causing unduly disproportionate harm. Far from holding the majority of the population responsible for the apartheid regime, sanctions against the government were only designed to extract pressure by causing little suffering or scolding of the general population, as in the case of the arms embargo and financial divestments, cultural boycotts against the state rather than the individual.

Humanitarian Impact

The impact on humanitarian needs demands careful consideration. Sanctions have pulled health systems down, cutting access to medicines and equipment for the treatment of public health threats, in North Korea and Iran. For example, in Iran sanctions led to a serious shortage of crucial medicines for cancer patients, badly aggravating a situation already desperate. The ethical question is whether these humanitarian consequences are ever justified by the political goals of the sanctions. Some argue that, when they fail to do so, sanctions are an ineffectual tool that causes more harm than good.

Policy Recommendations

AI-Based Enforcement: Implementing artificial intelligence to monitor transactions for sanction evasion.

Block chain for Transparency: Humanitarian aid is delivered correctly by using block chain technology, so it reaches the required persons;

Smart Sanctions: Target them with sanctions on elites and core sectors to minimize civilian suffering.

CONCLUSION

Economic sanctions are still a flagship tool of the international policymaker, but their effectiveness is contested. Sanctions on North Korea, Iran, and South Africa are examples that demonstrate sanctions can work to attain the desired political objectives in many cases, but could also lead to serious unintended, mainly humanitarian, consequences. Of course, there are connected with sanctions very important issues of collective punishment and proportionality, raising quite serious ethical concerns.

Sanctions will certainly never disappear from the toolkit of foreign policy. However, the design and implementation of sanctions are obvious enough to require some fine-tuning. Integration of technological innovations like AI and blockchain and orientation towards targeted and more multilateral approaches will contribute to making sanctions more effective and ethical. In any case, it is up to the international community to develop economic sanctions further and make them fit for new goals: global peace, security, and human rights.

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EX-POSTE IMPACTS OF FLOOD ON SOCIOECONOMICS CONDITIONS OF LOCAL POPULATION IN DISTRICT KHAIRPUR MIR'S, PAKISTAN

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ABSTRACT

This research evaluates the impact of floods on the socioeconomic conditions and environmental well-being of the local population in District Khairpur Mir's, Sindh, Pakistan. For this research secondary data was collected through landset satellite 8and9 from USGS (United States Geographic Service). Coordinate system's WGS 1984 location zone of Pakistan is WG 42. The remote sensing data was downloaded of district Khairpur Mir's, Tehsil Sobhodero for the period of 2021-22. Data was analyzed according to Arc GIS software, the results indicate that the health department of Sindh reported a staggering 10,790,000 cases of disease among the local population during the flood. In addition, the flood had a severe impact on crops in the Khairpur district, affecting 130,000 acres of farmland. Furthermore, the flood left 20,900 people homeless in the study area. The flood has highly hit and damaged many villages' roads and agriculture lands. Therefore, the metrology department should take action for pre disaster information dissemination; where the public health engineering department should improve the derange systems while delisting effluent canals prior to floods.

Keywords*; Environment, Flood, Socioeconomics, Local Population.*

INTRODUCTION

Natural disasters are a global growing concern, consequently 185 million people have been affected directly from such catastrophes (CRD, 2023) and their impact on developing countries cannot be ignored (CRD, 2023; ADRSC, 2023). This is critical in developing nations where vulnerabilities are pronounced and institutional capacities need strengthening (Magsi et al, 2022; Dolman et al., 2018). Floods overwhelm the ground's capacity to absorb water, displacing communities, killing lives, and causing extensive damages, this recurring natural disaster affects millions worldwide, requiring proactive steps such as effective flood management, prevention measures, and community education to mitigate its impact and protect lives and properties (Kuari et al*.,* 2015; Magsi and Torre, 2012).

The climate change intensifies flood disasters, affecting agricultural production and food security, especially in developing countries like Pakistan (Joyo et al., 2018). People in flood prone areas of the developing countries have suffered socially and economically from recent floods (Kumber, 2023). Literature further suggests that, poor farmer's households are the most vulnerable, making it crucial to address climate change's impact on increasing floods and decreasing food supply (Week and Wizor, 2020; Tran et al., 2019).

In Pakistan between (June and September 2022) 33 million people were impacted by flood, resulting in 1,739 deaths and US$ 15 billion economic damage (CRED, 2023). While, in 2010 flood caused the loss of over 2,000 lives, with affecting 20 million people, and responsible for acute food insecurity to 7.8 million people in Pakistan (Rahman et al., 2016). Therefore, National Nutrition Survey conducted in 2018 revealed that 40.2% of children under the age of five were suffering from stunted growth. The impact of floods can be particularly severe in low-resource settings as it can disturb people's livelihood, which can have long-lasting effects on the affected individuals. Natural calamities such as floods and tsunamis do not only lead to immediate economic loss and physical harm, but they can also cause psychological disorders such as post-traumatic stress disorder and anxiety (Mahmoud at el., 2021).

According to disaster management agency, the 2022 flood affected about 50 million population and from which 1,000 people were died in Sindh province (Kumber, 2023). An estimated 500 millimeters of rainfall have been recorded in Sindh (Henson, 2023).The flood 2022 led to an estimated 88% loss in major crops in Sindh (Qamer et al*.,* 2023).Therefore 4.4 million acres of agricultural land were destroyed and 5.1 million hectares of farmland were badly damaged, resulting in a negative impact on livestock sector during flood (Teshin, 2022). In Sindh province mostly affected district was Khairpur Mir's during 2022 heavy rain fall, in that district so, it was highly affected over 800000 people, causing significant damage to agriculture and housing. This disaster has impacted 157,490 individuals in four Talukas, 13 union councils, and 380 villages (Foundation, 2022). While, in Khairpur, 3,027 homes were destroyed, and Sukkur, Ghotki districts also face the aftermath. Therefore, the district Khairpur has been severely affected by flooding, resulting in the destruction of crops that were spread over 130,000 acres of land. The impact of this natural disaster has been devastating for the local community, and immediate measures are required to support those affected and help them recover (DAWN, 2022).

Justification of this study

During the course of my research, I downloaded the first research paper from Scholar Google and also referred to several other websites after reviewing those papers. Using this information, I designed my research model paper. Throughout the research process, I made extensive use of the computer facilities available at the Department of Economics at Sindh Agriculture University Tandojam. The primary goal of my research was to estimate the impact of floods on the economic, social, and environmental well-being of the local population.

MATERIAL AND METHODS

For this research, secondary data was collected from *landset* satellite 8 and 9 from USGS (United States Geographic Service). Coordinate system's WGS 1984 location zone of Pakistan is WG 42. The remote sensing data was downloaded of district Khairpur Mir's, tehsil Sobhodero for the period of 2021-22. Then, data analysis through the process of supervisor classification tool, using Arc GIS software. The computer lab for GIS at Mehran University Engineering and Technology Jamshoro, Pakistan was used to treat the maps as per objectives.

Supervised classification

ArcGIS is a process in which you train a machine learning algorithm to classify pixels in a raster image into predefined classes based on the feature. The technique is commonly used in remote sensing and image analysis to categorize land cover, land use, and other satellite or aerial imagery features. ArcGIS provides tools and functionalities to perform supervised classification,

Data Preparation

Start by acquiring the satellite or aerial imagery you can want to classify. Ensure you have the spatial and spectral resolution for your classification task.

Training Data Collection

Collect a set of training sample that represent the different classes. And use training samples should be polygons in that regions of interest to which you have visually identified and assigned class labels.

Data Pre-Processing

Preprocess the imagery by performing task like atmospheric correction, radiometric calibration, image enhancement as per needed.

Accuracy Assessment

It's important to assess the accuracy of your classification, use validation sample or ground-truth data to compare the classified results with the actual condition on the ground. ArcGIS provides tools of the purpose of the data analysis.

RESULTS AND DISCUSSION

After the recent heavy floods in the province, the Sindh Health Department has reported a staggering 1,079,000 locals now grappling with infectious diseases. The situation is dire and requires urgent attention from the authorities and relief organizations. During a recent visit to the flood-stricken zones, Chief Minister Murad Ali Shah highlighted that essential medications have been distributed to fend off dengue fever. He also expressed concerns about people in these areas falling ill with conditions like diarrhea, gastroenteritis, in addition to dengue (Web desk, 2022 relief cam Khairpur).

Table-1: Impacts of flood 2022 at Khairpur Mir's

Description	Statistics
Human death during a flood in number	93
Injured during flood in number	63
Animal death during a flood in number	34373
Houses affected by flood in number	120000
People affected during a flood in number	800000
A girl Child died in gastro during a flood in number	05
The child died of measles during a flood in number	02
Diarrhea affected people during the flood	500000
Gastroenteritis in number	200000
Malaria in number	100000
Dengue fever in number	50000
Typhoid fever in number	25000
Hepatitis in number	5000

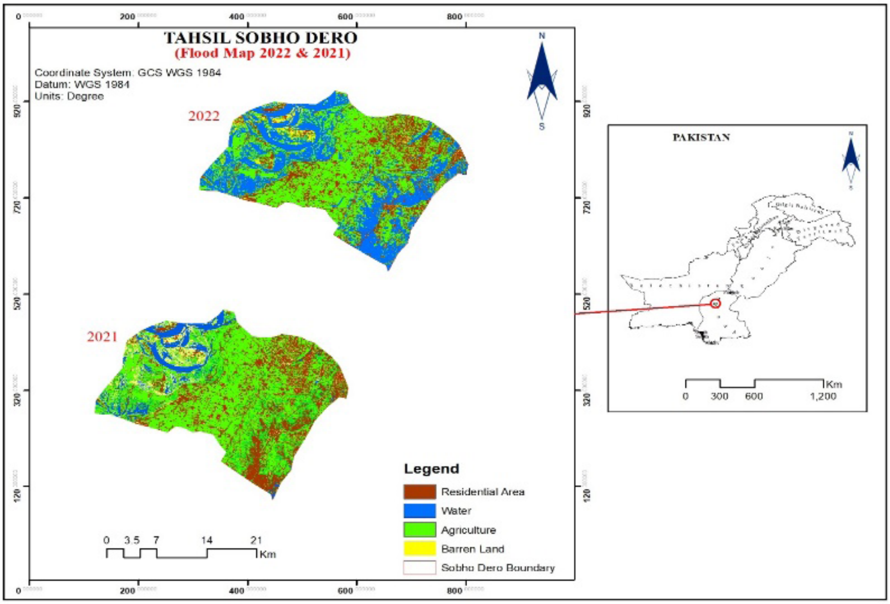
Source: PDMA report 2022, DAWN, 2022,

In the district of Khairpur Mir's in Sindh province, 93 people died and 63 were injured during the flood in 2022 During the flood, there were 34373 animal deaths, 120000 houses were affected, and 800000 people were also affected As a result, five girl children died from gastro-intestinal diseases, and two children also died from measles diseases During the flood in 2022, there were five million people suffering from diarrhea, two million from gastroenteritis, one million from malaria, and five thousand people suffered from malaria suffered in dengue fever. And 25000 people in typhoid, 5000 people suffered hepatitis during 2022 flood. Similarly, (Rahman et al., 2016) investigated that during 2010 flood caused the loss of over 2,000 lives, with affecting 20 million people, and responsible for acute food insecurity to 7.8 million people in Pakistan. According to (CRED, 2023) investigated the annual report 33 million people were impacted flood, resulting 1,739 death and losses 15 billion economics damage.

Figure-1: Pictures collected during flood 2022

Above pictures show that District Khairpur was highly affected during flood 2022. People were leaving the city and moving towards a safe places with their children. While, their resources including houses, roads were inundated, which has deteriorated life of rural population. The literature suggest that socioeconomic wellbeing is directly associated with quality infrastructure (Magsi et al, 2021; Magsi and Torre, 2012)

Figure-2: Comprises land cover change during the flood



The above figure showed data before the flood and after the flood of district Khairpur Tehsil sobhodero, according to these maps. In 2022, flood water was highly damaged agricultural land and residential area will also affect areas of the south-east area as compared to 2021. Similarly, (Sholihah, 2020) Found that during 2022 flood were highly effected to infrastructure and badly damaged to agricultural, industrial areas.

CONCLUSION RECOMMENDATION

The recent floods have severely impacted the district of Khairpur, causing extensive damage to critical infrastructure, including roads, schools, electricity networks, and communication towers. Thousands of residents have been displaced, leaving them homeless and vulnerable. The 2022 floods in Tehsil Sobhodero were particularly devastating, submerging low-lying areas where most farmers resided. Tragically, the disaster claimed around a hundred lives and left 63 people injured, further highlighting the urgent need for effective disaster management and relief efforts. To mitigate future risks, it is imperative that the Sindh Government takes immediate action to accommodate, facilitate, and compensate the flood-affected population. Providing temporary shelters, financial aid, and rehabilitation support should be prioritized to help victims rebuild their lives. Additionally, the Metrology Department must enhance its early warning systems to alert communities about impending natural disasters, particularly floods, allowing sufficient time for evacuation and preparedness.

Moreover, the Public Health Engineering Department should focus on improving infrastructure resilience by de-silting canals and water channels to ensure proper drainage and reduce flood risks. Strengthening embankments and constructing flood-resistant structures can also minimize future damage. Community engagement is equally crucial in disaster preparedness. The local government, in collaboration with NGOs, should organize awareness seminars and training programs to educate residents on emergency response measures, evacuation protocols, and sustainable farming practices in flood-prone areas. Such initiatives will empower communities to better cope with natural calamities. In conclusion, a multi-faceted approach involving government intervention, infrastructure development, early warning systems, and public awareness is essential to mitigate the impact of floods and safeguard vulnerable populations in Khairpur and other at-risk regions of Sindh.

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RELATIONSHIP BETWEEN MARKET RISK AND TRADING VOLUME

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ABSTRACT

The research examines the relationship among systematic risk and liquidity in the context of Karachi Stock Exchange (KSE) All Index. Systematic risk was measured using Capital Asset Pricing Model (CAPM), while liquidity assessed through trading volumes. A dataset consisting of 340,194 daily share price observations from 467 firms listed on the KSE All Index, covering 32 industries (excluding Banking, Insurance, and Mutual Funds), was utilized. The KSE 100 Index was used to represent the market return. Additionally, trading volumes of the same firms were analyzed to construct 10 portfolios based on the Fama-French (1993) methodology. The results of the analysis indicate that firms with higher trading volumes tend to have greater systematic risk than firms with lower trading volumes. Moreover, the relationship between systematic risk and liquidity is weaker in firms with lower liquidity. The findings suggest that including firms with low trading volumes in an investment portfolio could increase exposure to market/systematic risk. This research contributes to a better understanding of how liquidity influences the risk/return of firms listed on KSE and highlights the possible risks related with investing in less liquid stocks.

Keywords: *Systematic Risk, Non-Diversifiable Risk, Trading Volumes, Liquidity, Capital Asset Pricing Model, CAPM*

INTRODUCTION

Background

To maintain a cash or balance in banks is not a good idea in order to maintain or maximize wealth, rather it results lower the current lifestyle as well due to devaluation of funds over every day passes. The hundred-rupee note can fuel the tank up to 1 liter five years ago and what is the condition today, we are fully aware of it. In order to sustain and at least preserve funds from devaluation, we need to invest and earn the returns up to the inflation rate of the economy. Above fuel example is taken from our country, Pakistan and the inflation rate here is currently 23.4 percent *(Source: Funds Manager's Report Al-Meezan Investments Aug-2024, Average 2024 rate of inflation).* It means we have to earn at least 23.4 percent if we want to maintain the valuation level of our savings and funds.

Stock Exchange can be regarded as most attractive and emerging investing platform for the investors, who wants high returns with lowers risk in Pakistan. It is assumed that less than one percent of the investment is being circulated in the Pakistan Stock Exchange. Bond market in not very much developed in Pakistan as well as there is no platform for Derivatives or Futures market.

There are two types of risks i.e. Market Risk and Residual Risk. Market risk also known as systematic risk that is associated with the whole market with the factors that guides or influences the whole economy. While on the other hand, Unsystematic risk defined as the risk that is specifically concerned with a specific security or a company. Unsystematic risk can be mitigated by using different approaches such as diversification of the investment among different asset classes but Market risk cannot be avoided.

In this study, we are trying to understand whether the market risk can be avoided or mitigated in terms of long term versus short term investment or in frequently traded stocks in Pakistan Stock Exchange (PSX). Investors should have knowledge of both the risks associated with their investments as well as the linkage between return and risk with along with the time horizon and liquidity of investments.

Capital-Asset Pricing Model (CAPM)

A financial model known the capital asset pricing model (CAPM) determines expected rate of return related to investment. The market's projected return and a risk free asset, along with the correlation of asset or market sensitivity, beta, are used by CAPM to achieve this (Investopedia, 2024).

The elements of the said model are being defined here. The beta is the only feature that predicts the return on investment that has the philosophy of having high risk bring high returns and similarly in the case of low risk, the returns may be low in this scenario (Frank K. Reilly, 1979).

The formula of CAPM is:

$$ER_x = R_f + \beta\ (Er_m - R_f)$$

ER_x = Ex. Return on Investment

R_f = Risk free rate

ER_m = Expected rate of return - (Market)

β = Sensitivity of investment with market/ benchmark

Extant literature would be including the pros and cons of CAPM approach and their findings leads towards the relevance of CAPM is different in developing market from the developed markets. The main reason of this difference is the market's dynamics and investor's behaviors at different levels, such as individual, institutions and foreign investors. However, my main objective is to identify whether there is any relationship between Market Risk and Liquidity. For this purpose, I will be using CAPM as proxy of market risk and trading volumes as liquidity.

My main hypothesis will be related to market/ systematic risk and liquidity.

H1: There is a relationship between systematic risk and liquidity.

This research study is for checking validity of CAPM in connection with trading volume is applied in Pakistan Stock Exchange. Thus, Research Problem is as follow:

"In the Pakistan Stock Exchange, there is a correlation between a firm's liquidity (trading volume) and its risk (CAPM)."

LITERATURE REVIEW

Literature Review

(Bernoulli, 2020) Founded in the seventeenth century, the proposed CAPM was based on the idea that asset value might be determined using returns rather than by evaluating the asset's price. Three fundamental presumptions underlie contemporary financial theory, and these are:

i. The market should be ideal.

ii. The investors are confident and taking a balanced approach.

iii. The arbitrage opportunity benefits the investors.

Since the stock or investment is being bought at a discount and sold at a premium in another market, arbitrage is advised.

(Investopedia, 2024) Based on the test's varied statistical findings, the asset pricing model was developed to explore the connections between investment risk and return on securities. Several pricing models assess investment returns while considering risk factors. Systematic risk is linked to the investment and cannot be controlled because it is present in the investment, whereas unsystematic risk can be controlled by diversification. Since risk is a part of investing, it is hard to suggest that an investor can avoid it. It is the capacity of the investor to accurately assess risk and employ strategy to mitigate it.

(Treynor, 1962) According to Treynor, the risk premium/ share for the ith investment should be equivalent to the market's investment covariance when accounting for any market investment.

(Sharpe, 1964) proposed streamlined model for portfolio analysis. The efficient technique for calculating capital asset pricing has been devised by the researcher. The return on the common index is linked to the return on the investment. It is necessary to use the variable that is affecting the stock as the common index. The average of weight rate of return on the investor's stock is the projected return of the portfolio, which is why the model works well for the portfolio as well.

(Matteev, 2004) After 1993, the results of the CAPM was not in effect and less striking for the investors. This is because the model's assumptions and theoretical approach were inadequate, which is why the model's outcomes were unsatisfactory. In that scenario, CAPM assumes that investors can obtain shares at the risk-free rate through lending or borrowing. Practically speaking, it is ineffective and un-implementable due to the numerous obstacles that investors must overcome in order to borrow or lend the security. Since the market index that is employed is not original, CAPM is unable to produce the intended results; as a result, other academics are proposing improved and expanded versions of CAPM.

Empirical Literature Review

In this researcher has conducted empirical literature review with context of national and international scenario, which is as follows:

International Scenario:

- **Australia Context**
  The differences between Asset pricing theory and CAPM were examined by (Fraser, 1997). They utilized GARCH to compare eight distinct sectors of the Australian market over an 11-year period from 1983 to 1993.

- **Europe Context**
  When it comes to implementation, the CAPM model is the most spoken about in the finance literature. As a result, various researchers have employed this model to evaluate and display the results and guarantee their validity; some of these studies support the validity of CAPM, while others do not.

  In the light of study of (Torman, 2016), Data from December 31, 2004, to December 31, 2015, was used to evaluate the risk and return ratio of eight different banks in the nation of Istanbul. The study is separated into two sections: the era before the 2008 crisis and the period following the 2003 crisis. The researcher used the median date of September 15, 2008, for the former and the latter. To determine the average of the erratic results before/ after the situation, researcher employed the t-test. The F-test has also been employed by researchers to evaluate the variation in risk rates. According to the study's findings, the beta and averages of the chosen banks changed significantly throughout the course of two time periods

- **National Scenario**
  The study was developed in order to examine the mean change of the C.A.P.M. obtainable by the (Sharpe, 1964) and Individual-based stocks were traded on the Pakistan Stock Exchange utilizing daily and monthly data from 1993 to 2004 (Javid, 2008). The study's conclusions indicated that C.A.P.M. is ineffective for the Pakistan's stock market, hence the researcher employed statistical interface models like Average Variance The Mean Varianc and Skewness Skewness Kurtosis (Litzenberger, 1973). Following with this researcher has also used the test of covariance, co-Skewness and Co-Kurtosis to measure time variation in the three moments CAP and four moments CAPM. The findings of the study in the three moments CAPM suggest that there a optimistic relative in the risk & return in Pakistani stock market during the selected time period. Similarly; the higher moment systematic covariance and co-Kurtosis have a slight part to illustrate the asset pricing model in the Pakistani Context.

(Kamran, 2018) According to the study's findings, weak trading in emerging markets is causing their indexes to underrepresent reality. A limited amount of stock is showing signs of consistent and aggressive activity. The market index is determined by the value of trading and has a lead in the equities that trade consistently. Consequently, the inefficient risk premium is developed by these qualities. Because the CAPM does not accurately reflect all market transactions and features, it is not used in emerging markets. Throughout the investigation, the four models' risk premiums had negligible values.

(Syed Ali, 2011) carried out the research to verify the KSE's capital asset pricing methodology. 387 businesses from 30 different industries made up the sample; data was basef on quarterly, monthly, and 1/2 yearly reports. The paired T-test has been used by researchers to examine the relationship between expected and actual returns. According to the study's conclusions, CAPM works well for estimating short-term projected returns as opposed to long-term investments. The analysis suggests that investors should pay more attention to the CAPM when predicting short-term returns than long-term ones for PSX.

(Muhammad Asif Shamim, 2013) also done the study of CAPM in order to assess the validity of the model in the listed companies of the stock exchange. The value added economic is being calculated through cost of equity this is being extracted through CAPM. One business from each of the 22 industries that trade on the Karachi Stock Exchange has been chosen by the researcher. Analysis was done using the time series annual data from 2008 to 2012. The ADE unit root test was employed by the researcher to estimate the price of the company's stock using a variable simple regression test. According to the study's findings, the CAPM's predicted expected return cannot be relied upon and isn't validated in the Pakistan's stock market. For testing the validity of CAPM in the Pakistan's stock market and the data has been used from the period of July 2004 to December 2012 (Nida Shah, 2015).

METHODOLOGY

Sampling Criteria & Its Limitations

By conducting empirical research and applying the model to emerging economies, such as the Pakistan Stock Exchange, study aims to evaluate the rationality of the C.A.P.M. in the context - Pakistan. From the first day of 2014 to the last day of June 30, 2018, the sample is utilized to test the model. There were mixed ups and downs in the trading volumes throughout this time frame. Companies from every industry are included in the sample, with the exception of financial institutions. Every trading day throughout the time was used to gather daily price data, which included opening and closing rates, highs and lows, and daily trading volumes. The closing of the KSE-100 index is also gained within the same time window.

Source of Data

The statistics was composed from Pakistan Stock Exchange website as well as Thomson Ruters Data terminal used. To estimate the daily returns, daily fluctuation of price was observed. Market return was calculated by calculating return of KSE-100 index.

Formation of Portfolio

Ten portfolios were created to test the CAPM empirically based on firm trading volume in order to support the model's validity. Individual stocks were ranked and allocated to a certain portfolio based on the trading volume, which was calculated by using the average trading volume over the previous four and a half years.

Table5: Portfolio Selection Criteria

Average Daily Trading Volume in Thousands	No. of Firms in Sample	Portfolio
Above 1197	45	P1
Above 473	45	P2
Above 188	45	P3
Above 73.68	45	P4
Above 37.79	45	P5
Above 22.69	45	P6
Above 12.86	45	P7
Above 6.61	45	P8
Above 2.68	45	P9
Less than 2.680	59	P10
Grand Total	**464.0**	**10**

Tables 4 and 5 provide a detailed overview of the portfolios in relation to the average daily volume. Out of the 464 enterprises that were selected, the first 45 with the maximum average everyday trading volume were placed in portfolio=1, followed by the second 45 in P2, and so on.

CAPM Single Factor Model

The single-factor model can be stated as

$$R_{it} = R_f + (R_m - R_f)\, B_{1t} \qquad (1)$$

Where $t=1,2,3,\ldots.. T_n$

In the Above equation, R_{it} represents the rate of return on a stock *i* at time *t,* while R_f means the risk free rate of return, The difference f market return and risk free return is called the market risk premium. The coefficient B_{1t} shows the sensitivity of individual assets or portfolio risk towards the volatility of market returns. For testing the CAPM on portfolios, the following regression has been formed,

$$R_{pi} = a_{pi} + R_m B_{pi} + E_{pi} \quad (2)$$

Where R_{pi} represents the predictable return on a selected portfolio, R_m represents the market return in time t. The coefficient is the risk sensitivity of portfolio returns for market risk. E_{pi} is the residual error term.

Variable Estimation

Returns of an individual stock *i*, is estimated as:

$$R_{it} = LN\ (P_t / P_{t-1}) \times 100$$

Where the closing prices for days t and t-1 are denoted by P_t and P_{t-1}, respectively. The average return of each individual stock in the portfolio is the portfolio's return for period t.

$$Rpt = \frac{\text{(Sum of daily return of individual stock in that portfolio)}}{\text{(Number of stocks in that portfolio)}}$$

The yields for market for a specific time t projected as:

$$R_{mt} = LN\ (KSE100_t / KSE100_{t-1}) \times 100$$

One-way ANOVA – Analysis

The acronym ANOVA stands for Analysis of Variance and it is a procedure of statistic used to test the degree to which two or more groups contrast or differ in test.

In current research, it is analyzed the variation in each portfolio which is based on top average trading volumes.

Ordinary Least Square Equation

(Gujarati, 2004) Explained following population regression function and argued sample regression can be run with ordinary least square equation if certain fulfilled.

$Yi = \beta 1 + \beta 2Xi + \mu i$ ---- Population Regression Function

$Yi = \hat{\beta}1 + \hat{\beta}2Xi + \mu i$

$Yi = \hat{Y}i + \hat{u}i$ ---- Sample Regression Function

In least square, minimized sum of squared residuals is

$$\sum \hat{u}i^2 = \sum (Yi - \hat{Y}i)^2$$

$$\sum \hat{u}i^2 = \sum (Yi - \hat{\beta}1 - \hat{\beta}2Xi)^2$$

Ordinary Least Square Regression (OLS)

The regression model is linear in the parameters as shown below:

$$Yi = \beta 1 + \beta 2Xi + \mu i$$

EMPITRICAL RESULTS

Empirical Results of one-way ANOVA

The mean daily return for every portfolio over the model period is thepositive return on Portfolio 1 is 1.5 basis points, whereas the positive return on Portfolio 2 is 1.9 basis points. The average day-to-day return for P-4, P-5, P-6, and P-7 is 6.6 bp, 6.7 bp, 8.0 bp, and 10.32 bp, respectively, continuing this trend until Portfolio 7. The positive returns for portfolios 3 and 4 are 3.2 and 6.4 basis points, respectively. With the highest return of 10.32 basis points, Portfolio 7 eventually starts to fall. The lowest returns, 7.6 and 6.8, are found in Portfolios 8 and 9, while the lowest return, 6.7 basis points, is found in Portfolio 10. These findings suggest that the link between returns and trading volume, or liquidity, is not entirely linear. But in order to get a firm conclusion, we might need to conduct a thorough examination of the relationship between return and liquidity as a stand-alone study.

Table7: ANOVA RESULTS

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Grouos	7.36773	9	0.818636	0.870702	0.55075	1.88073
Within Groups	10342.2	11000	0.940203			
Total	10349.6	11009				

Table-7 shows F – test that returns are not significantly different than each other. As we can see that there is slight non-linearity between returns and liquidity which we unable to capture in F - Test.

Empirical Results of Regression

Further there are 10 regression tables associated with each and every portfolio individually conducted on the basis of liquidity which is tradedvolmes. The B of all regressions table will show the systematic risk existing in every portfolio. It will show that what is the connection between systematic risk i.e. beta and trading volumes i.e. liquidity.

Regression of P1

Table8: Regression Analysis of Portfolio 1

Dependent Variable: R_{p1}
Mothod: Least Squares
Date: 03/09/25 Time: 23:48
Included Observations: 1094 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.040993	0.026224	-1.5632	0.1183
Rm	1.278078	0.028066	45.5386	0.0000

R-Squared	0.655059	Mean dependent var	0.012096
Adjusted R-Squared	0.654743	S.D. dependent var	1.47469
S.E. of regression	0.866506	Akaike info criterion	2.553132
Sum squared resid	819.9101	Schwarz criterion	2.562268
Log likelihood	-1394.563	Hannan-Quinn criter.	2.556589
F-statistic	2073.762	Durbin-Watson stat	1.61448
Prob(F-statistic)	0.000000		

Regression of P2

Table9: Regression Analysis of Portfolio 2

Dependent Variable: R_{p2}
Mothod: Least Squares
Date: 03/09/25 Time: 23:51
Included Observations: 1094 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.026964	0.023967	-1.1251	0.2608
Rm	1.066738	0.025651	51.5868	0.0000

R-Squared	0.612966	Mean dependent var	0.017346
Adjusted R-Squared	0.612612	S.D. dependent var	1.272399
S.E. of regression	0.791948	Akaike info criterion	2.373184
Sum squared resid	684.8819	Schwarz criterion	2.38232
Log likelihood	-1296.132	Hannan-Quinn criter.	2.376641
F-statistic	1729.458	Durbin-Watson stat	1.543647
Prob(F-statistic)	0.000000		

Regression of P3

Table10: Regression Analysis of Portfolio 3

Dependent Variable: R_{p3}
Mothod: Least Squares
Date: 03/09/25 Time: 23:53
Included Observations: 1094 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.001914	0.025238	-0.0759	0.9396
Rm	1.041219	0.02701	38.5488	0.0000

R-Squared	0.576417	Mean dependent var	0.041336
Adjusted R-Squared	0.576029	S.D. dependent var	1.28073
S.E. of regression	0.833923	Akaike info criterion	2.476474
Sum squared resid	759.4064	Schwarz criterion	2.485611
Log likelihood	-1352.632	Hannan-Quinn criter.	2.479932
F-statistic	1486.007	Durbin-Watson stat	1.675476
Prob(F-statistic)	0.000000		

Regression of P4

Table11: Regression Analysis of Portfolio 4

Dependent Variable: R_{p4}
Mothod: Least Squares
Date: 03/09/25 Time: 23:53
Included Observations: 1094 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.030504	0.02615	1.16654	0.2437
Rm	0.82395	0.027987	29.4409	0.0000

R-Squared	0.442507	Mean dependent var	0.06473
Adjusted R-Squared	0.441996	S.D. dependent var	1.15671
S.E. of regression	0.864059	Akaike info criterion	2.547474
Sum squared resid	815.2842	Schwarz criterion	2.556611
Log likelihood	-1391.468	Hannan-Quinn criter.	2.550931
F-statistic	866.7682	Durbin-Watson stat	1.681654
Prob(F-statistic)	0.000000		

Regression of P5

Table12: Regression Analysis of Portfolio 5

Dependent Variable: R_{p5}
Mothod: Least Squares
Date: 03/09/25 Time: 23:55
Included Observations: 1094 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.039277	0.022382	1.75489	0.0796
Rm	0.651822	0.023954	27.2114	0.0000

R-Squared	0.404079	Mean dependent var	0.066353
Adjusted R-Squared	0.403534	S.D. dependent var	0.95759
S.E. of regression	0.739559	Akaike info criterion	2.2363
Sum squared resid	597.2659	Schwarz criterion	2.245436
Log likelihood	-1221.256	Hannan-Quinn criter.	2.239757
F-statistic	740.4586	Durbin-Watson stat	1.721071
Prob(F-statistic)	0.000000		

Regression of P6

Table13: Regression Analysis of Portfolio 6

Dependent Variable: R_{p6}
Mothod: Least Squares
Date: 03/09/25 Time: 23:55
Included Observations: 1094 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.056802	0.019801	2.86862	0.0042
Rm	0.561367	0.021192	26.4893	0.0000

R-Squared	0.391196	Mean dependent var	0.08012
Adjusted R-Squared	0.390638	S.D. dependent var	0.838172
S.E. of regression	0.654291	Akaike info criterion	1.991297
Sum squared resid	467.4814	Schwarz criterion	2.000433
Log likelihood	-1087.239	Hannan-Quinn criter.	1.994754
F-statistic	701.6806	Durbin-Watson stat	1.624675
Prob(F-statistic)	0.000000		

Regression of P7

Table14: Regression Analysis of Portfolio 7

Dependent Variable: R_{p7}

Mothod: Least Squares

Date: 03/09/25 Time: 23:56

Included Observations: 1094 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.088188	0.018778	4.69644	0.0000
Rm	0.389391	0.020097	19.3758	0.0000

R-Squared	0.255838	Mean dependent var	0.104363
Adjusted R-Squared	0.255156	S.D. dependent var	0.718932
S.E. of regression	0.620469	Akaike info criterion	1.885145
Sum squared resid	420.4004	Schwarz criterion	1.894281
Log likelihood	-1029.174	Hannan-Quinn criter.	1.888602
F-statistic	375.422	Durbin-Watson stat	1.652493
Prob(F-statistic)	0.000000		

Regression of P8

Table15: Regression Analysis of Portfolio 8

Dependent Variable: R_{p8}

Mothod: Least Squares

Date: 03/09/25 Time: 23:56

Included Observations: 1094 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.068322	0.013862	4.92885	0.0000
Rm	0.214989	0.014836	14.4915	0.0000

R-Squared	0.161293	Mean dependent var	0.077253
Adjusted R-Squared	0.160525	S.D. dependent var	0.499911
S.E. of regression	0.458033	Akaike info criterion	1.278076
Sum squared resid	229.0954	Schwarz criterion	1.287212
Log likelihood	-697.1075	Hannan-Quinn criter.	1.281533
F-statistic	210.0043	Durbin-Watson stat	1.420802
Prob(F-statistic)	0.000000		

Regression of P9

Table16: Regression Analysis of Portfolio 9

Dependent Variable: R_{p9}

Mothod: Least Squares

Date: 03/09/25 Time: 23:59

Included Observations: 1094 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.059534	0.012179	4.8884	0.0000
Rm	0.177529	0.013034	13.6203	0.0000

R-Squared	0.145214	Mean dependent var	0.066908
Adjusted R-Squared	0.144432	S.D. dependent var	0.435059
S.E. of regression	0.402417	Akaike info criterion	1.019169
Sum squared resid	176.8375	Schwarz criterion	1.028305
Log likelihood	-555.4853	Hannan-Quinn criter.	1.022626
F-statistic	185.5133	Durbin-Watson stat	1.395639
Prob(F-statistic)	0.000000		

Regression of P10

Table17: Regression Analysis of Portfolio 10

Dependent Variable: R_{p10}

Mothod: Least Squares

Date: 03/10/25 Time: 00:02

Included Observations: 1094 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.065404	0.008429	7.75968	0.0000
Rm	0.074623	0.009021	8.2723	0.0000

R-Squared	0.05897	Mean dependent var	0.068504
Adjusted R-Squared	0.058109	S.D. dependent var	0.286973
S.E. of regression	0.27851	Akaike info criterion	0.283104
Sum squared resid	84.70434	Schwarz criterion	0.292241
Log likelihood	-152.858	Hannan-Quinn criter.	0.286562
F-statistic	68.43096	Durbin-Watson stat	1.089701
Prob(F-statistic)	0.000000		

CONCLUSION & DISCUSSION

Discussions

The primary findings of this thesis are that asset pricing models ought to incorporate market-wide liquidity. Evidence suggests that shares of highly liquid, or traded, companies have high betas, or significant levels of systematic risk (the top two portfolios' betas were greater than 1). This enables us to draw the conclusion that developing markets, like the Pakistan Stock Market, have a premium for liquidity risk. The same finding was backed up by (Miguel A. Martinez, 2004) for Spanish market and (Sensoy, 2017) for Turkey.

Evidence also indicates that systematic risk decreases with declining trading volume, thus investors and fund managers can reduce risk by include less liquid companies in their portfolios. Additionally, it will enable them to gain from diversification.

Conclusion

As High traded firms are more affected by systematic risk, thus investor and portfolio manager must take special care in making the highly traded firm part of their portfolio as Pakistan being emerging market is too much volatile towards any type of market news as well as macro-economic news. Thus, having highly liquid firms in portfolio of any investor make all the portfolios much more risky than market. By having high liquid firms as well as also low liquid firms allow investors to have the benefits of diversifications.

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