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FOREIGN ECONOMIC SANCTIONS ON COMMERCIAL CONTRACTS AND THEIR IMPACT

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ANNOTATION

Economic sanctions represent one of the most influential external factors shaping business operations in sanctioned countries. Companies engaged in cross-border trade must not only adjust their business strategies but also carefully manage the legal risks associated with sanctions compliance. These restrictions often lead to the adoption of improved internal procedures, standardized documentation, and increased implementation costs, all of which significantly affect contractual relations. In this environment, pre-contractual and contractual measures take on heightened importance. Businesses must conduct thorough due diligence, assess counterparties for compliance risks, and include tailored contractual provisions, such as sanctions clauses, warranties, and termination rights, to address potential disruptions. The inclusion of such provisions ensures that parties are prepared for changes in the sanctions regime, minimizing liability and safeguarding performance. Ultimately, sanctions transform how contracts are negotiated, drafted, and enforced, requiring businesses to balance legal obligations with commercial interests. This essay analyzes the legal impact of foreign economic sanctions on contracts, with particular attention to their influence on commercial agreements in international trade.

Key words: foreign economic sanctions, international trade, commercial contracts, contract law, illegality, impossibility, impracticability, UNIDROIT Principles, international obligations, dispute resolution, performance impossibility.

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TASHQI IQTISODIY SANKSIYALARNING TIJORAT SHARTNOMALARIGA TA’SIRI

ANNOTATSIYA

Iqtisodiy sanksiyalar sanksiya qo‘yilgan mamlakatlarda biznes faoliyatiga eng katta ta’sir ko‘rsatuvchi tashqi omillardan biri hisoblanadi. Xorijiy savdo bilan shug‘ullanuvchi kompaniyalar nafaqat o‘z biznes strategiyalarini moslashtirishi, balki sanksiyalarga rioya qilish bilan bog‘liq huquqiy xatarlarni ehtiyotkorlik bilan boshqarishi kerak bo‘ladi. Bunday cheklovlar ichki tartib-qoidalarni yaxshilash, hujjatlarni standartlashtirish va amalga oshirish xarajatlarini oshirishni talab etadi, bu esa shartnomaviy munosabatlarga sezilarli ta’sir ko‘rsatadi. Shu sharoitda shartnoma tuzishdan oldingi va shartnoma doirasidagi choralar alohida ahamiyat kasb etadi. Biznes subyektlari hamkorlarni sinchkovlik bilan

tekshirishi, huquqiy xavflarni baholashi hamda sanksiyalar to'g'risidagi bandlar, kafolatlar va shartnomani bekor qilish huquqlarini o'z ichiga oluvchi maxsus shartlarni kiritishi lozim. Bunday bandlarning kiritilishi sanksiya rejimida yuz beradigan o'zgarishlarga tayyor turishni ta'minlaydi, javobgarlikni kamaytiradi va majburiyatlarni bajarishni kafolatlaydi. Natijada, sanksiyalar shartnomalarni muzokara qilish, tuzish va ijro etish jarayonlarini o'zgartirib yuboradi hamda biznesni huquqiy majburiyatlarni tijorat manfaatlari bilan muvozanatlashtirishga majbur qiladi. Ushbu maqolada xorijiy iqtisodiy sanksiyalarning shartnomalarga, xususan, xalqaro savdodagi tijorat shartnomalariga huquqiy ta'siri tahlil qilinadi.

Kalit so'zlar xorijiy iqtisodiy sanksiyalar, xalqaro savdo, tijorat shartnomalari, shartnoma huquqi, noqonuniylik, bajarilmaslik, amaliy imkonsizlik, UNIDROIT prinsiplari, xalqaro majburiyatlar, nizolarni hal etish, ijroning imkonsizligi.

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ВЛИЯНИЕ ИНОСТРАННЫХ ЭКОНОМИЧЕСКИХ САНКЦИЙ НА КОММЕРЧЕСКИЕ ДОГОВОРЫ

АННОТАЦИЯ

Экономические санкции являются одним из наиболее значимых внешних факторов, формирующих деловую деятельность в странах, находящихся под санкциями. Компании, занимающиеся внешнеэкономической деятельностью, должны не только адаптировать свои бизнес-стратегии, но и тщательно управлять юридическими рисками, связанными с соблюдением санкций. Эти ограничения часто требуют совершенствования внутренних процедур, стандартизации документации и увеличения издержек на их реализацию, что оказывает значительное влияние на договорные отношения. В таких условиях особую роль приобретают меры на досудебном и договорном этапах. Бизнес должен проводить тщательную проверку контрагентов, оценивать риски несоблюдения и включать в договор специальные положения – такие как оговорки о санкциях, гарантии и права на расторжение. Включение таких положений обеспечивает готовность сторон к изменениям санкционного режима, снижает ответственность и защищает исполнение обязательств. В итоге санкции меняют процесс переговоров, заключения и исполнения договоров, заставляя бизнес балансировать между правовыми обязанностями и коммерческими интересами. В данном эссе анализируется правовое воздействие иностранных экономических санкций на договоры, с особым акцентом на коммерческие соглашения в международной торговле.

Ключевые слова: иностранные экономические санкции, международная торговля, коммерческие контракты, договорное право, незаконность, невозможность исполнения, неосуществимость, Принципы UNIDROIT, международные обязательства, разрешение споров, невозможность исполнения.

Introduction

While economic sanctions may seem a very modern device responsive to an intensely transnational environment, in fact their use has deep classical roots. The earliest documented example of economic sanctions may be the Megarian import embargo imposed by Pericles in 432 B.C., one of the events prompting the Peloponnesian War [1]. In our own legal tradition, economic sanctions have common law roots in the United States and Britain, and trading with a declared enemy state or its nationals

was prohibited. Indeed, even private commercial interaction with nationals of declared enemies was traditionally viewed as treason [2].

In modern U.S. practice, economic sanctions are almost exclusively a matter of legislative authority and prohibition, both in times of war and during periods of declared national emergency. The first modern statute in this regard was section 5(b) of the Trading with the Enemy Act (TWEA). This statute was intended to authorize the president to impose sanctions on enemy nations, their allies, and their nationals in wartime and, beginning in 1933, during wartime or a declared national emergency [3].

Sanctions are a key foreign policy tool designed to:

- coerce a change in behavior of a targeted regime,
- constrain a targeted regime's ability to act in a particular way, or
- signal the international community's disapproval of the regime's behavior

They are imposed in response to a variety of activity e.g. terrorism, nuclear proliferation, violation of international law, human rights violations. Sanctions typically include an arms embargo; financial sanctions and a travel ban on targeted individuals or entities. They can also include other trade restrictions [4].

There is such a wide array of sanctions in place—unilateral and multilateral, trade and financial, direct and indirect —that sanctions are now almost a defining characteristic of contemporary international relations. As a result, it would be misleading to view economic sanctions as "unusual" or "emergency," rather than a commonplace feature of contracting in the transnational market [5].

What type of sanctions can be imposed?

• Arms embargoes

• Financial sanctions:

- Prohibitions on the provision of financing or financial services to targeted countries or persons;
- Restrictions on the raising of new equity or debt capital by targeted companies;
- Bans on the provision of specific services (brokering, financial services, technical assistance)

• Trade sanctions:

- Export and/or import bans (trade sanctions generally applicable to specific products such as oil, timber or diamonds);
- Prohibitions on investment, payments and capital movements;
- Withdrawal of tariff preferences;
- Flight bans

• So-called 'Smart sanctions', ie sanctions which target specific individuals, groups or entities ('persons'):

- Freezing of all funds and economic resources of the targeted persons;
- Prohibition on making funds or economic resources available (directly or indirectly) to or for the benefit of targeted persons;
- Prohibition on engaging in transactions or dealings with the targeted persons;
- Visa or travel bans on targeted individuals;
- Most sanctions programs broadly prohibit circumvention which means doing indirectly, or supporting other parties in doing, activities that would be prohibited if done direct [6].

International commercial contracts under International Law and legal principles

The UNIDROIT 2010 Commission, which was its third edition, aimed to address additional topics for international business and legal communities. It included 26 new articles on restitution in failed contracts, illegality, conditions, and plurality of obligors and obliges. The commission endorsed the principles in its 955th meeting in July 2012, recognizing their usefulness in facilitating international trade:

"United Nations commission on international trade law, "expressing its appreciation to the international institute for the unification of private law (UNIDROIT) for transmitting to it the text of the 2010 edition of the UNIDROIT principles of international commercial contracts, "Taking note that the UNIDROIT principles 2010 complement a number of international trade law instruments, including the United Nations convention on contracts for the international sale of goods,

'These Principles set forth general rules for international commercial contracts,

'They shall be applied when the parties have agreed that their contract be governed by them, 'They may be applied when parties have agreed that their contract be governed by general principles of law, the lex mercatoria or the like,

'They may be applied when the parties have not chosen any law to govern their contract, 'They may be used to interpret or supplement international uniform law instruments, 'They may be used to interpret or supplement domestic law,

'They may serve as a model for national and international legislators,'

"Congratulating UNIDROIT on having made a further contribution to the facilitation of international trade by preparing general rules for international commercial contracts, "Commends the use of the 2010 edition of the UNIDROIT Principles of International Commercial Contracts, as appropriate, for their intended purposes" [7].

The principles outline general rules for international commercial contracts, applicable when parties agree to be governed by them, general principles of law, or not choose a law, and can be used to interpret international uniform law instruments and domestic law [8].

Current trends highlight several important areas. First, the increasing use of international arbitration as a primary means of dispute resolution enhances the impartiality and enforceability of awards. The 1958 New York Convention guarantees the recognition of arbitral awards in over 170 countries and provides a reliable mechanism for the resolution of contractual disputes. Second, there is a growing focus on sustainable and responsible contracting. Climate action, environmental protection and corporate social responsibility are increasingly becoming part of international commercial contracts, reflecting the global shift towards sustainable development.

Digitization is also having a major impact on contract-making practices. Electronic signatures, digital marketplaces and blockchain-based "smart contracts" are changing the way contracts are concluded, executed and enforced. While such technologies increase efficiency and transparency, they also raise new legal challenges related to validity, jurisdiction and data protection. International organizations and national regulators are actively developing solutions to ensure legal certainty in digital commerce.

Another important trend is the impact of international sanctions and trade restrictions. Parties to cross-border transactions must take into account the complex compliance requirements that affect the formation and performance of contracts. Force majeure and contingency clauses are particularly important in the context of the COVID-19 pandemic and ongoing geopolitical conflicts, as they allow for the allocation of risk and responsibility in the event of unforeseen disruptions. Thus, international commercial contracts under international law represent a dynamic combination of stability and flexibility. The fundamental principles of good faith, fairness and pacta sunt servanda ("contracts must be kept") remain relevant, while new trends in technology, sustainability and global governance are shaping new contractual practices. The key challenge for businesses, lawyers, and policymakers is to reconcile traditional legal doctrines with new global realities, thereby maintaining confidence in international trade.

Influences of sanctions on commercial contracts

Let me start by analyzing the question of what are the directions of influence of sanctions on commercial contracts. Firstly, sanctions limit the access of foreign economic entities to markets

other states and, as a consequence, lead to a reduction in trade volumes and a decrease in revenue, since the possibilities of exporting and importing goods and services are limited. In relation to foreign economic contracts can be talked about reducing their number, reducing or terminating the cases of their conclusion with counterparties of certain states that apply sanctions. However, in many cases this leads only to a change in the structure of foreign economic relations, when restricting access to the market of one country can lead to an increase in export volumes to other countries [9].

Secondly, sanctions affect prices for goods and services: they rise due to limited access to certain markets, which leads to reduced competition and reduced supply. It may negatively affect the economic well-being of the country and worsen the socio-economic situation. Prices may also increase due to the additional costs of complying with the conditions of the sanctions. Thus, one of the areas of impact of sanctions is the impact on prices commercial and economical contracts.

Thirdly, sanctions affect the terms of execution of foreign economic contracts: they may increase due to the need to make certain efforts to fulfill the conditions for exemption from sanctions, obtain appropriate permits, etc. Consequently, this may lead to delays in the supply of goods and services, as well as an increase in time for product delivery [10].

Fourthly, sanctions may affect the reputation of a company engaged in foreign economic activity. If a company is located in a country that is subject to sanctions, this may lead to a loss of trust in it from partners. This undoubtedly affects the number of concluded contracts and the geography of their conclusion.

Key aspects in the context of sanctions in commercial contracts

When we discuss sanctions in commercial contracts, the following 3 aspects may arise. They are illegality, impossibility and impracticality. Now we will discuss them one by one.

Illegality: It is important to note that not all sanctions imposed by states or international organizations have a sufficient legal basis. Sometimes, measures are taken in violation of international treaties or free trade principles, which calls into question their legality and enforcement. For businesses, this means the risk of invalidity of contracts. If a contract contains provisions based on dubious sanctions, such provisions can be challenged in court or arbitration or declared invalid. In some cases, this affects the entire contract, creating uncertainty and the risk of loss. Export control rules are equally important: even dubious sanctions can lead to violations of national law, fines and restrictions on market access. To mitigate these risks, companies should check the legal basis of sanctions and include protective clauses in contracts, such as separation, compliance guarantees and the possibility of termination. Thus, the illegality of sanctions not only undermines the stability of the contract, but also increases the legal and reputational threats to the parties.

Impossibility: Sanctions can create circumstances that make it very difficult or impossible to perform a contract. This can be caused by financial restrictions, account freezes, or export and import bans. In such circumstances, the parties are unable to perform their obligations through no fault of their own, but rather due to state intervention or other factors beyond their control. Such circumstances increase the risk of disputes and losses. Failure to perform can lead to breach of contract and litigation. Courts and arbitration tribunals have determined that punitive measures should be classified as force majeure or other grounds for exemption from liability. To mitigate such risks, modern international treaties often include specific provisions on sanctions, force majeure, and impossibility of performance, which provide greater legal protection to the parties.

Impracticality: Sanctions can make it extremely difficult to perform a contract, in addition to making it impossible to perform it. In theory, obligations can be fulfilled, but in practice they become excessively burdensome due to changes in market conditions, restrictions on the movement

of goods or interruptions in services. This leads to increased costs, delays and reduced performance. Sanctions also reduce confidence in future transactions. Restrictions create uncertainty in trade relations, deter potential partners and hinder long-term cooperation. From a legal perspective, such situations are often considered "hardship" or defeat the purpose of the contract. In such cases, what is being discussed is not termination, but rather an adjustment of the terms: renegotiation of prices, postponement of deadlines or temporary suspension of obligations. Thus, sanctions do not always make performance impossible, but they often make it excessively difficult, weakening trust and the stability of international contracts [11].

Conclusion

This paper covered that one of the most important parts of conducting business in countries under sanctions is the influence of economic sanctions on commercial contracts for goods and services. Preliminary and contractual methods of managing the impact of sanctions on international trade are crucial due to reducing the need to standardize documents, adjust operations, and manage legal risks. These factors also can contribute to enterprise procedures in order to be more efficient. I tried to analyze international commercial contracts under International Law and legal principles, influences of sanctions on commercial contracts and key three aspects: illegality, impossibility, and practicality by this research paper. Financial sanctions can completely impact how financial contracts are negotiated and executed. Countries and businesses involved in global trade must adapt to the modern conditions created by sanctions. This includes consideration of the possible legal implications of sanctions when expanding changes to export and import restrictions.

These considerations recommend the require for caution and dynamic observing of contract action within the transnational showcase. It is amazingly pretentious to expect that one can casually depend on conventional doctrines of impossibility, impracticability, and illegality in transnational commerce. Unfocused dependence on these doctrines can result in a severe lesson within the cutting-edge environment of transnational contract practice. Lively to the conceivable effect of advanced financial sanctions practice, one ought to consider whether conveyance of the potential hazard of interceding sanctions ought to be expressly arranged at the time of contracting [12].

In the process of analyzing the impact of sanctions on commercial agreements, their illegality, impossibility, and impracticality are key considerations. Illegal punitive measures or sanctions applied without proper justification may lead to invalid contracts or legal disputes. Restrictions on export controls may prevent performance under the contract, and changes in the market or restrictions on the movement of goods may make performance of the contract impractical or inconvenient for the parties.

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