Business Research Proceedings

ISSN: 2993-0049 (Online)

Volume 0, Issue 0 | 10.51300/BRP-2026-18

Extended Abstract | Proceedings of the 1st International Conference on Sustainable Economies and Inclusive Growth

Weaponized Interdependence and the Return of Economic Warfare in the 21st Century: Evidence from the Russia-Ukraine Sanctions Regime (2022–2024)

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KEYWORDS

Weaponized Interdependence, Economic Sanctions, Russia-Ukraine War, Event Study, Cumulative Abnormal Returns, Energy Dependence, European Financial Markets, Geopolitical Risk

ARTICLE HISTORY
Published: 11 July 2026

This paper examines the financial transmission mechanisms of weaponized interdependence through the lens of the Russia-Ukraine sanctions regime (2022–2024). Drawing on Farrell and Newman's (2019) theoretical framework, we investigate how asymmetric network dependencies in global energy, banking, and industrial supply chains were exploited as instruments of coercive statecraft following Russia's full-scale invasion of Ukraine on February 24, 2022. Using daily stock price data from LSEG Refinitiv for 15 listed firms across seven European countries, we employ a market-adjusted event-study methodology with the STOXX Europe 600 as benchmark to compute cumulative abnormal returns around four critical sanctions events. Our findings reveal a stark exposure-return gradient: firms classified as having the highest Russia exposure experienced average cumulative abnormal returns of -29.6% over a $[-5, +5]$ trading-day window around the invasion, while low-exposure firms generated positive abnormal returns of $+10.6\%$—a spread of approximately 40 percentage points. The banking sector suffered the deepest abnormal losses (average cumulative abnormal return of -21.7%), while energy producers recorded positive cumulative abnormal returns ($+5.4\%$) as commodity price surges offset asset write-downs. Cross-country analysis shows French firms experienced the largest average losses, followed by Hungarian and Italian firms. Later sanctions events in 2024 elicited significantly muted market reactions, suggesting sanctions fatigue and progressive market adaptation. Robustness checks using alternative benchmarks, non-parametric rank tests, a cross-sectional Ordinary Least Squares regression ($R^2 = 0.847$), and a placebo test confirm that the exposure-return gradient is consistent and not driven by pre-existing trends. Given the exploratory sample of 15 firms, this paper is positioned as a descriptive contribution: we document and illustrate a firm-level transmission mechanism rather than claim causal identification. The novelty of the topic and the granularity of the evidence support the value of this approach as a foundation for larger-scale inquiry. The findings carry implications for corporate strategy, portfolio risk management, and international sanctions policy design.

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Funding Statement

This research received no external funding.

Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this paper.

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Cite as

Sundaram, A., & Naimy, V. (2026). Weaponized Interdependence and the Return of Economic Warfare in the 21st Century: Evidence from the Russia-Ukraine Sanctions Regime (2022–2024). In *Proceedings of the 1st International Conference on Sustainable Economies and Inclusive Growth* (pp. 1–2). Business Research Proceedings. 10.51300/BRP-2026-18