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IMPACT OF SANCTIONS ON COMPANIES: ANALYZING CHALLENGES, OPPORTUNITIES AND STRATEGIES

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Abstract

The relevance of the impact of sanctions is particularly evident in the context of the measures imposed on Russia in 2022. Changes in Russia's politics and economy are also reflected in Kazakhstan due to its close relationship as both countries are members of international organizations such as the EAEU and CIS. Due to sanctions targeting industries such as energy and finance, companies are facing increasing difficulties. This study sheds light on the changing and complex challenges faced by companies in Kazakhstan under sanctions. It also provides insights into the strategies that companies are using to address these challenges and capitalize on opportunities, promoting resilience and growth. The purpose of this study is to examine the impact of sanctions on companies and identify the challenges and opportunities they create, as well as to identify the main strategies for companies in Kazakhstan to adapt to the new challenges posed by sanctions. This study analyzed Bereke Bank, as a former Sberbank and a representative of the financial sector, as well as the Kazakh oil and gas company Aktobemunaigas, which is a representative of the oil sector.

Our research shows that sanctions have a strong impact on companies in Kazakhstan, creating financial constraints and trade barriers. However, the companies analyzed were able to adapt and demonstrate resilience. Key strategies included strategic planning, restructuring, rebranding and innovation. Sanctions, despite their negative effects, have opened up new opportunities for companies. We believe that our results are important for businesses and policy makers as they demonstrate the need for flexibility and innovation in an unstable environment.

Keywords: Sanctions, Impact of Sanctions, Russian-Ukrainian war, Kazakhstan's economy.

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Introduction

In 2014, the crisis in Ukraine began with the annexation of Crimea by Russia. Long-running conflicts led to Russia's invasion of Ukraine in 2022, which subsequently served as a catalyst for the introduction of large-scale sanctions against Russia by the international community. Sanctions are measures of an economic, commercial or financial nature applied by one or more countries against another country, organizations or individuals in order to change their behavior or punish certain actions. These sanctions were imposed in response to Russia's aggressive actions in Ukraine in order to put pressure on the Russian government and force it to change its policy. The conflict and related sanctions have affected many companies around the world, changing their operating conditions and strategies. Many aspects of the firms' activities will have to make strategic decisions. For example, to stop activities in the country or to transfer operations to third countries (Meyer K. et al., 2023, p. 3). Political decisions imply an impact on the policy and communication of the state, and they can apply to everyone. This is called indirect sanctions or “fines imposed on third parties for non-compliance with the sanctions regime" (Svetlicinii, 2022; Meyer et al., 2023 p. 6).

We pay particular attention to the impact of sanctions measures on companies in Kazakhstan as a third country. Kazakhstan is deeply connected both historically and geopolitically with the Russian Federation. Any changes in the politics and economy of a neighboring country are reflected in a third country, since both countries are members of international organizations as the EAEU and the CIS. Imports, exports, financial flows, supply chain, and trade are closely linked between these countries. Kazakhstan's economy is rapidly developing, young, and rich in minerals, oil and gas products, agricultural and economic activities, as well as financial and information benchmarking.

Many studies have been written on this topic, but their main focus has been on analyzing sanctions on the ‘target’ country. Our study will complement the literature on sanctions and companies in third countries. Our findings can also serve as a basis for developing corporate strategies that can help mitigate the negative impact of sanctions and enhance growth opportunities. The significance of this study is that it can deepen understanding of the complex dynamics surrounding sanctions and business. The relevance of the impact of sanctions is particularly evident in the context of the measures imposed against Russia in 2022. Due to sanctions targeting industries as energy and finance companies are facing increasing complexities. This study sheds light on the changing and complex challenges companies in Kazakhstan face under sanctions. It also provides insights into the strategies companies are using to address these challenges and capitalize on opportunities, promoting resilience and growth.

This study analyzes the impact of the war in Ukraine and subsequent sanctions, and their impact on companies in Kazakhstan and in various sectors of the economy. We consider the examples of Bereke Bank (formerly a subsidiary of Sberbank in Kazakhstan) and the KEBCO (Aktobemunaigas) brand in the oil market. These companies have been selected for study because they illustrate the diverse aspects of the impact of sanctions and geopolitical instability on business. Bereke Bank, as a former Sberbank, represents the financial sector and Aktobemunaigas, a Kazakhstan's oil and gas company, demonstrates the implications for the non-oil sector. The purpose of this study is to examine the impact of sanctions on companies and identify the challenges and opportunities they create, and also identify the main strategies for companies in Kazakhstan to adapt to the new challenges caused by sanctions and war. Our research questions relate to understanding the impact of sanctions on companies and identifying key areas of impact. We aim to answer questions such as: How do sanctions affect companies in Kazakhstan? What are the challenges and opportunities for companies in Kazakhstan facing sanctions? What strategies are companies in Kazakhstan choosing to adapt to the changes brought about by sanctions?

To guide our research, we formulated hypotheses:

1. The imposed sanctions are associated with negative consequences and problems for companies in Kazakhstan.

2. The imposed sanctions create new and unique opportunities for companies in Kazakhstan.

To analyze the impact of sanctions on companies, we collected a large amount of qualitative research and used the case study method. Using the example of two companies that operate in different business sectors, we make an in-depth analysis of the opportunities, challenges and strategies of businesses in Kazakhstan. By collecting qualitative data, financial statements, and press releases, we can determine overall resilience to change, adaptation to new conditions, and assess the risks of existing strategies. Since there is no clear vision of solving the problems that arose due to the sanctions, but by analyzing past experiences it can be assumed. The case study offers extraordinary ways, flexibility of approach and is not limited to the priority paradigm. By necessity, it can be switched from one data collection method to another, and explore the most optimal solutions.

Literature Review

For the literature review, sources were selected that focused on the effects of sanctions, especially in the context of the Russia-Ukraine conflict and its impact on companies. The literature review included academic journals, peer-reviewed articles, official government publications and reports from reputable think tanks. The literature review includes the examination of the following topics like types of sanctions, their economic consequences and impact on companies.

1.1 Classification of Sanctions

Meyer et al. (2023) define sanctions as non-military coercive actions that a country (or group of countries) takes against another country (as well as individuals and organizations). Governments often use the threat of sanctions to induce policy changes in other countries by forcing them to conform to set standards or requirements (Davis & Engerman, 2003). A study by Wilson & Yao (2019) shows that states use sanctions as a method of collective punishment for violations of important international standards, drawing on the institutional influence of international organizations. Sanctions act not only as tools of foreign policy strategy, but also as methods that allow states to emphasize basic principles of international order, label violators and prevent future incidents of non-compliance (Wilson & Yao, 2019). Since 1945, Aidt et al. (2021) have documented 1,400 incidents of threats or sanctions, indicating the popularity of their applications. However, this is not indicative of their effectiveness, as Davis & Engerman (2003) concluded that the effectiveness of sanctions is determined by various factors, including the size of the costs imposed, the response of the target country, and the impact on the economic situation and public opinion in other states. Sanctions vary in type and purpose, and categorizing them helps researchers understand their impact. In the literature, sanctions are often categorized into:

1. Economic sanctions are defined as actions aimed at reducing economic and financial engagement with a particular country or organization, including by restricting investment and other economic activities (Felbermayr, Kirilakha, Syropoulos, Yalcin & Yotov, 2020).

2. Trade sanctions refers to a subcategory of economic sanctions, meaning the restriction or complete cessation of trade relations, including exports and imports of goods and services. Davis & Engerman (2003) reinforce this classification by exploring the use of trade sanctions as a means of influencing state behavior.

3. Financial sanctions belong to the subcategory of economic sanctions, they aim to limit the access of countries or organizations to international financial markets and capital, including freezing assets and restricting international financial transactions (Cipriani et al., 2023).

1.2 Impact of Sanctions on the Economy

Economic sanctions have a profound impact on global economic dynamics, affecting not only target countries but also a wide range of international actors. Sanctions can interrupt financial and trade flows, restrict access to important markets and resources, and even alter global economic trends. The literature review in this subsection allowed us to identify two main channels of sanctions' impact on the target country - financial and trade. It also identified undesirable effects of sanctions on the countries that impose them and opportunities for third countries.

Financial channels

A significant impact on the financial channels of countries subjected to international restrictions can significantly undermine a country's economic stability and foreign trade activities. For example, the exclusion of Russian banks from the SWIFT system and the ban on the use of the US dollar significantly undermined Russia's financial system (Drott, Goldbach and Nitsch, 2022). These actions led to a significant reduction in the volume of financial transactions in the country, making it difficult to fulfill international payments and restricting foreign trade transactions. This further increased Russia's isolation from the global financial system (Drott et al., 2022; He, 2022). Sung (2023) points out the marked impact of these actions on the country's financial stability, which could lead to a recession and currency crisis. This is particularly evident in the asset freeze which, according to Korhonen (2019), has led to higher inflation and unemployment, severely hampering financial flows and international trade . The effects of such sanctions include reduced production capacity and accelerated inflationary processes, indicating significant economic losses and increased inflationary trends (Sung, 2023).

Obviously, sanctions can fundamentally alter the structure of a country's financial channels, but they also markedly reduce investment potential by affecting the capital inflows and investment strategies of international actors. Restrictions on foreign investors and reductions in international trade can critically affect a country's economic stability.

Bans and restrictions on investment by foreign investors in a sanctioned country's economy significantly reduce capital inflows. These restrictions lead to a decrease in trade, international capital flow and investment, which negatively affects the economy of the sanctioned country, resulting in a decrease in its GDP and slower economic growth (Gutmann et al., 2021; Besedeš et al., 2017; Mirkina, 2018). A study by Băhnăreanu (2022) confirms that such sanctions can lead to serious economic losses. For example, in Russia, he noted capital outflows accompanied by a decrease in foreign direct investment. Author explained that investors have become more cautious, reconsidering their strategies in light of the increasing uncertainty at the legal and economic levels associated with investing in the Russian economy. Economic analyses show that the losses from sanctions can amount to a significant percentage (14%) of a country's real gross domestic product (Mahlstein et al., 2022).

Thus, sanctions can seriously affect a country's financial channels by significantly reducing capital inflows and limiting economic opportunities. Lack of foreign investment and reduced foreign trade negatively affect economic growth and may lead to long-term economic consequences.

Trade channels

Economic sanctions can directly affect a country's trade operations by imposing bans on imports and exports of goods. Such actions not only reduce international trade volumes, but can also lead to shortages of goods, which adversely affects a country's economic production and domestic market.

Due to economic sanctions, there is a reduction in production in the countries they are imposed on (Moldashev, 2023). Bans on importing or exporting goods result in an immediate decrease in trade and can cause shortages of needed goods (Afesorgbor, 2019). In response to sanctions, countries often increase protection of their domestic markets and change trade policies, which can lead to high tariffs and non-tariff barriers (Pond, 2017). These changes disrupt international trade by reducing exports and imports, resulting in the loss of markets for exporters and limiting consumer access to imported goods and services (Crozet & Hinz, 2020).

Import and export bans have profound impacts on the economy of the targeted country. Restrictions on international trade not only reduce economic activity, but also contribute to the deterioration of socio-economic conditions, including increased poverty and inequality.

While sanctions are aimed at forcing countries to change their policies, their actual impact on the economy and international trade is complex and multifaceted. Sanctions can also have unintended economic consequences for the countries that impose them, known as ‘friendly fire’. An example of this impact is the mutual imposition of sanctions and counter-sanctions by the Russian Federation and Western countries due to the conflict in Ukraine, which resulted in significant export losses for both parties (Crozet & Hinz, 2020). Interestingly, the threat of sanctions can sometimes lead to a temporary increase in trade as economic agents accumulate resources in anticipation of potential restrictions (Afesorgbor, 2019). This highlights the complex relationship between the imposition of sanctions and trade patterns. In addition, sanctions create trade opportunities for third countries that can fill the emerging trade vacuum between sanctioned and targeted countries, benefiting from trade with allies of the sanctioned country (Moldashev, 2023). The imposition of sanctions undoubtedly changes the global trade map, creating both risks and opportunities for various economic actors. These measures not only affect the target countries, but also change the dynamics of global trade, forcing companies and countries to adapt to new realities.

To summarize, sanctions can significantly alter the economic landscape, putting pressure on target countries by limiting access to international financial systems and reducing trade transactions. These measures lead to lower GDP, higher inflation and exacerbate socio-economic problems such as poverty and inequality. However, the imposition of sanctions can also have an unexpected impact on the economies of the countries that impose them, causing ‘friendly fire’ in the form of export losses and changes in trade dynamics. In addition, third countries, such as Kazakhstan, may benefit by filling the vacuum in markets created by sanctions. Thus, while sanctions are aimed at achieving political objectives, their economic effects are broad and multifaceted.

1.3 Impact of Sanctions on Companies

The literature review for this sub-theme found that sanctions pose serious challenges to companies, both multinational and local, exposing them to constraints and uncertainty. We found that the main focus of the studies is on financial constraints, trade constraints and supply chain, which are some of the main aspects affected by sanctions. These aspects not only affect the financial position of the companies but also directly affect their operations and development opportunities.

1. Financial restrictions

A) Restrictions on cross-border transactions for banks.

Many sanctions are aimed at restricting companies' access to international financial markets. An example is sanctions imposed on banks and financial institutions that impede their ability to conduct cross-border transactions. They often include measures such as asset freezes and restrictions on the types of financial transactions that severely affect banks' ability to conduct international financial activities as well as the transactions of their customers (Anufriieva, 2016).

The negative impact on cross-border financial flows is reflected in significant effects on banks' ability to manage cross-border capital and payment flows. This includes reduced availability of trade finance, which affects the ability of firms to refinance debt and raise new capital (Besedesh, Goldbach and Nitsch, 2017). This increases the risks and costs of complying with international financial regulations and forces a reassessment of bank business models around the world. In response, banks are adopting a 'risk mitigation' process whereby they reduce their international linkages to avoid the risks associated with non-compliance. This process includes ending correspondent banking relationships and reducing international settlements, which further isolates sanctioned businesses from the global financial system (Anufriieva, 2016).

Thus, the results confirm that sanctions targeting banks and financial institutions significantly limit the ability of firms to operate in international financial markets by affecting their cross-border transactions.

B) Increased cost of credit and negative perceptions.

Sanctions have a significant impact on the creditworthiness of companies, primarily by limiting their access to Western capital markets and technology. This not only has a direct impact on companies affected by sanctions, but also increases the overall cost of credit due to the deterioration of perceptions of the economy. As a result, this leads to a fall in market capitalisation and a reduction in new bond issuance, highlighting the severe financial constraints imposed on companies in sanctioned regions (Santalova, 2018). This leads to an increase in the risks perceived by lenders, making it more difficult for companies to obtain financing. This is especially true in politically sensitive regions where sanctions increase risks and costs, leading to tighter credit conditions and higher interest rates for affected firms (Ghasseminejad & Jahan-Parvar, 2021). These firms may have to rely more on internal funds or trade credit, further affecting their growth opportunities due to financial constraints imposed by sanctions (Ferrando & Wolski, 2018).

C) Financing of capital expenditures from own resources.

Rocheva et al. (2023) write that firms that have been sanctioned or are located in sanctioned countries often face the need to finance capital expenditures from their own resources and increase debts to suppliers. This is particularly noticeable for companies with limited financial capacity, where sanctions negatively impact working capital investments.

The need for flexibility and adaptability can pose challenges for companies, especially in regions with severe sanctions, such as Russia.

The impact of sanctions on companies' financial channels is manifold and can seriously disrupt their operations. Understanding these impacts is critical to developing strategies to mitigate risks and adapt to the changed business environment.

2. Trade restrictions

The impact of sanctions is particularly acute in altering firms' trade channels, which can have far-reaching consequences for firms. This section examines how sanctions can affect trade flows and restrict the exchange of resources between firms.

Firms with close ties to sanctioned markets face the need to significantly limit or terminate these ties (Caruso, 2003). This may include canceling long-term contracts, ending co-operation with long-standing partners or withdrawing from joint ventures (Weber & Stępień, 2020). In addition, there are reputational risks for companies in target countries as sanctions limit their solvency, making them less attractive for international trade (Afesorgbor, 2019).

In addition, this situation can lead to protectionist policies in sanctioned countries as domestic interest groups insist on protecting markets, creating additional trade barriers and complicating international partnerships (Pond, 2017). Thus, firms that previously depended on supplies from or exports to sanctioned countries are forced to seek new partners and alternative markets (Todo & Inoue, 2021).

Taken together, sanctions not only increase the costs of finding new partners and building relationships with them, but can also reduce the efficiency of trade operations due to the need to adapt to new conditions and standards.

An interesting fact from the empirical study of Afesorgbor (2019) and Meyer et al. (2023) is that there is an increase in trade flow between the threat phases of trade sanctions and their actual implementation. The researchers attribute this to the fact that countries tend to increase their inventories in anticipation of the expected restrictions.

3. Supply Chains and Logistics

Sanctions can disrupt existing supply chains by increasing the cost and time to deliver goods, forcing firms to look for alternative routes and suppliers. Shakeri, Vizvari, & Nazerian (2016) Iranian researchers analyzed supply chain risks and through a survey of companies concluded that various risk factors such as supplier bankruptcy, material price fluctuations, exchange rate, etc. revealed the vulnerability of logistics. Also geopolitical situations create difficulties for the company to supply materials, goods and energy, which can lead to delays or price increases, making it difficult to fulfill orders, which can lead to the cancellation of long-term contracts (Vuola L., 2015). But adaptation to the new environment has also been considered. As sanctions change the rules in just a few months, as is the case in the Russian market, this leads to the search for new strategic solutions. For example, Praveen A. (2019) provided evidence on countries under sanctions such as Iran, North Korea and Qatar. He gives examples of restrictions, for example, international transfers are difficult as transactions between countries' banks may not be possible due to the measures imposed, and paying for goods in cash increases delivery times and lead times.

To summarize, these channels of influence can have both immediate and long-term impacts on companies, requiring them to be flexible and adapt to the ever-changing global economic environment.

1.4 Challenges, Opportunities and Strategies

In the previous section we looked at the overall impact of sanctions on companies, now our focus shifts to a more detailed examination of the challenges, opportunities and strategies that companies face in the face of sanctions pressure. This section is designed to take a deep dive into the specific challenges and adaptation tactics that companies can employ to minimize losses and potentially capitalize on the circumstances.

*Challenges***:**

The impact of sanctions on job losses in multinational companies is a major concern, and various studies shed light on this critical issue. For example, a study examining the impact of sanctions on Russia found that these restrictions have led to significant economic problems, affecting companies' operations and potentially leading to job losses as businesses adapt to changing market conditions. (Rocheva et al., 2023).

Another study on Iran, conducted in 2012, investigated how international economic sanctions have affected manufacturing employment at the industry level. The results showed a significant decline of 16.4 percentage points in manufacturing employment growth, suggesting that sanctions may lead to massive job losses, especially in industries dependent on imported inputs and those that are labor intensive (Kelishomi & Nisticò, 2021). In the context of Iran's trade sanctions in 2010, another study showed significant job losses, especially in domestically active industries, during the sanctions period. Sanctions affected employment, demand for skilled labor and wages, revealing a complex relationship between trade restrictions and labor market dynamics (Nosratabadi, 2019). These studies highlight the multifaceted impact of international sanctions on employment in firms, highlighting the need for a detailed understanding of how such economic measures affect labor markets.

International sanctions also have a significant impact on companies, especially in terms of reduced sales. For example, Rocheva et al. (2023) delve into the challenges faced by companies due to sanctions, emphasizing the increased costs and market losses that force these companies to seek alternative supply and sales channels. Similarly, Diachenko (2022) assesses the broad effects of sanctions on the Russian economy, noting the decline in foreign and domestic trade. This scenario shows how sanctions directly reduce sales by disrupting market access and trade relations. Le & Bach (2022) investigate the relationship between sanctions and foreign direct investment (FDI) flows, showing how investment patterns affected by sanctions can indirectly affect the trade operations of firms. Afesorgbor (2019) offers a detailed perspective comparing the impact of threatened and imposed sanctions on trade, showing that while threatened sanctions may temporarily boost trade due to hoarding, imposed sanctions lead to a permanent reduction in trade flows. In addition, Gutmann et al. (2021) provide an event study analysis that documents a significant negative impact on firms' sales volumes in targeted regions. Together, these sources illustrate the multifaceted ways in which international sanctions can result in reduced sales for multinational and local companies.

Companies face various operational challenges due to sanctions. For example, Rocheva et al. (2023) detail how companies have had to adapt to economic sanctions by seeking alternative sources of supply and distribution, resulting in increased costs and market losses. This situation illustrates the operational difficulties faced by companies, including supply chain disruptions, increased operating costs and the need for strategic realignment. In addition, Diachenko (2022) considers the wider economic impact of sanctions on the Russian economy, including the loss of Western technology and trade preferences, which emphasizes the multifaceted operational difficulties faced by companies under sanctions.

Opportunities:

Companies face unique challenges under sanctions, but they can also find new opportunities. Research shows that rather than simply minimizing damage, companies are actively using sanctions as an incentive to develop and innovate.

A) Exploring new markets

Sanctions push companies to find new markets for their products and services. Studies indicate that companies do not limit themselves to geographic expansion, but also conduct in-depth strategic analyses, selecting markets with the greatest demand for their products (Panibratov, 2021; Drapkin et al., 2023). Companies adapt their offerings to the cultural and economic specificities of new regions, which requires a deep understanding of local markets and consumer preferences. For example, Russian companies are actively exploring opportunities in Asia, the Middle East, Africa, and Latin America to diversify investments and mitigate risks associated with sanctions (Drapkin et al., 2023).

B) Innovation

Sanctions often incentivise companies to innovate. Under economic constraints, companies increase investments in research and development. This allows them to create new products and services, compensating for losses in traditional markets and opening up new prospects for growth (Panibratov, 2021). Adopting advanced technologies and improving production processes helps companies to strengthen their positions in existing industries and enter new markets (Panibratov, 2021).

C) Strategic change and planning

Sanctions become a catalyst for strategic planning and revision of business models. Companies are adapting their strategies to minimize the negative impact of sanctions and maximize new opportunities (Drapkin et al., 2023). Russian multinationals are rethinking the direction of their investments as they seek sustainable growth and development in the face of global economic instability. These strategic changes include rethinking business models and adopting innovative approaches to meet the specific needs of new markets (Drapkin et al., 2023).

D) Strengthening market positions

In the context of sanctions, companies seek not only to maintain but also to strengthen their market positions. They occupy niches vacated by the departure of competitors and offer alternative products and services (Arapova & Balakhonova, 2023). Large multinational corporations use these opportunities to expand their market share and optimize their business models. Adopting innovative approaches and technologies allows them not only to survive but also to thrive in unstable economic conditions (Arapova & Balakhonova, 2023).

As a result, companies can use sanctions as an opportunity for growth and innovation. They actively explore new markets, adapt to changing conditions, strengthen their innovation capabilities, and forge global partnerships. These strategies help them not only survive but also thrive in the face of global economic uncertainty.

*Strategies***:**

A study by Santa Merica (2023) highlights the main factors that prompted companies to make a decision: external sanctions, self-sanctions by companies and the potential impact of sanctions from the EU and the US . The author writes that each company makes the decision independently based on a variety of factors that can influence a company's choice of strategy, including company size, industry, length of time in the market, number of employees, strategic approach to business, investment in research and marketing, readiness to implement a market entry strategy, ability to organize supplies and production. This emphasizes the importance of a tailored approach in responding to sanctions and conflict. The study by Meyer and Thein (2014) focuses on the strategies that companies applied to sanctions in Myanmar and noted at least three key approaches: full exit, continued operations, suspension.

1. Full exit: Bolwijn et al. (2018) analysis suggests that the decision to fully exit is often based on a comprehensive assessment of financial losses, risks, and legal liabilities. Such a move may include liquidating assets, calculating employee compensation, and other costs associated with business closure. In addition to the immediate financial losses, companies must consider the loss of market share and the impact on brand and corporate reputation.

2. Continuing operations: As De Simone et al. (2019) point out, continuing operations require firms to deeply rethink and adapt their business models. This may mean changing product portfolios, entering new markets, or modifying marketing strategies. In addition, it is important to consider changes in supply chain management and operational efficiency to reduce costs and increase flexibility in a volatile environment.

3. Suspension of operations: The reasoning of Rocheva et al. (2023) highlights that suspension of operations can serve as a strategic pause that allows firms to reassess their positions and strategies in anticipation of more favorable market conditions. This strategy requires careful planning to minimize the cost of preserving assets and quickly restore operations when the situation changes.

Comments by Cobham and Janský (2020) highlight that in a financial context, companies should also consider the impact of tax liabilities and opportunities for tax optimisation. Particular attention should be paid to reviewing financial processes and structures to ensure sustainability and compliance with changing legal and economic conditions. In addition, Amendolagine et al. (2021) emphasize the opportunities offered by international capital mobility. Firms can benefit from global financial markets to raise investments, optimize their capital, and explore new investment avenues, which can be critical to maintaining operations and financial health in the face of sanctions.

Aliasghar & Rose (2023) emphasize the importance of flexibility and strategic planning for firms facing the sudden imposition of sanctions in order to maintain operational continuity. At the same time, Gonzalez-Bravo (2020) examines the adjustments in political risk management that firms need to overcome the uncertainties associated with sanctions.

To summarize, each of these strategies requires an integrated approach involving detailed planning, strategic thinking and flexibility in decision-making. Assessing the impact of each strategy on various aspects of the business, including finance, operations, people and corporate culture, is critical to long-term success.

This section has scrutinized the challenges, opportunities and strategies faced by companies in the face of economic sanctions. The main finding is that despite significant challenges, companies can find unique opportunities to grow and diversify their operations. Adaptive strategies have proven to be key to maintaining sustainability and even growth in the face of sanctions.

1.5 The Impact of Conflict on the Economy and Business in Kazakhstan

By analyzing the sanctions imposed in response to international conflicts and their impact on Kazakhstan's economy, this literature review explores how policy decisions can have a global impact on the economic stability of countries that are not directly involved in these conflicts and the companies in their territories.

The crisis arising from the conflict between Russia and Ukraine in 2022 has impacted the geopolitical landscape, significantly affecting companies around the world, especially in the Central Asian region. Thus, in 2014-2015, international sanctions were imposed, which affected the decline in hydrocarbon revenues, reduced export volumes and froze key investment projects in the Central Asian region (Schenkkan, 2015). Kazakhstan, as a close neighbor and partner of Russia, has experienced significant impacts for companies on its territory, including reduced exports through the main trade routes through Russia (Aituar, 2021). However, imports of agricultural products from Western countries to Kazakhstan increased by 65%, indicating a possible increase in re-exports or illegal trade of goods to Russia (Aituar, 2021). This indicates that Kazakhstani companies have been able to adapt to the new environment, using changes in trade flows as an opportunity for economic growth (Niftiyev, 2023).

The study shows that international sanctions can have a wide range of effects on the economies of countries that are indirectly affected by political conflicts. This is particularly evident in Kazakhstan, which has used the crisis phenomena to adapt and seek new economic opportunities, demonstrating the importance of flexibility and strategic planning in the face of global uncertainty.

Studies on the impact of sanctions on third countries often face limitations in the form of a lack of detailed methodology and specific data, making it difficult to analyze the effects of these measures in depth (Niftiyev, 2023). While empirical findings prevail as shown in Aituar (2021), quantitative studies such as Niftiyev (2023) with a comprehensive study are more suitable for examining the effects of sanctions.

The literature analysis shows that sanctions have a significant impact on firms and the economy. Financial institutions experience difficulties in accessing international finance, while trade disruptions pose challenges for firms dependent on global markets.

Nevertheless, we have identified a research gap that our study attempts to fill. Most existing work focuses on the direct impact of sanctions on target countries. However, the impact on firms in third countries that are indirectly affected by these measures remains neglected. Our results can serve as a basis for developing enterprise-level strategies to minimize the negative effects of sanctions and maximize opportunities.

2 Research Methodology

In this study, we use a qualitative case study to assess the impact of sanctions on the companies in Kazakhstan. The qualitative case study approach has been applied effectively in various disciplines, including business, education, and the social sciences. It is appropriate for our study because it is often used to examine case studies and complex phenomena in their real-life contexts, especially when the boundaries between the phenomenon and the context are not clear evident (Robert K. Yin, 2003, p. 13).

For instance, Eisenhardt's (1989) seminal work on building theories from case study research stands as a cornerstone reference in the field of strategic management and organizational studies. Similarly, in international business, Welch et al. (2011) provide insights into the intricacies of case study research, emphasizing its relevance and applicability in cross-border business contexts. In the context of sanctions and their impact on businesses, case studies allow for a detailed examination of the strategies and adaptations employed by companies, as seen in the analysis of Russian firms post-2014 sanctions (Connolly, 2015)

2.1 Analytical Framework for Selecting Strategies, Opportunities and Challenges.

The classification of challenges, opportunities and strategies has been chosen based on their centrality in understanding the multifaceted impact of sanctions on companies. Challenges were included because they emphasize the immediate and long-term obstacles that companies face due to sanctions. Understanding these challenges provides insight into the practical effects of sanctions on the ground, allowing for a more realistic assessment of their impact. Opportunities have been identified to demonstrate how businesses, despite unfavorable conditions, can develop new markets or shift to other business models, thereby using the constraints imposed by sanctions to their advantage. This concept emphasizes the entrepreneurial flexibility of companies and their ability to find innovative ways in the context of global challenges. Strategies were selected as a key focus area because they represent the dynamic responses that businesses are taking to adapt to the changing landscape caused by sanctions. This includes changes in supply chain management, market diversification and financial restructuring, which are critical to resilience in the face of geopolitical shocks. This classification reflects a comprehensive analytical framework that considers both the challenges and potential positives for companies operating under global sanctions, emphasizing the importance of adaptive corporate strategies in these turbulent times.

We have chosen Bereke Bank, a major player in Kazakhstan's financial sector, and Aktobemunaigas, an oil-related company, to provide meaningful examples of market strategies and adaptability. In addition, these cases are chosen to explore strategic adaptation to challenging circumstances, and the fact that the companies operate in the context of Kazakhstan's regulatory and macroeconomic environment makes them representative of the broader business community affected by sanctions.

Another reason is access to data. The selected organizations have a wealth of data to analyze, including annual reports, sustainability reports and press releases, which is important for conducting a thorough case study.

2.2 Case studies

Case of Bereke Bank (former Sberbank)

To begin with, we clarified what specific aspects of Bereke Bank's activities in Kazakhstan we will study (financial stability, innovative activity, market strategy).

Next, data collection is required - open information about Bereke Bank, including annual reports, sustainability reports, and press releases, as well as analytical materials and research from industry experts.

The next step is to assess the macroeconomic and political context of Kazakhstan, the level of impact of international sanctions on the country and the specifics of regulation of the financial sector.

To get answers to research questions, we looked at how Bereke Bank is adapting to the local market, and what its strategies are in the field of digital technologies, risk management and international expansion.

The final stages of the case study analysis were to identify opportunities for growth and expansion of Bereke Bank's activities in the region and a detailed analysis of the problems that the bank faces under sanctions. We also explored how sanctions affect Bereke Bank's operations, including international payments, foreign exchange transactions, access to capital and international partnerships.

Case of the KEBCO (Kazakhstan Export Blend Crude Oil; a former Aktobemunaigaz)

Initially, the research identifies the precise external market changes to be scrutinized. This involves an in-depth understanding of the influence of the Russian-Ukrainian military conflict, the subsequent international sanctions, and the fluctuations in world oil prices, particularly the discrepancy between BRENT and URALS crude oil grades.

Data - Data will be collated from a variety of sources including CNPC "Aktobemunaigas" JSC's export and taxation records, global oil price trends, and existing tax legislation. This comprehensive data collection enables the examination of the disparity between tax obligations calculated on BRENT rates and the actual prices obtained, which are closer to the lower-rated URALS rates.

Contextual analysis - The research then delves into Kazakhstan's tax policy and its alignment with new market conditions. Special attention will be given to analyzing the logistical and insurance facets of oil exports, including an assessment of the changes in insurance premiums and sea tanker charter rates in response to heightened geopolitical risks.

Market adaptation evaluation - An evaluative study of CNPC "Aktobemunaigas" JSC's export strategy adaptation in the face of evolving sanctions and market conditions follows. This includes analyzing the strategic renaming of exported oil to KEBCO (Kazakhstan Export Blend Crude Oil) and its implications on export activities and financing.

Alternative export route investigation - The investigation then expands to review Kazakhstan's alternative oil export pathways, focusing on the Baku-Tbilisi-Ceyhan pipeline and the Transneft system. An assessment of the central bank of Kazakhstan's interventionist js strategies in currency markets will be conducted to determine their effectiveness and sustainability.

The final stages of the case study analysis were to identify opportunities for growth and expansion. In the table below we identified six steps through which the purpose of the study will be achieved.

Table 1. Steps of research methodology

Steps	Bereke Bank	KEBCO
Clarification of study aspects	Financial stability, innovative activity, market strategy	The influence of the Russian-Ukrainian military conflict, the subsequent international sanctions
Data collection	Open information about Bereke Bank, including annual reports, sustainability reports, and press releases	Export and taxation records, global oil price trends, and existing tax legislation.
Macroeconomic and political context assessment	The level of impact of international sanctions on the country and the specifics of regulation of the financial sector	Kazakhstan's tax policy and its alignment with new market conditions
Strategy and local market adaptation analysis	what its strategies are in the field of digital technologies, risk management and international expansion	CNPC "Aktobemunaigas" JSC's export strategy adaptation in the face of evolving sanctions and market conditions
Growth opportunities and expansion	Identified opportunities for growth and expansion of Bereke Bank's activities in the region	Identified opportunities for growth and expansion
Analysis of challenges under sanctions	Detailed analysis of the problems that the bank faces under sanctions.	The investigation then expands to review Kazakhstan's alternative oil export pathways

2.3 Results

Case study of "Bereke Bank" JSC

To achieve the research goal and hypothesis, we must take into account the specifics of the research area. In this case, this is the financial sector, namely Bereke Bank JSC (formerly Sberbank). First, let's look at a brief chronology of the imposition of sanctions.

Sanctions against Sberbank were introduced in several stages, but full blocking sanctions were imposed on Sberbank and 42 of its subsidiaries by the United States on April 6, 2022. This was a significant increase from more limited sanctions previously imposed, including those imposed under Executive Order 14024 on April 15, 2021 (Baker McKenzie, 2024).

In light of the designations, U.S. persons are generally prohibited from direct or indirect interactions with individuals on the Specially Designated Nationals (SDN, 2015) list, entities owned 50% or more by one or more SDN individuals, and their property or interests in property. Additionally, on February 22, 2022, OFAC tightened restrictions on transactions by U.S. financial institutions with Russian sovereign debt issued after March 1, 2022, replacing and supplementing the previous Directive 1 under E.O. 14024 of April 15, 2021 (Bereke Bank, 2022).

In 2022, the National Management Holding "Baiterek" became the main shareholder of the bank formerly known as "Sberbank of Russia" and renamed it "Bereke Bank". This move was accompanied by restructuring, during which the bank developed and began implementing a plan to restore prudential norms and reduce currency risks. Following these changes, customer trust in the bank increased, as indicated by the growth in the number of clients and the bank's return to competitive positions in Kazakhstan's financial market (Bereke Bank, 2022).

The bank is one of the largest in Kazakhstan and is considered systemically important for the republic's financial sector. The U.S. Treasury and State Department worked closely with the Government of Kazakhstan to assist with the sale. In September 2022, the Ministry received an appeal from the CEO of "Baiterek" regarding the lifting of sanctions and eventually decided that the bank no longer met the criteria for inclusion on the sanctions list. The Ministry received "trustworthy assurances” that Bereke Bank would not knowingly engage in activities prohibited by sanctions and would provide the necessary information to the U.S. Congress if needed. The U.S. Treasury lifted sanctions from the former “daughter” of Sberbank in Kazakhstan, which is now fully owned by a Kazakh company, on March 6, 2023 (Bereke Bank, 2022).

The macroeconomic situation in Kazakhstan in 2022 was marked by resilience, despite problems such as a reduction in raw material production and disruptions in supply chains amid geopolitical tensions. Kazakhstan's economy showed real growth of 3.3%, which was mainly due to an increase in the volume of non-raw material exports and investment growth of 7.9%, mainly in the raw materials sectors (Moldabekova et al, 2022).

The service sector and goods production also demonstrated growth of 2.9% and 3.2%, respectively. Agriculture showed almost double-digit growth (9.1%), thanks to a record grain harvest. The construction industry continued its positive dynamics with a growth of 9.4%, although a slowdown in growth rates was observed due to a reduction in the inflow of pension savings and restrictions on subsidized mortgage programs, potentially increasing the risk of a decline in purchasing power in the real estate market (Kerimkhulle, 2022).

Industrial production slowed to 1.1% due to a 1.0% decline in the mining sector due to disruptions at the CPC oil pipeline and repair work at Kazakhstan's largest oil fields. However, high energy prices and stable external demand had a positive impact on export volumes (Myrzabekkyzy, 2022).

The deterioration of the geopolitical situation, which affected the economy of Kazakhstan’s main trading partners, led to disruptions in logistics, which, in turn, affected the acceleration of consumer inflation. The tenge exchange rate weakened against the US dollar by 7.2% to 462.65 USD/KZT and against the Russian ruble by 11.4% to 6.43 RUB/KZT. In March 2022, the Kazakh currency showed high volatility, reaching levels of up to 512 USD/KZT (Kerimkhulle, 2022).

Inflation in Kazakhstan reached its highest level in the last two decades and amounted to 20.3% on an annual basis (Tolepbergen, 2022). The tightening of monetary policy was caused by rising inflation expectations, putting pressure on prices and consumer behavior. The level of real incomes of the population deteriorated due to high inflation, which generally affected the weakening of consumer demand (Tolepbergen, 2022).

In 2022, against the backdrop of global geopolitical upheavals, banks with Russian participation in Kazakhstan were subject to blocking sanctions, which led to significant restrictions on their activities both domestically and internationally. This entailed the cessation of correspondent relations with foreign partners and difficulties in working with major currencies. As a result, the share of the banking sector with Russian capital in the total assets of second-tier banks in Kazakhstan has sharply decreased (Delice and Karadaş, 2022).

However, the Kazakh banking sector showed stable growth in key indicators, maintaining high liquidity, and improving capitalization and profitability. The assets of second-tier banks increased due to an increase in the loan portfolio, especially in retail lending, including mortgage and consumer lending. The growth in lending to individuals was particularly significant and amounted to 32%, while lending to legal entities increased by 12% (Moldabekova et al, 2022).

Kazakhstan in response to inflationary pressures and policy changes. Initially, the National Bank of Kazakhstan responded to rising inflation expectations by increasing the base rate, which directly influenced the lending landscape. This policy adjustment led banks to raise deposit rates in a bid to attract more savers, culminating in a notable increase in the deposit base by year's end. This growth was characterized by a robust acceleration in deposits in the national currency, alongside a modest rise in deposits held in foreign currencies (Kerimkhulle, 2022).

However, despite these measures to stabilize the economy, inflation continued to escalate, reaching unprecedented levels. This surge in inflation adversely affected the real incomes of the populace, leading to a decline in consumer demand. The continued elevation of the NBRK base rate aimed to temper these inflationary trends, but the impact was complex and multifaceted.

As we transition to an analysis of the post-sanctions period, it is crucial to understand how these economic policies and the broader financial environment influenced Bereke Bank's operations. The forthcoming sections will delve into several key factors that illustrate the bank's resilience and adaptation strategies amid these economic challenges, as detailed in Figure 1 below. This will provide a comprehensive view of the bank's performance and strategic responses in a rapidly changing economic landscape.

Figure 1. Factors of influence of sanctions on the activities of a financial organization
Source: made by the authors according to (Shukurulaevna, 2023)

From the information presented in the annual report of Bereke Bank JSC (Bereke Bank, 2022), it is clear that the introduction of sanctions seriously affected operations, especially in the management of attracted client funds. Analyzing the chart of attracted funds from clients in the period from January 2022 to January 2023 (Figure 2), some trends can be noted.

According to the annual report of the bank (Bereke Bank, 2022), attracted client funds fell from 2,655 billion tenge in January 2022 to 1,344 billion tenge in April 2022. This trend indicates that the bank’s clients have lost confidence in the organization. By July 2022, the bank was disconnected from the Visa and Mastercard payment systems, and the amount of funds decreased even more, to 670 billion tenge, which may be due to the direct impact of sanctions, as well as difficulties in international payments and transfers.

In October 2022 and January 2023, raised funds began to increase, reaching 905 billion tenge and 1078 billion tenge, respectively (Bereke Bank, 2022).

From this analysis, it follows that the sanctions led to a massive outflow of clients and a downgrade of international credit ratings, which reduced the bank's ability to attract foreign investment and participate in government lending programs. Difficulties in making client and bank payments and transfers led to financial losses, and the strengthening of the ruble against the tenge hurt the bank's open foreign exchange position, leading to significant losses from foreign exchange revaluation.

It is important to note that measures such as the provision of additional borrowed funds from Sberbank of Russia can help stabilize the position of Bereke Bank in the months following the greatest blow of the sanctions in the future. The downgrade of the bank's international rating and the subsequent refusal by Fitch Ratings to evaluate it can also worsen the bank's investment attractiveness, which could also hurt raising funds. The inability to participate in government lending programs undermined one of the bank's main sources of income, contributing to financial difficulties and widening net loss.

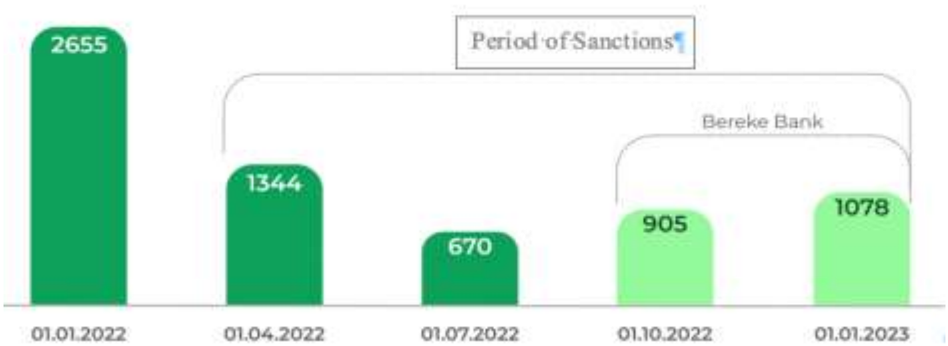

Figure 2. Raised funds from clients, billion tenge
Source: Bereke Bank, 2022

From the analysis of the data in Figure 2, it follows that during the period of sanctions the bank faced significant challenges and required serious adaptation to the changed financial environment. The bank also faced breaches of prudential regulations related to equity capital, which further exacerbated its financial difficulties. The beginning of the restoration of raised funds and subsequent changes in the information provided show that the sanctions had a noticeable impact on the operations and financial condition of Bereke Bank.

In 2022, against the background of blocking sanctions, the bank adapted to local conditions and circumstances, focusing on the digitalization of its services and optimization of operational activities. The web version of the B-Business application was used as the main tool for servicing corporate clients, while the mobile application was temporarily unavailable (Bereke Bank, 2022).

The bank strengthened lending to corporate clients, reaching a total volume of 605 billion tenge, and improved the processing time for applications from 53 to 22 days. A partial transfer of the loan portfolio was carried out, including under government lending programs, which allowed the bank to reduce risks and strengthen its financial position. In the field of foreign exchange transactions, the bank actively worked with Chinese currency and the ruble, providing support for the foreign economic activities of its clients.

According to the annual report, the bank also continued to participate in government business support programs, despite restrictions associated with sanctions, and even in the face of withdrawn ratings and the need to return funds received under government programs.

As part of digitalization, the bank has implemented many new services and products to meet customer needs, even during the period of sanctions restrictions. A web version of the application was developed and implemented, the website and mobile applications were redesigned as part of the bank's name change and rebranding. In addition, new services were launched, such as instant digital card issuance and cultural events services through a mobile application.

In 2022, IT transformation at Bereke Bank was focused on optimizing internal processes and improving the availability of services for clients. The Bank completed the implementation of a highly reliable data processing center (DPC) and conducted comprehensive tests of its IT infrastructure for disaster resistance. The next step is to develop and implement a disaster recovery plan (DRP) management process.

In connection with the change of shareholder, the following tasks were completed:

1 The bank’s information systems and mobile applications were rebranded.

2 The dependence of information systems on the previous shareholder was eliminated and key competencies were transferred within the bank.

The Bereke bank's (2022) development strategy for 2022-2025 is focused on being a bank with the best customer experience for entrepreneurs and the public, gaining leading positions in target markets and anticipating customer needs. The bank's main priorities are shown in Figure 3 below.

Figure 3. Main priorities of Bereke Bank JSC
Source: KASE, 2023

As part of its vision and mission, Bereke Bank strives to provide instant financial solutions that are integrated into the digital world around the client, offering innovative and efficient services.

In 2022, Bereke Bank focused on optimizing its internal IT processes and increasing the availability of services for clients. The Bank successfully implemented a project to create a disaster-resistant data center, ensuring the comprehensive stability of its IT infrastructure. This was accompanied by the development of a business disaster recovery plan management.

The process of changing shareholders entailed the need to rebrand information systems and mobile applications, as well as remove dependencies from the previous shareholder with the transfer of key competencies directly to the bank. These steps were part of the bank's global development strategy for the period from 2022 to 2025, where priorities were focused on providing instant financial solutions integrated into the digital world of clients and creating a better user experience for entrepreneurs and the public.

Risk management related to the sanctions at Bereke Bank was carried out through the identification and classification of risks, the use of risk assessment and management tools, monitoring the bank's operations to reduce and control risks. The risk control and management system were based on national requirements, and recommendations of the Basel Committee and audit companies.

To conclude, the bank was subject to blocking sanctions, which led to massive withdrawals of deposits and funds by customers, temporarily worsening liquidity indicators. The bank's reports to the Board of Directors mentioned a low level of operational risk, but in the context of lending, monitoring of credit risks was established. Changes in the structure of the loan portfolio showed a significant decrease in foreign currency loans, which indicates the bank's conservative policy in managing currency risk.

Bereke Bank actively worked to improve its operational resilience and develop services, adapting to new market conditions and ensuring control and risk management at all levels of its activities.

Table 2. Results of the analysis of Bereke Bank JSC

Challenges	*Opportunities*	*Strategies*
Adaptation to sanctions, including loss of correspondent relations and restrictions on transactions with foreign currencies.	Growth of the loan portfolio of corporate clients and reduction of time for processing loan applications.	Digitalization of banking services and optimization of internal IT processes.
The need to restore customer confidence and attract deposits after being included in the sanctions list.	Strengthening market positions by improving the quality of service and expanding the range of digital services.	Implementation of a disaster-proof data center to ensure infrastructure reliability.

Managing operational and credit risks against the backdrop of economic instability and changing macroeconomic conditions.	The possibility of rebranding and removing dependencies from the previous shareholder, which opens the way to autonomy and independence.	Development of a risk management system adapted to changes in the regulatory environment.
Source: made by authors		

Case study KEBCO (CNPC "Aktobemunaigas")

The Russian ruble has been losing ground since the beginning of 2018. Buying 1 dollar in January costs about 57 rubles, while others cost not 66–1 rubles. The volatility of the ruble, of course, can explain oil prices, especially those associated with Western sanctions, especially to curb Russian budget revenues from exports. However, the spot oil price has improved since June 2017, when it hovered around $44 per barrel, reaching $85 per barrel on October 3, 2018. The current weakness of the ruble, in turn, has hurt neighboring countries. Kazakhstan is the closest trading partner of the Russian post-Soviet space and is itself an important exporter of hydrocarbons, mainly crude oil (Beisembayev et al, 2023).

Despite the ongoing recovery in oil prices, the tenge has depreciated from approximately 312-322 tenge to 1 dollar (Beisembayev et al, 2023).

The situation on the oil market primarily affected delivery volumes. Trade turnover with Germany (minus 42.5%), Italy (minus 24.6%) and Poland (minus 47.7%) fell noticeably, significant changes also occurred in the top ten countries of Russia's most important trading partners. Great Britain began to give way to Finland in terms of trade volume, and today Great Britain is already in 13th place among other countries, and its turnover with Russia is $ 0.6 billion (Bekzhanova et al., 2023).

The possibility of additional Western sanctions against Russia is a major concern in Kazakhstan due to its wide-ranging implications. Likewise, any measures taken by Russia could negatively affect the economic well-being of Kazakhstan. Russian analyst Innokenty Adyasov recently suggested in an article for Sputnik Kazakhstan News that Vladimir Putin's government may try to send its response to the United States through the Eurasian Economic Union (EAEU). The EAEU was created in 2014 as an integration platform between Kazakhstan, Russia and Belarus, which Armenia and Kyrgyzstan also joined. Due to structural reasons, from high dependence on oil exports to the state's enormous weight in the national economy, the EAEU has largely failed in its promise of economic prosperity. According to the famous Kazakh political scientist Dosym Satpayev, the Kazakh authorities are trying to avoid public criticism of Vladimir Putin's EAEU or the adventurous Russian foreign policy.

Only 7% of Kazakhstan's total exports go to Russia, indicating that the country is less dependent on trade with Belarus and Russia. Minerals (1,500 million), iron and steel ($773 million) and mineral fuels ($785 million) are Kazakhstan's top exports to Russia. With the exception of restricted regional exchanges, Kazakhstan is energy independent of Russia and does not extract or export its own natural gas or oil. Kazakhstan, however, has strong ties to Russia's banking and financial industries. Large-scale industrial projects in Kazakhstan are financed by Russian banks like Sberbank and VTB Bank, which account for almost 13 percent of Kazakhstan's credit market. In the event of a Russian power outage, Kazakhstan has several other options for exporting its oil, such as the Baku-Tbilisi-Ceyhan pipeline, which crosses the Caspian Sea through the port of Aktau (currently only half of its annual capacity of 12 million tons is used millions of tons), or pipelines that travel from Central Asia or Eastern Siberia through the Pacific to China. The central bank of Kazakhstan has promised to use the significant foreign exchange reserves of the nation to act on behalf of the tenge in relation to exposure to the ruble. Nevertheless, the viability of this strategy will rely on how much the Russian economy shrinks and how weak the ruble is (As Sanctions Hit Russia, 2014).

First of all, it is necessary to understand that the military conflict between Russia and Ukraine has created a difficult economic and geopolitical environment that has affected many industries, including the oil and gas industry of Kazakhstan. These events led to significant revisions in the terms of trade, logistics and market prices for oil, which directly affected the operations and profitability of companies such as CNPC-Aktobemunaigas JSC.

At the beginning of our research, it is necessary to identify how external changes in the market environment affect the company's export performance and taxation. The military conflict and subsequent sanctions against Russia led to significant changes in world oil prices, especially for the URALS grade, which was traditionally exported from Russia, and was often used by Kazakh companies to export through Russian ports. The change in price differentials between the BRENT and URALS grades, the increase in the “spread” between these oil grades to $30-35 per barrel (Hausmann et al, 2023), led to a significant change in the economic efficiency of export contracts for CNPC-Aktobemunaigas JSC.

When analyzing the data, it is necessary to pay attention to the tax policy of Kazakhstan and how it adapts to new market conditions. Existing tax legislation requiring Kazakh companies to pay taxes at the higher BRENT rate, despite actually implementing at the lower-rated URALS rate, puts businesses at a disadvantage and reduces their competitiveness (Tursynkulova et al, 2024).

To understand the full scale of the situation, it is also necessary to examine the logistics and insurance aspects, as well as changes in commissions for insurance of oil transactions and the charter of sea tankers, which tend to increase in the face of rising geopolitical risks.

Logistics and insurance aspects related to the export of Kazakh oil through Russian sea ports have acquired a new vector of development due to the change in the name of the exported oil to KEBCO (Kazakhstan Export Blend Crude Oil). This decision was dictated by the desire to minimize sanctions risks and problems with financing caused by the military conflict between Russia and Ukraine, and contributed to the stabilization of the export activities of Kazakh oil producing companies.

According to Bekzhanova et al (2023), Kazakhstan uses two main routes for oil exports: through the Caspian Pipeline Consortium (CPC), which runs to Novorossiysk, and through the Transneft oil transportation system (NTS), as a result of which Kazakh oil becomes part of the Urals mixture at the exit. Market volatility, exacerbated by various factors such as global sanctions, the COVID-19 pandemic and seasonal demand fluctuations, is putting pressure on price structures and freight rates, which in turn affects the profitability of export operations.

In March 2022, an unexpected accident at the SPM of the CPC offshore oil terminal significantly affected Kazakhstan's export capacity, increasing pressure to find alternative export routes and delivery methods. The introduction of the KEBCO brand was a formal and political decision designed to separate Kazakh oil from Russian oil and ensure stability of export supplies.

Thus, despite increased insurance and freight rates for sea tankers, which directly affect the overall cost of transporting oil, companies like Aktobemunaigas can find ways to adapt to new conditions. The key here is to find more stable and predictable export routes, as well as develop better insurance solutions to support their operations. The results of the analysis are shown in Table 3 below.

Table 3. Results of the analysis of CNPC Aktobemunaigas JSC

Challenges	*Opportunities*	*Strategies*
Overcoming sanctions risks associated with exports through Russian seaports.	Improved profitability due to the premium price of KEBCO oil compared to Urals.	Development of KEBCO oil brand to strengthen our marketing position and differentiate ourselves from the Russian Urals.
Managing oil price volatility and uncertain market conditions.	Increasing global recognition of Kazakh oil and its branding as an independent and reliable source.	Diversification of export routes to minimize geopolitical and transport risks.
Adaptation to rapidly changing international regulations and standards.	Expanding export markets through supply diversity policies.	Optimizing supply chains and managing insurance policies to reduce operating costs.
Source: made by authors		

Conclusion

Our research has shown that sanctions have a strong impact on companies in Kazakhstan, creating financial constraints and trade barriers. Examples of companies such as Bereke Bank and KEBCO demonstrated that despite serious challenges, the companies were able to adapt and show resilience. Key strategies included strategic planning, restructuring, rebranding and innovation. Sanctions, despite their negative effects, have opened up new opportunities for companies.

The results of our research are important for understanding how sanctions are affecting business in Kazakhstan and what strategies are helping companies survive and grow. The impact of the sanctions on Kazakhstan's economy is tangible, but not as strong as in countries that have been directly affected by the sanctions. We have seen that flexibility and adaptability are key factors for companies to survive and grow in the face of sanctions. Companies have shown that it is important to develop effective risk management strategies and optimize operational processes. These findings are important for businesses and policymakers because they show the need for flexibility and innovation in a volatile environment.

One of the main limitations of our study is the limited sample of companies, which may reduce the overall applicability of the results. We focused on large companies, and this may not reflect the situation in SMEs.

To address these limitations, it is worthwhile to focus future research on the impact of sanctions on SMEs in Kazakhstan, as they may face unique challenges and opportunities. In addition, it is useful to conduct a comparative analysis of the impact of sanctions on companies in different sectors of the economy in order to identify sectoral adaptation patterns. Long-term studies of companies' strategies under sanctions will help to better understand the problem and develop effective business support measures.

Our research has shown that despite serious challenges, sanctions can stimulate innovation and adaptation. Companies in Kazakhstan demonstrate resilience through strategic planning and flexibility, which is important for business and economic policy in an unstable environment.

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