STUDY NOTES · BASIC CONCEPT

What is Shadow Oil Fleet? How do Economic Sanctions affect a country’s trade?

International Relations

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What is shadow Oil Fleet?

- Shadow Oil Fleet refers to a covert network of oil tankers, shipping companies, and intermediaries used by countries—most notably Russia—to bypass international sanctions and continue exporting oil.
- These vessels are often old, poorly insured, or owned through opaque shell companies.
- They may switch off tracking systems (AIS), use flags of convenience, or conduct ship-to-ship transfers at sea to hide the origin of oil.
- The main objective is to maintain oil revenues despite sanctions, especially during conflicts like the Russia–Ukraine war.

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How do Economic Sanctions affect a country’s trade?

- Reduced exports: Sanctions restrict access to major markets, lowering exports of key goods (e.g., oil, gas, metals).
- Import constraints: Limits on technology, machinery, and inputs disrupt supply chains and industrial output.
- Financial isolation: Bans on banks, SWIFT access, and dollar/euro transactions raise trade costs and delay payments.
- Higher costs & discounts: Sanctioned countries sell goods at discounts and pay more for shipping and insurance.
- Logistics disruptions: Shipping bans and insurance restrictions reduce vessel availability and raise freight rates.
- Trade diversion: Countries reroute trade to non-sanctioning partners, often less profitable and riskier.
- Currency pressure: Export losses weaken the currency, increasing import inflation.
- Investment decline: Uncertainty deters FDI, shrinking export capacity over time.
- Informal channels: Growth of gray/black markets and “shadow” networks undermines transparency.
- Overall: Sanctions aim to reduce trade volumes, raise transaction costs, and strain foreign exchange earnings, pressuring policy change without military force.