



PAW2026: The unhappy relationship between sanctions and arbitration

Natasha Doris , 27 March 2026



Sanctions have become a long-term aspect of the disputes environment, and the international array of regimes has become an intractable arbitration minefield.

The 2022 invasion of Ukraine was the conflict that launched a thousand sanctions, and panellists at Paris Arbitration Week 2026 took the time to dissect how the ever evolving and increasingly complicated web of regimes has interacted with the role of international arbitration.

Clyde & Co explored the way sanctions had shaped the international arbitration landscape with its ‘Sanctions and Counteractions: The New Arbitration Battlefield’ session, with panellists confirming that sanctions cases were expected to grow in the coming year, involving multi-jurisdictional and high-stakes issues. Clyde & Co senior associate Sophie Bayrou explained that “arbitration is a key area” where the consequences of sanctions play out.

She commented that investment arbitration has increasingly been used as a forum to challenge sanctions, with at least 25 publicly known cases of sanctions-related investor-state arbitration at the end of 2025 – the bulk of which were disputes brought by Russia against Ukraine.

Clyde & Co partner Ivan Urzhumov added that sanctions led to a multiplication of proceedings, with different jurisdictions yielding different results. He also noted that the role of third states was a complicating factor, with jurisdictions not explicitly involved in the conflict at risk of throwing a spanner in the works with their actions involving sanctioned governments.

The panel also drew attention to the mounting regulatory burden on companies, with subsidiaries at risk of breaching sanctions, placing the onus on parent companies to invest heavily in compliance to monitor any violations.

A key issue that has been under examination since the Ukraine conflict started is that sanctions do not actually halt business – sanctioned entities, once denied access to a country, will turn towards relationships with other countries instead, raising questions about the efficacy of sanctions as a tool to place pressure on hostile states.

A clash of approach

The ‘Sanctions, Arbitration and Cross-Border Enforcement: Complex Intersections in Practice’ panel hosted by Winston & Strawn addressed the exploding role of sanctions in international disputes, with moderator and Winston & Strawn partner Sara Susnjar noting that sanctions have “expanded significantly in shape, scope and complexity”.

Winston & Strawn partner Mike Stepek remarked that there was “an inherent conflict” between the sanctions regimes and the international arbitration framework – arbitration has been designed to act as a neutral forum beyond the dynamics at play between states, while sanctions lock parties back into the inter-state dynamics.

The panel highlighted that the separation between sanctions and arbitration was becoming increasingly difficult to maintain. Additionally, the situation has become more complex due to there being no unified sanctions regime, and instead, lawyers have to deal with several frameworks all operating concurrently.

Stepek pointed out that among the ways sanctions complicated arbitrations, issues emerged including access to funds in sanctioned banks, or contractual performance impossibilities under the ensuing restrictions.

One Paris Arbitration Week attendee informed *CDR* that they had faced complications accessing funds from an account caught up in the sanctions frameworks, making execution of their work difficult.

Exploring the in-house perspective, MicroPort general counsel Alice Flacco highlighted that while compliance and disputes used to be separate considerations, they are now essentially intertwined. She added that counterparties have recently been using sanctions as leverage, either raising costs or citing hardship due to the regimes. Flacco commented that in-house lawyers had to use their judgement to figure out what were genuine sanctions hardships and what were opt-outs dressed up as a sanctions compliance issue.

Outer Temple Chambers barrister Henry Reid noted that while sanctions were a heavily complicating minefield, they were here to stay as part of the international arbitration environment, and lawyers had to get used to them in the line of advisory and disputes work.

Oliver Powell KC, another Outer Temple barrister, added that sanctions served as a background regulatory pressure, shaping different aspects of arbitrations. He pointed out that even when sanctions do not directly apply to an issue, they can have a ripple effect on parties down the line, especially with the growing number of secondary sanctions in play.

Despite all the turbulence relating to sanctions, panellists strongly stood by the use of international arbitration. Asked by Susnjar if sanctions changed panellists’ appetite for arbitration, Powell gave an emphatic “no”, shaking his head vigorously. He highlighted that international arbitration remained the preferred mechanism for resolving cross-border disputes by 80% of surveyed parties.

Stepek agreed, asking: “Well, what’s the alternative?”

The panel concurred that, examining the options, international arbitration provided parties with the incentive of one forum to secure a ruling that could be enforced in any signatory state to the New York Convention.

However, Baker Hughes in-house litigation counsel Kate Siebke added that sanctions did bring change and uncertainty to a form of dispute resolution that requires certainty.

Flacco wrapped up the discussion by calling for the arbitration community to advocate as a collective that if sanctions are here to stay, lawyers navigating the regimes require clarity to keep within the lines and navigate the landscape harmoniously.

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