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A Legal Analysis of the Effects of Economic Sanctions on the Performance of International Commercial Contracts: With Emphasis on Force Majeure, Suspension, and Termination of Contract

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Economic sanctions constitute one of the most significant factors affecting international commercial relations and, by imposing restrictions on financial and banking transactions, transportation, and foreign trade, create serious challenges for the performance of international commercial contracts. The present study aims to provide a legal analysis of the effects of economic sanctions on the performance of international commercial contracts, with particular emphasis on force majeure, suspension, and termination of contract. Employing a descriptive-analytical method and drawing on library-based sources, specialized books, scholarly articles, and relevant legal materials, the study examines the effects of sanctions on contractual obligations and the liability of the parties. The findings indicate that the mere imposition of economic sanctions does not automatically exempt a party from contractual liability or bring contractual obligations to an end; rather, the extent to which the sanctions affect the possibility of performance, the contractual provisions, and the governing law must be examined. Where sanctions render performance genuinely impossible or legally prohibited for reasons beyond the obligor's control, recourse to force majeure and suspension of contractual performance may be available, provided that the requisite conditions are satisfied. By contrast, where performance remains possible but becomes exceptionally difficult and costly, the matter may be assessed within the framework of hardship, including the possibility of renegotiation or adjustment of contractual obligations. Furthermore, the persistence of the impediment and the resulting impossibility of continuing the contractual relationship may provide grounds for termination of the contract. Ultimately, determining the legal consequences of sanctions requires a clear distinction between impossibility of performance and hardship, as well as a careful examination of the causal relationship between the sanctions and the non-performance of contractual obligations.

Keywords: *Economic sanctions, international commercial contracts, force majeure, termination of contract*

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1. Introduction

The expansion of economic relations and the increasing interdependence among countries have transformed international commercial contracts into one of the most important instruments for regulating economic exchanges among states, corporations, and commercial actors. In this context, the proper and timely performance of contractual obligations constitutes the foundation of stability and trust in international commercial relations. Nevertheless, international political and economic developments, particularly the

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expansion of economic sanctions, have in many cases created serious obstacles to the performance of such contracts. By imposing restrictions on exports and imports, the transfer of funds, access to the banking system, transportation, insurance, investment, and the supply of goods and services, sanctions may render the performance of contractual obligations difficult, costly, or even impossible (Dezhpasand et al., 2025; Sadeghnejad et al., 2024). Accordingly, economic sanctions are not merely instruments of foreign policy but may also have direct and extensive effects on contractual relations and the legal security of international transactions.

In international trade, one of the most significant issues arising from the imposition of sanctions concerns determining the legal status of contracts whose performance has been affected by sanctions-related restrictions. The fundamental question is whether a sanction may be regarded as an impediment beyond the control of a contracting party and thereby exempt that party from liability arising from non-performance. The answer depends on the nature and circumstances of the sanctions, the provisions of the contract, the governing law, and the nature of the impediment affecting performance. In some cases, sanctions may render performance genuinely and unavoidably impossible and thereby provide grounds for invoking force majeure; in other cases, performance may remain possible but become excessively costly or subject to extraordinary difficulty, requiring examination within the framework of hardship (Ebrahimi & Oyarhossein, 2012). Therefore, the mere existence of sanctions is insufficient to determine their legal consequences for a contract; rather, the impact of the sanctions on the possibility of performing the relevant obligations must be assessed in light of the circumstances of each individual contract.

The significance of this issue is particularly pronounced in the case of Iran because the persistence and expansion of economic sanctions, especially banking, financial, oil, transportation, and trade restrictions, have affected a substantial proportion of Iran's commercial relations with foreign individuals and companies. Under such circumstances, a foreign party may refuse to perform a contract or may delay performance because of a legal prohibition, the risk of secondary sanctions, the impossibility of transferring funds, or restrictions on obtaining the necessary authorizations. Conversely, the Iranian party may also be unable to perform its contractual obligations because of sanctions-related limitations. This situation raises numerous legal questions regarding the possibility of suspending the contract, continuing performance, rescinding or terminating the contract, and determining the parties' liability for losses arising from non-performance (Oloumi Yazdi & Razi, 2024; Razi & Badini, 2023). Consequently, accurately distinguishing among "impossibility of performance," "hardship," and "breach of contract" is of fundamental importance.

Sanctions do not affect every contract in the same manner. In some cases, the impediment is temporary, and performance may resume once it has been removed; in such circumstances, suspension of contractual performance may constitute an appropriate means of preserving the contractual relationship. In other cases, sanctions may make performance impossible for an indefinite period or permanently, thereby effectively eliminating the economic purpose expected by the parties; under such circumstances, the possibility of rescission or termination of the contract must be examined. In addition, it must be determined whether the parties could have foreseen the sanctions at the time the contract was concluded and whether the contract expressly regulates the effects of sanctions and the manner in which they are to be addressed through contractual clauses. From this perspective, the interpretation of force majeure clauses, identification of the governing law, and determination of the parties' common intention play an important role in establishing the legal effects of sanctions on international commercial contracts (Ebrahimi & Oyarhossein, 2012; Safaei & Rahimi, 2020).

Accordingly, the principal issue addressed in the present study is the legal analysis of the effects of economic sanctions on the performance of international commercial contracts, with particular emphasis on force majeure, suspension, and termination of contract. The study seeks, by examining the legal foundations of sanctions and their effects on contractual obligations, to determine the circumstances under which sanctions may constitute a legally justifiable impediment to performance, when force majeure may be invoked, and under what conditions hardship may justify suspension or termination of the contract. The legal effects of each of these situations on contractual liability and compensation for losses sustained by the parties are also examined. The importance of this research lies in the fact that clarification of this legal framework may reduce existing uncertainties in the contractual relations of Iranian economic actors and their foreign counterparties and facilitate the drafting of appropriate contractual clauses for managing the risks arising from economic sanctions.

2. Research Background

Sepideh Razi and Hassan Badini (2023), in an article entitled "Intellectual Perspectives and Foundations of Civil Liability for the Imposition of Sanctions," published in *Private Law*, examined the scope of civil liability arising from unlawful sanctions. The findings of this descriptive-analytical study indicate that the basis of civil liability resulting from sanctions is governed by the "theory of objective fault" in domestic law and by the "risk theory" in international law. Nevertheless, the two legal systems share the proposition that the commission of an act violating international rules, irrespective of whether it is intentional or unintentional, gives rise to the civil liability of the sanctioning authority.

Laya Joneidi and Sepideh Razi (2022), in the article "A Critical Examination of Iran's Legislative Approach to the Civil Liability of Foreign States in the Imposition of Sanctions," published in the *Quarterly Journal of Private Law Research*, analyzed Iran's statutory capacities and legislative gaps. The results indicate that the existing laws governing the liability of foreign states have often been drafted hastily, without adequate reliance on expert opinion, and without sufficient legal precision. Accordingly, the consolidation of these laws within a coherent framework compatible with the standards of international law is necessary.

Sepideh Razi (2024), in the book *Civil Liability Arising from the Imposition of Sanctions* (Ganj-e Danesh Publishing), examined various dimensions of the subject in three chapters. The first chapter addresses fundamental concepts, the history of sanctions against Iran, prevailing theoretical approaches, and a critique of Iran's legislative practice concerning diplomatic protection and countermeasures. The second chapter analyzes the elements and consequences of civil liability, the attribution of sanctions contrary to international law to the authorities imposing them, and methods for assessing economic and non-economic damages. Finally, the third chapter is devoted to the procedural and formal dimensions of bringing related claims before national and international judicial and non-judicial bodies.

3. Research Method

The present study, entitled "A Legal Analysis of the Effects of Economic Sanctions on the Performance of International Commercial Contracts: With Emphasis on Force Majeure, Suspension, and Termination of Contract," was conducted using a library-based, descriptive-analytical method. The required data and information were collected through the examination of specialized books, scholarly articles, domestic and international legal instruments and regulations, theses, and other authoritative academic sources. Within the descriptive-analytical approach, the concepts and legal foundations relating to economic sanctions and international commercial contracts were first explained, after which the effects of sanctions on the performance of contractual obligations were subjected to legal analysis. In this regard, the conditions for invoking force majeure, hardship, suspension, and termination of contract, as well as the legal effects of each on the parties' obligations and contractual liability, were examined. Finally, through legal and comparative analysis of the rules governing international commercial contracts, an attempt was made to develop a framework for assessing the effects of sanctions on contractual performance and to propose appropriate legal solutions for managing such circumstances.

4. Findings

4.1. Concepts and Legal Foundations of Sanctions and International Commercial Contracts

International commercial contracts are among the most important instruments for regulating economic relations between individuals and companies operating in different countries, and the proper performance of the obligations arising from such contracts requires suitable legal and practical conditions for performance. Within this framework, contractual liability must be distinguished from non-contractual civil liability, because contractual liability arises from the breach of obligations originating in a contract, whereas civil liability in its narrower sense primarily concerns damage occurring outside the framework of contractual obligations (Katouzian, 2023; Safaei & Rahimi, 2020). This distinction acquires particular significance under sanctions because sanctions may directly affect the possibility of performing contractual obligations and may result in non-performance, delay, or alteration of the conditions of contractual performance. Therefore, in analyzing the effects of sanctions, the status of the contractual obligation and the extent to which the sanctions-related impediment affects the possibility of its performance must first be determined.

Economic sanctions comprise a set of restrictive measures imposed with the aim of exerting pressure on a state, individuals, or entities within a country and influencing their conduct or policies. In the sphere of international trade, such measures may take the form of restrictions or prohibitions on exports and imports, banking and financial restrictions, asset freezes, restrictions on investment, transportation, and insurance, and may obstruct contractual performance by disrupting the movement of goods, services, capital, and financial resources (Sadeghnejad et al., 2024). From this perspective, sanctions acquire legal significance in contractual relations when their effects directly or indirectly affect one party's ability to perform its obligations. For example, inability to transfer funds, prohibitions on the export of goods, lack of access to transportation or insurance services, and banking restrictions may disrupt contractual performance.

One important characteristic of economic sanctions is their capacity to produce both direct and indirect effects on commercial contracts. Secondary sanctions may discourage companies and financial institutions in third countries from engaging with an Iranian party and, consequently, even where no direct legal impediment to performance exists, concern about sanctions-related consequences may lead to refusal or delay in performing contractual obligations. Under such circumstances, determining whether the impediment has genuinely rendered contractual performance impossible or has merely made it more difficult and expensive is crucial because the legal consequences of these two situations are not the same. This distinction is decisive in determining whether force majeure, hardship, suspension, or termination of the contract may be invoked (Ebrahimi & Oyarhossein, 2012; Oloumi Yazdi & Razi, 2024).

Accordingly, the legal analysis of the effects of sanctions on international commercial contracts must focus on the relationship between the sanctions measure and the status of contractual performance. The mere existence of sanctions or the occurrence of economic loss does not, by itself, eliminate contractual liability or terminate the contract. Rather, it must be determined how the sanctions affected the relevant obligation, whether they rendered its performance impossible or merely difficult, whether the impediment was beyond the control of the obligated party, and what contractual mechanisms were contemplated for addressing such circumstances. Therefore, determining the legal effects of sanctions requires simultaneous examination of the contractual provisions, governing law, nature of the sanctions-related impediment, and possibility of performance. On the basis of these criteria, the conditions governing reliance on force majeure, suspension, and termination of contract must subsequently be examined.

4.2. Legitimacy of Economic Sanctions and Their Impact on Contractual Obligations

Before examining their effects on contractual relations, the legitimacy of economic sanctions under international law requires identification of the legal basis for imposing the sanctions and assessment of their compatibility with the international obligations of the sanctioning state. Sanctions imposed within the powers established by the Charter of the United Nations differ, in terms of their legal basis, from unilateral sanctions imposed by individual states. With regard to unilateral sanctions, a sanctioning state's reliance solely on national interests or the exercise of sovereignty is insufficient to establish the legitimacy of the measure; rather, its scope and effects must be assessed in light of the principles of international law. The principles of necessity, proportionality, and respect for humanitarian considerations also constitute important criteria in assessing the legitimacy of sanctions measures, particularly because the broader the scope of sanctions, the greater the likelihood that they will affect individual rights and commercial relations (Razi & Badini, 2023; Seyed Taghizadeh et al., 2019; Ziaei Bigdeli, 2022).

With regard to unilateral sanctions against Iran, it is particularly important to distinguish between the legality of a measure under the domestic legal system of the sanctioning state and its legitimacy under international law. A state may impose restrictions on commercial exchanges with Iran pursuant to its domestic legislation; however, this does not in itself determine the legal status or consequences of that measure in international relations. Similarly, in contractual relations, a distinction must be made between the existence of sanctions and their legal effect on contractual obligations. The fact that a contract has been affected by sanctions does not necessarily mean that the parties' obligations have ceased to exist. Instead, it must be examined to what extent the sanctions have rendered performance impossible, temporarily prevented it, or made it substantially more onerous, and whether the contractual or statutory requirements for exemption from liability, suspension, or termination have been satisfied (Ebrahimi & Oyarhossein, 2012; Kolb, 2017; Seyed Taghizadeh et al., 2019).

From this perspective, the legitimacy and nature of sanctions may also affect the legal status of international commercial contracts; nevertheless, sanctions do not automatically constitute force majeure. In order to invoke force majeure, it must be established that the sanctions measure was beyond the obligor's control, could not reasonably have been foreseen or avoided at the time of contracting, and genuinely and effectively rendered performance impossible. Where the effects of the sanctions are temporary and performance may resume after the impediment is removed, the legal consequence may be suspension of contractual performance. By contrast, where the impediment is permanent or sufficiently fundamental to make continuation of the contract practically impossible, termination or dissolution of the contract may become relevant. Moreover, where performance has not become impossible but has instead become exceptionally difficult and costly, the situation must be examined under the doctrine of hardship (Ebrahimi & Oyarhossein, 2012; Katouzian, 2023).

Accordingly, in analyzing the effects of economic sanctions on international commercial contracts, a distinction must be drawn among the legitimacy of the sanctions, their actual effect on contractual performance, and the applicable contractual remedy. First, the legal basis and scope of the sanctions must be identified. It must then be determined how the sanctions have affected the possibility of performance and whether their consequences satisfy the conditions of force majeure or hardship. Finally, depending on the severity and duration of the impediment, different outcomes may be considered, including continued performance, temporary suspension of obligations, or termination of the contract. Thus, the principal issue in commercial contracts affected by sanctions is not merely establishing the existence of sanctions but determining their legal effect on the enforceability of the obligation and the contractual liability of the obligated party. This inquiry provides the basis for examining force majeure, suspension, and termination of international commercial contracts (Ebrahimi & Oyarhossein, 2012; Oloumi Yazdi & Razi, 2024; Razi & Badini, 2023).

4.3. Effects of Economic Sanctions on the Performance of International Commercial Contracts

Economic sanctions may seriously disrupt the performance of obligations arising from international commercial contracts by imposing restrictions on financial and banking transactions, transportation, insurance, exports, and imports. Such disruption may take the form of impossibility of performance, delay in performance, substantial increases in transaction costs, or loss of access to the resources and services required for contractual performance. Accordingly, the legal effects of sanctions on a contract cannot be assessed merely on the basis of the existence of an economic impediment; rather, it must be determined to what extent the sanctions have affected contractual performance and whether that effect is sufficient to eliminate or limit the obligor's contractual liability (Ebrahimi & Oyarhossein, 2012; Razi & Badini, 2023).

In this context, the most important issue is determining the causal relationship between sanctions and non-performance of the contractual obligation. If performance has genuinely become impossible because of sanctions and the impediment is beyond the obligor's control, unforeseeable, and unavoidable, the possibility of invoking force majeure arises. However, the fact that contractual performance has merely become more difficult or expensive does not necessarily establish force majeure, because performance may remain technically and legally possible even where its cost and difficulty have increased to an extraordinary degree. In such a situation, doctrines such as hardship and contractual clauses addressing changes in circumstances become particularly relevant (Ebrahimi & Oyarhossein, 2012; Katouzian, 2023).

The severity and nature of the sanctions-related effect are also relevant in determining the legal consequence. Where the impediment resulting from sanctions is temporary and performance can continue after its removal, suspension of contractual performance may be more proportionate than termination. By contrast, where sanctions continuously and fundamentally eliminate the possibility of performing the principal contractual obligations or deprive continuation of the contract of its subject matter or normal economic utility, termination of the contract may become relevant. Therefore, temporary impossibility of performance, permanent impossibility, and mere difficulty of performance must be distinguished because each may produce different legal consequences for the status of the contract and the liability of the parties (Katouzian, 2023; Oloumi Yazdi & Razi, 2024).

Ultimately, the effect of sanctions on the performance of international commercial contracts depends on a combination of factors, including the contractual provisions, the time at which the contract was concluded, the foreseeability of sanctions, the scope and severity of restrictions, the availability of alternative methods of performance, and the extent to which the sanctions affect the principal obligation. Therefore, a uniform legal consequence cannot be attributed to all contracts affected by sanctions. An accurate analysis requires a case-by-case examination of the contract and determination of whether the sanctions have rendered performance impossible, temporarily prevented it, or merely made it more difficult. On that basis, the legal effects of each situation may subsequently be assessed from the perspectives of force majeure, suspension, and termination in order to determine the scope of the parties' contractual liability and the appropriate solution for preserving or ending the contractual relationship.

4.4. Economic Sanctions and Force Majeure in International Commercial Contracts

Economic sanctions may be invoked as force majeure in contractual relations only where the conditions required for the application of that legal doctrine have been satisfied. Force majeure concerns the occurrence of an event beyond the obligor's control that renders performance impossible and that could not reasonably have been foreseen or avoided at the time the contract was concluded. Therefore, the mere imposition of sanctions or the increased difficulty of commercial relations does not, by itself, exempt the obligor from contractual performance. It must instead be demonstrated that the sanctions directly prevented performance and that the obligor had no reasonable means of avoiding their effects or resorting to an alternative method of performance (Ebrahimi & Oyarhossein, 2012; Katouzian, 2023).

In international commercial contracts, determining whether sanctions constitute force majeure depends substantially on the contractual terms and the circumstances governing the parties' relationship. Where the contract expressly includes economic sanctions, banking restrictions, export and import prohibitions, or governmental measures among force majeure events, reliance on the clause may be facilitated. Nevertheless, the legal effects of such a clause still require proof that the event actually affected contractual performance. Conversely, where the contract is silent on the matter, the governing law and the rules relating to non-performance must be applied to determine whether the sanctions possess the characteristics of a force majeure event. From this perspective, the foreseeability of sanctions at the time of contracting is also significant. Where, given existing political and commercial conditions, the parties could reasonably have anticipated the restrictions, reliance on force majeure may be limited (Ebrahimi & Oyarhossein, 2012; Razi & Badini, 2023).

A distinction must also be drawn between impossibility of performance and performance that has merely become difficult or expensive. Sanctions may completely prevent payment, transfer of goods, receipt of an authorization, transportation, or performance of another essential obligation; under such circumstances, the basis for invoking force majeure is stronger. However, where performance remains possible and only its costs have increased or the route through which it is performed has become more difficult, such increased costs do not necessarily establish force majeure, and the matter may instead fall within the doctrine of hardship. Accordingly, the principal criterion for determining force majeure is not the mere existence of economic loss but the actual extent to which sanctions affect the possibility of performance and whether the impediment can reasonably be avoided or substituted (Katouzian, 2023; Oloumi Yazdi & Razi, 2024).

Consequently, the effects of force majeure arising from sanctions do not necessarily result in termination of the contract. Where the impediment is temporary, its effect may be suspension of the obligation until the obstacle is removed. However, where sanctions continue to such an extent that the principal contractual obligation becomes permanently or fundamentally impossible to perform, termination or dissolution of the contract may become relevant. Accordingly, in international commercial contracts involving Iran, the force majeure analysis must simultaneously consider the contractual terms, governing law, timing and circumstances of the sanctions, their foreseeability, the extent of their impact on the obligation, and the availability of alternative methods of performance. Such an analysis, on the one hand, prevents unjustified exemptions from liability and, on the other, avoids imposing contractual liability where performance has genuinely been affected by an impediment beyond the contracting party's control.

4.5. Suspension of Contractual Performance Due to Economic Sanctions

Suspension of contractual performance as a result of economic sanctions arises where sanctions create a serious but temporary impediment to the performance of all or part of the contractual obligations without rendering performance permanently impossible. Under such circumstances, the contract and the parties' essential obligations remain valid, but performance of some or all obligations is temporarily halted until the impediment is removed. Economic sanctions may temporarily disrupt contractual performance through restrictions on fund transfers, interruption of banking relations, prohibitions on imports or exports, transportation and insurance restrictions, inability to obtain required authorizations, and difficulty accessing goods or services. Accordingly, suspension may be regarded as a mechanism for preserving the contractual relationship where immediate performance is impossible but sufficient grounds for terminating the contract have not yet arisen (Ebrahimi & Oyarhossein, 2012; Katouzian, 2023).

The application of suspension must first be assessed on the basis of the contractual terms and the law governing the parties' relationship. Where, at the time of contracting, the parties expressly identify sanctions, banking restrictions, export prohibitions, or other impediments beyond their control as circumstances giving rise to suspension, the scope and consequences of suspension will be governed by their agreement. In such circumstances, it should be specified how the occurrence of the event must be notified, when suspension begins following the emergence of the impediment, which obligations are suspended, and what duties the parties have to mitigate its effects. Where the contract is silent, the governing law and the rules relating to non-performance must be examined to determine whether the circumstances justify temporary suspension of contractual performance. Therefore, the existence of sanctions alone is insufficient to justify suspension, and the obligor must demonstrate an effective causal relationship between the sanctions and its temporary inability to perform (Ebrahimi & Oyarhossein, 2012; Razi & Badini, 2023).

A fundamental issue in this context is the distinction between a genuine impediment to performance and circumstances that merely make the contract more difficult or expensive. Where sanctions make the transfer of funds temporarily impossible, block the route for transporting goods, or create a specific legal prohibition affecting performance, the basis for suspension is significantly stronger. By contrast, where the sanctions merely increase transaction costs, reduce profitability, or make commercial activity more difficult, contractual performance cannot be suspended solely on that basis. In such circumstances, the issue may more appropriately be examined within the framework of hardship and the need for renegotiation or adjustment of contractual terms. Therefore, determining whether suspension is justified requires analysis of the nature of the impediment, the degree to which it affects the specific obligation, and the reasonable availability of alternative means of performance (Katouzian, 2023; Razi & Badini, 2023).

Suspension of contractual performance does not release the parties permanently from their obligations, and a fundamental distinction must be drawn between suspension and termination. Under suspension, the contractual relationship remains in force, and performance is expected to resume once the impediment has been removed. Termination, by contrast, concerns the ending of the contractual relationship and the loss of the possibility of its continuation. Therefore, where sanctions are temporary and their removal in the future can reasonably be anticipated, preserving the contract and temporarily suspending performance may constitute a logical and proportionate solution. Under such circumstances, the parties should refrain from conduct that aggravates the loss or destroys the possibility of performing the contract once the impediment is removed and should, to the extent reasonably possible, cooperate in identifying alternative means of performance (Ebrahimi & Oyarhossein, 2012; Katouzian, 2023).

During the suspension period, the status of the parties' ancillary and reciprocal obligations is also particularly important. Sanctions may suspend only one principal obligation while leaving other obligations capable of performance. For example, where delivery of goods is suspended because of transportation restrictions, obligations relating to notification, preservation of documents, protection of the goods, or mitigation of loss may remain binding on the parties. Moreover, the party invoking sanctions must make reasonable efforts to reduce their effects and may not rely generally on the existence of sanctions to avoid all contractual obligations. Compliance with these requirements may also affect the determination of potential liability and the amount of recoverable damages (Oloumi Yazdi & Razi, 2024; Safaei & Rahimi, 2020).

Another important issue concerns the duration and termination of the suspension period. Suspension cannot continue indefinitely because prolonged suspension may defeat the economic purpose of the contract and create uncertainty for the parties. International commercial contracts should therefore specify a definite period of suspension or establish clear criteria for its termination. Where, after a reasonable period, the impediment continues and there is no realistic prospect of its removal, termination or dissolution of the contract should be considered. Likewise, where the continuation of sanctions means that performance after removal of the impediment would no longer have economic or legal utility, the mere technical possibility of performance cannot invariably justify continuation of the contractual relationship. Under such circumstances, the legal consequences of termination and the status of the obligations and losses arising from it must be examined (Katouzian, 2023; Oloumi Yazdi & Razi, 2024).

Overall, suspension of contractual performance due to economic sanctions should be regarded as a temporary, conditional, and proportionate mechanism whose primary objective is to preserve the contractual relationship during a period in which performance has been temporarily obstructed. In international commercial contracts involving Iran, precise specification of the conditions for suspension, the procedure for notifying the occurrence of sanctions, the scope of suspended obligations, the parties' duties during the suspension period, its duration, and the conditions for resuming performance may prevent many subsequent disputes. The broader the effects of sanctions and the more complex the chain of banking, financial, transportation, and insurance restrictions, the greater the need for clear contractual provisions governing such circumstances. Suspension will therefore constitute the most appropriate legal solution where the sanctions-related impediment is temporary, capable of removal, and effective in preventing performance, while the logical and economically viable continuation of the contract remains possible after the impediment is removed.

4.6. Termination of Commercial Contracts Due to Economic Sanctions

Termination of commercial contracts due to economic sanctions becomes relevant where sanctions-related restrictions render performance of essential contractual obligations permanently impossible or impossible for an unreasonably prolonged period, such that continuation of the contractual relationship is no longer compatible with the contract's original purpose and economic rationale. Sanctions may, for example, make performance of a party's principal obligations practically impossible by legally prohibiting the transaction, cutting off access to the banking system, preventing the transfer of funds, restricting transportation or insurance, or prohibiting exports and imports. Under such circumstances, the issue is no longer merely increased difficulty of performance; rather, it must be determined whether the impediment has affected the very basis of the contract and eliminated the possibility of achieving its subject matter or principal purpose. Therefore, termination due to sanctions requires conditions going beyond the mere occurrence of loss or increases in commercial costs (Ebrahimi & Oyarhossein, 2012; Katouzian, 2023).

In international commercial contracts, the first basis for examining termination is the express terms and conditions of the contract. At the time of contracting, the parties may anticipate the potential effects of sanctions and specify the conditions under which sanctions-related restrictions will lead to suspension, cancellation, or termination of the agreement. A contract may provide, for example, that if a sanctions-related impediment continues for a specified period, the affected party will be entitled to terminate the agreement, or that after the expiration of a period of suspension, the contract will terminate automatically or upon notice by one of the parties. Such clauses are particularly significant in contracts concluded between parties located in different countries because they may substantially define the parties' obligations, notification procedures, treatment of losses, and legal consequences of termination. In the absence of such provisions, the possibility of termination is governed by the law applicable to the contract and the rules concerning non-performance (Ebrahimi & Oyarhossein, 2012; Razi & Badini, 2023).

One of the fundamental criteria for determining whether termination is available is the impossibility of performing the principal obligation. For example, if sanctions legally prohibit the transfer of funds to the counterparty's country and no acceptable and lawful alternative payment method exists, or if export and import prohibitions make it fundamentally impossible to transport the contractual goods to their destination, the impediment may exceed the level of ordinary commercial hardship. Nevertheless, impossibility of performance must be assessed objectively and in light of the actual circumstances of the contract. A mere assertion that sanctions have made a transaction difficult or expensive is insufficient to establish impossibility. The obligor must demonstrate that, despite reasonable efforts and consideration of alternative methods, there was no reasonable and lawful means of performing the obligation. Accordingly, the relationship between the sanctions and non-performance must be carefully assessed (Katouzian, 2023; Oloumi Yazdi & Razi, 2024).

A distinction must also be drawn between impossibility of performance and disruption of the contract's economic equilibrium. Sanctions may result in substantial increases in the costs of transferring funds, insurance, transportation, or obtaining raw materials while contractual performance remains technically and legally possible. In such circumstances, termination is not necessarily the primary remedy because increased costs or reduced expected profits do not, by themselves, amount to impossibility of performance. Where the circumstances have made performance exceptionally burdensome and costly, the issue may instead be considered within the doctrine of hardship and the possibility of renegotiating or adjusting contractual obligations. The severity of the sanctions-related effect must therefore be assessed in a manner that clearly distinguishes cases in which continuation of the contract has genuinely become impossible from those in which the economic conditions of the transaction have merely become less favorable (Oloumi Yazdi & Razi, 2024; Razi & Badini, 2023).

The persistence of sanctions and the length of time for which the impediment continues are likewise particularly important in determining whether termination is appropriate. Where the sanctions are temporary and there is a reasonable expectation that they will be lifted, suspension of contractual performance may constitute a more appropriate solution because the contractual relationship can be preserved and performance may resume after removal of the impediment. Conversely, where sanctions continue for an extended period and prolonged suspension effectively defeats the contract's economic purpose, continuation of the contract may no longer be justified. For this reason, many international contracts benefit from specifying a defined suspension period and providing a termination right upon its expiration. This issue is especially important in long-term contracts because prolonged non-performance may itself increase losses and eliminate the benefits expected by the parties (Ebrahimi & Oyarhossein, 2012; Katouzian, 2023).

Ultimately, termination of a contract due to sanctions should be understood as a consequence arising from the severity, persistence, and fundamental effects of sanctions on the contractual relationship, rather than as an automatic consequence of the imposition of economic restrictions. Where sanctions permanently or fundamentally render the principal obligation impossible to perform, no alternative method is available, and continuation of the contract has become inconsistent with its original purpose, termination may be legally justified. Conversely, where the impediment is temporary or contractual performance remains possible through a change of method, temporary suspension, or adjustment of obligations, preservation of the contract may be the more appropriate solution. Accordingly, the availability of termination must be determined by simultaneously considering the contractual provisions, governing law, timing and foreseeability of the sanctions, availability of alternative means, duration of the impediment, and its effect on the contract's economic purpose. Such an approach prevents premature termination of contracts, facilitates differentiation between genuine impossibility and mere difficulty or increased expense, and ultimately contributes to a more precise determination of the rights and obligations of parties to international commercial contracts affected by economic sanctions.

4.7. Distinguishing Force Majeure from Hardship in Contracts Affected by Sanctions

In international commercial contracts, economic sanctions may affect contractual performance in two distinct ways: in some cases, performance becomes practically impossible; in others, performance remains possible but the contractual equilibrium is seriously disrupted because of substantial increases in costs, changes in economic conditions, or the emergence of extraordinary restrictions. The first situation raises the concept of force majeure, whereas the second may be examined under the doctrine of hardship. Accordingly, sanctions cannot automatically be classified as either of these legal situations merely by virtue of their designation; rather, their actual effects on the relevant obligation and the conditions stipulated in the contract must be assessed (Ebrahimi & Oyarhossein, 2012; Katouzian, 2023).

Force majeure concerns a situation in which an event beyond the obligor's control makes performance impossible or substantially prevents it and, where the relevant conditions are met, may eliminate or limit liability arising from non-performance or delay. In international commercial contracts, economic sanctions may be invoked as force majeure where a clear relationship exists between the sanctions and the impossibility of performing the obligation and where the obligor could not have prevented their effects through reasonable measures. For example, a legal prohibition on transferring funds, a prohibition on exporting the contractual goods, or closure of a lawful transportation route may, where the required conditions are satisfied, create a serious impediment to performance. However, mere difficulty in completing the transaction or an increase in contractual performance costs is insufficient to establish force majeure (Ebrahimi & Oyarhossein, 2012).

By contrast, hardship refers to a situation in which contractual performance remains technically and legally possible but an unforeseeable event fundamentally disrupts the contract's economic equilibrium and renders performance exceptionally burdensome or costly for one party. Under sanctions, increases in money-transfer costs, changes in commercial routes, higher insurance and transportation expenses, substantial reductions in market access, or increased procurement costs may constitute circumstances making contractual performance more difficult without necessarily making it impossible. In such cases, the legal response generally focuses on renegotiation and attempts to restore contractual equilibrium rather than complete exemption from performance, thereby distinguishing hardship from the traditional consequences of force majeure (Katouzian, 2023; Razi & Badini, 2023).

The fundamental distinction between these two doctrines lies in the effect of the event on the possibility of contractual performance and the corresponding legal consequence. In force majeure, the central issue is that the external event has prevented performance or rendered it impossible for a specified period. In hardship, by contrast, performance remains possible, but economic and contractual conditions have changed so substantially that continued performance is no longer commensurate with the circumstances existing when the contract was concluded. Accordingly, force majeure may, under the prescribed conditions, lead to suspension or even extinction of the obligation, whereas hardship primarily provides grounds for negotiation, adjustment, or revision of the contract. This distinction is particularly significant in commercial contracts affected by sanctions because reliance on an inappropriate legal basis may result in rejection of the affected party's claim or generate disputes regarding the consequences of non-performance (Ebrahimi & Oyarhossein, 2012; Razi & Badini, 2023).

Determining whether sanctions constitute force majeure or hardship in a specific contract also depends substantially on the contract's own provisions. The parties may expressly classify sanctions, trade prohibitions, banking restrictions, or major regulatory changes as force majeure events or may establish a renegotiation and adjustment mechanism for hardship. In such circumstances, careful interpretation of the contractual clause, the scope of the event, the affected party's notification obligations, mitigation duties, and the duration of the impediment is essential. Consequently, the effects of sanctions cannot be examined independently of the contractual structure and the governing law, and coordination must be maintained between the general principles of contract law and the specific terms agreed by the parties (Ebrahimi & Oyarhossein, 2012; Katouzian, 2023).

Overall, distinguishing force majeure from hardship in contracts affected by sanctions contributes to a more precise determination of the legal consequences of sanctions for the contractual relationship. Where sanctions genuinely make performance impossible or legally prohibited, reliance on force majeure and, consequently, suspension or exemption from contractual liability may be available. Where performance remains possible and only its cost and difficulty have increased exceptionally, hardship provides a more appropriate basis for assessing the parties' position and the possibility of renegotiation or contractual adjustment. Accordingly, the principal criteria are not the mere existence of sanctions but the severity of their effects, the possibility or impossibility of performance, the contractual provisions, the governing law, and the foreseeability and controllability of the event. This distinction may, on the one hand, prevent misuse of force majeure as a means of evading contractual obligations and, on the other, provide a basis for legal protection of the affected party where sanctions have fundamentally disrupted the contract's economic equilibrium.

4.8. Legal Consequences of Non-Performance and the Parties' Contractual Liability

Non-performance of international commercial contracts resulting from economic sanctions constitutes one of the most significant legal issues arising from trade and financial restrictions because sanctions may impede one party's performance or result in delay, defective performance, or temporary suspension of obligations. Nevertheless, mere reliance on the existence of sanctions is insufficient to eliminate contractual liability. It must be determined whether the sanctions, under the contractual provisions and governing law, satisfy the conditions required for exemption from liability. In this regard, the general principle is that parties remain bound to perform their contractual obligations, and non-performance may be excused only where the impediment is beyond the obligor's control, unforeseeable or unavoidable, and causally connected to the failure to perform (Ebrahimi & Oyarhossein, 2012; Katouzian, 2023).

Where non-performance directly results from sanctions and falls within a force majeure clause or rules governing impediments beyond the obligor's control, its legal consequences may differ from those of an ordinary contractual breach. Under such circumstances, performance may be suspended for a period, and the obligor may, subject to compliance with contractual requirements, be exempted from liability for losses caused by delay or non-performance. For example, where sanctions legally prohibit the transfer of funds, issuance of an export authorization, transportation of goods, or the conduct of banking operations and no reasonable alternative method of performance is available, non-performance may be examined within the framework of force majeure. Nevertheless, the obligor remains required to notify the counterparty of the impediment within the prescribed period and to take reasonable measures to mitigate its effects; otherwise, the obligor may remain liable for part of the resulting loss (Ebrahimi & Oyarhossein, 2012; Safaei & Rahimi, 2020).

Conversely, where sanctions merely increase the costs of performance or make the transaction more difficult while performance remains possible, contractual liability is not automatically eliminated. In such circumstances, it must be determined whether the contract contains a mechanism for addressing hardship, fundamental changes in circumstances, or extraordinary increases in costs. Where such a clause exists, the parties may use mechanisms for renegotiation, adjustment of obligations, or modification of contractual terms. In the absence of such a provision, the legal consequences are governed by the applicable law and the principles governing the binding force and performance of contractual obligations. Therefore, a clear distinction must be drawn between "impossibility of performance" and "hardship," because the former may provide grounds for exemption from liability, whereas the latter does not necessarily have that effect (Katouzian, 2023; Razi & Badini, 2023).

Where contractual non-performance attributable to sanctions is nevertheless fully imputable to one party, the counterparty may, depending on the contractual provisions and governing law, invoke the available remedies. Such remedies may include damages, specific performance, suspension of reciprocal performance, or, where the applicable conditions are satisfied, rescission or termination of the contract. In this context, establishing the causal relationship between sanctions and non-performance is of fundamental importance because sanctions may constitute only one factor contributing to non-performance, alongside factors such as financial weakness, mismanagement, or market changes. Accordingly, accurate identification of the cause of non-performance and the degree to which sanctions contributed to it is essential for determining contractual liability and the amount of recoverable damages (Oloumi Yazdi & Razi, 2024; Safaei & Rahimi, 2020).

Overall, the legal consequences of contractual non-performance under sanctions cannot be determined by reference to a single rule. Rather, a combination of factors must be considered, including the contractual provisions, force majeure clause, possibility of performance, extent of the sanctions' effect, measures taken to mitigate losses, and the governing law. Where sanctions genuinely render performance impossible or legally prohibited, suspension of the obligation or exemption from liability may be available. Where continued performance remains possible, however, the general rule is that contractual obligations and the parties' liability continue unless another mechanism is provided by the contract or governing law. From this perspective, analysis of contractual non-performance under sanctions must strike a balance between protecting the injured party and avoiding the imposition of liability for circumstances genuinely beyond the obligor's power and control.

5. Discussion and Conclusion

The present study aimed to provide a legal analysis of the effects of economic sanctions on the performance of international commercial contracts, with particular emphasis on force majeure, suspension, and termination of contract. The central issue was to determine the extent to which economic sanctions may disrupt contractual performance and the legal consequences and remedies that may arise for the contracting parties under such circumstances. In this regard, the study examined the nature of economic sanctions and their effects on commercial relations, as well as the legal position of force majeure, hardship, suspension, termination, and the scope of the parties' contractual liability. The research employed a descriptive-analytical method based on library research, specialized books, scholarly articles, and relevant legal sources and sought to examine the various dimensions of the subject through an integrated approach linking contract law, international law, and international commercial law.

The findings indicate that the mere imposition of economic sanctions does not, by itself, extinguish contractual obligations or eliminate the obligor's liability. Rather, their legal effects depend on the type of sanctions, the severity of their impact on the contract, the contractual provisions, and the governing law. Where sanctions objectively, externally, and beyond the obligor's control render performance impossible or legally prohibited, force majeure may, subject to satisfaction of the other necessary conditions, be invoked, potentially resulting in suspension of performance or exemption from contractual liability. Conversely, where sanctions merely increase the cost of performance or make performance more difficult, the circumstances are more appropriately analyzed within the framework of hardship and may provide grounds for renegotiation, adjustment, or restructuring of contractual obligations. Furthermore, where the sanctions-related impediment persists and continuation of the contract becomes practically or legally impossible, termination of the contract may be considered as a final remedy.

Analysis of the findings demonstrates that the principal criterion for determining the legal effect of sanctions is not their mere existence but their actual impact on the possibility of performing the obligation. This distinction is important because broadly recognizing sanctions as force majeure may facilitate misuse of the doctrine as a means of escaping contractual obligations, whereas disregarding the genuine effects of sanctions may impose unfair liability on a party that had no ability to control or prevent the impediment. From this perspective, a clear distinction must be maintained between force majeure and hardship. Force majeure is principally associated with impossibility of performance and its implications for contractual liability, whereas hardship concerns circumstances in which performance remains possible but the economic equilibrium of the contract has been fundamentally disrupted. Moreover, in determining liability, the causal relationship between sanctions and non-performance is essential, and not every loss or delay occurring during a sanctions period can automatically be attributed directly to the sanctions. Among the principal limitations of the study are the complexity and multilayered nature of sanctions regulations, differences among the laws governing international commercial contracts, limited access to certain judicial and arbitral decisions involving sanctions, and the changing nature of sanctions regimes. Furthermore, a substantial portion of the effects of sanctions arises indirectly through the conduct of banks, insurance companies, transportation providers, and other third parties, making precise analysis of the causal relationship between sanctions and contractual non-performance more difficult. Despite these limitations, the present study has the advantage of not examining the issue solely from the perspective of liability or damages; rather, it analyzes the effects of sanctions in relation to force majeure, hardship, suspension, and termination as an interconnected legal framework. This approach may provide a more precise understanding of the legal protection available to parties to commercial contracts under sanctions.

Overall, the results demonstrate that economic sanctions neither automatically exempt a party from contractual performance nor invariably constitute a basis for claiming damages from the counterparty. Their effects must instead be assessed in light of the possibility or impossibility of performance, the contractual provisions, the governing law, the foreseeability and controllability of the event, and the degree of the sanctions' direct impact. Within this framework, force majeure may, where its conditions are satisfied, preclude liability for non-performance; hardship may provide grounds for adjustment and revision of obligations; and where continuation of the contractual relationship is no longer possible, termination may become relevant. Accordingly, adopting a differentiated approach based on the actual effects of sanctions can preserve the binding force of contracts while also enabling balanced protection of the parties and reducing disputes arising from economic sanctions in international commercial contracts.

Authors' Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

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