



Departamento de
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Título: The impact of economic sanctions on bilateral mergers and acquisitions

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Resumen: This paper quantifies the effects of **economic sanctions** on bilateral cross-border Mergers and Acquisitions (M&As) using a **gravity model**. It examines (1) the direct impact of sanctions on M&As from the sanctioning to the sanctioned country; (2) whether a significant share of M&As employs transit countries to circumvent sanctions; and (3) the heterogeneous effects of sanctions on M&As, considering whether they are imposed by a coalition of countries, the income levels of the sanctioning and sanctioned countries, as well as by sector and by type of restrictions imposed by sanctions. The results indicate that sanctions lead to a 13.5% reduction in bilateral M&As, and that the role of transit countries in circumventing them is limited. The negative effect is more pronounced when sanctions are imposed by a coalition of countries or target low-to-middle-income countries. The effects vary significantly across sectors and types of sanctions. At the sectoral level, the mining and quarrying, and **manufacturing sectors** are less affected compared to others. Sanctions that combine **restrictions on trade**, financial flows, and travel have the most severe impact, reducing the number of M&A projects by between 55% and 76%.

