
CRITICAL ANALYSIS OF INFLUENCE OF POLITICAL STANCE OF HOME COUNTRY ON TRANS NATIONAL CORPORATION IN ARMED CONFLICT - A STUDY BASED ON UKRAINE RUSSIA WAR

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ABSTRACT

Transnational corporations (TNCs) have gotten more attention in the context of global conflicts, not only for their direct involvement in war economies but as actors that can orchestrate strategic disinvestment. Building on a theoretical framework describing corporations' moral exits, this paper analyses TNCs' engagement in the war in Ukraine and explores why such seemingly commendable actions can have paradoxical and potentially destabilizing effects. Focusing on the example of Western companies that are leaving Russia, the research explores the extent to which disinvestment can be considered an indirect form of conflict participation, as well as the impact of disinvestment on the stability of the economy, access of civilians to goods, and the narratives of geopolitical actors. The research examines obligations when exiting conflict settings and suggests policy recommendations drawn from those assessments to make disinvestment conflict-sensitive, rights-based, and peace-oriented.

Keywords: Trans National Corporations, War, Human rights, Business, armed conflict, disinvestment, Ukraine-Russia war

1.INTRODUCTION

Transnational Corporations (TNCs) are businesses which operate across multiple countries, undertaking production, providing services, and trading outside of their country of origin. They are normally based from a headquarter in one country, known as the **home country**, from which the strategic choices and worldwide administration is handled. The countries wherein they operate are called **host countries**- where they create a subsidiary, a unit of production or services to serve these local markets, or to take benefit from factor like raw material or labors.

The home country enshrines the corporation's general principles, but the legal, political, and economic environment of the host country defines the reality of these corporations in action. The attitude of home country also may have a significant effect in the decision of TNC (transnational corporation) to continue, to freeze, or to withdraw its activities to a host country during the conflict, war or political turbulence.

The ongoing Ukraine-Russia war underscores a global trend in which corporate conduct, particularly during war times, is progressively being guided by their respective home countries political position. Through the activities of TNCs the specific geopolitical alignment of the governments, most notably of the EU¹ and of the U.S., as well as of allied nations has widely been manifested and has also characterized a new phase in terms of the state. That mix of sanctions, export bans, reputational pressure, and investor sentiment has produced a climate where neutrality is increasingly unattainable for most TNCs.

In face of international sanctions and public appeal, more than thousand TNCs on their own initiative, indirectly citing moral, legal, and reputational risks, withdrew or curtailed operations in Russia. These initiatives were largely praised as symbolic displays of support for Ukraine and commitment to the rules-based order — but they had unintended consequences: economic destabilization, unemployment, and greater suffering for the civilian populations. In fact, these disinvestments also involved handing over assets to local actors or to state-controlled entities, in some cases reinforcing and not undermining authoritarian power structures.

¹ *EU reaffirms unwavering support for Ukraine**, European Commission
https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1016.

1.1 Research Questions:

1. How do Transnational Corporations participate or impact armed conflicts?
 - 1.1 How does corporate disinvestment affect people in war zones?
2. What is the lacuna in existing legal framework that hinder the effective implementation of human rights obligations by TNCs?
3. What could be done to bridge this existing lacuna and translate Human Rights obligations into compliance procedure?

1.2 Research Objectives:

1. To understand the role of TNCs in armed conflict
2. To identify lacuna in existing legal framework
3. To explore measures to mandate human rights as a compliance procedure for TNCs

1.3 Research Methodology:

The research is qualitative and doctrinal in nature, wherein critical legal analysis is incorporated with case study approach. Through secondary international legal instruments, academic literature, human rights reports and policy papers, it analyses the role of Transnational Corporations (TNCs) in armed conflict. The Russia–Ukraine war is highlighted as an instance of modern corporate disinvestment resulting in geopolitical ramifications

2. Normative and Legal Framework

TNCs have emerged as significant global actors, sometimes even with more economic and political power than states. But, unlike states, they do not face direct international legal obligations regulating their behavior in armed conflicts but rather voluntary guidelines and scattered accountability regimes. This chapter examines the main legal and normative regimes developed to govern private sector conduct in armed conflict.

2.1 United Nations Guiding Principles on Business and Human rights (UNGPs)

The UNGPs, developed by John Ruggie and adopted by the UN Human Rights Council in

2011, represent the minimum global standard for business and human rights.

Pillar I: The duty of the state to protect

The UN Guiding Principles state that states have a responsibility to protect individuals from human rights violations by other parties, including businesses. Influenced by existing human rights treaties, this obligation to protect requires governments to regulate, investigate, and ensure remediation of corporate violations of human rights. State enforcement differs greatly, however, and in states affected by conflict, state capacity may be unavailable or wholly captured.

Pillar II: The Corporate Responsibility to Respect

TNCs should not violate human rights and should address adverse impacts other than on human rights that are being caused by or are directly linked to their operations, products or services by their business relations, even if TNCs have not contributed to those impacts. Firms must carry out HRDD, recognize and minimize risks, and be answerable for their consequences. However, the principles are not legally binding — following them is completely voluntary.

Pillar III: Access to Remedy

There must be access to judicial and non-judicial remedies for victims of corporate abuse.

2.2 OECD Guideline for Multinational Enterprises:

These guidelines foster responsible business practices regarding human rights, labor, environment, and anti-corruption. The Chapter IV deals with Human Rights, which recommends TNCs to uphold human rights and avoid human rights violations and to remedy every adverse impact. Conflict-affected and high-risk areas are subjected to particular scrutiny and warranted an even greater degree of care. In chapter II, general policies, Regular businesses are expected to honor human rights, respect sustainable development and not seek atonement from local legislations restricting rights. The OECD Guidelines recognize the dangers of war zones, but again, they're not binding.

2.3 Human right Due diligence (HRDD)

Human Rights Due Diligence (HRDD) represents the process by which businesses identify,

prevent, mitigate, and account for how they address their adverse human rights impacts. HRDD, defined in the UN Guiding Principles on Business and Human Rights, has been the leading normative mechanism in driving corporate accountability. Specifically, it obliges companies to identify human rights risks linked to their operations, supply chains and business relationships, especially in conflict-affected contexts where the risk of serious harm is higher. Although HRDD was proposed as a voluntary standard, it is becoming codified in national law, as evidenced in laws such as the France's Duty of Vigilance Law and Germany's Supply Chain Act, directing a global shift towards a legally binding compliance mechanism, instead of a corporate discretion to respect human rights. However, enforcement remains inconsistent and TNCs still see HRDD as a reputational exercise rather than any real compliance, especially where legal and institutional accountability is weak.

3. Case study on Corporate exodus in Russia post Ukraine- Russia War

On 24th feb,2022 the Ukraine- Russia war escalated into a full scale invasion. Until the 2022 invasion, Russia was a profitable and strategically critical location for a wide array of TNCs. Russia attracted investment from energy and finance, technology and fast-moving consumer goods; it promised its vast natural resources and a huge consumer base, not to mention a semi-open market. On an even smaller economic scale, Ukraine was important too, with major contributions to agriculture, tech outsourcing and industrial supply chains. The exposure of the two countries to the global economy was facilitated by their hosting of TNCs.

Even though there was tension between these countries since the 2014 Russia's annexation of Crimea, the 2022 invasion saw sanction from TNCs. The world saw mass exit of corporate from Russian market. Scholars termed it as 'corporate exodus' and clarified how it is not a mere reaction to the armed conflict but also non-state economic warfare.

Levels of exit:

1. Pausing investment- new investment or expansions has been suspended but existing operations are continued without hinderance
2. Scaling back- Reduced existing operations
3. Suspension- temporary halt of operations

- 4. Withdrawal- actions towards exiting market
- 5. Complete exit- complete termination of operations with assets either abandoned or sold

Levels of Exit	No. Of TNCs involved
Continue Operations	1794+
Pausing Investments	141+
Scaling Back	371+
Suspension	788+
Withdrawal	554+
Complete Exit	487+

Table 1²- No. of TNCs and corresponding levels of exit

Major Impacted Sectors due to corporate withdrawal:

The scope of economic disengagement for corporations in the aftermath of the 2022 invasion of Ukraine effectively saw every major sector of the Russian economy impacted. Whether out of concern for their reputation, or compliance with international sanctions, these actions collectively hindered the Russian economy and disrupted global supply chains. This section discusses the main sectors that were impacted due to corporate retreat.

3.1 Energy Sector

The initial and most prominent target for the retreat of corporates was the energy sector. This is because, Russia is one of the largest energy producers in the world, where the extraction and refinement of the largest projects depended on joint ventures with Western firms. British energy giant BP pulled out of its three-decade investment tie with state-controlled oil giant Rosneft in Russia, taking a massive \$25 billion write-off.³ Shell also exited joint ventures with

² This table is compiled based on empirical data available in #LeaveRussia, (Aug. 24, 2023), <https://leave-russia.org/>. and *Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain*, Yale School of Management (Oct. 16, 2023), <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>.

³ Reuters, *Britain’s BP Says It Will Exit Stake in Russian Oil Giant Rosneft*, **Reuters** (Feb. 27, 2022), <https://www.reuters.com/business/energy/britains-bp-says-exit-stake-russian-oil-giant-rosneft-2022-02-27/>.

Gazprom including strategic Sakhalin-II LNG project, announcing losses of more than \$4 billion.⁴ ExxonMobil left the management of the Sakhalin-1 project, completely withdrawing from Russia.⁵ Norway's Equinor also exited all joint ventures, citing misalignment with its values.⁶ In doing so, these companies dealt a serious reputation blow to Russia along with a large financial punch when they left.

3.2 Technology Sector

Microsoft announced it was halting all sales of new products and suspending many services.⁷ More than that, it acted strategically to help the cyber security of Ukraine. Many large Russian banks could no longer sell products and their Apple Pay was disabled.⁸ Enterprise software companies such as Oracle and SAP completely withdrew from the Russian market⁹, this created a huge vacuum in business and in many government services relying on database management and Enterprise Resource Planning (ERP). IBM, too, suspended all its Russian operations, impacting thousands of businesses. Such moves affected consumer tech.¹⁰

3.3 Consumer Goods Sector

Some of the most symbolic exits were in the consumer goods sector, where household names bowed to public and shareholder pressure. For instance, McDonald work begun in Russia in early 1990s and symbolized the end of Cold War period, it had to close over 800 outlets and sell them to a local licensee, and renamed them to "Vkusno & tochka".¹¹ Starbucks also pulled

⁴ Reuters, *Shell to Exit Russia Operations After Ukraine Invasion*, **Reuters** (Feb. 28, 2022), <https://www.reuters.com/business/energy/shell-exit-russia-operations-after-ukraine-invasion-2022-02-28/>.

⁵ Reuters, *Exclusive: Exxon Exits Russia With Empty Hands, Oil Project Unilaterally Seized*, **Reuters** (Oct. 17, 2022), <https://www.reuters.com/business/energy/exclusive-exxon-exits-russia-empty-handed-with-oil-project-unilaterally-2022-10-17/>.

⁶ Reuters, *Equinor Completes Exit from Russian Joint Ventures*, **Reuters** (May 25, 2022), <https://www.reuters.com/business/equinor-completes-exit-russia-joint-ventures-2022-05-25/>.

⁷ Microsoft halts new sales of products and services in Russia:

BBC News, *Microsoft Halts New Sales in Russia, Joins Growing Tech Exodus*, BBC (Mar. 5, 2022), <https://www.bbc.com/news/technology-60621205>.

⁸ Apple Pay and Google Pay disabled for Russian banks due to sanctions:

Chance Miller, *Apple Pay Payments Suspended in Russia with Local Banks Hit by Sanctions*, 9to5Mac (Feb. 25, 2022), <https://9to5mac.com/2022/02/25/apple-pay-payments-suspended-in-russia-with-local-banks-hit-by-sanctions/>

⁹ Oracle and SAP suspend operations in Russia:

Euronews Next, *Oracle and SAP Halt Operations in Russia as Tech Firms Join Sanctions over Ukraine*, Euronews (Mar. 2, 2022), <https://www.euronews.com/next/2022/03/02/ukraine-crisis-oracle>.

¹⁰ IBM suspends operations in Russia: Arjun Kharpal, *IBM Suspends All Business in Russia as Tech Companies Continue to Pull Out*, CNBC (June 7, 2022), <https://www.cnbc.com/2022/06/07/ibm-suspends-all-business-in-russia-.html>.

¹¹ TASS, *Rebranded McDonald's Restaurants Open Across Russia*, TASS (June 12, 2022), <https://tass.com/economy/1463999>.

out, shutting down 130 stores and severing all branding.¹² Coca-Cola and PepsiCo - The giants of the beverage industry put a stop on selling sodas and other drinks.¹³ One of the more controversial decisions came from PepsiCo, who decided to continue providing baby food and dairy products for humanitarian reasons. These moves interrupted consumers' daily lives.

3.4 Finance Sector

Visa and Mastercard, the global payment networks, paused operations in Russia¹⁴, leaving Russian cardholders without access to any international payments while they shifted over to the domestic alternative, Mir. American Express paused its operations in Russia and Belarus.¹⁵ At the same time, Goldman Sachs and JPMorgan Chase started taking measures to close down its businesses¹⁶, essentially cutting decades-long financial ties with the Russian market. Then, in the accounting sector, the Big Four such as PwC and KPMG severed ties with their Russian stakeholders.¹⁷

4. Critical Analysis: Factors Influencing Market exit:

4.1 Reduced share market price:

Researchers explored the factors influencing firms' decisions. The analysis shows that announcements of withdrawal from Russia are most likely from larger firms, especially those not in manufacturing or health care sectors. As it turns out, the most important predictor of these departures was not direct exposure to Russia, but rather a drop in stock prices preceding the exits. In the week leading up to the announcement of their withdrawal, firms suffered a negative return of approximately -3.5%, evidence of reputational damage and market pressure as central causes. Following the announcement of the exit, share prices stabilized, a sign that the divestment acted as a corrective tool, whereby a company reduces

¹² Associated Press, *Starbucks is Leaving Russia for Good*, AP News (May 23, 2022), <https://apnews.com/article/starbucks-leaving-russia-59e81265932244b2a50a42fd859fa9a2>.

¹³ Coca-Cola and PepsiCo Exit: CBS News, *Coca-Cola, PepsiCo, and Starbucks Suspend Business in Russia*, CBS News (Mar. 8, 2022), <https://www.cbsnews.com/news/coca-cola-pepsico-russia-business-ukraine>.

¹⁴ Axios, *Visa and Mastercard Suspend Operations in Russia*, Axios (Mar. 6, 2022), <https://www.axios.com/2022/03/06/visa-mastercard-russia-suspend>.

¹⁵ American Express Halts Operations in Russia and Belarus Bloomberg News, *American Express Suspends Operations in Russia and Belarus*, Bloomberg (Mar. 6, 2022), <https://www.bloomberg.com/news/articles/2022-03-06/american-express-suspends-operations-in-russia-and-belarus>.

¹⁶ Axios, *Goldman Sachs Begins to Wind Down Russian Operations*, Axios (Mar. 10, 2022), <https://www.axios.com/2022/03/10/goldman-sachs-existing-russian-operations>.

¹⁷ Jared Lindzon, *These Are the Companies That Have Pulled Out of Russia*, Time (Mar. 10, 2022), <https://time.com/6154429/companies-withdrawing-from-russia-ukraine/>.

both the block and individual attributes of deteriorating investor sentiment. Crucially, the study discovered that exit decisions were not related to the firm's economic exposure to Russia - either through direct business activity or local market shocks - underscoring that reputational factors took precedence over economic factors.¹⁸

4.2 Reputational Damage and Public Pressure:

As the invasion was initiated by Russia the sympathy of most countries were towards Ukraine. Campaigns such as the Yale CELI list¹⁹ and online boycotts put not just Russia but many of the companies underpinning its economy to take accountability. In this way, consumer and shareholder activism reconstituted the geopolitical action of a state as a risk to corporate reputation, forcing companies to exit in order to safe-guard public legitimacy and aligned stakeholder interests.

4.3 Host State Regulatory and Legal Uncertainty

The magnitude of uncertainty created by Russia's reactive measures to companies exiting the country have negatively impacted the already fragile legal grounds. Even the risk of nationalization, the difficulties associated with about repatriating profits, and the sudden shifts in laws made continued operation less appealing.²⁰

4.4 Home Country Governments Pressure vs Position of the Host State:

TNCs were left suspended between home state demands (many of which drove an equally vigorous political push back against Russia) and host state pressures or forms of coercion. Economic sanctions from the U.S., EU²¹ and G7 encouraged companies to cut ties with Russia.²² To conduct operations in Russia in this context would not only violate home country laws, but also potentially disenfranchise the firm's broader stakeholder community. At the same time, Russia pushed firms from neutral or non-aligned countries

¹⁸ Balyuk, T., & Fedyk, A. (2023). *Firms' exit decisions and stock returns in response to Russia's invasion of Ukraine*. Journal of Comparative Economics, 51, 1253–1273.

¹⁹ Yale Chief Executive Leadership Institute, *Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain*, YALE SCH. MGMT. (2024), <https://www.yalerussianbusinessretreat.com/>.

²⁰ Chris Crowe, *Russia Expropriation Fears Rising as Companies Exit*, INT'L BAR ASS'N (June 2022), <https://www.ibanet.org/Russia-Expropriation-fears-rising-as-companies-exit>.

²¹ Supra note 1

²² **G7, EU, and U.S. Sanctions Against Russia** – Council of the European Union. (2022). *EU sanctions following Russia's military aggression against Ukraine*. Retrieved from <https://www.consilium.europa.eu/>

to remain, attempting to turn corporate fealty into a political tool. Such a tug-of-war points to the extent to which geopolitical alliances have shaped TNC strategy.

4.5 Ethical Alignment and the Human Rights Record of the Host State:

TNCs with publicly committed ESG frameworks would have to refrain from doing business in a country under investigation for war crimes and systematic international law violations. Civil liberty abuses, civilian targeting, and blatant violations of UN mechanisms by the host state threatened the ethical stance that many companies publicly embraced. Staying would mean reputational death, not only for Western companies purporting to respect human rights, but also in many cases for other businesses. For this reason, divestment emerged as a moral obligation, and not simply a PR decision.

4.6 Host State Instability Linked with Operational Disruptions:

At the same time, the real time effects of international sanctions, together with the war footing of Russia, disrupted logistics, workforce mobility and financial transactions. And rather than express outrage towards the actions targeting these corporate entities, the host states respond directly to the undermining of viability of operations — restricting access to SWIFT, curbing foreign exchange, etc. This was not just risk factors, the conflict zone but the effective policy of the government causing a difficulty to the corporate to function. The burden of compliance to locally evolving laws and loss of critical services led to unsustainable business for many firms.

4.7 Long Term Strategic Positioning against Host State Risks:

If the war exposed short-term pressures, it also exposed long-term weaknesses in the strategy of relying on autocratic states for strategic operations. Russia had slipped further into isolation, and its unpredictability did not suit future growth as a host. Companies began to re-examine global footprints; de-risking portfolios and moving to markets with rule-of-law governance and policy transparency. As a result, not only did Russia's actions compel firms to exit now, they reconfigured the perception of authoritarian host states within the long-term, strategic planning of TNCs.

5. Conclusion

Examining the Russia–Ukraine war through this lens reveals that TNCs are not merely

passive economic actors; TNCs have become active players in the game of global power. Their reactions to conflicts, particularly as manifested in disinvestment or pull-out, have serious consequences not only for their economic viability and reputation but for the economy and well-being of the host nation as well as the political reality at large.

The nature of the Russia–Ukraine conflict showed that political alignment, human rights considerations, and pressure from home governments and international civil society were a determining force in corporate behaviour. The exit of so many corporations from Russia after 2022, not so much because legal sanctions were in place, but due to the essence of morality and the condition of reputational risk, highlighted the fact that TNCs have evolved from being merely economic subjects to ethical and political actors. Simultaneously, these pull-outs arguably destabilised the host state, interrupted the supply of basic goods and services, and in some cases massively supported the very authoritarian structures that they were attempting to disentangle from.

Existing legal frameworks, for example, the United Nations Guiding Principles (UNGPs) and OECD Guidelines, as well as national HRDD laws, offer a foundation for corporate accountability, but are incomplete and largely voluntary. This study exposes a gap both in the legal discourse and regulatory framework which allows companies to treat human rights only as an act of goodwill or a reputational checkbox. Disinvestment can be an impactful response in the face of armed aggression and human rights violations, but it must be carefully calibrated so that the civilian population does not suffer further and the response is being done in a way aligned with peace-building and justice-oriented goals.