The Sanction: A Primer

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What is a Sanction?

The sanction is a tool whereby one state, often referred to as the sender, restricts access to its market for another state, often referred to as the target, in an attempt to receive political concessions. There are several types of sanctions, each of which restricts access to the sender's economy. While some seek to limit inflows and outflows of goods from the sender's economy, others prevent physical access.

A sanction operates on the premise that economic losses can be translated into political pressure. The underlying logic of sanctions assumes that targets will rather concede on a political issue than deal with the economic harm caused by sanctions. For instance, the United Nations assumes that the cost of sanctions for North Korea substantially outweighs the benefits of acquiring nuclear weapons.

Differentiating Between Sanctions and Trade Disputes

Some economic sanctions are made up of import controls. Accordingly it is difficult to determine when an import control is being made use of for trade purposes or as an economic sanction. However, there are several key distinctions between economic sanctions and trade disputes. The most important distinction is that the instruments used in a trade dispute are ultimately in place to achieve a trade objective. However, economic sanctions are fundamentally meant to serve a political objective. It can be difficult to disentangle the two, as is the case with the U.S.-China trade war during the Trump administration. While import controls were used the trade war was not an instance of economic sanctions because it ultimately served a trade objective: resolving several disputes over dumping, export subsidies, and tariffs. While other issues were linked with the trade war, its ultimate objective was to obtain favourable terms of trade for the sender state. On the other hand, economic sanctions must have a political objective. For instance, the United States imposed sanctions on several Chinese officials in 2020 for participating in human rights abuses in China's Xinjiang province.

Nomenclature

A sanction, combined with others, creates a set of *sanctions*. It is extremely rare for only a single sanction to be put in place against a target. Most commonly sanctions are bundled together by senders so as to render their impact more comprehensive or maximise economic damage. Bundles of sanctions are often referred to as *sanctions regimes*. This is because the group of sanctions is governed by a central political goal, and their implementation is centralised in a by a single piece of legislation. Within sanctions regimes, there exist *sanctions episodes*. Sanctions episodes are instances when the sender adds more sanctions to the sanctions regime.

Types of Sanctions

Asset Freeze

The asset freeze is the most common form of modern sanction. The sender institutes a freeze on all assets owned by the target which are under the sender's control. For example, following the invasion of Ukraine in 2022, the United States froze over $300 billion in Russian Central Bank assets. This meant that the Russian Central Bank could no longer withdraw its assets from their holdings within the United States. However, the asset freeze requires for the sender to have assets owned by the target held within the sender's jurisdiction. The United States could not freeze all of the Russian Central Bank's assets, only those that were held in the United States, or in the possession of U.S. citizens. Therefore, while the asset freeze is the most common modern sanction, it requires the sender to be positioned in such a way that it holds a substantial amount of the target's assets within its jurisdiction prior to the imposition of sanctions.

Banks are legally compelled to implement asset freezes as required by the government. Should they fail to prevent foreign nationals or entities from accessing their funds, the banks are liable for fines in the range of hundreds of thousands to billions of dollars. Fines, coupled with the tendency for individuals or entities who are sanctioned to use friends' or family members' accounts pushes banks to engage in overcompliance, whereby they block the accounts of far more individuals than just those who are listed by the government. Additionally, asset freezes encompass transactions with the targeted individual or entity. Sender states prohibit transactions involving targeted individuals or entities and rely on banks and other financial institutions to enforce these prohibitions.

Different jurisdictions handle sanctions enforcement in different ways. Generally, all individuals and entities within a sender's borders must comply with the sanctions that the sender imposes. However, the United States employs citizenship-based jurisdiction, meaning that all U.S. citizens (or entities incorporated in the United States) must comply with U.S. sanctions, regardless of whether the individual or entity is within the borders of the United States. This, coupled with criminal liability for Americans who fail to enforce U.S. means that substantial overcompliance takes place for U.S. sanctions.

Travel Ban

A travel ban restricts entry into the sender state for designated nationals of the target state. While the targeted individual is not barred from leaving their country of origin, they are prevented from entering into the sender state. Travel bans are enforced at the sender's border, with border guards either preventing the targeted individual from entering the country, or refusing access to a visa.

Trade Restrictions

Trade restrictions closely resemble tariffs and quotas. The sender state may choose to increase the tariff of a product that is entering into the sender's economy, or outright ban its entry altogether. Goods such as oil, diamonds, and timber are commonly the subject of sanctions. A government may choose to impose trade restrictions for a variety of reasons, the most prominent of which is limiting the target's sources of financing. For instance, the United Nations imposed a rough diamond embargo on Sierra Leone in the 1990s in an effort to eliminate the Rebel United Front's (RUF) sources of funding. Modern versions of trade sanctions include the U.S. embargo on Syrian oil, selective bans on certain gems and gold in the Democratic Republic of the Congo, and a ban on debt instruments with a maturity of greater than 30 days against Russia in 2014. Nuclear non-proliferation sanctions impose trade sanctions on groups of goods such as Uranium, the goods needed to produce centrifuges, and supplies to create delivery vehicles.

Arms Embargo

An arms embargo is a specialised trade restriction that relates specifically to weapons. There are two main use-cases for arms embargoes: intervention in a conflict, and coercion of an opponent's military. In the former case, arms embargoes are designed to limit the scope of a conflict by restricting access to weapons which may prolong the conflict or increase civilian suffering. Arms embargoes have been relatively successful in preventing heavy weaponry such as attack helicopters and self-propelled artillery from entering into prolonged conflicts, such as the war in Sierra Leone. In the latter case, the sender is attempting to prevent the target from developing its military capabilities. The United States imposed an arms embargo against China to prevent it from gaining access to modern technologies such as stealth and guidance systems.

Specialised Mechanisms

Specialised mechanisms such as SWIFT can be used as a sanction as well. Tools such as SWIFT rely on weaponized interdependence to cut off targets from nodes within the world economy. Given that these nodes are domiciled in the sending country only, the target is unable to turn to a state other than the sender in search of an equivalent service. For instance, the removal of Iranian banks from the SWIFT electronic banking system meant that Iranian banks could not engage in electronic bank transfers, given that practically all electronic transfers were processed by SWIFT. Another example of a specialised mechanism is the Android operating system. While in recent years there have been attempts to create replacements for Android particularly in China, by being cut off from the Android ecosystem, a smartphone company is unable to provide the majority of services that are expected of modern devices. Specialised mechanisms are designed to inflict additional costs upon the target state in an attempt to compel the target state to comply.

Targeted Sanctions

Targeted sanctions are the modern form of economic sanction. While early sanctions regimes relied on wholesale embargoes on the target state, modern sanction regimes shift the burden of sanctions from the entire population, to just a select few decision-makers and stakeholders. While targeting only part of the target state would seem counterintuitive if the goal is to translate economy losses to political gains, by targeting decision-makers and stakeholders only, the sender state focuses the effects of sanctions away from the civilian population. The need for targeted sanctions came about as a result of the suffering of civilian populations in countries such as Iraq, which endured a 13-year long embargo from 1990 to 2003 which killed upwards of 500,000 children through starvation alone. Therefore targeted sanctions were turned to as a 'humane' economic weapon.

The SDN List

Sender states make use of a Specially Designated Nationals (SDN) list to identify all individuals and entities within the target state which sanctions are applied to. This list is composed of the few decision-makers and stakeholders who the sender identifies to be in positions capable of enacting change. Senders will distribute the SDN list to enforcement authorities and entities, such as banks or visa services. Any individual on the SDN list is likely to have their assets frozen and travel privileges revoked.

Other Types of Sanctions

Secondary Sanctions

Secondary sanctions use any of the mechanisms listed before, however they do not apply to the target state, but rather secondary states that support the target state. Secondary sanctions are designed to eliminate the most basic recourse of a target: shifting supply lines to a different trading partner. By applying sanctions to the secondary trading partner, the sender disincentives engagement with the target and eliminates the target's possible recourses. In 2018, U.S. secondary sanctions on Airbus saw the company lose $39 billion in revenue from a contract with Iran air. While the target of the U.S. sanctions was the Iranian aerospace industry, Airbus saw itself the target of secondary sanctions because of its ongoing contract to supply Iran Air with multiple aircraft.

In 2023, the European Union developed its own specialised secondary sanctions mechanism. The mechanisms housed in the 11th EU sanctions package against Russia enabled the EU to completely ban exports of certain types of goods to countries that it found to be supplying with Russia. Countries such as Kazakhstan and the UAE found themselves the subject of EU sanctions because of continued exports to Russia of steel and oil, amongst other goods.

Counterterrorism, Counternarcotics, and Other Non-State Actors

Sanctions can be employed against non-state actors in addition to state actors. Terrorist cells, drug cartels, and rebel groups often find themselves victims of sanctions. Sanctions against non-state actors do not differ much from sanctions against state actors: the entity and its leaders are added to the SDN list, their assets are frozen, and their travel privileges are revoked. However, the goal of sanctions against non-state actors tends to be more specific than against state actors. Sanctions attempt to eliminate the target's sources of funding and its capability to continue to operate. While only the senior leadership of a non-state actor is often named in the SDN list, any individual who can be traced back to the non-state actor is often the subject of sanctions. Success for sanctions against non-state actors is a cessation of activities.