

TYPES NOT MAPPED YET March 01, 2022 | TTR not mapped yet | Christopher T. Murray, Tyler Black

Sanctions

Coercive economic measures aimed at persuading the target to change behavior.

What Are Sanctions?

We have all watched for the past few weeks as tensions between Ukraine and Russia have mounted, culminating in an unprovoked invasion of Ukraine by the Russian Federation. As the US has debated its response, one word has threaded itself into seemingly every scenario: sanctions. This month, we take a step back and explain what sanctions are and who in government has authority over them.

[Sanctions](#) are coercive economic measures with a primary purpose of trying to persuade the target (*i.e.*, a government, entity, or individual) to change behavior. Sanctions can include restrictions on trade, banking, access to financial assets, and sometimes travel and can target both specific entities and even secondary targets that do business with targeted entities. Sanctions are not new. The [US sanctioned](#) Britain during the War of 1812 and the Confederacy decades later. A [US oil embargo](#) on Japan is often cited as a contributing factor to its attack on Pearl Harbor in 1941.

The US currently has a broad [range](#) of blocking sanctions in place: geographically targeted sanctions (*e.g.*, those on Iran, Syria); list-based targeted sanctions (*e.g.*, the Specially Designated Nationals and Blocked Persons lists); and sanctions targeted at certain economic sectors (*e.g.*, the petroleum sector of Venezuela). These blocking sanctions generally prohibit US persons from conducting business involving these sanctioned targets. Other economic sanctions, though not as onerous, include preventing a person from dealing in debt or equity or facilitating trade with a sanctioned target.

Who's In Charge?

The President has substantial [authority](#) over the administration of sanctions via executive order or the actions of the Executive Branch (*e.g.*, the US Department of Treasury) to promulgate regulations and identify sanctions targets. Congress has set the legislative requirements that confine or require certain sanctions actions, but these requirements generally grant the President broad foreign policy powers and interpretive license. Specifically, the [International Emergency Economic Powers Act](#) gives the President the power to use sanctions in a wide variety of events, and this Act is the basis for most [sanctions](#).

Most of the administrative authority for economic sanctions lies in [The Office of Foreign Assets Control](#) (OFAC) within Treasury. Though Treasury is the primary administrator of economic sanctions, the US Departments of State and Commerce each play related roles in administering export controls that affect exports to and transactions with foreign persons. OFAC was formally established in 1950 when then-President Truman sanctioned Chinese and North Korean assets during the Korean War.

Do They Work?

The effectiveness of sanctions depends on how reliant the targeted party is on the global financial system. Sanctions were credited with helping to facilitate the [2015 Nuclear Deal](#) between Iran, the US, and five other countries. But crippling economic sanctions on North Korea have not dissuaded it from continuing its own nuclear program, and 60+ years of severe trade embargo and sanctions on Cuba have failed to achieve significant reforms.

Though sanctions are often framed as a more peaceful, palatable alternative to outright conflict, they can have harmful unintended consequences. Existing US sanctions against the Taliban in [Afghanistan](#) are preventing the government from accessing enough money to run the country, where food and supplies are already running dangerously low. US sanctions that blocked transactions with Russian aluminum producer [Rusal](#) roiled



commodities markets in 2018 until sanctions were lifted nine months later. Another critique is that pervasive US sanctions weaken the dollar by restricting its use across the globe.

Russia has, so far, been defiant in the face of western sanctions. But the US, Europe, and many other nations continue to ratchet up the pressure on Moscow, some of which will have immediate effects such as freezing assets and denying new sovereign debt issuances, while other methods will take more time to bite, such as multilateral export controls.

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authorsTest

christopher

Christopher T. Murray

tyler

Tyler Black