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White Paper



Sanctions, a penalty through economic, political, or diplomatic means for disobeying a law or rule, are quite common within the geopolitical landscape of Great Power Competition. Sanctioning bodies apply pressure through the aforementioned means to target countries, organizations, groups, and individual stakeholders with the intent of modifying behaviors of sanctioned parties. Sanctions tend to be low-cost and low-risk methods used by sanctioning bodies to attempt to affect high costs on targeted entities, with varying results.

Key Points:

- Sanctioning bodies: a sanctioning body must have the strength and authority to impose stated measures if sanctions are realistically going to have any impact. Here are several examples:
 - United Nations Security Council (UNSC): The UNSC has imposed 31 Security Council sanctions since 1966 with 15 sanctions currently in place. The difficulty with getting the UNSC to establish and enforce sanctions is the competing national interests among Russia, China, France, Great Britain, and the United States, all of whom have veto authority and can stop a resolution single-handedly.
 - European Union (EU): The EU has over 30 existing sanctions to enforce or supplement UNSC sanctions or serve as autonomous sanction programs to support EU economic and diplomatic policy objectives.
 - United States: According to the U.S. Treasury Department Office of Foreign Asset Control, there are 38 different sanctions programs currently in force, in addition to approximately 12,000 “Specially Designated Nationals” identified as sanctions targets.
 - China: China rarely declares its economic sanctions. Instead, China prefers vague threats, leadership visits, selective purchases or non-purchases, and other informal measures. China also prefers to target individuals and organizations through government action, Chinese-owned business and/or consumer boycotts driven by strong encouragement from the Chinese Communist Party (CCP) central government.
- Effectiveness and ethics of sanctions: effectiveness of sanctions is debatable and depends on perspective:
 - Economists usually assess sanctions in the context of the economic impact caused by the measures, and political scientists assess sanctions in terms of achieving stated political objectives. In either case, sanctions usually do not deliver decisive results.
 - Ironically, sanctions often adversely impact those who have little power to change the behavior of those targeted by the sanctions. Sanction targets are often impervious to sanctions as they find ways to work around them at the expense of others who are not able to threaten their base of power.
 - While sanctions are not decisive and often prove to be overestimated in impact, they are arguably necessary to the geopolitical discourse in diminishing the volatility of higher-risk conflict.

Discussion:

Again, sanctions are a penalty through economic, political, or diplomatic means for violating a law or rule and are quite common within the geopolitical landscape of Great Power Competition. According to the United Nations, the purpose for sanctions is to apply pressure necessary to “support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.”

Key Definitions: definitions and categories of sanctions vary but basically fall into two categories, economic and political or diplomatic sanctions.

- Economic sanctions are trade, military, financial embargoes, boycotts, asset seizure and freezing, and restrictions.
- Political or diplomatic sanctions include expulsions, restrictions, suspensions; and bans of individuals, groups, or organizations to limit access and influence opportunities and resources.
- It bears noting that “tariffs,” that is, the imposition of one or more trade barriers executed by one nation against another to increase the relative price of select imported products compared to domestic products, can have a flavor of a sanction, but in most cases, tariffs are a protection action, and not a penalty.

Sanctioning bodies: to effectively apply sanctions, a sanctioning body must have the strength and authority to impose them if they are realistically going to have any impact. Few organizations and nations can impose sanctions at scale. Here are some key examples.

- United Nations Security Council (UNSC): the UNSC has imposed 31 Security Council sanctions since 1966 with 15 sanctions currently in place. The difficulty with getting the UNSC to establish and enforce sanctions is the competing national interests among Russia, China, France, Great Britain, and the United States; all of which have veto authority.
- European Union (EU): with a GDP comparable to the world’s second largest economy, that of China, the EU has over 30 existing sanctions to enforce or supplement UNSC sanctions or serve as autonomous sanction programs to support EU economic and diplomatic policy objectives.
- United States: as the world’s largest economy (with GDP of nearly \$27 Trillion in 2023), the United States works with the UNSC and EU to implement sanctions. The U.S. also has the power to take unilateral actions and does so as a matter of regular global discourse. According to the U.S. Treasury Department Office of Foreign Asset Control, there are currently 38 different sanctions programs currently in force, in addition to approximately 12,000 “Specially Designated Nationals” identified as sanctions targets.
- China: with the second largest economy in the world, China exercises its position through the UN and more recently has flexed its sanctioning strength through unilateral tools and coalitions such as the BRICS organization. According to the Carnegie Council for Ethics in International Affairs, China seldomly, openly declares its economic sanctions. Instead, China prefers vague threats, leadership visits, selective purchases (or non-purchases), and other informal measures. China also prefers to target individuals and organizations, not only through government action, but also through Chinese-owned business and consumer boycotts driven by strong encouragement from the CCP central government. For example, China has a unique sanction-like capability whereby it turns economic leverage into political leverage. Unlike most nations, China collateralizes its loans, meaning they guarantee the loans economically rather than politically. There are many nations in the Global South that are heavily indebted to China that inexplicably support China (or at a minimum remain silent). Case-in-point, many nations are standing on the sidelines in the Russia Ukraine War. Most of these nations highlight that they do not approve of Russia’s actions, but they also want to remain neutral. China uses this talking point often.

- BRICS (an intergovernmental organization comprising Brazil, Russia, India, China, and others; also known as BRICS+): although BRICS, as an entity, has not yet directly imposed sanctions, the addition of Egypt, Ethiopia, Iran, Saudi Arabia, and the UAE brings the total countries in the organization to 10; representing more than 45% of the world's population and 36% of global GDP when adjusted for purchasing power parity. As a result, BRICS has significant potential influence in the sanctions arena. Of note, China represents roughly 70% of BRICS GDP, and Russia ascended to the chair position of BRICS in 2024.

Examples of Sanctions Currently in Force:

- **United Nations Security Council (UNSC):**

- There are currently 15 UNSC sanctions in force in the areas of “political settlement of conflicts, nuclear non-proliferation, and counterterrorism.”
- Established in 1992, Al-Shabaab (Somalia) Sanctions is the longest standing UNSC sanctions regime consisting of an arms embargo, assets freeze; and bans on travel, charcoal, and Improvised Explosive Devices (IED) components.
- Other sanction targets include ISIL (Da’esh) and Al-Qaida, Iraq, the Democratic Republic of the Congo (DRC), Sudan, North Korea (DPRK), Libya, Central African Republic (CAR), Yemen, South Sudan, and Haiti.

- **United States:**

- According to the Treasury Department Office of Foreign Asset Control (OFAC), the United States currently has 38 different sanctions programs targeting over 25 nations. [Sanctions Programs and Country Information | Office of Foreign Assets Control \(treasury.gov\)](#).
- The U.S. also targets individuals and companies owned, controlled by, or operating on behalf of sanctioned nation states.
- Additionally, the U.S. targets individuals, companies, groups, and entities that are terrorists or drug traffickers not necessarily tied to a specific country. These individuals and companies are referred to as Specially Designated Nationals (SDN).
- OFAC currently has approximately 12,000 names identified as SDN sanction targets.

- **European Union:**

- The European Uni-programs has more than 30 sanctions to enforce UNSC regimes, supplement UNSC programs, or serve as autonomous sanction initiatives.
- The European Union list of sanctions is like the United States’ with some additional nations such as Burundi, Guatemala, Guinea, and a few others, to include the United States. [EU Sanctions Map](#)

- **China:**

- China's preference for sanctions is to target individuals, single companies, and groups or institutions vice nations.
- China's use of sanctions started to emerge as its economic power grew. Since 2012, it has implemented 39 sanctions with the majority targeting the United States, American based companies, and individuals.

- Since 2018, sanctions have increased targeting people and organizations criticizing China's violations of human rights in Xinjiang (repression against Uyghur Muslims and members of other minority groups). Also, leaders are cracking down on freedom and democracy in Hong Kong and furthering territorial disputes over Taiwan and the South China Sea.
- Like the United States' SDNs, China has an Unreliable Entity List that provides sweeping authority to target individuals who would dare to voice opposition to its domestic and international policies and activities.
- Unlike the UNSC, United States, and European Union, China is not transparent about sanctions and often intentionally leaves objectives and methods ambiguous to the public and sanction targets.

Effectiveness and Ethics of Sanctions:

The effectiveness of sanctions is debatable and depends on an individual's or nation's perspective.

- Economists usually assess sanctions in the context of the economic impact caused by the measures, and political scientists assess sanctions in terms of achieving stated political objectives. In either case, sanctions have been unable to achieve decisive positive results. Sanctions are normally used as part of a larger set of actions if the goal is to change behavior. However, if the goal is simply to send a message, stand-alone sanctions are appropriate.
- Though not decisive, sanctions provide policy makers with political and economic tools short of war that create dilemmas that degrade the capability for sanction targets in ways that cause them to modify behaviors, which would have otherwise remained unchanged or emboldened.
- At risk is the fact that sanctions have also led targeted nations and entities to adapt, entrench, and become emboldened to succeed in the long run, despite the impact of sanctions.
- Ironically, sanctions often adversely impact those who have little power to change the behavior of those targeted by the sanctions.
- Meanwhile, sanction targets can sometimes be impervious to sanctions and find ways to work around them at the expense of others who are not able to threaten their base of power.
- Sanction "busting" is not as effective as it is sometimes reported. To be sure, there are ways to get around sanctions, but these measures are often costly and usually only partially mitigate the costs of the sanction. For example, Russia's oil sales to China and India are heavily discounted. While this is a form of sanction busting, Russia is still paying a price, as Russia is not getting full price for its oil. Furthermore, a Russian "ghost fleet" is transporting its oil, and the rates that it pays for this are astronomical compared to normal shipping costs.
- Time is an important factor with sanctions, and time cuts in both directions. For example, for sanctions to take hold, it requires time for the impacts of the penalties to be felt or realized. Conversely, time also allows the sanctioned party to wiggle out of some, if not most, of the effects with mitigation measures.

Great Power Competition:

The ability to circumvent sanctions depends on the influence and scale of both the sanctioning body and the target.

- **Russia:**
 - Sanctions are impacting Russian President Vladimir Putin's economic regime by limiting its access to funding, technology, and oil revenues.

- However, Russia is the 8th largest economy in the world, the world's second largest exporter of oil; and has been able to mitigate its supply chain challenges in violations of sanctions through nations such as China, India, and Turkey to help reduce the impact of the sanctions. However, this does not eliminate the impact of the sanctions.
- The West, to include the U.S. and the EU, has implemented an extensive and ever-increasing regime of sanctions against Russia, yet to this point these measures have not produced the anticipated debilitating impact on Russia, which has circumvented these sanctions in many ways.
- According to the Wall Street Journal, "Russian companies have found workarounds for sanctioned goods and services, channeling imports through China, Turkey, the United Arab Emirates, and Central Asia, say current and former U.S. and European officials." Furthermore, in February, Western officials claimed that sanctions were "hurting Russia's military industry would prevent the Kremlin from producing enough ammunition for its war needs."
- However, a January study from the Kyiv School of Economics shows that "roughly 95% of 2800 foreign components found in Russian weapons on the battlefield since the war started were Western. Over 70% came from U.S. firms." This situation exists because Russia used, for decades, such components from the West, especially to include the United States. The idea that these parts would be sanctioned and then suddenly disappear from all Russian equipment is probably not realistic. Further, U.S. export controls are known to be a slow acting instrument.
- **China:**
 - China will continue to be ambiguous and deceptive as it enforces sanctions targeting individuals, single companies, and groups or institutions instead of nations.
 - China uses its position as a UNSC permanent member to block sanctions initiatives by the U.S. and EU targeting nations such as Iran, North Korea, Syria, and Russia.
 - China will continue to use import restrictions, travel bans, bans on cooperation by Chinese entities, export restrictions, and asset freezes as coercive tools to block and deter anyone supporting U.S. policies and influence in support of Taiwan, nations in the South China Sea, Hong Kong, North Korea, and Russia.
 - A recent example includes China's coercive exit from technology not made in China. The government has implemented bans of any Chinese government and state-owned enterprises from using or bringing any Apple products to work and is highly encouraging consumer boycotts. They are divesting from foreign-made technology and replacing it with products produced by Huawei.
- **BRICS:**
 - The BRICS coalition is a watch item to see how the next years and decade evolve for practical influence in the global economy.
 - Containing two of three main great power competitors, China brings economic clout and Russia brings temporal leadership, just having ascended to Chair of BRICS.
 - Rhetoric within BRICS publications is increasingly anti-U.S., Anti-NATO, Anti-EU, and pressing for de-dollarization and alternative currencies like blockchain payment system. That said, these ideas and initiatives are not in place and nor are they effective. For example, replacing the dollar as the global currency of choice, while worrisome, is many miles from becoming a reality.

Implications and Forecast:

Sanctions are often used in concert with other tools. When used alone, they are not decisive and often prove to be overestimated in their impact. Yet, they are arguably necessary to the geopolitical discourse in diminishing the volatility of high-risk situations.

Additionally, sanctions are an effective geopolitical tool for modifying behaviors and degrading capabilities of target nations, groups, and individuals and their ability to sustain nefarious behavior.

Although the strategic and operational value of sanctions serve as a tool for policy makers short of armed conflict, nations need to ensure they do not unduly harm the innocent rather than deter or change the behavior of the targets of the sanctions (individuals, groups, or nations). It bears once again acknowledging that 70% of Russian trade is not sanctioned.

In Global Power Competition, sanctions are having an undesirable second order impact of not only isolating the West from the East, but also coalescing the East. An excellent example is Russia's efforts to circumvent sanctions by leveraging Eastern support, noting that Russia is gaining partial relief from sanctions, but has not yet eliminated the overall impact of the sanctions.

Leaders can anticipate Russia will continue to circumvent Western sanctions regimes at a pace that may preclude it coming to operational culmination regarding its war with Ukraine. But we must remember that sanctions are just one of many tools to influence behavior, as part of a greater tool kit to impose costs on Russia. Since China exercises the most economic leverage in BRICS and Russia has ascended to its Chair, leaders might anticipate increased BRICS rhetoric and economic influence aimed at sanctioning the U.S. and EU, as well as serving as a venue for circumventing sanctions imposed on Russia for its invasion of Ukraine and China's illegal activity in the South China Sea.

Expect China to become more coercive in its sanctions due to international opposition to the degradation of freedom in Hong Kong and its more aggressive posture with Taiwan and throughout the South China Sea. For companies, the primary concern regarding sanctions is compliance. A breach of a sanction could result in fines, criminal liability for executives, and reputational damage, which may impact future business. Large corporates generally include OFAC compliance within their overall compliance program, which includes risk assessment, training, monitoring, auditing by internal audit, and legal consultation. The importance of compliance is critical and often challenging through global sales distribution channels and supply chains where monitoring and internal controls play a pivotal role. Compliance with sanctions is a complex and difficult area, especially given the potential significant economic impacts of sanctions for a firm that has exposure in markets with targeted sanctions.

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