

SANCTIONS SCHOOL

History of sanctions

Sanctions and embargoes can be reliably traced back to ancient Greece, and one well documented instance dates from 432 BCE, when Pericles' Megarian decree was enacted. This was effectively an embargo placed on the Megarians, preventing them from using ports and marketplaces within the Athenian empire. There is much debate around this action being a catalyst for the Peloponnesian war between Athens and Sparta.

During the Thomas Jefferson presidency, the United States enacted an embargo against Haiti between 1806 – 1808, cutting off all trade and attempting to isolate Haiti. Just over a century later, the UK enacted the Trading with the Enemy Act (TWEA) 1914, this was followed by a similarly titled act in the US three years later (1917) in response to WWI. Both acts are still in force and the US TWEA is still applied to Cuba.

Sanctions have continued throughout history, but all current active sanctions programmes are post second world war. The formation of the United Nations in 1945 played a significant role in how sanctions are used in the second half of the 20th century, with the use of sanctions included in the UN charter.

The UK Finance sanctions school is free to everyone and builds knowledge and understanding of the international sanctions environment.

Year 1 materials cover the foundations of what sanctions are, their history, what types of sanctions are imposed, the key regulators for UK based companies and the licences, reporting, and enforcement that sanctions programmes have.

This is lesson 2 of 12, which covers the history of sanctions. The other lessons, tests, and the end of year exam are available on the [UK Finance website](#) along with links to accompanying podcasts for each lesson.

The Cold War stifled the power of UN sanctions, with only South Rhodesia (1966), because of their move to independence away from the United Kingdom and South Africa (1977), because of apartheid, being sanctioned. The structure of the UN Security Council hampered the UN's ability to impose sanctions in the Cold War, since both the USA and the USSR had the ability to veto. (See lesson 7 for more details). Post the Cold War, there has been a significant increase in their use, and there are currently 14 active UN sanctions regimes in place, which include sanctions on the DPRK, terrorist groups such as ISIL and Al-Qaida, Iraq, and South Sudan amongst others. Sanctions have been an easy foreign policy measure on the 'war on drugs', the 'war on terror' and the 'war on organised crime' to name but a few areas.

There have also been developments in how sanctions are implemented, particularly after the humanitarian impact of 'comprehensive' sanctions, implemented against Iraq in the first half of the 1990s. To try and reduce the humanitarian impact of sanctions on the population of the target government, the concept of 'smart' or 'targeted' sanctions were introduced, these are intended to focus on those responsible for the actions which are being sanctioned, rather than the whole population. It is this model of 'targeted' sanctions which has been the prevalent form in the 21st century.

There have also been counter sanctions measures such as UK Protection of Trading Interests Act 1980 which prevented overseas legislation impacting UK persons, and the 1996 EU blocking regulations which the UK carried over post Brexit, this targets extra-territorial US legislation against Cuba, Iran and Libya.

How effective are sanctions?

A history of sanctions inevitably must grapple with the question of the effectiveness of sanctions. This is a highly debated academic question, and there is no one clear answer, particularly since the term 'sanctions' encompasses a huge variety of scenarios, with sanctions being imposed by one country's government having a lesser impact than sanctions being implemented by the UN, since UN sanctions are implemented by all UN members. It is thought that the more widely sanctions are implemented, the more effective they will be, due to the limited alternatives to deal with. For example, if only the UK sanctions A and puts an asset freeze on, A's assets outside the UK nexus, so for example A's assets in China or Russia would still be available for them, whereas if the UN put an asset freeze on A, every country would be obliged to implement an asset freeze and so A's access to their assets would be significantly reduced.

The variety in target, and the type of sanctions used, since we have various types of sanctions. (See lesson 1 and lesson 3 for more information). This makes it impossible to give a sweeping statement that sanctions are always/never effective, but rather we can identify trends and scenarios where sanctions are more likely to be effective. We also should consider what effective means in the context of sanctions, and how realistic the foreign policy goals which the sanctions have been imposed for, are.

In the academic literature, there is a general consensus that sanctions are effective only some of the time, since 2000, we have seen the ever-more frequent use of sanctions. This is partially because of the political utility of sanctions, since they are a step-between a diplomatic solution and military warfare, and show the public as well as the global community, that this action is worthy of rebuke.

Sanctions in action:

CASE STUDY

Cuba:

The US sanctions against Cuba are the longest standing sanctions programme in the world. They are also one of the most comprehensive and complex that international banks deal with.

No other nation has a sanctions programme against Cuba and with the EU being Cuba's largest trading partner this can cause compliance challenges for European banks.

Cuba and the US have a relationship that dates to 1898 when Spain ceded its claims on Cuba to the US following defeat in the Spanish-American war, a war partly triggered by US support for Cuban independence from Spain. The US maintained the right to intervene in Cuban national affairs until 1934, when it extracted from this and gave Cuba true independence.

In 1958 the US withdrawal of support for the Batista government allowed Castro, with help from Che Guevara to overthrow the government.

The crux of US sanctions was triggered in 1960, when the new Cuban government nationalised all US businesses in Cuba without compensation. This led to the start of US sanctions, primarily with a blockade.

Fearing a US invasion, Cuba allowed the USSR to locate nuclear warheads on the island. A move which brought the world to the brink of a nuclear engagement, the Cuban missile crisis, which was only averted by some of the most important diplomacy of the 20th century.

Cuban sanctions are maintained under a number of statutes, such as the Trading With the Enemy Act 1917, as well as a code of federal regulations (CFR 515) covering the programme.



CASE STUDY

Iran:

Iran has had sanctions imposed on it from 1979, predominantly by the US, with various justifications, most notably for Nuclear Proliferation, but also for accusations of state sponsorship of terrorism. The first sanctions, which were the banning of Iranian imports to the US and \$12 billion of Iranian assets being frozen by the US, happened in 1979, in response to the events at the US Embassy in Tehran.

In 1984, the US added more comprehensive sanctions on the basis that Iran continually supported acts of international terrorism. In 1992, more sanctions were imposed in the aim of stopping Iran's (and Iraq's) acquisition of 'chemical, biological, nuclear, or advanced conventional weapons' in the Iran-Iraq Arms Non-proliferation Act.

In 1996 and 1997, trade sanctions were enacted between the US and Iran by the US, banning the export of goods to and import of goods from Iran. This pattern of US imposing sanctions on Iran continued, until 2007, when the UN security council, also imposed sanctions on Iran because of its nuclear program. These sanctions were expanded in 2008, and later on in 2010. In 2010, the US further strengthened its sanctions regime against Iran, and the EU also implemented targeted sanctions in connection with Iran's nuclear program.

This pattern of escalating sanctions continued until 2013, when the Joint Plan of Action was formed. This was a deal between Iran and the sanctioning countries where it was agreed that Iran would reduce nuclear activity in exchange for limited sanctions relief and the repatriation of some assets which had been frozen. This deal was formally adopted in 2015, and was complied with, however U.S. President Trump unilaterally withdrew from the agreement. The US then reinstated harsher sanctions and in response Iran started to increase nuclear output. Despite ongoing negotiations, all sides have been unable to agree to a new treaty, and so the US still imposes significant sanctions.

Judging whether the US sanctions against Iran are effective is complicated, since on the one hand it is certain that they have not fulfilled the primary aim of making Iran comply with Nuclear Non-Proliferation, and preventing the Iranian enrichment of uranium. On the other hand they may have stopped Iran from being able to obtain a nuclear weapon, and so have partially fulfilled the US foreign policy aim of imposing sanctions on Iran.

In 1996, there was another Act passed by the US, intended to stop investment in Iran's petroleum industry, in order to stop Iran from being able to access funds, with which it might obtain or develop weapons of mass destruction (WMDs), however these sanctions were not implemented until 2010, due to opposition from European countries.

In 1996, there was another Act passed by the US, intended to stop investment in Iran's petroleum industry, in order to stop Iran from being able to access funds, with which it might obtain or develop weapons of mass destruction (WMDs), however these sanctions were not implemented until 2010, due to opposition from European countries.



CASE STUDY

Russia:

Russia caused another shift in the way sanctions are applied. Following the annexation of Crimea in 2014 there was a coordinated response from the EU and US which included the familiar asset freeze requirements.

The Russia sanctions brought in sectoral sanctions, aiming at specific areas of the Russian economy such as oil. The restrictions included export controls on oil exploration technology and restrictions on lending to certain Russian companies and banks.

The 2022 invasion of Ukraine brings us right up to date with the most recent prohibitions and nuances in how sanctions are being targeted. We can see how there has been an extension of sectoral sanctions, with professional and business services (accounting, business and management consulting and public relations services) being prohibited, as well as prohibitions on the import of gold and coal.



The EU brought in a prohibition on registering, providing a registered office, business or administrative address as well as management services to, a trust or any similar legal arrangement having a trustor or a beneficiary connected to Russia. We can see how the sanctions against Russia have expanded into areas hitherto not connected with sanctions.

Glossary

'Comprehensive' sanctions

– a very broad way of imposing sanctions, which designates the country and entities or individuals that are located or connected to the country as a whole

DPRK

– Democratic People's Republic of Korea, commonly known as North Korea

Embargoes

– Originally referring to as state prohibiting foreign ships to enter or leave its ports, it now refers to an official ban on trading or conducting other commercial activity with another country.

Embargo is an economic term.

UN Charter

– the founding document of the United Nations, which sets out the purposes and principles of the United Nations

Authors



Neil Whiley
Director, Sanctions
Economic Crime



Anila Haleem
Manager, Sanctions
Economic Crime



Francesca Flynn
Intern, Sanctions
Economic Crime