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## Economic Sanctions: Overview for the 117<sup>th</sup> Congress

### Economic Sanctions and Authorities

Economic sanctions in furtherance of foreign policy and national security objectives are coercive economic measures taken against a target to bring about a change in behavior. In U.S. foreign policy and national security, sanctions can include such measures as trade embargoes; restrictions on particular exports or imports; denial of foreign assistance, loans, and investments; blocking of foreign assets under U.S. jurisdiction; and prohibition on economic transactions that involve U.S. citizens or businesses. Secondary sanctions are sometimes used to put additional pressure on the sanctions target. They penalize third parties engaged in activities with the primary sanctions target that undermine or evade the purpose of the sanctions regime.

### The Role of the President

Most U.S. economic sanctions imposed for foreign policy or national security reasons are based on national emergency authorities. The President, for a variety of reasons related to constitutional interpretations and related legal challenges throughout U.S. history, holds substantial decisionmaking authority when economic sanctions are used in U.S. foreign policy. If the sanctions are to be a part of a policy already identified by Congress in legislation, the President is to follow the requirements of the relevant legislation. Thus, for example, sanctions imposed on Russia relating to its invasion of Ukraine, the death of Sergei Magnitsky, government corruption, weapons proliferation, weapons trade with Syria, election interference, and sanctions violations relating to North Korea are based on legislative requirements. It remains, however, the executive branch's responsibility to make each determination under law that forms the Russia sanctions regime. Determinations are to be based on national emergency, international emergency, and treaty obligations stated in legislation.

The President may also act as a sole decisionmaker by determining that a situation poses an "unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States." In this process, the President declares that a national emergency exists, as provided for in the National Emergencies Act (50 U.S.C. 1601 et seq.), submits that declaration to Congress, and publishes it in the *Federal Register* to establish a public record. Under this national emergency, the President further invokes the authorities granted to his office in the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.).

### The Role of the Executive Branch

In the executive branch, the responsibility to implement and administer sanctions resides throughout agencies and

departments, but primarily with the Departments of State, the Treasury, and Commerce:

- the State Department manages arms sales, diplomatic relations, visa issuance, military aid, and foreign aid;
- Treasury regulates transactions, access to U.S.-based assets, use of the U.S. dollar and U.S. banking system, and the U.S. voice and vote in the international financial institutions; and
- Commerce oversees export licensing and compliance with international obligations primarily associated with nonproliferation.

To a lesser extent, other agencies have a role particular to their own missions. The Department of Justice prosecutes sanctions evasion and violations of sanctions and export laws. The Department of Homeland Security oversees customs affecting importation and has a supporting role to the State Department in visa issuance. The Department of Energy has a role in overseeing obligations under international nuclear agreements.

### The Role of Congress

Congress has a role in defining the concerns to which sanctions are applied. As part of this responsibility, Congress enacts legislation to authorize, or in some instances to require, the President to take action to address foreign policy and national security concerns. Congress has, for example, taken the lead in writing into legislation the authority for the President or executive branch to use sanctions to address the rise of military coups d'état, weapons proliferation, international terrorism, illicit narcotics trafficking, human rights abuses (including trafficking in persons and foreign states' failure to uphold religious freedom), regional instability, cyber insecurity, corruption and money laundering, or events rising from specific regions or countries, including Russia, North Korea, and Iran.

Most often, however, even when Congress enacts an authority or requirement to use economic sanctions, it refers back to the national emergency and international emergency frameworks for implementation.

### Sanctions Regimes in 2021

The United States maintains an array of economic sanctions against foreign governments, entities, and individuals, covering

- foreign governments it has identified as supporters of acts of international terrorism (Cuba, Iran, North Korea, Syria); nuclear arms proliferators (Iran, North Korea, Syria); egregious violators of international human rights norms, democratic governance, or corruption standards (Belarus, Burundi, Central African Republic, Cuba,

Democratic Republic of the Congo, Iran, Libya, Nicaragua, North Korea, Russia, Somalia, South Sudan, Syria, Venezuela, Western Balkans, Yemen, Zimbabwe, and the Hizbollah organization); and those threatening regional stability (Iran, North Korea, Russia, Syria);

- individuals and entities found to be active in egregious human rights abuses and corruption within the state system, international terrorism, election interference, intelligence-sector overreach, illicit narcotics trafficking, weapons proliferation, illicit cyber activities, conflict diamond trade, and transnational crime; and
- individuals and entities to meet the requirements of the United Nations Security Council (Central African Republic, Democratic Republic of Congo, Eritrea, Guinea-Bissau, Iran, Iraq, Lebanon, Libya, North Korea, Somalia, South Sudan, Yemen, and individuals affiliated with the Islamic State [Da'esh], al-Qaida, or the Taliban).

## The Economic Impact of Sanctions

### Economic Impact on the Target

The intended economic impact of various U.S. sanctions by design varies widely. Some sanctions are designed to have a broad, destabilizing effect on a target country's economy, often in an effort to seek significant changes in the government's behavior or a change in government. Sanctions on Iran and Venezuela, for example, target the key revenue-producing sector in the economy (oil) and the central bank, and restrict access to the U.S. financial market, which is widely used to conduct international transactions. Likewise, restrictions on some Russian companies' access to U.S. financing intend to create a disruption in the availability of credit for Russian state-owned or politically connected firms.

Other sanctions are designed to put targeted economic pressure on key decisionmakers while minimizing collateral damage for the target country's citizens and U.S. economic interests. Freezing the U.S. assets of the wife of Venezuelan President Maduro, for example, likely does not have broad effects on the Venezuelan or U.S. economy, but is intended to put pressure on the Maduro government to change its behavior. Other sanctions' targets are more symbolic than disruptive of ongoing economic activities. It is not clear, for example, that the Russian organization Night Wolves (a pro-Kremlin motorcycle Club) had robust economic relationships with the United States before it was designated for sanctions.

The economic impact of a sanction also depends on the extent to which the target is able to circumvent or adapt to the sanction. The Maduro government of Venezuela, for example, has sought closer economic ties with China and Russia in the face of U.S. sanctions, and the Russian government used its sizeable foreign exchange reserve holdings to support sanctioned firms and focused on creating domestic industries. It is more difficult for the target to find alternative markets when sanctions are imposed multilaterally than when sanctions are imposed unilaterally.

### Economic Impact on the United States

Sanctions also impose economic costs for the United States, because they restrict economic transactions in which U.S. individuals and firms would otherwise engage. U.S. business groups have at various points raised concerns that sanctions harm American manufacturers, jeopardize American jobs, and, when sanctions are implemented unilaterally, cede business opportunities to firms from other countries. U.S. sanctions also risk retaliatory measures by the target. For example, the Alaskan seafood industry and Washington State apple and pear producers were negatively affected by Russia's retaliatory ban on agricultural imports from countries imposing sanctions.

Policymakers have expressed longer-term concerns that extensive use of U.S. sanctions that restrict access to the U.S. financial system could erode the status of the U.S. dollar in the global economy. Since World War II, the U.S. dollar has been widely used in international economic transactions, and the United States incurs economic benefits from its widespread use (including lower borrowing rates). The United States has increasingly leveraged the role of the U.S. dollar for foreign policy goals, including restricting access to the U.S. dollar and financial markets for Iran, Russia, and Venezuela. Many foreign governments targeted by U.S. financial sanctions and their economic partners are increasingly exploring and creating ways to reduce their reliance on the U.S. dollar. If countries pivot from the U.S. dollar to alternative currencies, the United States could face higher borrowing costs, among other economic effects.

Despite the challenges to crafting an effective sanctions regime, most policymakers consider that the tool can be effective when used in concert with diplomacy, when the right balance of pressure and promise of improved relations is struck, and when used as part of a multinational effort.

### Issues to Watch for in the 117<sup>th</sup> Congress

With the transition to a 46<sup>th</sup> office-holder in the White House, the 117<sup>th</sup> Congress may face early deliberations on how sanctions fit in critical foreign policy and national security decisions. Sanctions are central to the debates over how to deter *Iran's* missile proliferation activities; normalize relations with *North Korea* while ensuring an end to its nuclear and missile programs; convince *Russia* to leave Ukraine; deter multiple foreign adversaries from disrupting *U.S. elections*; end the conflicts in *Yemen* and *Syria*; stabilize and support democratic institutions in *Venezuela*; approach *Cuba* as a newly designated state sponsor of international terrorism; and defend against *China's* use of its private sector to strengthen its military, intelligence, and security apparatuses.

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