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U.S. Sanctions: Overview for the 118th Congress

U.S. Sanctions and Authorities

U.S. sanctions in furtherance of foreign policy and national security objectives are coercive economic and/or diplomatic 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; prohibition on economic transactions that involve U.S. citizens or businesses; and denial of entry into the United States. 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. 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 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 based on national emergency authorities, sometimes in support of international treaty obligations.

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 implements controls coordinated with partner countries.

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 objectives 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 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, and events rising from specific regions or countries, including Russia, North Korea, and Iran.

Most often, however, even when Congress authorizes the President to use sanctions, it refers back to the national emergency framework for implementation.

Sanctions Regimes in 2023

The United States maintains an array of 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 found/determined to meet the requirements of the United Nations Security Council (Central African Republic, Democratic Republic of Congo, Eritrea, Guinea-Bissau, Haiti, Iraq, Lebanon, Libya, Mali, North Korea, Somalia, South Sudan, 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 varies widely by design. Some sanctions are designed to have a broad, destabilizing effect on a target country's economy, in an effort to seek significant changes in the government's behavior or even a change in government. Sanctions on Iran and Russia, for example, target the key revenue-producing sector in the economy (energy exports), the central bank, and access to the U.S. financial market, which is widely used to conduct international transactions. Likewise, sanctions on major foreign companies can have broad economic consequences in the target's economy.

Other sanctions are designed to place 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 significant 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. Facing U.S. sanctions, for example, the Maduro government of Venezuela sought closer economic ties with China and Russia, and the Russian government used resources to support sanctioned firms and strengthen domestic industrial capacities. It is more difficult for sanction targets to find alternative markets when sanctions are imposed multilaterally, such as through the United Nations Security Council, 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. Imposing sanctions also risks retaliatory measures. In 2014, for example, Russia's retaliatory ban on agricultural imports from countries imposing sanctions negatively affected the Alaskan seafood industry and Washington State apple and pear producers. Further, in 2022, when Russia's full-blown invasion of Ukraine resulted in more far-reaching restrictions, the Russian government threatened to expropriate foreign-owned assets.

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, some 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 118th Congress

With U.S. sanctions being used as a policy tool in relation to multiple ongoing geopolitical events, the 118th Congress may face early deliberations on how sanctions fit in critical foreign policy and national security decisions and affect U.S. economic interests. Sanctions are central to the debates over how to convince *Russia* to leave Ukraine; deter *Iran's* missile proliferation activities and its support for Russia's military; address challenges related to *malicious cyber-enabled activities* and *cryptocurrency*; support a return to democratic governance in *Burma*; normalize relations with *North Korea* while ensuring an end to its nuclear and missile programs; 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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