



# Sanctions as a Tool of Economic Statecraft

*Designing, Integrating, and Implementing to Advance Vital Interests*

Edited by H.R. McMaster, Leopoldo López, Fiona Clunan,  
and Thomas Johnstone

## INTRODUCTION

As autocratic, revanchist powers coalesce in an endeavor to replace the United States' leadership and undermine global peace, US policymakers must consider how to integrate all elements of national power to protect the free world. When designed and implemented properly, sanctions can serve as a useful tool of economic power for achieving US foreign policy objectives. Discussions about the utility of sanctions often gravitate to extreme positions, either that sanctions are an easy answer to complex problems or are universally counterproductive. Based on evidence from case studies and interviews with sanctions policy experts, this report provides an alternative to unhelpful debates with a framework for designing and implementing effective sanctions against authoritarian regimes.

## THE ROLE OF SANCTIONS IN CONTEMPORARY FOREIGN POLICY

Sanctions are economic or diplomatic penalties imposed on states, groups, or individuals to achieve foreign policy objectives.<sup>1</sup> They function by creating incentives for people or entities to change their behavior to comply with the demands of the sanctioning state. US policymakers have relied on sanctions to address objectives from suppressing state-sponsored terrorism to curbing nuclear proliferation and protecting democratic elections and human rights.

The United States imposed its first broad economic sanctions against Great Britain in the War of 1812. Modern US sanctions programs trace their roots to World War II, when the secretary of the treasury established the Office of Foreign Assets Control's (OFAC) predecessor organization to protect assets from the Nazis.<sup>2</sup> During the Cold War, sanctions were a key tool

in economically isolating the Soviet Union.<sup>3</sup> After the Cold War, sanctions shifted toward targeting rogue states, most notably Iraq, Iran, and North Korea.<sup>4</sup> The 1990s saw comprehensive sanctions against Iraq under Saddam Hussein after his invasion of Kuwait, as well as sanctions on Yugoslavia to pressure the Milošević regime during the Balkan conflicts.<sup>5</sup> Sanctions targeting Iran's nuclear program began in earnest during this period, evolving into one of the most expansive and complex sanctions regimes in US history.<sup>6</sup>

In the immediate post-Cold War period, “sanctions” were synonymous with broad economic sanctions aimed at isolating states from global trade and finance. Over time, however, their drawbacks became more apparent. For example, the economic sanctions imposed on Saddam Hussein's Iraq led to widespread suffering among civilians, raising ethical concerns.<sup>7</sup> Many scholars and policymakers began advocating for the use of more targeted sanctions.<sup>8</sup> In the 1990s, policymakers increasingly introduced targeted or “smart” sanctions—those directed at key individuals or entities within regimes rather than broad sectors of an economy—to limit humanitarian crises exacerbated by broad, comprehensive sanctions.

Following the 9/11 attacks, sanctions policy underwent a major shift toward combating terrorist financing. The United States established new authorities under the USA PATRIOT Act and expanded OFAC's Specially Designated Global Terrorist (SDGT) list, enabling the designation as terrorists of individuals, charities, and financial institutions linked to groups such as al-Qaeda, Hezbollah, and the Taliban. Post-9/11 sanctions also broadened in scope, targeting human rights abusers, kleptocrats, cybercriminals, and financial facilitators of authoritarian regimes such as those in Venezuela, Russia, and North Korea.<sup>9</sup>

Interest in sanctions as a tool of US foreign policy has surged in the past two decades, with the number of sanctioned individuals and entities rising ninefold from 2000 to 2021.<sup>10</sup> Policymakers continued expanding sanctions programs into the 2010s to pressure rogue regimes pursuing nuclear program expansion, sponsorship of terrorism, and ties with illicit networks.<sup>11</sup> Recently, Russia's coordination with other authoritarian powers to avoid accountability for its unprovoked reinvasion of Ukraine in 2022 has reinvigorated interest in the use of sanctions and other tools of “financial warfare” to combat autocratic regimes.

While effective sanctions implementation is challenging, sanctions are a powerful tool to advance free societies' interests. Targeted sanctions can put precise pressure on regime elites without causing widespread harm to civilians, creating opportunities for political change and democratic reform. Broader economic sanctions can also be effective when designed to limit humanitarian impact and specifically target the main sources of cash flows to autocrats and their kleptocratic networks. Despite the potential humanitarian advantages of targeted sanctions, economic sanctions remain a valuable tool under the right conditions. Comprehensive, multilateral sanctions, employed with humanitarian exemptions and combined with diplomatic measures, can exert maximum pressure on regimes, restrict cash flow, and achieve significant policy outcomes, especially when applied with clear objectives.<sup>12</sup>

## PRINCIPLES FOR ASSESSING THE EFFECTIVENESS OF SANCTIONS

Effective sanctions policy requires a clear-eyed understanding of how to evaluate sanctions' success. The prevailing debate over sanctions often falls into polarized arguments about whether sanctions "work" or "don't work," which have enabled critics of sanctions to understate their utility. This binary framing obscures the complexities of how sanctions operate as part of a broader strategy. Assessing effectiveness requires a more nuanced approach that accounts for degrees of success, the role of alternative policy options, the appropriate evaluation time frame, and the broader policy context. These principles offer a more precise framework for evaluating the impact of sanctions.

- 1. Evaluate the effectiveness of sanctions on a spectrum, not a binary scale.** Whether a particular sanctions program is effective is often framed as a "binary question," which can bias evaluations in favor of assessing failure.<sup>13</sup> Even if the state implementing sanctions does not achieve its primary policy objective, sanctions may have an important deterrent effect, provide the benefit of affirming international norms, bolster national soft power, or stigmatize the target.<sup>14</sup> Moreover, the implicit goals of a sanctions program can be as important as stated policy objectives and also require consideration.<sup>15</sup>
- 2. Compare sanctions to the next-best policy alternative.** No policy decision exists in isolation. The proper evaluation of sanctions must compare their impact to alternative courses of action. Sanctions may impose fewer costs and risks than military intervention, diplomatic concessions, or doing nothing at all. By comparing sanctions to realistic alternatives, policymakers can better assess the relative effectiveness of sanctions as a foreign policy tool.
- 3. Choose the appropriate time frame for evaluation.** Sanctions' effects are rarely immediate. In many cases, policymakers must adopt a long-term perspective to assess success. The costs imposed by sanctions often accumulate over time, and their impact on regime behavior may not be visible for years.<sup>16</sup> For example, anti-apartheid sanctions against South Africa were widely regarded as failures in the 1980s, only to be credited later as a key factor in Nelson Mandela's release and the country's transition to democracy.<sup>17</sup> Premature assessments risk mislabeling sanctions as failures when, in reality, their impact is still maturing.
- 4. Consider the impact of sanctions in a broader policy context.** Sanctions usually function as part of a broader strategy alongside diplomatic, military, or intelligence actions. This context matters for their evaluation. If a sanctions program fails to achieve its objectives, it may be because other elements of the broader strategy were ineffective, not because sanctions themselves were flawed.<sup>18</sup> Policymakers should therefore assess the contribution of sanctions relative to other instruments of power.

Simply because many sanctions programs do not achieve their primary stated objectives within a limited time frame does not mean that they were wholly ineffective or that policymakers erred in imposing sanctions. Implementing and evaluating sanctions requires a holistic assessment of their effects compared to those of alternative policies and, often, a dose of patience.

## THE TRADE-OFFS OF SANCTIONS

While sanctions provide a nonviolent means of pressuring targets to comply with demands, they also carry risks, including adverse humanitarian impacts and potential ineffectiveness in changing a regime's actions. Analyzing the advantages and disadvantages of sanctions is essential for understanding how to best leverage them in foreign policy and how to manage downsides.

### *Advantages of Sanctions*

- 1. Influencing policy change and bolstering deterrence** Under certain conditions, sanctions can change state behavior. When sanctions are tied to clear objectives, such as nuclear disarmament or holding elections, they can incentivize regimes to comply with the demands of the sanctioning state. Sanctions against Iran's nuclear program in the late 2000s and early 2010s are a prime example of how sanctions can help bring hostile states to the negotiating table.<sup>19</sup> Sanctions also pressured the Gaddafi regime to halt Libya's nuclear weapons program. US sanctions against the Maduro regime in Venezuela paved the way for the 2024 elections that revitalized the Venezuelan opposition movement, even if they have not yet achieved a transition of power.<sup>20</sup>
- 2. Imposing costs on hostile leaders, human rights abusers, and criminals** Targeted sanctions focus on regime elites by freezing assets and limiting travel for key individuals responsible for a regime's policies. Sanctions placed on elites can weaken an autocrat's inner circle without causing widespread harm to the public.<sup>21</sup> For example, sanctions against mining magnate Dan Gertler, a close associate of the autocrat Joseph Kabila, were part of a campaign that successfully pressured the Kabila regime to allow elections in the Democratic Republic of the Congo.<sup>22</sup>
- 3. Limiting hostile leaders or criminals' access to resources** In addition to punishing bad actors, sanctions limit their access to resources that fund illicit activities, terrorism, and repression. Under the Biden administration, extra cash to Iran's regime from relaxed sanctions enforcement likely enabled increased funding of terrorist organizations, including Hamas, in the years leading up to the October 7, 2023, massacres of Israeli civilians.<sup>23</sup>
- 4. Facilitating flexible and adjustable policy** Sanctions provide policymakers with a flexible tool that they can adjust or lift in response to changes in a regime's behavior if the right policymaking processes are in place. Sanctions designers can expand sanctions in response to noncompliance, offering a versatile approach to coercion.<sup>24</sup>

### *Disadvantages of Sanctions*

- 1. Increasing human suffering** Broad economic sanctions may cause harm to civilian populations, particularly in countries reliant on foreign aid and imports. The sanctions against Iraq in the 1990s plausibly exacerbated a devastating humanitarian crisis, resulting in widespread food shortages and medical supply constraints.<sup>25</sup> Most often, however,

authoritarian regimes inflict far more economic hardship on their populations than sanctions due to corruption, oppression, and the absence of rule of law.

- 2. Strengthening regime control** In some cases, sanctions allow leaders to frame sanctions as external aggression. Both Russia's and North Korea's regimes have used sanctions in attempts to rally public support for the regime and to escape responsibility for economic hardships.<sup>26</sup>
- 3. Causing economic inefficiencies and global supply chain disruptions** Sanctions may trigger unintended economic consequences, disrupting not only the targeted country but also global markets. Following Russia's 2014 annexation of Crimea, sanctions led to significant disruptions in European energy markets, highlighting the potential for economic spillover effects.<sup>27</sup> Additionally, countries targeted by sanctions often seek alternative trade partners, undermining the long-term economic pressure of sanctions. Sanctioned countries that are major economic powers are also capable of inflicting losses on US companies. US firms operating in sanctioned countries may be at risk of serious reprisals. The Kremlin, for example, trapped around US\$18 billion of Western companies' earnings in Russia in 2022.<sup>28</sup>
- 4. Signaling lack of resolve** Imposing standalone sanctions risks signaling weak resolve on the part of the sanctioning state. Sanctions can reveal a state's preference for peaceful coercive bargaining and unwillingness to use other policy tools, such as military force, to achieve a foreign policy objective. For example, the 1935 decision by League of Nations countries to impose sanctions against Italy for invading Ethiopia undermined the credibility of the League's commitment to collective security by signaling the League's unwillingness to take further action against the invasion.<sup>29</sup>

## WHAT MAKES FOR AN EFFECTIVE SANCTION?

Sanctions are most effective when they are carefully tailored to specific goals. According to academic literature and practitioners in the field, sanctions work best when government officials take these measures:

- **Clarify policy objectives.** Sanctions should have well-defined goals, such as curbing nuclear proliferation or deterring specific human rights abuses. Without clear objectives, sanctions risk becoming symbolic measures without strategic value.<sup>30</sup>
- **Rigorously enforce compliance.** Effective sanctions require enforcement mechanisms to monitor compliance, prevent evasion, and punish violations. Lack of enforcement undermines the efficacy of sanctions, as is evident in cases where black-market trade persists despite formal restrictions.
- **Minimize adverse humanitarian impacts.** The most effective sanctions limit harm to civilians while focusing pressure on regime elites. Humanitarian exemptions—provisions

within a sanctions regime that allow for the continued flow of essential goods and services—such as those applied to Syrian sanctions can mitigate the negative impacts on civilian populations.<sup>31</sup>

- **Monitor and reassess sanctions.** Sanctions are not foolproof. Targeted regimes often find ways to evade sanctions through illicit trade networks and state-controlled media that obscure the regime's actions. The Global Sanctions Database highlights numerous cases where regimes have evaded sanctions through black-market operations and covert financial networks.<sup>32</sup> The United States' expanding sanctions programs incentivize targeted states to collaborate on systems of circumventing sanctions. For example, Russia is spearheading an initiative creating an alternative form of cross-border payment system to rival SWIFT (Society for Worldwide Interbank Financial Telecommunications), the interbank messaging service that has complied with sanctions isolating Iranian and Russian banks from the global financial system.<sup>33</sup>

## THE ABILITY OF SANCTIONS TO ENCOURAGE REFORMS AND PROMOTE LIBERTY

Both economic and targeted sanctions can weaken authoritarian regimes. By focusing on regime elites' interests and cutting off access to financial resources, policymakers create conditions for political reform. Sanctions alone are not a "silver bullet" to spark a democratic transition but do incentivize change when applied in concert with other elements of national power.

The most famous example of a democratic transition successfully incentivized by sanctions took place in apartheid South Africa. In the 1980s, anti-apartheid movement leaders considered sanctions the "most important . . . weapon of struggle" to pressure the white minority-controlled South African government and prioritized galvanizing international commitment to imposing sanctions.<sup>34</sup> Under significant multilateral pressure from broad economic, diplomatic, and military sanctions, the apartheid regime ultimately capitulated to allow a transition to multiracial democracy.<sup>35</sup>

Sanctions also played a significant role in fostering democratic change in Uganda during the late 1970s. The international community imposed economic sanctions and diplomatic isolation on the Idi Amin regime in response to his brutal dictatorship and human rights abuses. The sanctions, combined with internal resistance and external military pressure, contributed to the overthrow of Amin in 1979, paving the way for a transition to a more democratic political system.<sup>36</sup>

Another example of sanctions successfully pressuring an autocrat occurred in Zimbabwe, where targeted sanctions imposed on officials involved in human rights abuses weakened Robert Mugabe's inner circle. These sanctions, alongside domestic opposition, led to a

power-sharing agreement in 2008 and Mugabe's eventual ousting in 2017. The gradual erosion of regime loyalty illustrates how sanctions can produce public dissent and fracture support networks, though the process is often lengthy.<sup>37</sup>

Additionally, in Yugoslavia sanctions imposed by the United Nations, the United States, and the European Union (EU) were pivotal in promoting democratization during the 1990s. Comprehensive economic sanctions, coupled with targeted measures such as asset freezes and travel bans on Slobodan Milošević and his allies, significantly restricted the regime's military and political activities. According to multiple reports, these sanctions, in conjunction with military interventions and diplomatic negotiations, contributed to Milošević's electoral defeat in September 2000 and paved the way for democratic transition.<sup>38</sup>

A final recent example involves the Democratic Republic of the Congo (DRC), where targeted US sanctions placed significant financial pressure on then-President Joseph Kabila and his inner circle after he refused to leave office at the end of his presidential term in 2016. By freezing assets and restricting cash flow to key regime figures—such as high-ranking military officers and electoral commission officials—these measures aimed to force Kabila to hold a long-delayed election.<sup>39</sup> The European Union also enacted sanctions against additional individuals supporting or enabling Kabila's rule.<sup>40</sup> An election ultimately took place in January 2019, bringing Félix Tshisekedi to power.

## DESIGNING EFFECTIVE SANCTIONS

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Any effective sanctions policy against an authoritarian regime should include five key steps: (1) establishing clear objectives for the sanctions program; (2) identifying the regime's network of individuals supporting repression efforts and controlling cash flow; (3) gathering intelligence to understand the interests of individuals to sanction and how best to target them; (4) integrating sanctions efforts with other economic, diplomatic, and military instruments of power; and (5) anticipating and preventing sanctions-evasion tactics.

### 1. ESTABLISH CLEAR OBJECTIVES

Policymakers should ensure that the objectives of the sanctions are well-defined. Sanctions are a means to an end, not an end in themselves. Policymakers should avoid symbolic sanctions, which include sanctions imposed primarily to appeal to a domestic political audience rather than to achieve a foreign policy objective.<sup>41</sup>

Conduct-based sanctions tend to exemplify sanctions with clear objectives. Former Treasury officials highlight Magnitsky sanctions as successfully enforcing international norms against human rights abuses and corruption.<sup>42</sup> Their objective—to punish and deter conduct violations—contributes to promoting democracy and upholding international norms that affect global security.

### **Case Study: Conduct-Based Magnitsky Sanctions with Clear Objectives Facilitated a Democratic Transition of Power in Guatemala**

During the 2023–2024 election crisis in Guatemala, the United States implemented targeted sanctions against Guatemalan officials with significant support from international partners. These sanctions aimed to counter the influence of Guatemala’s entrenched kleptocratic elite, often referred to as the *pacto de los corruptos*. The sanctions intended to protect the integrity of the electoral process and ensure that president-elect Bernardo Arévalo, a reformist candidate from the anticorruption Semilla Movement, could assume office despite attempts by corrupt actors to block his victory.

The sanctions had a tangible impact, fostering fractures within the *pacto de los corruptos* and prompting some business groups to back the electoral process. For instance, the influential Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations (CACIF) issued statements supporting the election results, influenced by the economic and political pressures generated by the sanctions. Ultimately, President Arévalo was successfully inaugurated.

Symbolic sanctions, specifically those enacted for domestic political benefits rather than as conduct-based measures, can be counterproductive to the effectiveness and legitimacy of US sanctions programs. Sanctions are tools that contribute to a larger strategy rather than policy solutions in and of themselves.<sup>43</sup>

Deterring unwanted behavior can also constitute a valid objective. While policymakers tend to use sanctions as a reaction to hostile behavior, they should also consider the value of employing sanctions offensively. Former US Ambassador to Russia Michael McFaul, for example, considers that policymakers should devise an “offensive strategy for sanctions.” In the case of Russia’s invasion in Ukraine, Western officials could have threatened or even implemented sanctions against Russia as Russian troops amassed at the Ukrainian border in the weeks leading up to February 24, 2022, when Russia’s full-scale invasion of Ukraine commenced. Communicating the resolve of US and European leaders to preserve Ukrainian sovereignty might have changed Moscow’s calculus to significantly escalate the war in Ukraine.

## **2. IDENTIFY AND ANALYZE NETWORKS**

Imposing effective sanctions requires an analysis of the autocrat’s close circles and how individuals in this network control the regime’s cash flow. Some of these individuals are obvious collaborators—such as the heads of state security organizations—but the entire circle of influence often extends to midlevel government officials, business leaders in the private sector, and those involved in illicit activities that fund the regime. In kleptocratic regimes, the distinction between the private and public sectors is frequently blurred, requiring policymakers to consider sanctioning individuals beyond top-level government officials who are also involved in the regime’s cash flow.<sup>44</sup> Focusing on how an autocrat’s network drives the regime’s cash flow is critical.<sup>45</sup>



### **Case Study: Sanctioning Kabila's Network in the Democratic Republic of the Congo**

Leading up to the Democratic Republic of the Congo's (DRC) 2018 general election, US sanctions efforts likely influenced Joseph Kabila, longtime DRC president, to relinquish power after failing to leave office at the conclusion of his presidential term. The United States sanctioned Kabila's associates, including billionaire businessman Dan Gertler, a middleman for selling mining assets in the DRC who diverted over US\$1 billion in revenues from the Congolese state into his companies' coffers, often acting on Kabila's behalf.<sup>46</sup> The United States also sanctioned other members of Kabila's network including several members of the security forces.<sup>47</sup> Under mounting sanctions efforts and diplomatic pressure, Kabila ultimately acquiesced to holding an election, leading to a transition of power to Félix Tshisekedi.

Sanctioning certain midlevel officials is also worth considering. Former Special Attorney General of Venezuela José Ignacio Hernández emphasizes, "It is necessary to go deep into the bureaucracy and see what is the clerk, what is the lawyer, [and] what is the . . . person that actually support[s] those judges, and sanction those persons, because people within [the] Maduro government, they are thinking [that] only the bosses are going to be sanctioned."<sup>48</sup> Hernández finds that past US policymakers did not target sanctions as extensively as they could have against culpable midlevel officials who enabled the criminal actions of their superiors. When sanctioning midlevel officials, it is important to carefully judge their complicity in state repression or their clear links to key regime cash flow.

### **3. UNDERSTAND THE TARGET**

As historian Zachary Shore argues, effective foreign policymaking requires "strategic empathy": understanding what drives and constrains one's adversary.<sup>49</sup> Sanctions designers should thoroughly understand the interests—such as financial or reputational interests—of individuals or entities being targeted to determine how sanctions can best coerce changes in behavior.

The case of sanctions against the Maduro regime also illustrates the importance of understanding the interests of regime members in order to incentivize their compliance with sanctions demands. As José Ignacio Hernández points out, the Venezuelan Supreme Court justices targeted in the Biden administration's September 2024 round of sanctions "are not thinking of taking a plane to Miami and go[ing] to Disney," as many of their peers already faced sanctions, and therefore visa restrictions would be unsurprising and likely have little chance of changing their behavior.<sup>50</sup> However, visa restrictions and asset freezes against their family members could carry impact. It is necessary to design sanctions according to (1) which individuals support the regime's stability and cash flow and (2) which kinds of sanctions will put their key interests in jeopardy.

To understand the target, the US government should prioritize acquiring political and economic intelligence to track cash flow to the regime and ascertain what interests motivate key individuals to support the regime. The Trump administration took this approach from 2017 to 2020. Venezuelan opposition leader Leopoldo López recommends that intelligence agencies gather detailed information on targeted individuals and their networks.<sup>51</sup> This process requires a system to gain intelligence from people “on the ground” in the sanctioned country. It may also be necessary to apply sanctions to individuals closely linked to key regime figures.

#### **Case Study: On Firsthand Experience with the Effects of Sanctions While Under House Arrest in Venezuela**

Leopoldo López realized the importance of understanding regime members while under house arrest as a political prisoner. In March and April 2019, several high-ranking leaders of the regime’s security forces paid him visits to express their concerns about sanctions.

López recalls, “I have firsthand experience listening directly from members of the regime that they were pressured because of the impact that sanctions were having on them. The effects ranged from reputational damage to the inability to travel freely and frozen bank accounts. Many of them have connections to businesses and assets abroad, including in Spain, the US, Dubai, and Turkey. Understanding these vulnerabilities is crucial when designing effective sanctions.”<sup>52</sup>

#### **4. INTEGRATE SANCTIONS WITH OTHER ECONOMIC, DIPLOMATIC, OR MILITARY ELEMENTS OF NATIONAL POWER**

Sanctions should be part of a larger policy framework, complementing other economic, diplomatic, and military tools of state power. They should not exist as a standalone policy measure used primarily for political convenience. Isolated sanctions are usually weak in their ability to effect change and risk signaling lack of resolve on the part of the United States.<sup>53</sup>

It is especially important to coordinate sanctions with diplomatic pressure in order for them to be effective.<sup>54</sup> For example, Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker and US Ambassador to the UN Nikki Haley worked to use sanctions and heavy diplomacy against Kabila and his networks to push the president to allow an election.<sup>55</sup>

### **Case Study: Diplomatic Efforts Against Iran to Increase the Bite of Sanctions**

The first Trump administration's diplomatic efforts with third-party countries were important for strengthening the effect of maximum-pressure sanctions against Iran. The United States actively worked with Persian Gulf countries, Israel, and select European allies. These efforts included promoting the formation of the Middle East Strategic Alliance (MESA), often referred to as the "Arab NATO," which aimed to strengthen security and economic ties among the United States, Saudi Arabia, the United Arab Emirates (UAE), and other regional actors, with the unspoken goal of curbing Iran's regional subversion.<sup>56</sup> The Trump administration pressured allies and international partners to cease economic and diplomatic engagements with Iran, particularly by threatening secondary sanctions on any entity that continued importing Iranian oil. As a result, significant buyers such as India and Japan drastically reduced their oil imports from Iran, and even European nations, despite their initial interest in maintaining the Joint Comprehensive Plan of Action (JCPOA) nuclear deal, complied with US demands. This concerted effort led to the further deterioration of the Iranian economy by isolating Iran from potential economic partners.<sup>57</sup>

Sanctions may also complement military operations. In the 1990s, the combination of sanctions with NATO's military intervention during the Kosovo crisis amplified pressure on Milošević's regime. Sanctions restricted access to arms and affected the regime's cash flow by freezing the financial assets of regime members. Ultimately, the Milošević regime halted Yugoslav war efforts in Kosovo, and in 2000 the strategic pairing of economic and military measures highlighted how different elements of national power were employed simultaneously to achieve policy objectives.<sup>58</sup>

Policymakers should also consider sanctions as one of several instruments of economic statecraft that can influence foreign actors in the United States' pursuit of geopolitical objectives. As such, it is important to apply sanctions in coordination with other closely related economic security measures, such as export controls. Sanctions implementers should carry out their policies in cooperation with other government agencies supporting US economic security, such as the Outbound Investment Security Program. If the US policy objective for a given sanctions program is to cut off a regime's access to cash flow, dual-use technologies, and other weapons that fund domestic repression and military aggression, enforcing sanctions alone is not sufficient. It is critical to implement and monitor private sector compliance with export controls as well.

Amid Russia's ongoing invasion of Ukraine and escalating Chinese provocations in the South China Sea, a conceptual shift is taking place among academics and policymakers to emphasize that economic statecraft is now a part of hybrid warfare. US foreign policy interests would benefit from the coordination of sanctions with other economic statecraft tools under the umbrella of an "economic security strategy" to align with parallel military and diplomatic efforts.<sup>59</sup> These policies necessitate close collaboration among officials at Treasury, the State Department, the Department of Commerce, the International Development

Finance Corporation (DFC), the National Economic Council (NEC), and the National Security Council (NSC).

Collaboration among different governmental bodies is modeled well by Sigal Mandelker's system of Strategic Impact Units (SIUs) at the Treasury's Office of Terrorism and Financial Intelligence (TFI). SIUs assembled representatives from TFI's different components to plan the best set of mechanisms to reach policy goals.<sup>60</sup> By uniting the efforts of OFAC, the Financial Crimes Enforcement Network (FinCEN), the Office of Intelligence and Analysis (OIA), and the Office of Terrorist Financing and Financial Crimes (TFFC), SIUs synchronized intelligence, enforcement, and policy tools to consider the use of different elements of power in each strategy in order to amplify sanctions' impact. This process also ensured that policymakers imposed all sanctions toward a clear objective, rather than as symbolic measures. In turn, TFI also worked in close collaboration with the interagency process.

A broader policy framework may include positive incentives, or "carrots," in tandem with the "sticks" of sanctions by offering rewards such as economic aid, political recognition, or legal amnesties to encourage compliance with demands. While positive incentives avoid backlash effects and foster engagement, they have notable risks. These include extortion, where targets escalate bad behavior to gain rewards, and moral hazards, which undermine norms by rewarding wrongdoing.<sup>61</sup> They can also erode intrinsic motivations for compliance and create inequities, as law-abiding actors may receive fewer benefits than violators.<sup>62</sup>

Despite these challenges, incentives are effective in contexts where negotiation is viable, such as nuclear nonproliferation or ceasefire agreements. Examples include the security assurances that led countries such as South Africa to abandon nuclear weapons programs.<sup>63</sup> They also play a vital role in conflict resolution, as seen in the Northern Ireland peace process, or as complements to sanctions, providing off-ramps for de-escalation.<sup>64</sup> When paired with coercive measures and tailored to context, incentives can pave the way for durable compliance and conflict resolution.

## 5. ANTICIPATE EVASIVE MEASURES

Sanctioned actors constantly evolve their strategies to circumvent restrictions. Policymakers must proactively identify and counter these evasive measures to preserve the effectiveness of sanctions regimes.

Evasive strategies often exploit international loopholes, including third-country intermediaries, illicit financial networks, and technological tools. For example, Russia and North Korea have relied on complex schemes, such as establishing shell companies, opening overseas subsidiaries, and conducting covert maritime trade, to bypass restrictions.<sup>65</sup> North Korea leverages maritime networks near China and Taiwan to import refined petroleum and export coal, often in direct violation of sanctions.<sup>66</sup>

Cryptocurrency and central bank digital currencies are a much-discussed tool for sanctions evasion, but their role remains limited compared to traditional methods such as shell

companies, mislabeling of shipments, and use of opaque financial institutions.<sup>67</sup> Venezuela's 2018 launch of the petro digital currency aimed to bypass US oversight but had failed by 2023, illustrating the limitations of crypto-based evasion.<sup>68</sup> China's digital yuan and Project mBridge similarly aim to reduce reliance on the US dollar, but most sanctions-evasion schemes still rely on established financial loopholes rather than emerging technologies.<sup>69</sup>

In addition to crypto, countries facing sanctions are exploring other innovative ways to conduct international transactions without using the US dollar. China has already established the Cross-Border Interbank Payment System (CIPS) to rival the SWIFT interbank messaging system.<sup>70</sup> Russian President Putin has also proposed plans for BRICS countries to develop their own cross-border payment system.<sup>71</sup> These projects still face significant challenges to widespread global adoption, however, as the dollar remains the dominant currency for the international financial system.<sup>72</sup> Policymakers should discourage the use of alternative cross-country payment systems among partner states and keep in mind that maintaining a strong dollar bolsters US efforts to implement effective sanctions.<sup>73</sup>

While this report's framework centers on the importance of identifying internal networks within sanctioned regimes, it is equally crucial to analyze and target the international channels that facilitate sanctions evasion. Authoritarian regimes do not operate in isolation. International networks play a vital role in the financial resilience of these regimes and must be treated as a central objective of any effective sanctions strategy. Collaboration among authoritarian governments on alternative payment systems and the use of intermediaries, permissive jurisdictions, and tax havens that enable sanctioned funds to be laundered and reintegrated into the global financial system allow repressive regimes to sustain themselves. This growing cooperation among autocracies to evade sanctions underscores the urgency of a more global and coordinated approach.

### **Case Study: How Iran Evades Its Sanctions**

Reports indicate significant loopholes in the global trade and banking systems that Iran exploits to evade sanctions. Provincial Chinese banks, such as the Bank of Kunlun, which do not operate in Western markets, play a pivotal role in processing transactions for Iranian oil sales, circumventing US financial scrutiny.<sup>74</sup> Iran also employs transshipment tactics, relabeling oil as originating from countries such as Iraq or Oman or using GPS manipulation on Iranian tankers to obscure their routes, allowing Iranian crude to be traded under false documentation.<sup>75</sup> Additionally, front companies based in Hong Kong, Turkey, and the UAE act as intermediaries, obscuring the origin of the oil and facilitating payments through unregulated channels. A 2022 report from Wikilran revealed that 218 bank accounts linked to Iranian oil transactions were spread across major global financial institutions, including top-tier Chinese and UAE banks.<sup>76</sup>

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China has been a significant enabler of these tactics. As Carrie Filipetti, current executive director of the Vandenberg Coalition, noted, “China was essentially busting our sanctions in Iran. They were engaged in transporting Iranian oil, and it was enabling the regime to continue to make . . . a significant amount of money off of it.” In 2019, the United States sanctioned Cosco, a subsidiary of a Chinese company involved in shipping Iranian oil. However, Filipetti noted that despite this effort, the sanction was rescinded, allowing Iran to bolster its foreign currency reserves.

Filipetti also described the challenge of combating the shell companies often created by China and Russia: “There’s like a new company . . . popping up all of a sudden engaged in shipping Venezuelan oil or Iranian oil. . . . We have to have evidence for this stuff.” These rapidly emerging entities, combined with limited resources in the US Treasury, make enforcement a constant but necessary game of catch-up.<sup>77</sup>

Enhancing collaboration with allies is critical to countering these networks. Building coalitions to improve intelligence sharing and enforcement capacity, particularly in jurisdictions vulnerable to sanctions evasion, allows more refined targeting of third-country evasion networks.<sup>78</sup> At the same time, equipping industries with tools to recognize red flags, such as shell companies and suspicious supply chains, remains essential. Automated screening tools and robust due diligence measures are increasingly critical in identifying illicit entities.<sup>79</sup> Diplomacy also plays a key role, particularly in aligning nonsanctioning nations with global restrictions. Mapping evasion networks and targeting key enablers can disrupt these activities and minimize their impact.<sup>80</sup> It is imperative to expand international coordination to sanction not only domestic actors within targeted regimes but also facilitators and financial operators in third countries. The EU’s strategy of imposing secondary sanctions and requiring exporters to verify end users demonstrates how raising the costs of evasion can effectively deter illicit activity.<sup>81</sup> By anticipating these evasive measures and adapting strategies accordingly, policymakers can reinforce the integrity of global sanctions regimes and deter future violations.

## IMPLEMENTING EFFECTIVE SANCTIONS

Government officials should consider five key components as they implement sanctions programs: (1) provide sufficient resources and staffing to sanctions enforcers in the US government; (2) prioritize the swift implementation of robust sanctions during important windows of opportunity; (3) coordinate multilateral sanctions with partners, so long as it does not impede timely and robust sanctions implementation; (4) implement a communications strategy, including contacts with the private sector; and (5) conduct regular impact assessments and recalibrate sanctions. Impact assessments are especially critical for maximizing the effectiveness of sanctions according to how well they further their objectives.

## 1. ALLOCATE RESOURCES ADEQUATELY

The expansion of US sanctions programs requires increased resources to ensure effective policymaking and adequate sanctions enforcement. Sanctions design and implementation in the United States relies on a network of specialized government agencies, each playing a distinct yet interconnected role. These agencies may currently face manpower shortages.

Key players among these agencies are the Department of the Treasury's Office of Foreign Assets Control (OFAC), the State Department's Office of Economic Sanctions Policy and Implementation (SPI), and the Bureau of Industry and Security (BIS) under the Department of Commerce. These agencies collaborate with others, such as the Departments of Justice, Homeland Security, and Energy, to craft, enforce, and evaluate sanctions programs.

While OFAC's budget has steadily increased, with a 58 percent rise in inflation-adjusted funding between 2014 and 2019, it still faces significant staffing needs. Demands for sanctions enforcement have only risen, largely due to a surge in new sanctions designations following Russia's invasion of Ukraine. From 2017 to 2021, the average annual number of additions to the Specially Designated Nationals and Blocked Persons (SDN) list was 815. In 2023, the Biden administration added 2,500 designees—including 1,621 entities and 879 individuals—to the SDN list.<sup>82</sup>

Personnel gaps highlight a broader issue: Sanctions are an increasingly central tool in US foreign policy, yet their implementation and enforcement mechanisms remain underresourced. OFAC, in particular, operates with a relatively small team overseeing thirty-eight overlapping sanctions programs.

### Case Study: The Need for Increased Staffing to Implement Sanctions Policy

Carrie Filipetti, former deputy assistant secretary for Cuba and Venezuela at the State Department and deputy special representative for Venezuela, underscores the resource constraints at Treasury. She recalls that the sanctions drafting team was "very, very overburdened" due to the volume of designations. "The team that does sanctions in Treasury is very small. And if you are doing massive sanctions on multiple different entities, it can end up taking a long time," she explains. Filipetti highlights that additional staffing and resources would have improved Treasury's ability to implement sanctions efficiently and effectively.<sup>83</sup>

Addressing these challenges requires a multifaceted approach. First, Congress should provide enough funding to recruit qualified staff across sanctions-enforcing agencies and streamline the hiring process to reduce vacancy rates. For example, the Treasury and State Departments do not currently have direct hire authority for OFAC or SPI, which could reduce

the time required to hire key personnel.<sup>84</sup> Equally important is fostering interagency collaboration to align priorities and reduce friction, which could be achieved through regular interagency task forces.

Moreover, enhancing technological resources to manage the growing complexity of sanctions enforcement is critical. Tools such as artificial intelligence could aid in identifying sanctions violations more efficiently, as evidenced by OFAC's limited capacity to pursue enforcement actions despite increasing policy demands.<sup>85</sup> Innovative use of technology can also help policymakers mitigate negative humanitarian impact from sanctions enforcement, as the former sanctions director at the US Mission to the United Nations David Lee discovered while working in the financial technology (fintech) industry. His team was able to use cryptocurrency to fund medical care in Venezuela and provide humanitarian aid to Ukraine and Afghanistan. Finally, greater transparency and public guidance from agencies such as OFAC can foster compliance among private sector actors, amplifying the effectiveness of sanctions as a tool of statecraft.

## **2. IMPLEMENT ROBUST SANCTIONS DURING KEY WINDOWS OF OPPORTUNITY**

Sanctions implementation should be quick and decisive in order to deliver maximum impact.<sup>86</sup> In many cases, attaining policy objectives is time sensitive. For example, if the goal is for a country to undergo a peaceful transfer of power, deter an imminent military action, or halt progress toward a viable nuclear weapons program, immediate policy measures are critical. Policymakers must recognize and seize these windows of opportunity when they arise, especially when public and international support is high and the local opposition movement is energized. Swift and decisive sanctions implementation is important in order to take advantage of such limited time windows and coordinate measures with local opposition leaders. Even in cases where objectives are less time dependent, the vulnerability of a regime to the impact of sanctions may be high when sanctions are first proposed but decline as the ecosystem adapts. It is important to take advantage of that potentially fleeting period of vulnerability before a targeted country adjusts its economy to the sanctions. Piecemeal sanctions adopted gradually over time enable targeted entities to adapt and evade sanctions.<sup>87</sup> Policymakers should therefore aim for strong initial action instead of gradual escalation.

### **Case Study: Strong Surprise Sanctions Threatened the Russian Financial System**

The United States' imposition of sanctions against Russian entities in 2022 provides an example of robust action, but also of missed opportunity. Sanctions on the Central Bank of the Russian Federation (CBR) in 2022 were unexpected and successfully froze US\$320 billion in foreign reserves, approximately half of the bank's foreign reserve holdings.

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The CBR had to rely for its reserves on gold and yuan, which are harder to sell at scale. The result was that the CBR only retained enough freely convertible foreign exchange reserves to cover three months of imports, increasing the vulnerability of the Russian financial system.<sup>88</sup> However, the United States and its partners have implemented other sanctions against Russia's energy imports more gradually, allowing Russia to take advantage of higher commodity prices to maintain substantial budget revenues that shield the economy from the effects of sanctions.<sup>89</sup> Moreover, strong initial measures such as sanctions on the CBR could have been more decisive if implemented before Russia invaded Ukraine in February 2022, when they might have had a deterrent effect.

Timing may be as critical as the strength of the sanctions themselves. Decisive sanctions implemented early can maximize their impact, deter aggression, and take advantage of windows of domestic support against an authoritarian regime. Delayed or gradual measures risk allowing targets to adapt and evade restrictions, reducing the overall efficacy of sanctions. Policymakers must assess the strategic value of early, forceful implementation in addressing adversaries and advancing US foreign policy objectives.

#### **Case Study: Missing the Window of Opportunity Following Venezuela's 2024 Elections**

The Biden administration's muted response to Nicolas Maduro's fraudulent claim of victory in the July 2024 Venezuelan presidential election represents a clear missed opportunity for swift, robust, and decisive sanctions. In the weeks immediately following the stolen election, the united opposition movement rallied protesters who took to the streets across Venezuela in a surge of popular unrest that threatened the regime. The Biden administration nevertheless waited more than six weeks to impose a new round of sanctions, and against only sixteen Venezuelan officials, including several Supreme Tribunal of Justice judges who were involved in upholding the fraudulent election results. Since many Supreme Tribunal judges had already faced sanctions since 2018, the new sanctions were neither robust nor unexpected and "made no sense" for achieving the ultimate objective of incentivizing the Maduro regime to accept a peaceful transfer of power and return to democracy.<sup>90</sup> It was not wrong to sanction these individuals for facilitating Maduro's election theft, but the delayed and limited nature of the policy guaranteed little practical effect on the regime. The Biden administration failed to revoke company-specific licenses that allow certain oil companies to operate in Venezuela, an action that could have delivered a real blow to the regime's cash flow and had more coercive potential during the month of popular protests that followed the fraudulent elections.<sup>91</sup>

### 3. COORDINATE SANCTIONS ENFORCEMENT WITH PARTNER COUNTRIES WHEN POSSIBLE, BUT NOT AT THE EXPENSE OF TIMELY AND ROBUST IMPLEMENTATION

Policymakers should engage with partners to coordinate sanctions when possible, as multi-lateral action can augment the legitimacy and impact of sanctions. However, it is important not to prioritize multilateralism over the efficacy of sanctions, which may require swift and robust implementation.

Joint action can increase diplomatic pressure, enhance legitimacy, and reduce opportunities for sanctions evasion. As Elliott Abrams observed, “Sanctions coordination with allies is important both for symbolic and efficacy reasons.”<sup>92</sup> Historical examples further illustrate the benefits of multilateral approaches. In 2012, the United States’ and EU’s collective action to place an embargo on Iranian oil significantly impacted Iran’s economy, contributing to an 800,000 barrels/day reduction in oil exports and placing significant pressure on the regime to enter negotiations over its nuclear program.<sup>93</sup> Recently, it was necessary for the United States to coordinate sanctions against Russian oil and gas with European countries, which had long relied on Russian energy. The collective embargo of Russian crude oil imports successfully produced a substantial decrease in Russia’s oil revenues.<sup>94</sup>

#### Case Study: Multilateral Sanctions Against Yugoslavia

Sanctions against the Federal Republic of Yugoslavia (FRY) demonstrate the effectiveness of multilateral efforts. Led by the UN, EU, and US, these sanctions targeted the FRY government and Milošević’s regime to halt ethnic violence, promote peace, and encourage democratization.<sup>95</sup> Key measures included trade and financial embargoes, arms embargoes, and targeted sanctions against regime elites.

Sanctions, combined with diplomatic efforts and NATO’s military campaign, crippled the FRY economy, halving GDP from 1989 to 1999 and fostering public dissatisfaction with Milošević’s leadership.<sup>96</sup> This pressure culminated in Milošević’s electoral defeat in 2000, leading to democratization and sanctions relief in 2001.<sup>97</sup>

Internationally, partnerships amplify sanctions’ impact by unifying global opposition and closing avenues for evasion. Multilateral agreements, such as coordinated UN, US, and EU action against the FRY and Latin America’s Rio Treaty, enable broader participation in sanctions programs and better enforcement.<sup>98</sup> The Yugoslav case in particular highlights how coordinated efforts across borders can pressure authoritarian regimes, promote democratization, and resolve conflict.

Bolstering multilateral cooperation on sanctions enforcement should continue to be a consideration in any sanctions policy. The United States can create positive incentives for countries to join sanctions coalitions through, for example, attractive trade deals and market access.<sup>99</sup> In the case of Russia sanctions, this could mean negotiating with advanced economies in East Asia to end their imports of Russian energy.<sup>100</sup>

Multilateral cooperation is not always necessary or always beneficial for a successful policy outcome, however. While aligning policies with allies and global institutions strengthens enforcement and reduces opportunities for circumvention, overreliance on multilateralism can hinder timely action. Multilateral coordination can slow implementation, delay decision making, and result in weaker sanctions. The United States has demonstrated that unilateral action can achieve tangible results and even prompt successful multilateral action to follow.

#### **Case Study: The Powerful Effect of US Sanctions Against DPRK-Linked Banks**

Sanctions on China's Bank of Dandong—a key conduit for North Korean financial transactions—had an immediate impact. In June 2017, the United States imposed sanctions on the Bank of Dandong for conducting financial transactions adding up to over US\$130 million on behalf of the North Korean (DPRK) regime.<sup>101</sup> The sanctions protected the integrity of the global financial system while serving as part of a campaign to exert maximum economic pressure on DPRK's hostile, nuclear-armed regime.<sup>102</sup> The Treasury's unilateral measures against the Bank of Dandong set a precedent for stronger UN sectoral sanctions under United Nations Security Council Resolutions 2371 and 2375, passed in 2017.<sup>103</sup> By early 2018, sources from the Chinese town of Dandong, which sits on the border with the DPRK, were reporting significant declines in economic activity with North Korea as a result of the sanctions.<sup>104</sup> Economic data later indicated a steep decrease in trade between the DPRK and China and a 3.5 percent contraction of North Korean GDP.<sup>105</sup> In the immediate aftermath of the 2017 sanctions, the DPRK retreated from its provocative missile tests, conducting no missile launches in 2018 compared to twenty-five in 2017.<sup>106</sup>

Policymakers should assess, on a case-by-case basis, when multilateral coordination is essential and when it risks delaying action. By maintaining flexibility, the United States can achieve greater strategic impact, isolate authoritarian regimes, and reduce their cash flow.

#### **4. EXECUTE A COMMUNICATION STRATEGY AND COORDINATE WITH THE PRIVATE SECTOR ON SANCTIONS ENFORCEMENT**

Policymakers should maintain a clear and consistent communication strategy to support sanctions programs. US officials should implement public relations efforts that clarify the purpose of sanctions in the view of the populace of the sanctioned country, US citizens and firms, and the international community.

It is important for the United States to drive the narrative around sanctions. US officials could speak directly with the media from sanctioned countries to undercut incorrect narratives surrounding US sanctions programs. For sanctions against kleptocratic authoritarian regimes, the narrative should center autocrats as the cause of civilian suffering, rather than allowing regime leaders to control media narratives blaming sanctions for abysmal domestic conditions. For example, US officials should actively counter Maduro’s narrative that Venezuela’s economic woes are a result of US sanctions, not his government’s own economic mismanagement.<sup>107</sup> Leopoldo López considers that “if the imposition of sanctions is always linked to the expectations that people have for change, they can be very well received in the public opinion.”<sup>108</sup> In the case of autocratic regimes, it is helpful to communicate how sanctions limit the cash flow that funds corruption and repression.<sup>109</sup>

### **Case Study: Public Messaging on Russia Sanctions**

Several EU countries consider a communications strategy around sanctions important for their foreign policy agenda. The Hungarian and Polish governments have both adopted strategic communications campaigns to shape narratives regarding sanctions against Russia. Hungarian Prime Minister Viktor Orbán’s regime’s dissatisfaction with Russia sanctions motivated a billboard campaign that depicted sanctions as bombs and a “national consultation” project to send surveys that framed sanctions negatively to voters. The Hungarian government used the responses to this low-turnout, biased survey for a TV campaign asserting that “97% [of Hungarians said] no to sanctions.” In contrast, the Polish government introduced a public communications campaign in 2022 called #StopRussiaNow. It has run a billboard campaign in several major EU cities and a digital campaign reaching nearly two hundred million users. Controlling the narratives around sanctions has the potential to shore up public support and counter claims that sanctions are unnecessary, harmful, or ineffective.<sup>110</sup>

In addition to countering autocrats’ narratives denigrating sanctions, any communications strategy must also emphasize sanctions’ effectiveness. For example, critics of sanctions against Russia might claim that sanctions haven’t worked, since the war is ongoing. A public relations campaign should counter this flawed logic. Former US Ambassador to Russia Mike McFaul recommends comparing sanctions against Russia to advanced weaponry deployed by Ukrainians. Sanctions, like HIMARS missile launchers, have been effective weapons to degrade Russian capabilities, even if they have not ended the war.

The US sanctions regime requires buy-in and compliance from private firms to ensure effective enforcement. Companies are the ones that actively implement sanctions, so for US policies to work as intended, companies require clarity on the government’s objectives and

intentions. Policymakers should also factor in how the private sector will end up implementing sanctions before rolling them out and how retaliation against sanctions might impact private firms. “Wargaming” and more public-private coordination could improve the policymaking process in advance of rollouts. It is important that the State Department, Treasury, and NSC cooperate to designate channels of communication to public firms that maintain accountability for clarifying private sector inquiries.

## 5. CONDUCT REGULAR IMPACT ASSESSMENTS AND RECALIBRATE SANCTIONS

Government agencies should incorporate a feedback mechanism to refine and improve the sanctions based on their observed impacts and any adaptive measures taken by the targets. This feedback mechanism should include impact assessments by government officials not involved in the particular sanctions policy, the use of intelligence from sanctioned countries to understand the sanctions’ impact, and the routine recalibration of sanctions.

- a. Third-party assessment** Sanctions policymakers should employ third-party governmental entities to conduct independent impact assessments.

### Case Study: Impact Analysis at the Treasury

Former Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker emphasizes the importance of conducting impact assessment by individuals not vested in a given policy to ensure an objective analysis. While serving as under secretary, she required an impact analysis for “every single action that we took.” The analysis involved scoring each tool at the Treasury’s disposal to determine which were most likely to achieve desired policy outcomes. As part of the process, she prioritized a system of “checks and balances” that empowered the Treasury’s intelligence agency to assess the impact of sanctions policies.<sup>111</sup>

- b. Ground-level insights** Policymakers should utilize intelligence sources on the ground in sanctioned countries to monitor the impact of the sanctions.

This process should run similarly to the political and economic intelligence conducted when designing sanctions in order to understand the impact of sanctions on regime cash flow and key individuals. In many cases, it should also involve developing back channels and lines of communication with sanctioned individuals through people on the ground to determine whether sanctions are coercing a potential change in behavior.<sup>112</sup>

### **Case Study: On the Lack of Communication Between US Officials and Sources on the Ground in Venezuela**

Leopoldo López identifies feedback mechanisms between intelligence agencies and sources on the ground as a key area of needed improvement for sanctions assessment and recalibration. Local sources can identify changes in regime personnel and the key individuals enabling repression and financial operations. For example, Domingo Hernández Lárez, who holds the second-most important and operationally the most important position in the Venezuelan military, has served in his position since 2021 but was not sanctioned by the Treasury until 2024.<sup>113</sup> Local Venezuelans can easily identify many more key regime officials involved in corruption and repression who should be subject to sanctions if a process exists to engage with intelligence agencies. They can also provide insights on how current sanctions impact regime members. López considers the lack of communication with individuals on the ground to be “a very blind spot in the entire implementation process of the policy, because there was no intel, no back channel, no feedback.”<sup>114</sup>

- c. Feedback loop** Policymakers must recognize that sanctions are not static. Autocrats will adapt to them, making it essential to continuously recalibrate and adjust the policy. A clear mechanism should exist to modify policies according to impact-assessment feedback, ground-level insights, and autocrats’ adaptations. These measures ensure that sanctions are optimized for achieving their objective and maintaining their legitimacy.

David Lee, former sanctions director at the United States Mission to the United Nations, finds that the sanctions implementation process could stand to benefit from more consistent assessment and recalibration. He reflected, “Rarely did we [the US] ever design sanctions to be temporary or very action specific or goal oriented. . . . Once [they are] imposed we don’t really try to roll them back. And it ends up perhaps not having the fully intended effect. Nor [are there] major adjustments made to reduce unintended negative consequences once sanctions are imposed. And that kind of inflexibility is what . . . renders the effectiveness or rather the moral authority of the United States and its allies in imposing sanctions.”<sup>115</sup> It is important that policymakers craft and recalibrate sanctions so that they retain the advantage of being flexible tools routinely optimized for achieving their policy objective.

## **RECOMMENDATIONS FOR THE TRUMP ADMINISTRATION**

In addition to adopting the sanctions design and implementation principles outlined in this report, the authors recommend that the new Trump administration immediately take the following measures to improve US sanctions policy:

- 1. Emphasize sanctions' utility in the next national security strategy along with other tools of economic statecraft**, rather than siloing them as a stand-alone policy measure. The 2022 national security strategy mentioned sanctions only once in the forty-eight-page document despite the important role they play in US foreign policy.<sup>116</sup>
- 2. Set and implement new intelligence priorities immediately** in order to support the network analysis and psychological profiling of individuals in the sphere of targeted autocrats. Sanctions-related intelligence collection that guides decisions made by administrations is undervalued and lags behind real time. Intelligence officials need to establish an enhanced intelligence-collection infrastructure that begins to operate and produce actionable results in the first three months of the administration. The intelligence community usually lags by one to two years.
- 3. Apply wargaming to anticipate the effects of potential sanctions policies**, anticipating how sanctions programs might elicit responses from targeted regimes. Wargaming can help shift policymakers from conceptualizing sanctions as a reactive tool to an instrument that can serve offensive purposes in future conflicts by deterring provocations and limiting regimes' access to cash flow. Policymakers should analyze and prepare options for the use of sanctions in future contingencies. Wargaming can also provide policymakers with insights on how a sanctions program might impact the private sector and how firms can derisk from targeted countries.
- 4. Assign individuals to oversee each major sanctions program** as part of coordination among departments. Having a single individual who is in charge of a given sanctions program 24/7 would help to streamline implementation.<sup>117</sup> Empowering a special envoy or representative to coordinate sanctions across agencies is especially important for countries such as Venezuela that are often not considered pressing national security challenges.<sup>118</sup>
- 5. Equip TFI and OFAC with the staffing and technological resources needed** to fully implement and enforce the United States' expanding sanctions programs. Department of Defense officials should consider assigning certain portions of Combatant Command Counter Threat Finance Activities funding to TFI. Investing in OFAC staff federally and overseas can have a significant return on investment in terms of ensuring sanctions compliance. Embedding sanctions experts to collaborate with foreign banks is also helpful.

## CONCLUSION

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This report provides a framework and recommendations from seasoned policymakers and sanctions practitioners for President Trump's new administration. US officials should not treat sanctions as an easy solution to all foreign policy challenges. Sanctions are no substitute for good policy and can be counterproductive if not imposed as part of a coordinated strategy. On the other hand, well-designed and well-implemented sanctions can be effective tools for

advancing US interests when integrated with other instruments of economic, diplomatic, and military power for a specific policy objective. Policymakers should prioritize using intelligence to tailor sanctions that most threaten the interests of key individuals in the circle of autocrats and cut off cash flows to sanctioned regimes. Government officials should also routinely reassess the impact of implemented sanctions relative to other policy options and should recalibrate sanctions policies accordingly. These guidelines will benefit the sanctions-policymaking process as US policymakers increasingly turn to their arsenal of economic statecraft tools to further US foreign policy objectives and to protect the free world.

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## ABOUT THE EDITORS

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### H.R. MCMASTER

H.R. McMaster is the Fouad and Michelle Ajami Senior Fellow at the Hoover Institution. He is also the Bernard and Susan Liautaud Visiting Fellow at the Freeman Spogli Institute and a lecturer at Stanford University's Graduate School of Business. He was the twenty-fifth assistant to the president for national security affairs.



### LEOPOLDO LÓPEZ

Leopoldo López is a Venezuelan freedom activist and former political prisoner (2014–20). He founded the Voluntad Popular party and cofounded the World Liberty Congress. A former mayor of Chacao, he holds degrees from Kenyon College and Harvard. Now in Spain, he is an author and democracy advocate, recognized with multiple international awards.



### FIONA CLUNAN

Fiona Clunan serves as research program manager for H.R. McMaster at the Hoover Institution. She received her bachelor's degree in international relations and classics from Stanford University.



### THOMAS JOHNSTONE

Thomas Johnstone is a Stanford medical student interested in applying machine learning and economic principles to orthopedic surgery and military health care. He completed his undergraduate studies in math and economics at the US Naval Academy and will begin his active-duty career as a resident in orthopedics in July 2025.

**Contributors:** Chelsea Berkey, Amaya Marion, Sam Samani, and Elizabeth Spaeth

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### Synopsis

When designed and implemented properly, sanctions can serve as a useful tool of economic power for achieving US foreign policy objectives. Discussions about sanctions often gravitate to extreme positions: that sanctions are an easy answer to complex problems or are universally counterproductive. Based on evidence from case studies and interviews with sanctions policy experts, this report provides a framework for designing and implementing effective sanctions against authoritarian regimes.

**Hoover Institution, Stanford University**  
434 Galvez Mall  
Stanford, CA 94305-6003  
650-723-1754

**Hoover Institution in Washington**  
1399 New York Avenue NW, Suite 500  
Washington, DC 20005  
202-760-3200

