Sanctions & Why They Matter

Introduction

For fifty years advocates of neo-liberal policy have informed us that societies flourish best when governments get out of the way and take a back seat to the market. Yet among the things revealed by the Covid-19 pandemic in the last few months is how wrong they were and how much of a lie it is for them still to cling to that dogma. What governments do, or don’t do, makes a huge difference to a society’s well-being. Do nothing, or do the wrong thing, and lives are shattered, people die, and societies break down.

No one except a few rightwing wingnuts blames the current virus on man-made machinations. Nor would any sane person welcome the spread of the virus as an instrument of policy by another name. However, here in the United States there is a state-sponsored policy in foreign affairs explicitly designed and intended to act on other people’s societies exactly the same way, with the same deadly effects, the pandemic has on their societies.

It’s policy that’s been in place for years under multiple administrations, and its purpose is to change state policy of other countries by disrupting their economy, denying essential goods like food and medicine to their peoples, overloading the health-care system, destroying their will to carry on, and, most importantly, turning peoples against their government. It is a diabolical and inhuman policy---called by many across the world a war crime---that gets no debate in either major political party, little attention from Congress, and no discussion on major media outlets. Yet its effects are lethal and morally untenable.

The policy involves sanctions against countries, which is a seemingly innocuous word that translates into vicious attacks against the living standards of whole peoples. Along with bombing and invasion, the U.S. government uses them as a tool to coerce other countries and impose its will. The U.S. exercises sanctions against an estimated 39 countries, twenty percent of the world’s nations and comprising one-third of the world’s population most of them people of color and desperately poor.

It is the foreign equivalent of the abuse we see against black and brown neighborhoods in every city of the United States.

What are Sanctions?

There are four kinds, any or all of which can be applied in combination.

First, The U.S. government and its allies can issue, in effect, a trade blockade refusing all commercial transactions. It can refuse to import goods and services from a country, or allow its goods and services to be exported to that country. Violators inside the U.S. are fined while
violators in other countries can themselves suffer crippling U.S.-imposed sanctions or other penalties.

Second, the U.S. government can sanction a country’s currency. On a typical day world currency markets involve a staggering two trillion dollars in transactions, and the U.S. dollar is the strongest currency because the dollar is the reserve currency of choice to which everybody flees for safety during crises. That makes the U.S. incredibly powerful, the gate-keeper who decides by fiat who can and who can’t participate in these markets. For example, the U.S. government can stop U.S.-based companies and individuals, as well as strongly encourage non-U.S. based companies, from buying and selling new debt issued by a sanctioned government. Excluded from currency markets, these sanctioned (mostly poor) countries, which usually have endemic shortages of foreign currency in their coffers, are precluded from valuable trade deals and loans. Moreover, such countries become financial pariahs to the rest of the world. Other countries are unwilling to risk U.S. displeasure (and the risk of penalties slapped on them) flouting the imposed U.S. rules of the game by dealing with sanctioned countries.

The U.S. government, in effect, plays the bully blocking the bank door through which everybody has to go to make deals; this bully decides who gets in the bank and who is excluded and sent away penniless. Financial warfare of this sort often results in the targeted country suffering hyper-inflation (and political destabilization) as has happened in Venezuela after Obama slapped sanctions on it in 2015, and also in Iran since 2018 when Trump ended the nuclear deal and resumed sanctions.

The third kind of sanction is for the U.S. government to freeze a country’s (or an individual’s, say, a drug lord’s) assets prohibiting its owner access to it and use of it. Such was done with the assets of the Venezuelan state-owned oil company PDVSA. The Federal Reserve Bank of New York is the bank the U.S. government uses to administer 250 foreign government central bank accounts that are deposited there. These deposits are kept there for several, often related reasons: for safety in times of crisis, for investing in dollar-denominated debt securities, and for playing the foreign currency exchange markets.

If any of these accounts becomes frozen because their foreign owners do something which annoys the U.S., the N.Y. Fed is permitted to use the funds in murky, leveraged derivative sales (https://mronline.org/2020/03/10/united-states-imposed-economic-sanctions-the-big-heist/). Examples include short-term, often overnight loans/sales to cash-strapped banks, hedge funds, and other institutions, of “repos” (repurchase agreements) and “reverse repos” (repurchase agreements with the promise to buy them back at a small interest) https://mronline.org/2020/03/10/united-states-imposed-economic-sanctions-the-big-heist/; https://www.newyorkfed.org/medialibrary/media/aboutthefed/annual18/Financial-Statements.pdf; https://www.federalreserve.gov/releases/h41/20200227/. We should add that such repo and reverse repo sales amount to a kind of plunder, or piracy. For, through its sanctions, the U.S. Fed is able to profiteer with assets they don’t own and without their owners’
consent or knowledge. [Don’t look, however, for the black-and-white skull-and-bones to be raised over the Treasury Department anytime soon…].

(Note to the curious reader: Also, forget about finding out whose accounts are on deposit in the N.Y Fed or how much are in them; it’s prohibited by law and not for the likes of you and me. Not even the General Accounting Office, Senators or member of Congress, let alone nosy journalists, are privy to such sensitive information. It’s estimated at $3.3 trillion, but who knows for sure? https://www.reuters.com/article/us-fed-accounts-intelligence-specialrepo/special-report-how-the-federal-reserve-serves-u-s-froign-intelligence-idUSKBN19H198).

The fourth type of sanction (called “secondary sanctions”) is not really a sanction per se. Instead, they are the draconian legal consequences that can result against a foreign or American third party if it violates a unilateral sanction by the U.S. These are either financial penalties (up to $5 million for individuals, $10 million for corporations), and/or criminal convictions up to 30 years imprisonment https://www.treasury.gov/resource-center/sanctions/Documents/facbk.pdf (cf. page 2); https://iclg.com/practice-areas/sanctions/usa; https://mronline.org/2020/03/10/united-states-imposed-economic-sanctions-the-big-heist/

Little-Known Facts about U.S. Sanctions

• Sanctions can be (and are) instituted against persons and groups as well as states. It’s estimated that 6300 “entities” make up the complete list. https://mronline.org/2020/03/10/united-states-imposed-economic-sanctions-the-big-heist/.

• Sanction-making authority is not restricted to the President and Congress. Local and state governments, as well as thirteen separate U.S. agencies and offices, now have this authority.

• An obscure Treasury Department entity called the Office of Foreign Assets Control (OFAC) develops and administers sanctions. Yet OFAC doesn’t, at least publicly, collect data about deaths, malnourishment, and other human costs to sanctioned countries. That fact, however, doesn’t prevent presidents from boasting that sanctions are cheap and save the lives of American soldiers.’ President Trump has been quoted by an anonymous source that he loves the idea of “maximum pressure” exerted on nations “without firing one shot” https://www.nytimes.com/2019/11/15/us/politics/trump-iran-sanctions.html.

• Over the years, sanctions have shut down profitable import markets for U.S. businesses. This hurts working people and consumers alike in terms of billions of dollars of lost wages and higher prices, respectively. In response to the 1959 Cuban Revolution, for
example, the federal government prohibited the import of Cuban sugar and began massively subsidizing the U.S. sugar cane industry even though cultivating sugar cane makes little economic sense in most U.S. states when Cuba can do it so much more cheaply and efficiently. The result is a classic case of comparative advantage: a small industry is the U.S. is bloated by subsidies at taxpayer expense while U.S. consumers are forced to pay higher prices.

• Whereas sanctions stunt a target country’s growth and development and kill off vulnerable people (the very young and the very old, and all those with no or limited access to health care), the oligarchs of these countries can pay the inflated prices for the necessary though limited medicines, treatment, and care they need, or they can fly elsewhere on private jets if those commodities are unavailable. In addition, oligarchs typically have the inside-track on smuggling by getting low-level officials to “look the other way”; hence they profit from the inflated prices other have to pay because of the sanctions themselves.

• We stated above that frozen assets unavailable to sanctioned individuals and countries can nevertheless be used by the NY Federal Reserve Bank without permission or recompense in profit-making loans/sales with institutional investors like pension or money-market funds.

• Sanctions are considered war crimes and violations of international law under a wide variety of agreements, including treaties signed by the president and passed by the Senate. Among these are the United Nations Charter, the Fourth Geneva Convention, the Genocide Convention, the Nuremburg Charter, the Constitution of the World Health Organization, the Universal Declaration of Human Rights, and the Rome Statute of the International Criminal Court.

• With the proliferation of sanctions in the last thirty years there has been a vigorous academic debate about their “effectiveness” (using as a yardstick for “success” a positive answer to the question, ‘Have they helped the U.S. dominate important world markets and control vital resources?’). Most academics give them a success rate of 20 to 30% which is a pretty low score, morally speaking, when you consider the punishment they inflict on whole people. https://mronline.org/2020/03/10/united-states-imposed-economic-sanctions-the-big-heist/. Who can ever forget former Secretary of State Madeleine Albright’s response when asked whether the death of one half million Iraqi children from the Clinton-imposed sanctions was justified? (“I think that is a very hard choice, but the price, we think, the price is worth it.” https://www.youtube.com/watch?v=bntsflAXMEE).

Sanctions’ Effects on Three Countries
Let’s consider three cases---Venezuela, Iran, and Cuba---all of which are currently targets of media coverage and each of which can shed light on the other 36 sanctioned countries.

**Venezuela**

In 2015 the Obama administration declared Venezuela “a threat to national security” and placed sanctions on it. The effects have been devastating.

With the supplies of spare parts for water and sewage treatment facilities unavailable, as well as the electrical and telecommunication grids made unaffordable and cut off to poor people, essential services have broken down. Hospital and health care facilities have been denied essential supplies; teachers have gone unpaid; and inflation has closed markets and left people without basic necessities. (Inflation was galloping along at 60,234% by October, 2018)


Three billion dollars’ worth of the country’s assets have been frozen worldwide, along with all its oil earnings in the United States. Not surprisingly, the progressive reforms of the last two decades under Hugo Chavez have unraveled, and counter-revolutionary forces are destabilizing the current government (heir to Chavez’s reforms) in an effort to topple it and restore the oligarchs of yesteryear.

Meanwhile, at the end of this March---as the COVID-19 virus was beginning to devastate the United States and take a toll on Venezuela as well---the Trump administration sent warships, helicopters, and Marines to threaten Venezuela’s coastline. Without providing a shred of evidence for the claim, the U.S. Attorney General and Secretary of Defense accused the current Venezuelan president Nicolas Maduro of conspiring with Columbian revolutionaries in narco-trafficking to send cocaine to the United States, for which they put a $15 million reward on the president’s head for information leading to his arrest.

Many think these provocative acts are a prelude to a hot war. (Indeed, on May 3rd, the self-styled leader of an armed incursion to kidnap Maduro is an ex-Green Beret and owner of a Florida security firm with ties to Trump’s security forces [https://www.spokesman.com/stories/2020/may/05/trump-denies-ties-to-venezuelan-attack-with-2-us-m/](https://www.spokesman.com/stories/2020/may/05/trump-denies-ties-to-venezuelan-attack-with-2-us-m/)).

**Iran**

No country in the Middle East has suffered a higher death rate from the COVID-19 (as of April 30th) than Iran ([https://www.lawfareblog.com/challenges-us-sanctions-against-iran-during-](https://www.lawfareblog.com/challenges-us-sanctions-against-iran-during-))
coronavirus-pandemie). The U.S. sanctions against it---covering everything from oil and petrochemicals to automotive and aviation parts and services---have plunged that country into a deep recession (https://www.bbc.com/news/world-middle-east-48119109). In addition, Iran is prevented from purchasing dollars in world currency markets, which means, as we have said above, no loans in dollar-denominated debt and no sales/purchases in dollars in the open trade markets.

The result is that the Iranian currency (the rial) has depreciated so greatly that Iran no longer has the means to purchase medical, pharmaceutical, or hospital equipment and supplies on the world market. In fact, its recession is so severe, and the suffering of the Iranian people so desperate, that the regime is reluctant to shut down the economy further to protect against the virus. (Unfortunately, the trade-off is that Iran leads the Middle East in virus mortality rate. In fact, things are so bad that several Iranian political leaders have contracted Covid-19, though, of course, the privations of the leadership pale by comparison with the suffering of most Iranians).

Yet the Trump administration refuses to lift or even relax the Iranian sanctions and thus has played a direct role in promoting the virus in that part of the world. Of course, as the Iranian ambassador to the United Nations, Dr. Majid Takht-Ravanchi, emphasized in a May 9th SanctionsKill webinar the U.S. government makes a display to the rest of the world of “allowing” humanitarian and medical supplies through the blockade. Yet the Treasury Department’s OFAC cynically and cruelly makes the conditions for delivery so onerous and labyrinthine, so fraught with legal threat (both civil and criminal penalties) that all U.S. trading partners---as well as U.S. nationals---hesitate for fear of getting on the wrong side of the United States government. Most end up steering clear of Iran, and consequently only a trickle of the needed assistance gets through

https://www.youtube.com/channel/UCQXtGbmY2X1XnAwJCKyUdqg.

Nevertheless, it is heartening to know that three large countries (Japan, China and Russia) are defying U.S. sanctions and sending bulk supplies and equipment to Iran. There are also a number of smaller, courageous countries very vulnerable to possible U.S retaliation doing the same (United Arab Emirates (UAE), Georgia, Uzbekistan, Qatar, Turkey, Kuwait, and Turkmenistan).

Many traditional European U.S. allies have leaned on the United States to relax the Iranian sanctions, and they have tried to find creative, safe (that is, in the sense of financially non-punitive) ways around the sanctions, but the Trump administration has refused their requests

https://www.reuters.com/article/us-health-coronavirus-iran-eu/eu-regrets-u-s-refusal-to-allow-

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1 Updated June 23, 2020: 9863 deaths in Iran. By comparison, Turkey currently has 5001 deaths and Saudi Arabia has 1346. India, with an enormously higher population than Iran, has 14,476 deaths due to the pandemic
economic-aid-for-iran-to-fight-coronavirus-idUSKCN22431Y. As of this writing (late June, 2020), however, assistance from these European countries has not been forthcoming.

We end this brutal account with a squalid, tawdry little tale that is by no means atypical of sanctions. In 1979 after the fall of the shah and the taking of American hostages in Tehran, billions of dollars of Iranian assets were frozen in banks and institutions worldwide where they have sat ever since collecting dust because frozen assets do not collect interest. Suddenly, to everyone’s shock and dismay, it was discovered in 2015 that from $100 to $120 billions of these assets have gone missing, with no accounting. Shocking, just shocking!


**Cuba**


What accounts for the difference? One has billions worth of privately-owned property and free, unregulated commodity markets, as well as an intentionally weak state government whose function it is to get out of the way of private initiative. The other has a highly educated citizenry, free universal health care, lab facilities equipped and staffed to run virus tests, high life expectancy, low infant mortality, and the highest ratio of doctors-to-population of any country in the world. In addition, Cuba has a centrally-planned and state-controlled economy.

You can disparage the Cuban political system all you like---it’s been a cottage industry for U.S. politicians, media, and academics to do for decades---but the Cuban government has had no problem mobilizing resources in the pandemic, coordinating activities, making plans, taking responsibility, getting people to cooperate, and saving its population from the worst effects of the virus. In fact, Cuba has been so successful that many of its doctors have volunteered free-of-charge to fly to other countries to help them in their medical emergencies as they did during the Ebola outbreak in West Africa. (You may recall, too, that Cuban doctors offered their services after Hurricane Katrina devastated New Orleans, but of course the Bush administration was highly insulted and turned down the offer).

Another factor that makes Cuba ready for society-wide emergencies like Covid-19 is that its government has to deal with hurricanes every summer. As a result, the country has a well-developed disaster-preparedness program involving mandatory evacuations for the disabled, the
old, and pregnant women. Moreover, Cuba started early preparing for the virus: In January of this year the government developed a prevention and control plan which included training medical staff, preparing medical and quarantine facilities, and informing the population about symptoms and precautions. By March 20th tourism was ended, and the ratio of tests-to-reported cases is now the greatest in the region (as of May 5th, 25:1 while next-best Jamaica’s is 16:1 and the Dominican Republic’s is 3:1; by way of comparison, Vietnam and Taiwan have a ration of over 100:1, Germany’s 10:1, the U.S. 5:1, and the U.K. 4:1)


All Cuba’s efforts are being accomplished in the teeth of the longest and most comprehensive sanctions regime in history. It’s a remarkable achievement, but there’s a genuine question how much longer Cuba can maintain its success. For the sanctions are now in effect being used by the U.S. to weaponize the virus: For example, every test kit Cuba uses costs a forbiddingly high $50, and this cost occurs at a time when the country’s supply of currency reserves---not to mention U.S. dollars---is very, very low.

After the 1959 Castro revolution threw out the corrupt U.S. -backed Fulgencio Batista regime and nationalized some U.S.-owned properties, the U.S. slapped limited trade restrictions on Cuban sugar and other imports, as well as a ban on most exports. In 1962, John F. Kennedy imposed a full trade embargo on Cuba (not without first buying up the entire stock of the Cuban cigars); this was done after an embarrassingly easy and successful resistance at the Bay of Pigs by the Cuban military against a CIA-sponsored invasion the previous year. This full-fledged embargo---still called by Cubans a “blockade”---included severe travel restrictions and heavy penalties against other countries violating the sanctions.

Over the years, the embargo has been periodically relaxed from time to time only to be tightened again by a new administration coming into office, with a bipartisan “Get-tough-with-Cuba” policy attractive to politically powerful and well-connected Cuban exiles living in Florida. (The latter has become a vital swing state in U.S. national elections).

The embargo came closest to being completely ended in 2014 under initiatives taken by Obama and Raul Castro after diplomatic relations were reestablished. Once again, however, the next administration has sabotaged those efforts. In addition to re-imposing harsh travel restrictions, the Trump administration used the Clinton-era Helms-Burton Act to allow U.S. nationals to sue “entities”---read: Canada and European Union countries, both major investors in Cuba---that traffic in and benefit from former U.S. properties confiscated by the Cuban government.

This has resulted in these latter countries, among the closest of U.S. allies, declaring the United States in violation of international law and fighting for a decision in the World Trade
Organization (WTO). Even the Council of Foreign Relations, certainly no friend of Cuban communism, raised its eyebrows at such brazenly bullying by Trump and his goons!

([https://www.cfr.org/backgrounder/us-cuba-relations](https://www.cfr.org/backgrounder/us-cuba-relations);
[https://en.wikipedia.org/wiki/United_States_embargo_against_Cuba](https://en.wikipedia.org/wiki/United_States_embargo_against_Cuba)).

**Post-Pandemic, a Different World Alignment?**

The U.S. track record on sanctions is one of devastating consequences for working people at home and abroad. Even on their own terms---by the standards of U.S. ruling elites---sanctions are failures. Lots of small poor Davids refuse to buckle to the will of the North American Goliath. Aside from the ill-will sanctions create with other countries and the hatred they engender among masses of people worldwide who suffer under them, they seem to present two dangers to U.S. imperial interests.

First, they encourage even weak countries in the present emergency to take the risk of defying the United States and see what happens. With the United States leading the world by far in Covid-19 cases and deaths, with its leadership at the top proving itself totally incompetent, its economy in tatters, its people angry and disunited, it is a country that seems to have exposed its feet of clay. Today the U.S. is looking anything but inspiring and dominant. Since the virus is not the kind of enemy the U.S. military can bomb or invade, it’s looking instead like a bumbling, blind giant.

Second, the U.S. dollar since WWII has been the reserve currency of choice during crisis. Yet with one-fifth of the countries on earth suffering U.S. sanctions of one sort or another, countries that are not sanctioned nevertheless have to be fearful of finding themselves at some point in U.S. cross-hairs and at risk of earning pariah status. Foreign assets can be frozen at any time at the U.S. government’s whim and pleasure. These assets are sitting ducks within U.S. borders, or even when parked in the banks of U.S.’s strongest allies.

So why invest in the United States? Why risk dumping currency in its banks, hedge funds, pension or mutual funds? Why risk buying Treasury bills and notes in times of crisis? Is securitized U.S. debt in student loans, credit card receivables, mortgages, or auto loans really so safe and attractive? Instead, it behooves other countries worried about falling from U.S. favor to store their treasury reserves in the currencies of other strong countries’ (the Chinese yuan, the Japanese yen, and/or the European euro)---countries that are not so openly imperialist, not so vindictive and rapacious and unpredictable as the United States, with its military bases spanning the globe and its political leadership in both major parties always ready to saber-rattle and bully less powerful countries into line.

Given the stark failure of the United States’ government to deal competently, or even rationally, with the Covid-19 virus within its own borders, governments worldwide, both friendly and hostile, have to be asking themselves if American exceptionalism is as specious and hollow as
they have always thought it to be. Is it finally time for this country’s long overdue come-uppance? Is the mighty, sovereign dollar ready to take a much-deserved hit? Is our ruling class on the brink?

What Can We Do?

The sad fact is that precisely when we need more than ever to be in the streets, shutting down our Congressperson’s office and committing other acts of civil disobedience in the name of humanity, we have to use extreme caution and discretion in the face of this pandemic and the danger we pose to each other’s health and safety.

But there are still things we can do from home:

• Sign an open letter to the Secretary General and to the U.S. President that demands that military actions stop against targeted countries and sanctions be lifted everywhere. The petition is on the U.S. Peace Council site at https://uspeacecouncil.org/4724-2/.
• Pledge to resist U.S. sanctions and war at https://sanctionskill.org/pledge/.
• Talk to your friends and families about the evils of sanctions.
• Write an informed letter-to-the-editor.
• Call your Senators and Congressperson.
• Regardless who is elected in November, commit to challenging politicians of both parties who support sanctions, or who remain silent about them. Sanctions are not “civilized and cheaper alternatives to war.” They are crimes against humanity and they need to be framed that way.
• Above all, now is an ideal time to educate ourselves. Material on sanctions and their impact is not easy to come by. Just as apologists for a racist and classist domestic system have for generations ignored police violence against minorities, so apologists for the status quo in U.S. foreign affairs do not cover the sanctions issue well because to do so would spotlight the deep inhumanity and brutality they cause. You have to dig through alternative media to find the relevant information and the occasional nugget to skewer an opponent with. But the rewards are great when you do.

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