

# Group of Twenty

## The question of financial sanctions



<b>Forum</b>	Group of Twenty
<b>Issue:</b>	The question of financial sanctions
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## Introduction

Financial sanctions are restrictive measures enforced by one or more nations over certain individuals or states. These sanctions may include imposing bans on travel, freezing assets, applying embargoes over certain products or materials, and restricting trade. These tools are used by governments as a response to various conflicts or geopolitical challenges as an attempt to affect the strategic decisions of another state, company or individual that threaten the government's interests or violate international laws and standards. Even though many critics believe that financial sanctions are rarely effective, various governments see them as a course of action between diplomacy and war that poses a much lower cost and risk than other solutions. In addition, sanctions have proven to be effective in certain cases, such as the sanctions imposed by Greece over Albania in 1994.

## Definition of Key Terms

### Terrorism

(Note that each state has their own definition of terrorism. The following definition is provided by Cambridge Dictionary and it is highly encouraged to be used in this forum) terrorism is a violent act for political purposes or the threat of such.

### Extraterritorial sanctions

Sanctions restrain the economic activity of governments, nationals, and entities from a third state. These are also known as secondary sanctions or boycotts. Multiple countries consider them to be a violation of their sovereignty and international law.

### Financial sanctions



Financial and commercial restrictions applied by one or more governments over other states or individuals.

### Money laundering

The process of generating big sums of money through a criminal activity and making it seem as if it came from a legitimate source.

## General Overview

The Group of Twenty (G20), a platform that connects some of the largest economies on the planet, was founded in 1999 as a response to the East Asian financial crisis of 1997-99. The forum is made up of twenty members (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States and the European Union) and Spain, who is invited as a permanent guest. Jointly, the G20's members make up for 80% of the world's GDP, 75% of international trade and 60% of the world's population. The global crisis of 2008 has led the world leaders from the G20's member states to organize yearly summits during which they can discuss and develop solutions to reach a financially stable world.

Ever since the September 11 attacks in the United States, 2001, the application of financial sanctions over certain states and bodies have steadily increased. These sanctions are usually imposed as a response to foreign crises where a country's national interest is not vital and a military response from such a nation is not possible. Since the 2001 attacks, the use of these sanctions has also been primarily aimed against groups denominated as terrorist, drug traffickers and banks engaging in suspicious activities, such as money laundering. On occasions, these sanctions are applied collectively by organizations, such as the United Nations and, if necessary, the Group of Twenty. In such cases, the financial sanctions become known as global sanction regimes.

Even though experts and policymakers continuously debate the effectiveness of sanctions, most see it as a useful diplomatic tool that can be used before taking any military action. However, sanctions require being reviewed regularly. According to the Council on Foreign Relations (CFR), when setting a sanction, governments should evaluate the sanction using the following key areas: the characteristics of the historical case, the evolution of sanctions over time, the determination of correlations instead of casual relationships, and the analysis of their collective utility as opposed to the achievement of their objective to measure success.



Lately, events involving some of the Group of Twenty's members, such as the Russian war in Ukraine, have led to financial sanctions being imposed on G20 members by other members of the forum. Seeing that the Group of Twenty was designed as a space where the biggest economies in the world could join together and discuss issues such as financial sanctions, and the fact that sanctions among the committee's members have recently been imposed, it is crucial for these sanctions, the reasons behind them and their general characteristics to be jointly discussed and reviewed by the G20.

## Major Parties Involved

### United States of America

The United States of America (USA) is the country that imposes the most financial sanctions. Some examples of countries that the USA has applied sanctions to are: Iran, Syria, Venezuela and Cuba. The United States is also one of the main nations applying sanctions to the Russian Federation over the current situation in Ukraine and has also applied sanctions to the People's Republic of China (PRC).

### United Nations

The United Nations (UN), through the Security Council, can apply universal financial sanctions, meaning that they are applied by all of the 194 member states. An example of some of these sanctions are the sanctions imposed on Al-Qaeda and North Korea. The United Nations has assigned a special committee and monitoring group to supervise the sanctions approved by the Security Council.

### Russian Federation

Given the recent situation in Ukraine, the Russian Federation and its nationals have faced the imposition of multiple sanctions by various countries, many of whom are G20 members. The states that have applied sanctions on Russia are the United Kingdom, the United States, Japan, Canada, the European Union, Australia, South Korea, Germany, France, Italy (all G20 members), Norway, Switzerland, Poland, Finland, New Zealand, Iceland, Bahamas, Singapore and Taiwan.

### European Union

As part of its Common Foreign and Security Policy, the European Union (EU) can impose sanctions that would be applied to its 28 members' territories. Since the EU does not have a joined military force, many European leaders see financial sanctions as a very effective tool. The European Union has also applied sanctions on Russia.



## The People's Republic of China

The People's Republic of China (PRC) is another G20 member that has faced financial sanctions, many from other G20 members. Most of the financial sanctions on China have been applied by the USA.

## Timeline of Key Events

1960	Sanctions imposed on Cuba, mainly by Western countries
1990	Sanctions imposed on Iraq
1997-1999	East Asian financial crisis
1999	Group of Twenty founded
September 11, 2001	9/11 Attacks
2004	Sanctions imposed on Syria
2008	Global financial crisis
December 7, 2020	US imposes sanctions over China
February 24, 2022	Russo - Ukrainian War begins

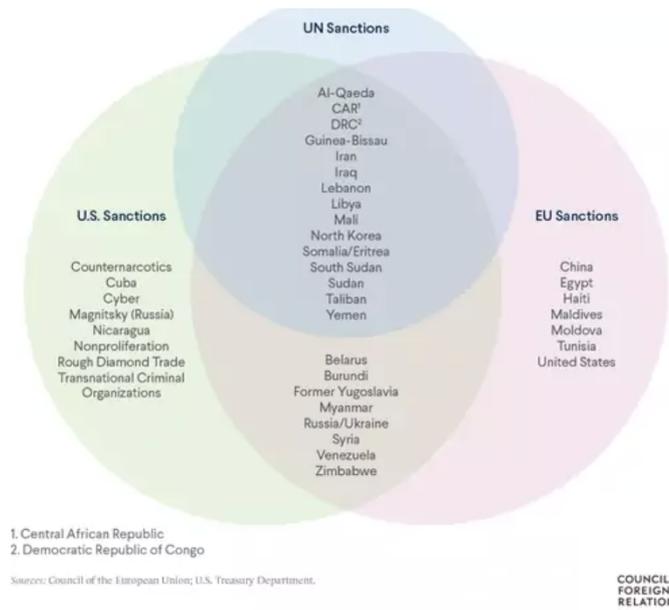
## UN involvement, Relevant Resolutions, Treaties and Events

So far, the UN has not presented a resolution or discussion about applying global limits or specifications over how financial sanctions can be applied. However, the UN Security Council has approved various resolutions in which sanctions on specific bodies have been imposed.

- Executive Order 14032, "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (imposed by the USA over the PRC)
- Executive Order 13661 "the actions and policies of the Government of the Russian Federation with respect to Ukraine" (imposed by the USA over Russia)
- EU restrictive measures against Russia over Ukraine, 2014
- The Situation in Afghanistan, 15 October 1999, (1267)



- Threats to international peace and security caused by terrorist acts, 2011 (1989)



**Global sanctions regimes implemented by UN, EU and USA**

## Possible Solutions

Seeing that some of the most pertinent financial sanctions nowadays are imposed by G20 member states over other members of the forum, it is imperative that this issue is discussed by the Group of Twenty. While this issue will, most likely, not have a single tangible solution, it is important for this committee to sit down and negotiate the terms and implications of said sanctions. This committee shall also discuss the establishment of joint sanctions applied by various members, if not the committee as the whole, possible restrictions that these sanctions might face and the possibility of creating a subsidiary to this forum that shall be in charge of overseeing all financial sanctions applied by the Group of Twenty to governments or individuals. Finally, the committee should be a space where members will be able to negotiate and review, preferably using the criteria stated by CFC (in general overview section), any sanctions that have been applied between G20 members.

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