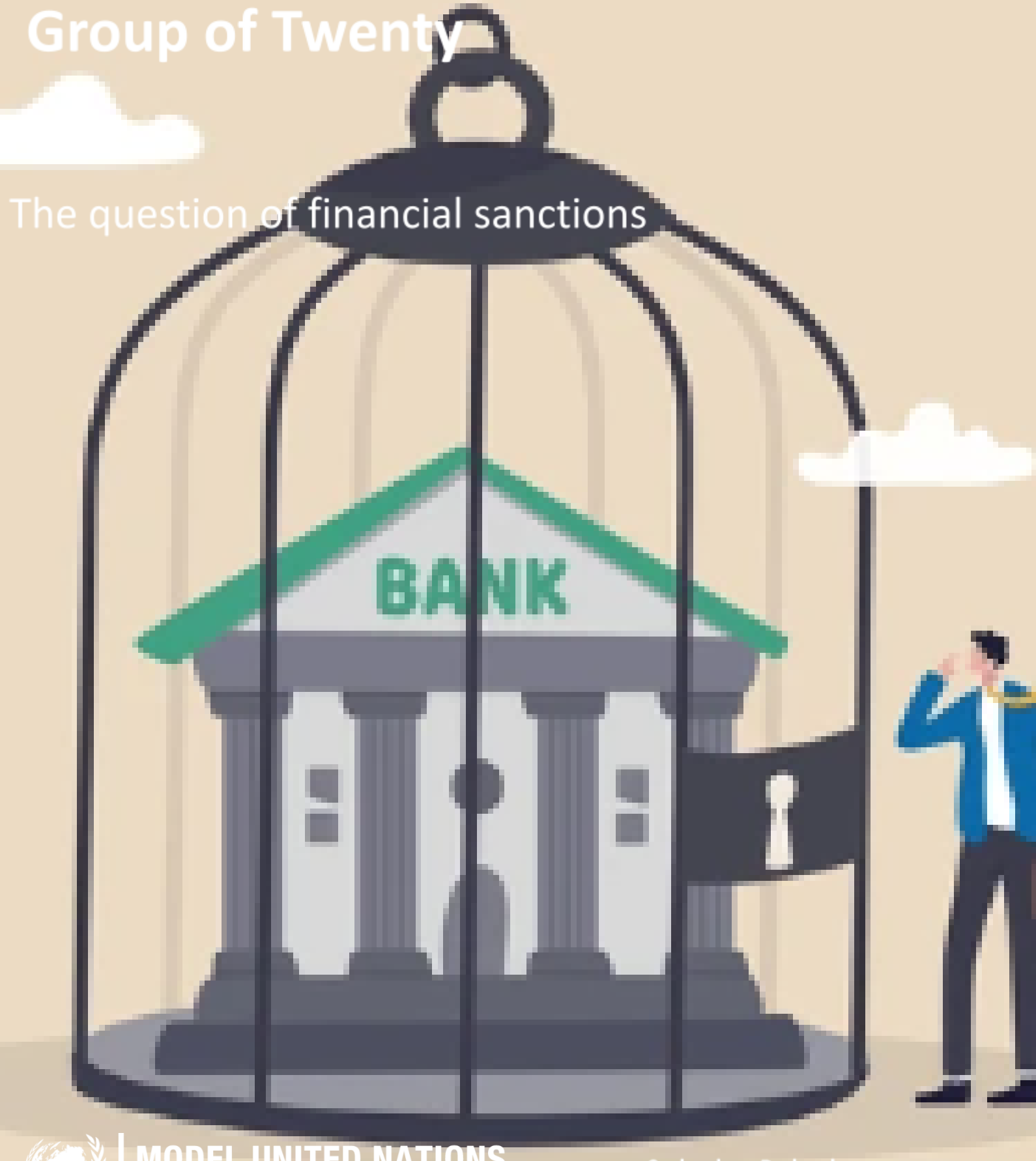
Group of Twenty

The question of financial sanctions



MODEL UNITED NATIONS
THE INTERNATIONAL SCHOOL OF THE HAGUE

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Forum	G20
Issue:	The question of financial sanctions
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Introduction

Financial sanctions have become one of the most widely used and important tools for nations today for international diplomacy and governance. These sanctions are often used as a restrictive measure in order to influence member states, private entities and individuals that are deemed to violate the international norm. These sanctions include forcibly freezing assets, restricting financial transactions or limiting types of foreign investments.

Within the context of the G20, financial sanctions present both political and economic challenges. WHile some member states within the G20 choose to utilize sanctions for their strategic use and to uphold the integrity of international law, others argue that the use of sanctions can heavily disrupt international global markets, harm developing countries and decrease trust in the international financial system.

As global financial systems become increasingly interconnected between nationals globally, the impact of sanctions extends far beyond their original targets. They have the capacity to influence commodity prices, disrupt supply chains, and affect the access of civilians to basic financial services. In light of this, the G20 has a unique role to play: to encourage communication of varying perspectives, reduce the misuse of financial sanctions, and explore the ways in which member states can effectively ensure accountability while minimizing unintended economic consequences. Addressing this issue requires a balanced approach that respects sovereignty, upholds international standards, and safeguards financial stability across all member states allowing for an equitable future for all.

Definition of Key Terms

Financial sanctions

Restrictions placed on financial activities such as freezing assets, blocking transactions, or limiting access to banking systems to pressure a country, entity, or individual.

Asset freeze

A measure that prevents targeted individuals, companies, or governments from accessing or moving their financial assets.

Extraterritorial sanctions

Sanctions applied by one country that affect the financial activities of entities outside its own borders, often causing tensions in international relations.

Multilateral sanctions

Sanctions agreed upon and imposed by multiple countries or international organizations collectively, rather than by a single state.

Unilateral sanctions

Sanctions imposed by one country independently, without the agreement of other nations.

Economic coercion

Using economic tools such as sanctions to influence the policies or actions of another country.

International financial system

The global network of institutions, rules, and agreements that regulate money flows, banking, and cross-border payments between countries.

Sovereignty

The authority of a state to govern itself without external interference.

Sanctions evasion

Actions taken to bypass or undermine the effects of imposed financial sanctions, such as using alternative banking channels.

Compliance

The act of adhering to laws, regulations, or international agreements, such as sanctions regimes.

Financial stability

The condition in which the financial system operates efficiently without disruptions that threaten the broader economy.

Money Laundering

Money laundering is the process by which criminals conceal the illegal origin of their property or income.

Due diligence

The process of carefully checking and verifying financial transactions to ensure compliance with sanctions laws.

Counter-terrorism financing (CTF)

Measures aimed at preventing financial support to terrorist groups through sanctions and other regulatory frameworks.

General Overview

The G20 was made in 1999, as a response to the east Asian financial crisis in 1997-1999, in which top economic member states around the world decided to collaborate and discuss solutions to impending economic threats

G20's Role in Sanctions Governance

While the G20 itself cannot enforce sanctions legally, it functions as a critical platform for keeping fair policies and interests between major economic powers. This includes setting standards for financial transparency between member states, promoting compliance with international standards, and coordinating sanctions in response to major crises. In recent years, particularly in response to conflicts such as the Russian invasion of Ukraine, G20 members have imposed sanctions on each other raising questions about the forum's internal conflict and transparency and the political implications of sanctions within the group.

Strategic Use and Review of Sanctions

Sanctions serve various strategic purposes: they can freeze assets, limit access to banking systems, restrict trade in key sectors, or isolate individuals and institutions from global markets. However, their effectiveness depends on careful and well prepared actions, international coordination, and regular reassessment of its overall effectiveness. Analysts continue to highlight the importance of evaluating sanctions based on historical outcomes such as unintended economic consequences, and whether they lead to permanent changes to the specific group.. These target groups can range from suspicious activities related to private entities to possible terrorist activities within the nation. Within the G20, the discussion increasingly focuses on establishing best practices regarding sanctions, preventing its misuse and ensuring sanctions align with broader international law and ensure economic stability.

Current day tensions regarding the matter of financial sanctions

The continued use of financial sanctions by certain G20 members against other members, such as the measures imposed on the Russian Federation by Western states, has introduced significant internal tensions within the group. These actions challenge the core principles of cooperation and mutual engagement that the G20 was created to promote. Hence, there is a growing

need for clear and structured discussion on the legitimacy and future of financial sanctions. Member states must also carefully consider the long-term economic effects of these measures, including the risk of retaliation, the separation of financial systems, and disruptions to international trade. To preserve the credibility and effectiveness of the G20, a well developed approach is required, one that considers the political purpose of sanctions alongside the need to support economic stability at the global level adhering to the core values of the G20.

Major Parties Involved

United States of America (USA)

The United States has been one of the most active member states involved with financial sanctions as a foreign policy tool. The nation plays a leading role in setting the global sanctions agenda, often targeting nations, entities, or individuals it considers a threat to international order. Its economic influence, particularly through the dominance of the US dollar in international transactions, makes its sanctions especially impactful and influential across the globe.

Russian federation

Russia is often deemed as both a target and a participant in the global sanctions scene. Following the annexation of Crimea in 2014 and more recently, the conflict in Ukraine, Russia has been subject to widespread financial sanctions from many G20 members. These measures have affected its access to global financial markets and investment, placing it at the center of G20 discussions on the role and limits of sanctions in line with modern time events .

European Union (EU)

The EU, represented collectively in the G20, is a major enforcer of multilateral sanctions, particularly in response to human rights violations and breaches of international law. Its sanctions regime historically has often aligned with the United States but also reflects internal consensus among its member states. The EU plays a critical role in influencing the collective financial outcomes and ensuring legal consistency in their application by member states.

China

China maintains a cautious approach to financial sanctions, particularly those not set by institutions such as the United Nations. It emphasizes the principles of non-interference and sovereignty within international affairs. China being the world's largest exporter (Top), interestingly does not regularly initiate sanctions, it has however implemented targeted measures in response to specific political or trade-related disputes. As a leading global economy and key member of the G20, China plays a significant role in discussions on financial governance, alternative payment systems, and the broader effects of financial sanctions on global economic stability.

India

India within the G20 generally favors diplomatic solutions over overly coercive economic measures. It often avoids aligning with major sanctions regimes unless supported by international consensus, such as through the UN similar to China's stance. India's growing economic ties with both Western countries and sanctioned states like Russia place it in a complex position, making its stance an extremely important nation in balancing global responses between member states.

United Kingdom

Since leaving the European Union, the United Kingdom has developed its own independent sanctions policy. It remains closely aligned with the United States and the EU on key issues, including sanctions against Russia and individuals involved in corruption or human rights abuses. The UK's financial services sector and global influence ensure its continued relevance in sanctions enforcement.

Saudi Arabia

While not a frequent user of sanctions, Saudi Arabia's financial power, especially through global energy exports, gives it significant leverage in global economic discussions. Its strategic partnerships and growing influence in regional politics make it a key stakeholder and influencer in any debate about the economic impact and political motivations behind imposed sanctions.

South Africa

As a leading voice for the Global South, South Africa often advocates for the use of multilateral channels when addressing conflicts or economic pressure. It has expressed concern about the unintended consequences of financial sanctions on developing economies and supports

more equitable approaches to international economic governance to benefit all nations rather than particular parties instead.

Timeline of Key Events

You can include a small paragraph to explain the timeline. Otherwise you should follow the format specified below:

Date	Description of event
September 26 1999	Formation of the G20
2001-2002	Post 9/11 measures in which G20 members agreed to adopt the Financial Action Task Force (FATF) to effectively freeze assets linked directly to terrorism thus initiating that start of strategic sanctions in security matters
2014	Brisbane summit; following the annexation of Crimea , many G20 members places financial sanctions onto Russia make this one of the earliest major sanctions dispute among members
2015	In response to the ISIS financing, G20 adopted an action plan to strengthen sanctions reinforcements against terrorist groups
2022	Bali summit; the majority of western members imposed “Sweeping Sanctions” onto Russia following its invasion on Ukraine creating diversions amongst member states within the G20 over the legitimacy and economic impact of such measures.

UN involvement, Relevant Resolutions, Treaties and Events

- United Nations Security Council Resolution 1373 (S/RES/1373), 28 September 2001
- Financial Action Task Force (FATF) Recommendations, revised 2003 and 2012

Possible Solutions

One solution is for the G20 to create a shared set of rules for how sanctions are applied. This would not give the G20 the power to enforce them, but it would provide clear standards on how to make sanctions fair, targeted, and transparent. Having such guidelines would make sanctions more consistent and reduce misuse.

A second solution is to strengthen work with the Financial Action Task Force (FATF). Since FATF already tracks money laundering and terrorist financing, closer cooperation could help G20 members apply sanctions more effectively. This would also make sanctions less political and more based on clear financial rules.

A third possible solution is to improve the use of digital tools in monitoring and enforcing sanctions. The G20 could encourage systems that track assets and transactions across borders, making it harder for sanctioned groups to move money in secret.

Lastly, the G20 could agree to review sanctions regularly. This would help check if they are working as intended and avoid negative effects on civilians or the wider economy. It would also help keep sanctions credible as a tool of international policy.

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