

Brexit and the UK's Sanctions Policy: From Leader to Follower

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As a member of the EU, the UK has been a strong leader in the design and implementation of sanctions. Brexit will create complexity for policymakers and the private sector and result in a loss of UK influence and effectiveness.

In her recent [speech](#) announcing an early general election, scheduled for 8 June, Prime Minister Theresa May said that she wanted ‘a deep and special partnership between a strong and successful European Union and a United Kingdom that is free to chart its own way in the world’. A few weeks earlier, in her [letter](#) to EU Council President Donald Tusk triggering Article 50, she had expressed a similar desire for the UK and the EU to establish ‘a deep and special partnership that contributes towards the prosperity, security and global power of our continent’.

Against these desires, one area of traditional UK dominance, strategic orientation and global posture that will be challenged by Brexit is Britain’s future use of sanctions. What impact will Brexit have on the UK’s sanctions policy and its effectiveness, influence and relevance? And, conversely, what impact will Brexit have on EU sanctions policy?

Currently, the UK imposes sanctions based on the decisions of two primary bodies: the UN Security Council, at which the UK holds a permanent seat; and the EU. In the latter case, sanctions are imposed either as a supplement to UN sanctions (as with Iran, North Korea and Libya) or on a stand-alone basis where sanctions are not imposed by the UN (most often as a result of a veto, or likely veto, by one of the permanent five members such as in the cases of Russia, Myanmar and Syria). Implementation in the UK of sanctions agreed by these two bodies is governed by EU regulation.

While the requirements on the UK of sanctions agreed at the UN will remain unchanged, EU agreements will no longer apply, creating a range of post-Brexit strategic and operational challenges for UK policy on the issue.

The first, obvious, issue is that outside the EU, the UK will need to establish the necessary independent policy development and sanctions design architecture for which – until now – it has mostly relied upon Brussels. It will also need to provide capacity in the UK legal system to make available legal remedies sought in sanctions cases that would previously have been heard at the European level.

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Furthermore, as with matters such as trade negotiations, the government will need to relearn skills and capabilities that have in recent decades been outsourced to Brussels (admittedly including to UK officials who, presumably, will return to Whitehall). This will be needed in order to ensure that UK-designed sanctions are legally appropriate and effective.

Alongside these operational issues, key strategic factors will need to be addressed. To date, the UK has been an important voice in the design of EU sanctions. Following Brexit, it will have to design sanctions unilaterally while simultaneously seeking to influence

the design of the EU’s policy (for effectiveness and to avoid undue damage to UK national economic interests) from the outside.

In March 2016, HM Treasury [launched](#) the Office of Financial Sanctions Implementation (OFSI), a body charged with ensuring that ‘financial sanctions make the fullest possible contributions to the UK’s foreign policy and national security goals and help maintain the integrity of and confidence in the UK financial services sector’. Clearly, outside the EU, meeting these objectives will be considerably more challenging.

Finally, while UN-mandated sanctions will remain in force following Brexit, any sanctions imposed unilaterally by the EU or as supplements to UN Security Council sanctions would need to be carefully considered as they would no longer be in force in Britain under the country’s obligations to the EU.

Talk of Swiss and Norwegian models has thus far been primarily associated with matters related to trade and the free movement of goods, services and people. However, such models also apply to sanctions where these two countries seek to align themselves with key multilateral bodies.

For example, Switzerland may enact compulsory measures in order to implement sanctions that have been ordered by the UN, the OSCE or Switzerland’s most significant [trading partners](#) and which serve to secure compliance with international law, and in particular the respect of



PREVIOUS PAGE: Prime Minister Theresa May signs the Article 50 letter on 29 March as she prepares to trigger the start of the UK's formal withdrawal from the EU. After Brexit, the UK's ability to engage in influential and effective political dialogue alongside the application of financial sanctions will inevitably be weakened without a seat at the table in Brussels. *Courtesy of Christopher Furlong/PA Wire/PA Images.*

human rights. In the case of Norway, since the [passing](#) of the Sanksjonslova (Sanctions) Act in 2001, the country can (and it usually does) implement EU autonomous sanctions via enacting the necessary legislation. It is worth noting as a possible indication of the future challenges the UK might face, the fact that in the case of EU sanctions on Russia, there was considerable debate in Norway about implementing sanctions over which it had no design control and which had not taken account of Oslo's interests.

So how will leaving the EU have an impact on the effectiveness, influence and relevance of UK sanctions policy? First, the UK has been a consistently robust contributor to EU sanctions policy (for example against Russian aggression in Ukraine), limiting the desire of certain nations to dilute sanctions regimes in order to protect their national economic interests.

Following Brexit, the UK will lose this position of influence, leading, quite possibly, to a weaker stance by the EU. This will be [significant](#) as the EU is the world's largest exporter of manufactured goods and services, the biggest export market for around 80 countries and the global leader for both inbound and outbound international investments. From within the EU, the UK has, typically, encouraged the use of the bloc's significant economic heft to help compel behavioural change.

The contribution of the EU to the successful application of sanctions against Iran's nuclear programme is a clear case in point. The UK will need to devote significant effort and resources to exerting influence on EU sanctions policy from the outside, influence that may well be unwelcome. Furthermore, while the UK may enjoy greater freedom to design sanctions independently of the views of EU members after Brexit, without close coordination with the EU the effectiveness of UK-applied economic restrictions will be diminished outside the bloc.

Second, as the Iran case has shown, sanctions are most effective when

they are designed collaboratively and applied in concert with multilateral political support. After Brexit, the UK's ability to engage in influential and effective political dialogue alongside the application of financial sanctions will inevitably be weakened without a seat at the table in Brussels. The UK's role within NATO and the UN Security Council, and a boosting of sanctions-related engagement with other multilateral bodies such as the OECD and G20, will mitigate this challenge to some degree. However, outside the EU, the UK will be less integrated into the dialogue and intervention mechanisms that typically accompany the application of sanctions.

Third, while Brexit may provide a sense of independence, the UK's ability to design sanctions that vary to any significant degree from those imposed by the EU will be limited. True, the significant role played by the UK as one of the leading global financial centres means that financial sanctions imposed unilaterally by the UK will still carry weight. However, this approach will certainly add complication for financial institutions seeking to comply with what may be divergent sanctions policies of the EU and the UK (as is already the case with discrepancies between the EU and the US over Iran). Furthermore, the UK will not want variances to risk being exploited by those subject to EU sanctions or damaging UK economic interests or the attractiveness of the UK as an investment destination.

And finally, the UK may face conflicts of interests as it seeks to prioritise striking trade deals around the world, thus needing to adapt its sanctions policy to facilitate such deals.

It is possibly not only the UK that will lose influence; Brussels may also regret the absence of the UK's significant contribution to the EU's sanctions policy. Some may indeed welcome the departure of 'difficult Brits' from the negotiation table. However, the loss of the UK and the key elements of sanctions policy influence it brings to bear (in particular as Europe's most influential financial centre and

its position as a leading global military and economic power) may reduce the impact that EU sanctions will have in the future.

Furthermore, the informal role the UK has played as a bridge between US and EU policymakers charged with sanctions design and implementation has been valuable to all. Brexit will diminish the value the UK can contribute in this role with a likely commensurate impact on the transatlantic coordination of sanctions policy.

Despite the changing political landscape on either side of the Atlantic, it seems certain that economic and financial sanctions will remain a preferred tool of international diplomacy and security for the foreseeable future. Indeed, rhetoric from US President Donald Trump directed at Iran and North Korea suggests that the sanctions environment is set to become considerably more complex.

The ultimate shape of the UK's approach to the design and implementation of sanctions will depend on the eventual Brexit deal. However, the UK will still remain subject to the requirements of non-EU multilateral bodies such as the UN, the OECD and the Financial Action Task Force. It also seems undeniably the case that a sanctions policy that has until now benefited from the heft and bureaucracy of the EU will necessarily become more onerous to operate and less impactful on the global stage once the UK formally leaves the EU. Where once the UK was an undoubted leader, Whitehall's future influence and effectiveness seem likely to be diminished.

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This article is based on evidence submitted to the Foreign Affairs Committee co-written by the author and Andrea Berger. The full evidence submission can be found [here](#).