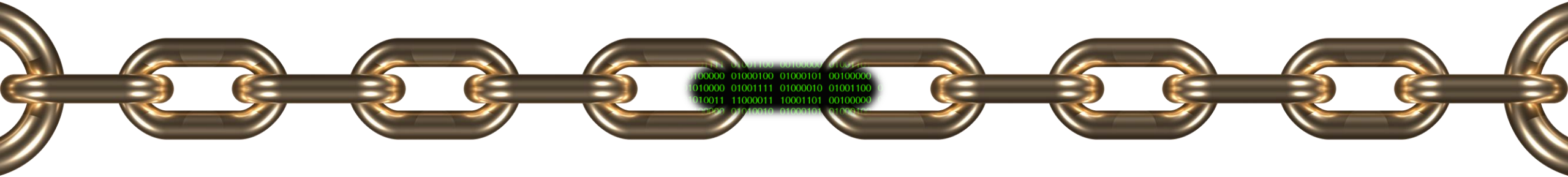# Blockades – and more – on the Blockchain:

Can economic sanctions be made more effective with blockchain technology?

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Economic Sanctions

"The withdrawal of customary trade and financial relations for foreign- or security-policy purposes" – Council on Foreign Relations, 2019

Challenges

- Enforcing narrow sanctions is difficult

  - Narrow sanctions may be more effective than broad ones, but enforcing them is (arguably) harder

  - Small states may face challenges enforcing sanctions against large ones

- Coordinating sanctions is a challenge

  - Small states need to team up on larger ones

  - Buy-in is needed from third parties and other states

- Sanctions rely on the target state's conditions

  - Local economic shocks enhance the effectiveness of sanctions

  - Political contexts can aid or hurt sanction regimes

Blockchain

A *distributed ledger* technology where *"blocks"* of data are *"chained"* together by *network consensus*
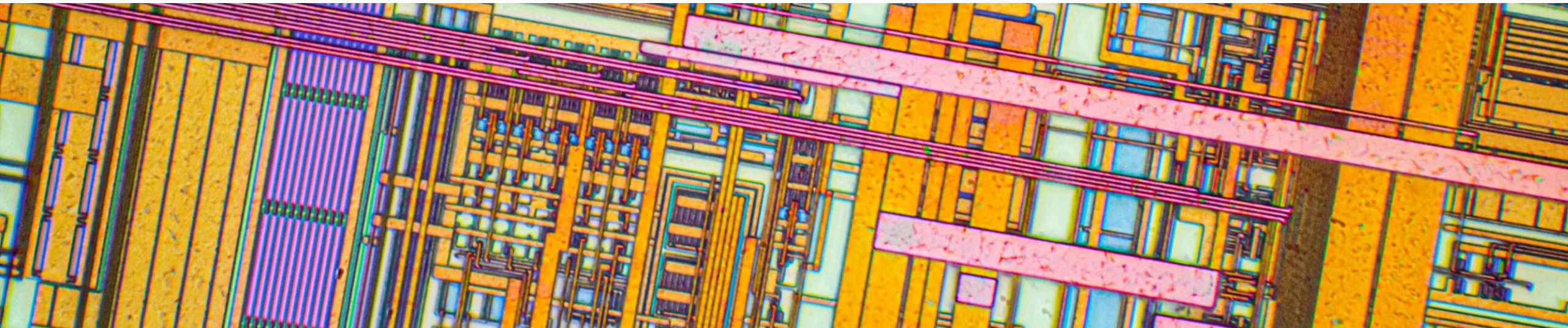
Opportunities

- Blockchains may make enforcement easier

  - Plug holes in sanctions regimes with "smart contracts"

  - Set contracts to trigger during adverse economic events with outside data

  - Digital property deeds tracking provenance, including transit and ownership

Limitations

- "51% attacks"

- Implementation requires mass participation

  - International contracts would need one, unified chain

  - Misrepresentation on the chain would need to be criminalized

  - Requiring digital rights transfer with physical possession

Negative Effects

- Immutable, irreversible blocks are a double-edged sword

  - Smart contracts that keep delivering after sanctions are started

  - Unable to seize digital rights without network consensus

- Other blockchain technologies may pose challenges

  - Cryptocurrency may be used to circumvent sanctions

  - Central bank cryptocurrencies seem unlikely to solve this

- 51% attacks seem more likely on a global scale

  - A hegemonic world power could seize a controlling stake

  - No defense against this
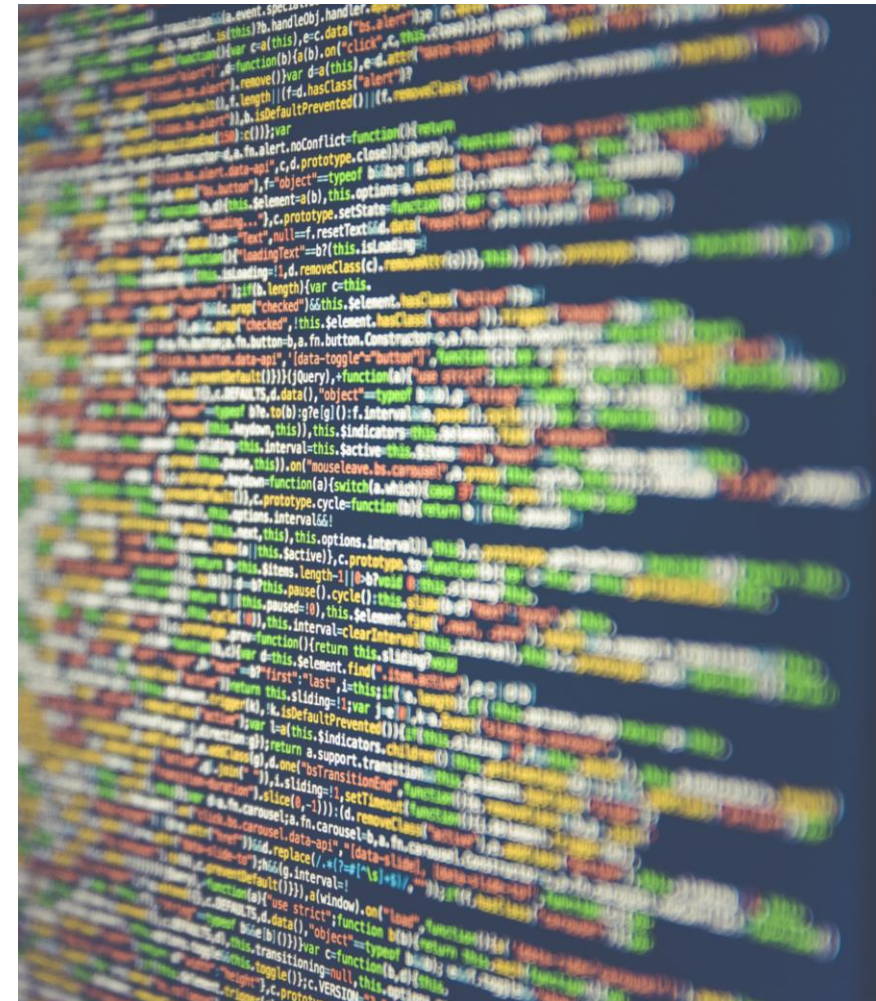
Recommendations

- International cooperation needed on blockchain now, not later

  - Particular focus needed on digital misrepresentation, regulations around contracting, and digital rights

  - Discuss the potential for "kill switches"

- Begin working toward mass adoption

  - For blockchain to aid effectively in enforcing sanctions, widespread uptake is required

- Won't make sanctions into slam-dunk policies

Thank you!