Understanding sanctions worldwide with the Global Sanctions Index (GSI)

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SECOND EDITION

Author: Michael Meadon, LSEG's Customer & Third-Party Risk Solutions

LSEG RISK INTELLIGENCE

Executive summary and highlights

Sanctions inflation is rising rapidly

273	The level of the GSI in August 2022 – year-on-year inflation was 14.6% (up from 11.2% in the last update)
52,000+	The number of sanctioned individuals and entities as at August 2022
270%+	The percentage increase in sanctions since January 2017
14.3%	The current rate of OFAC sanctions inflation, running near multi-year highs, with the most recent previous peak coming in 2019

Consensus-driven sanctions are declining

-0.6%	The year-on-year change to UN sanctions on a net basis. There has been close to no change over the last five years
2%	The percentage of global explicit sanctions issued by the UN. By extension, 98% of all sanctions are issued autonomously by national governments or regional bodies

The Russia-Ukraine war has driven strong inflation in the sanctions programmes of several countries. Annual sanctions inflation rates are now:

49.6%	for the EU
80.1%	for Japan
131%	for Australian autonomous sanctions
55%	for the UK

Notwithstanding the above, overall sanctions inflation is a long-established trend and recent increases driven by the war have not resulted in historically unprecedented sanctions at a global level.

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Introduction

In April 2022, LSEG launched the Global Sanctions Index to draw attention to the phenomenon of sanctions hyperinflation: the long-standing trend of a steady yet rapid increase in the total number of explicit sanctions. Drawing upon sanctions data from the market-leading LSEG World-Check database that tracks every major sanctions regime, the Index examines the net change in the number of sanctioned persons globally (see the Global Sanctions Index methodology section below for further information).

In this update, we provide the latest data up to August 2022, and launch several sub-indices for particular sanctioning bodies, including the United Nations (UN), European Union (EU), the US Office of Foreign Asset Control (OFAC) and more. The findings are surprising and we will discuss three broad areas in this update:

- Sanctions inflation continues and it is running hot, but this is part of a trend that started at least five years ago
- The Russia-Ukraine war has caused rapid inflation in several autonomous sanctions programmes
- The consensus-based sanctions mechanisms created under the guidance of the UN are an increasingly minor part of sanctions and now represent just 2% of overall sanctions

Key findings

In August 2022, the GSI reached 273 and year-on-year inflation was 14.6%. In comparison, the GSI was at 253 and had an inflation rate of 11.2% in April when we last released an update. Approximately 4,000 persons have been added to the sanctioned population on a net basis over this time, and over 52,000 individuals and entities are now sanctioned.

As is shown in the below graph of monthly inflation figures, global sanctions inflation reached a recent peak in May 2021 and has considerably moderated since then. Nevertheless, 14.6% is still in deep hyperinflation – at that rate of growth, it would take approximately four years and 10 months for total sanctions to double.

Global sanctions inflation data

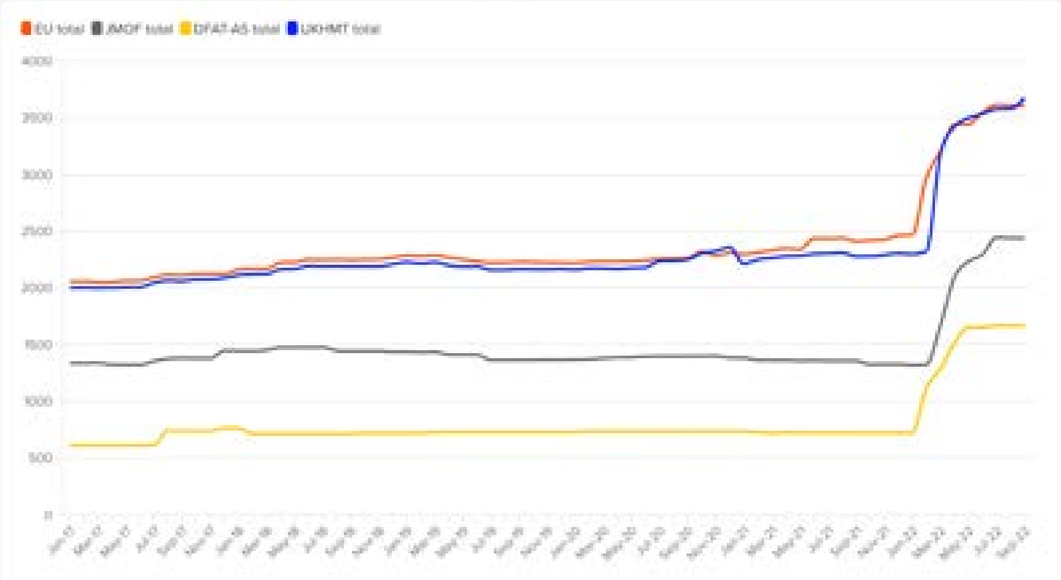
In addition, we have created a series of sub-indices, tracking the major sanctions programmes of selected countries. We include data up to August 2022 and the index base date (=100) is taken from January 2017.

Key findings are as follows:

– OFAC annual sanctions inflation is 14.3% and its index has reached 189.1
– EU sanctions inflation is 49.6% and its index is 175.4
– Japan Ministry of Finance sanctions inflation is 80.1% and its index is 182.6
– Australia's autonomous sanctions programmes administered by the Department of Foreign Affairs and Trade reached inflation of 131% and its index reached 273.9
– The UK has sanctions-tracked the EU until Brexit but will likely now diverge. Its inflation hit 55% and its index is 179.1
– China's three autonomous sanctions programmes have grown by 27.9% over the last year and its index (from a low base) has reached 458.6

The time series data highlights the extent to which the response to the Russia-Ukraine war has driven sanctions inflation in the EU, UK, Japan and Australia.

EU, JMOF, DFAT-AS and UKHMT sanctions



The fracturing of consensus-driven sanctions

One of the most significant trends that can be observed in the data is the steep decline in the importance of the UN's sanctions – **98% of all sanctions are now issued autonomously by national government or regional bodies**.

UN sanctions are administered by committees appointed by the Security Council, and designations are subject to veto from the five permanent members. As a result, the UN leans towards operating largely by consensus, which has stagnated as a sanctions mechanism since consensus on a wide variety of global issues is not possible.

The total number of sanctions the UN imposes has remained flat for at least five years – the UN Index stands at 101.2 as of August 2022, and the base date where it equalled 100 was January 2017. Therefore, while overall sanctions have experienced hyperinflation, UN sanctions have stagnated:

[redacted]

UN total sanctions

Since overall sanctions have increased substantially over the same period, the proportion of total sanctions issued by the UN has decreased significantly over time and currently represents just 2%:

UN sanctions as a percentage of total sanctions

GSI methodology

The GSI takes its base as January 2017 (=100) and includes every explicit sanctions regime tracked by the LSEG World-Check database, covering all keywords with the 'sanctions' keyword type. This means that implicit sanctions, for example, sanctions created by the OFAC 50% rule, are entirely excluded from this analysis.

The sanctions regimes tracked are very broad, ranging from consensus-driven UN sanctions that are typically on the grounds of terrorism, to autonomous sanctions issued by nation states such as the US, Pakistan, Australia, Switzerland, Japan and Ukraine, to those issued by regional bodies such as the EU. The reasons for designation vary as well across alleged involvement in terrorism or the financing of terrorism, designations for narcotics trafficking (like the Kingpin Act designations), proliferation, human rights abuses, corruption, alleged involvement in election interference and sanctions imposed on Russia, among others.

The consequences or severity of the sanctions are not considered. However, we have included various considerations, such as blocking orders, travel bans and investment bans. Similarly, all sanctions targets have been included for natural persons, companies, trusts, vessels and aircraft.

Conclusion

This latest GSI data highlights several important points. Firstly, it underscores the fact that the sanctions landscape is highly dynamic in nature, as evidenced by the rapid inflation witnessed across several autonomous sanctions programmes in the wake of the Russia-Ukraine war. In the current geo-political environment, there is no compelling reason to believe that sanctions inflation will reduce.

Secondly, the data clearly shows the almost negligible contribution of consensus-driven UN sanctions to total global sanctions activity. This finding highlights a growing inability for consensus to be reached on today's pressing global issues and suggests that the autonomous sanctions outlined above will continue to drive total global sanctions activity.

Lastly, these latest GSI figures underline an important point: that sanctions inflation is not simply high at the moment – it has been significant over the last five years. Explicit sanctions have more than doubled in number and have also become inherently much more complex. These two factors – rising volume and increasing complexity – have had an incalculable impact on the cost of sanctions compliance for organisations.

For individual companies, a well-designed screening programme with good matching and reliable data is now absolutely critical, both to ensure adherence to sanctions-related regulations and to protect against potential reputational damage in the event that sanctions are inadvertently breached.

The consequences of a rapidly changing sanctions landscape, combined with the sheer increase in total sanctions volume identified by the GSI, run far beyond compliance at company level.

The ripple effect created impacts societies and even entire countries on an ongoing basis. In the context of escalating global tension and fractured consensus, sanctions activity is expected to continue rising – and LSEG will continue to monitor, research and analyse the global sanctions landscape and deliver targeted information, insights and support.

About the Author

Michael Meadon

Mike leads LSEG's Customer & Third-Party Risk Solutions business in Asia. In this role, he helps define LSEG's go-to-market, product and content strategies, including for the flagship World-Check, Qual-ID and LSEG Due Diligence products.

He is particularly focused on keeping abreast of regulatory, industry and technological developments to ensure LSEG continues to innovate and develop products that meet client needs.

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