IMPLICATIONS OF POTENTIAL U.S. SANCTIONS ON SOUTH AFRICA: HISTORICAL INSIGHTS AND INVESTOR IMPACT

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Executive Summary

South African institutional investors are understandably concerned about the risk of U.S. sanctions and how such measures might affect their assets abroad.

This note explains how U.S. sanctions operate – distinguishing broad country-wide sanctions from targeted measures – and examines historical precedents (Russia, Iran, Venezuela, Cuba, North Korea, and apartheid-era South Africa).

We find that U.S. sanctions have typically been **targeted**, focusing on specific individuals, companies, or sectors, rather than blanket bans on entire populations. Even in cases of comprehensive sanctions, ordinary investors' global assets (such as global equity holdings, global bond holdings or foreign bank deposits) have not been arbitrarily seized; instead, sanctions tend to **freeze the assets of governments or blacklisted entities** and restrict new dealings.

Historical data show that while sanctioned countries often suffer economic slowdowns, foreign investors not directly implicated have generally retained access to their international investments. South Africa's situation – as a U.S. partner – makes **extreme, Iran/Cuba-style sanctions unlikely**. More probable are targeted actions (e.g. sanctioning specific officials or companies), which would have limited direct impact on South African investors' global portfolios.

In short, **offshore investments held by our clients should remain safe and accessible** under plausible U.S. sanction scenarios. We support this conclusion with case studies and data on GDP growth, stock market performance, and bond yields during sanctions episodes.

Key takeaways include:

- **U.S. Sanctions Mechanisms:** Measures range from comprehensive embargoes (e.g. Cuba) to targeted asset freezes (specific persons/firms). In all cases, U.S. persons must cease prohibited transactions, and designated assets in U.S. jurisdiction are frozen.
- **Asset Freezes vs. Broad Bans:** Historically, sanctions *freeze* assets of governments or blacklisted actors (for example, Russia's central bank reserves were frozen in 2022), but they do **not confiscate private citizens' lawful holdings**. Ordinary investors from the sanctioned country are rarely directly targeted.
- **Offshore Investments Largely Unaffected:** Investors from sanctioned countries have generally retained their foreign assets. Even under strict programs, **personal remittances and non-commercial transfers are often allowed** via general licenses, underscoring that sanctions aim to pressure regimes, not dispossess citizens.
- **Precedents for Market Impact:** Sanctions can roil local markets – e.g. Russian stocks plunged ~33% when new sanctions hit in 2022 and bond yields spiked – but global portfolios held by local investors were *not* seized (though liquidity and access became challenges). We detail such outcomes for each case.
- **Relevance for South Africa:** In a plausible worst-case, U.S. sanctions might target certain South African entities rather than impose a blanket embargo. South African pension funds' and medical scheme holdings in offshore stocks and bonds should remain intact. However, **operational adjustments** (e.g. routing transactions through compliant channels) might be needed if any major banks or counterparties face restrictions. We advise maintaining updated compliance processes but not overhauling strategic asset allocation of offshore assets on sanction fears alone.

How U.S. Sanctions Work: History and Types of Measures

Comprehensive vs. Targeted Sanctions: U.S. sanctions regimes generally fall into two categories:

- **Comprehensive (Country-Wide) Sanctions:** Broad prohibitions on trade and finance with an entire nation. Examples include the Cold War-era **embargo on Cuba** and sanctions on **North Korea** and **Iran**. Under such programs, virtually all transactions with the target country's government, businesses, and residents are banned absent special exemptions. U.S. persons must freeze any property of the sanctioned state or its agencies that falls under U.S. jurisdiction. For instance, when Iran was placed under comprehensive sanctions, U.S. banks froze Iranian government assets and Iran's central bank holdings. Comprehensive sanctions often entail halting imports/exports, cutting off banking ties (e.g. disconnecting from SWIFT), and asset freezes of state entities. However, even in these cases the U.S. Treasury typically issues **general licenses for certain humanitarian or personal activities**, to avoid unduly harming civilians.

- **Targeted Sanctions:** Focused measures aimed at specific individuals, companies, or sectors, rather than an entire nation. Since the 1990s, the U.S. has increasingly favoured "smart" sanctions that pinpoint **bad actors** (e.g. corrupt officials, human rights abusers, or companies aiding prohibited proliferation). Targeted sanctions usually involve placing named parties on the Treasury's Specially Designated Nationals (SDN) list, which **blocks their assets and prohibits U.S. persons from dealing with them**. For example, in response to Russia's actions in Ukraine, the U.S. and allies have sanctioned hundreds of Russian individuals and firms (freezing their bank accounts, seizing yachts, etc.), without enacting a blanket ban on all Russian businesses. Similarly, U.S. sanctions on **Zimbabwe** and **Belarus** have been largely targeted at regime leaders and specific entities, not the entire economy.

Table 1: Impact of US sanctions on Zimbabwe – anaemic economic growth, hyperinflation, massive currency devaluation, indiscernible impact on trades

Sanction Country	Sanction Reason	Sanction Period	Type of Sanctions	Performance of local stock market in USD during sanction (annualised)*	Movement in local 10 year bond yield during sanction	Movement in local currency vs USD annualised during sanction
Zimbabwe	Human rights issues, undermining democratic processes	2003 to present	Targeted (Smart) sanctions on individuals through asset freezes and travel bans Restriction on US financial institutions, suspension of bilateral aid and non-humanitarian assistance, arms embargo, secondary sanctions threats	0.89%	N/A	Astronomical (est. 2200% p.a.)

5 year annualised imports growth in USD prior sanction	Imports growth during sanction in USD (annualised)	5 year annualised exports growth in USD prior sanction	Exports growth during sanction in USD (annualised)	5 year annualised real GDP in USD growth prior sanction	Real GDP in USD growth during sanction (annualised)	5 year average inflation prior sanction	Average Inflation during sanction
-10.2%	7.9%	-8.8%	6.9%	-1.8%	1.1%	-21.72%	94.66%

Source: Bloomberg, World Bank, MSCI (index performance since 2011 to 2024), Macrotrends.net

Asset Freezes and Financial Channels: A cornerstone of U.S. sanctions enforcement is the **blocking (freezing) of assets**. When an entity is sanctioned, any of its funds or property that come under U.S. jurisdiction (for instance, dollar accounts in U.S. banks) are immobilised – the owner cannot access or transfer them, though legal title isn't permanently taken. For instance, in 2022, the U.S. froze about $300 billion of the **Russian central bank's reserves** held abroad, denying Moscow access to funds but not seizing them outright. This tool has been used historically in cases like Iran (e.g. Iranian government assets in the U.S. were frozen after 1979) and Venezuela (central bank and state oil company accounts were blocked after 2019). It's important to note that **asset freezes apply to designated parties** – they do **not** mean that all assets of all citizens of the country are frozen. Instead, only assets owned by the sanctioned government or blacklisted persons are affected.

In addition to asset blocking, sanctions may include **trade embargoes** (barring import/export of goods) and **financial restrictions** (e.g. prohibiting loans or investment). For example, the U.S. **Comprehensive Anti-Apartheid Act of 1986** banned new investment in apartheid South Africa and restricted trade in key commodities. Likewise, sectoral sanctions on Russia (2014–2019) limited Western lending and technology transfer to Russian banks and oil companies, aiming to squeeze those sectors without cutting off all economic activity.

Treatment of Offshore Assets Under Sanctions – Reassurance for Investors

One of the most pressing questions for investors is what happens to *offshore assets* – e.g. a South African pension fund's international equity portfolio – if South Africa were sanctioned.

Historical evidence provides reassurance: **offshore investments held by nationals of a sanctioned country are generally not seized or frozen by U.S. authorities**, unless the specific investor or institution is itself designated for sanctions violations. Sanctions are meant to constrain a target country's **future transactions**, denying it resources, rather than expropriating assets outright from private third parties.

- **No Blanket Freezing of Citizens' Assets:** Even in the most severe sanctions programs (Iran, North Korea, Cuba), the U.S. has *not* indiscriminately frozen the personal assets of all citizens of those countries. Instead, freezes have applied to government properties and a list of named entities. For instance, when sanctions on Iran were tightened, U.S. regulations required blocking property of the **Government of Iran and Iranian financial institutions**, but ordinary Iranians' bank deposits abroad were not automatically frozen. Similarly, U.S. sanctions on Russia froze the Russian state's reserve assets and the accounts of sanctioned oligarchs, *not* the portfolios of every Russian expatriate investor. In practice, global banks may exercise caution by scrutinizing clients from sanctioned countries (risk of "over-compliance"), but there is no legal mandate to freeze assets of non-designated persons. This means our clients' holdings in, say, U.S. mutual funds or UK gilts would remain theirs and accessible, barring extraordinary escalation.

- **Allowances for Personal Transactions:** U.S. policymakers typically try to avoid harm to innocent civilians. OFAC (Office of Foreign Assets Control) often issues **general licenses** permitting certain personal remittances and basic transactions even with sanctioned countries. For example, Americans can send non-commercial, personal remittances to family in Cuba or Iran under specific licensed frameworks. This reflects an important principle: **sanctions are calibrated not to punish the general population or foreign investors**.

  As long as a South African fund or its beneficiaries are not engaging in sanctionable conduct, their offshore assets should not become targets. During the apartheid-era sanctions, for instance, the restrictions focused on cutting off loans to the South African government and preventing new investment, but South African individuals' foreign property was not confiscated.

  Likewise, while U.S. sanctions on Venezuela froze U.S. assets of PDVSA (the state oil firm) and funnelled them to an interim government, Venezuelan private citizens' accounts abroad (outside of any linked to illicit activity) remained generally intact.

- **Secondary Sanctions – A Caveat:** One mechanism to be aware of is *secondary sanctions*. These threaten to cut off **non-U.S. intermediaries** from the U.S. system if they deal with the primary sanctioned party. For example, a European bank that continued doing business with certain Iranian banks risked losing access to U.S. markets. In the context of South Africa, if – hypothetically – a South African bank were sanctioned, foreign banks might be wary of maintaining correspondent relationships with it. This **could indirectly affect investors' access** to foreign custodial accounts or payment channels (as seen when some foreign brokers restricted Russian clients post-2014). However, secondary sanctions are used sparingly and in very high-stakes situations (Iran, North Korea). It would be an extreme scenario for the U.S. to impose secondary sanctions broadly on institutions just for being South African. We view this as highly unlikely if U.S. concerns centre on specific policy disputes (e.g. arms trade) rather than a total geopolitical break.

Bottom Line: South African investors' offshore assets are, in nearly all plausible scenarios, *preserved*. Investors may face administrative hurdles (for example, needing to **re-route fund flows** if a particular SA bank is blacklisted, or providing additional documentation to foreign custodians for compliance), but the assets themselves should remain legally protected.

Even during intense East-West confrontations, Western governments have not voided ownership rights of allied countries' investors. South Africa, being a trading partner and not an outright adversary, is exceedingly unlikely to see a Cuba-style full embargo. Instead, any U.S. action would probably target narrow areas.

From an investment standpoint, that means **global portfolios held by local institutions would see little direct impact**. We recommend maintaining current diversification; history suggests that a knee-jerk pullback from offshore assets is unwarranted.

Market and Economic Impacts in Sanctioned Countries: Lessons from Case Studies

While the **legal ownership of offshore assets** is expected to remain secure, sanctions can certainly roil domestic financial markets and economies.

Here we summarise key historical cases and draw parallels to South Africa's context, focusing on GDP growth, stock market performance, and bond yields during sanction periods. (Detailed country-by-country breakdowns are provided in the Appendix.)

Russia (2014 and 2022): Russia offers a modern example of graduated sanctions. After the 2014 annexation of Crimea, the U.S. and EU imposed targeted sanctions on Russian individuals, banks, and oil companies, as well as limited sectoral measures (restricting Western financing to major firms).

The immediate economic impact was a confidence shock: **GDP fell by 2.0% in 2015**, Russia's first contraction since 2009. The ruble's value halved in late 2014 (helped by a concurrent oil price collapse), driving inflation up and forcing the central bank to hike interest rates to 17%.

Russian sovereign **10-year bond yields** spiked above 15% at the peak of the crisis (from ~8% pre-sanctions) as investors demanded a premium for risk. The stock market (MOEX Index) in USD terms dropped roughly 40% in 2014.

However, it's notable that these moves, while painful locally, did *not* translate into asset confiscation for foreign investors – many simply saw mark-to-market losses which eventually recovered as Russia adapted. By 2016, Russia had stabilised, recording slight GDP growth (~0.3%) after adjusting to sanctions and a weaker currency.

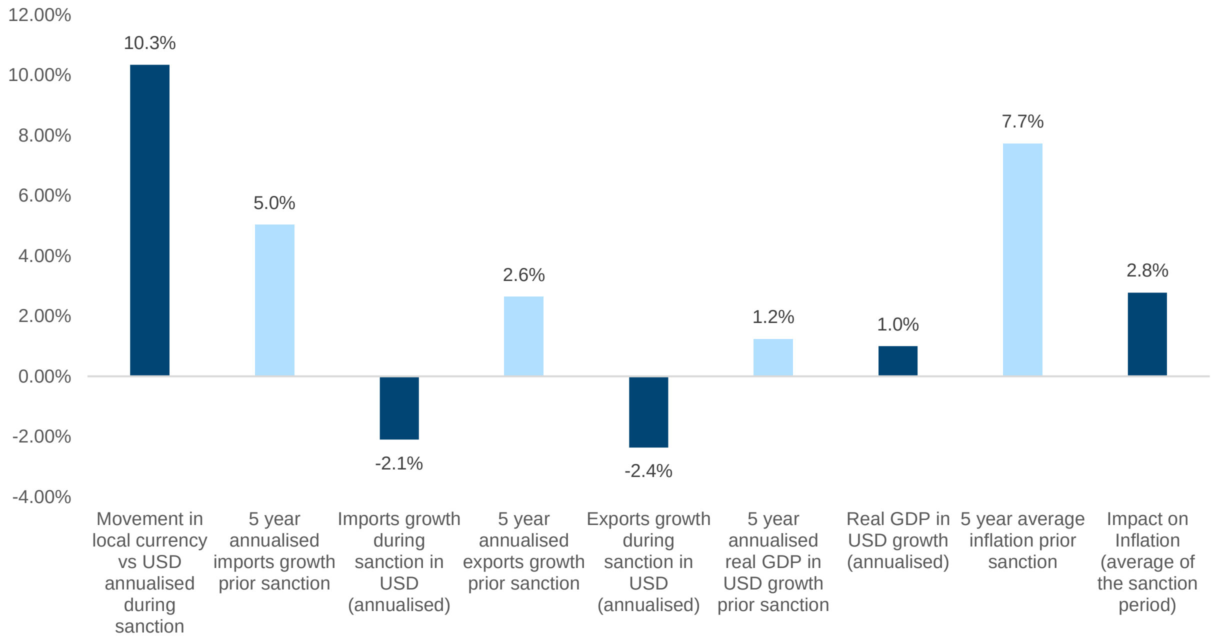
In 2022, following Russia's invasion of Ukraine, Western sanctions intensified dramatically: major Russian banks were cut off from SWIFT, export controls were imposed, and the **Russian central bank's foreign reserves were frozen**.

The Moscow stock exchange plunged (the MOEX index sank 33% in a single day and trading was then halted). Bond yields again soared – domestic government bond prices hit multi-year lows and Russia was later declared in default on foreign debt (not for lack of funds, but because sanctions impeded payment channels).

Even so, by late 2022 the ruble and local markets surprisingly **rebounded** (the ruble even strengthened at one point, propped up by capital controls and surging energy revenues). Russia's GDP for 2022 is estimated to have shrunk by a relatively modest **-2.1%**, far less severe than initially predicted.

This underscored that sanctions outcomes can be mitigated by countermeasures and alternative partners (in Russia's case, pivoting trade toward Asia).

Figure 1: Impact of US sanctions on Russia from 2014 to present (Near-comprehensive financial blockade) – lack of economic growth, significant currency devaluation, negative impact on trades



Source: World Bank, Bloomberg

For South Africa, the Russian case shows that **markets will react swiftly to sanction news (with currency and equities likely weakening)**, but also that an adaptive economy can avoid collapse. Moreover, foreign investors holding Russian offshore assets (e.g. Eurobonds) in 2022 did face difficulties – not from their home countries seizing their assets, but because Russia's countersanctions and market closures prevented transactions. A comparable scenario for SA (were it to face heavy sanctions) might be temporary inability to transact certain SA-linked securities, but not loss of ownership.

Iran (2010–2015, 2018–present): Iran has experienced waves of sanctions over its nuclear program. Comprehensive U.S. and EU sanctions around 2012 led to Iran's oil exports plunging by over **50%** and the currency (rial) losing more than **half its value**.

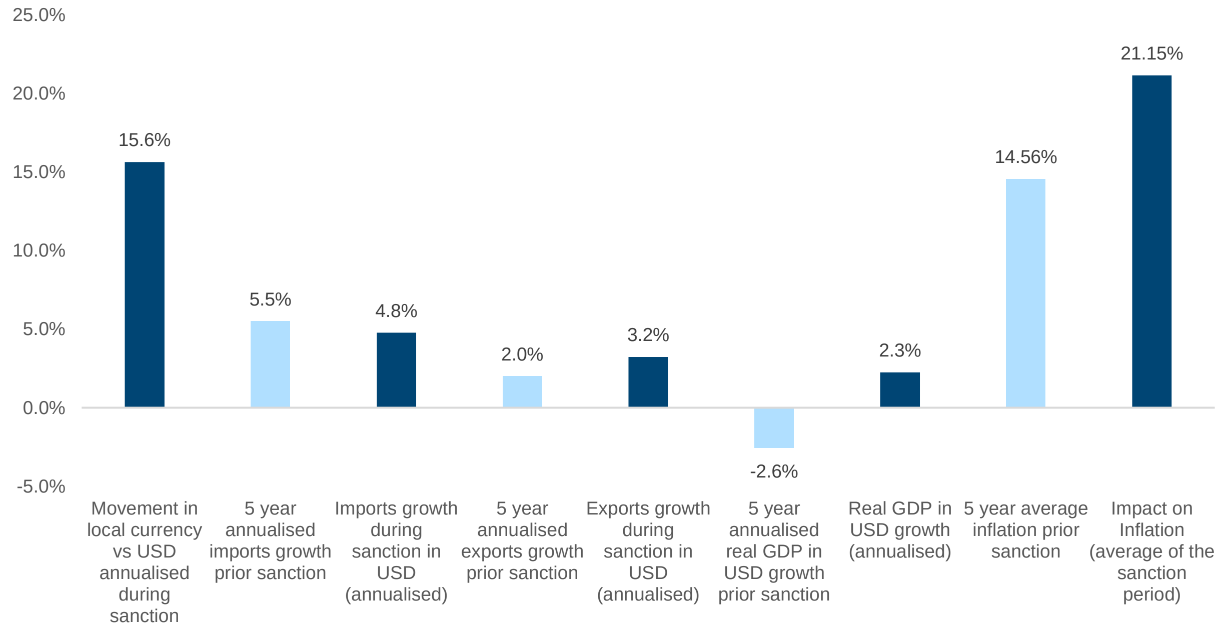
The economy went into a deep **recession in 2012–2013** (GDP contraction estimated around 7–8% in 2012). Inflation skyrocketed (40%+), and Iran found itself cut off from the global banking system (including being disconnected from SWIFT).

Notably, Iran's **stock market** initially fell, but then paradoxically surged in later years in local currency terms as locals sought any investment to hedge inflation – a reminder that stock indices can behave oddly under hyperinflation (not a likely issue for South Africa).

When Iran reached a nuclear deal in 2015, many sanctions were lifted and the economy bounced back sharply with 13% GDP growth in 2016 as oil exports resumed. However, the U.S. reimposed sanctions in 2018, causing another GDP drop of about **-5% per year in 2018 and 2019**. Through all this, Iranian individuals who had assets abroad (e.g. real estate in Dubai, foreign bank accounts) generally maintained their ownership, though accessing funds became harder.

Global banks, fearing penalties, often refused any Iranian-linked transactions. The key lesson is that **sanctions severely curtailed Iran's domestic economic growth and access to finance but did not rob private investors of foreign-held assets by law**.

Figure 2: Impact of US sanctions on Iran from 1979 to present (Comprehensive U.S. embargo) – lack of economic growth, high inflation, significant currency devaluation, indiscernible impact on trades



Source: World Bank, Bloomberg

We would expect a similarly surgical approach in any South African case – restricting the government's access to U.S. capital markets, perhaps blocking certain state-owned enterprises, but not targeting, say, a South African unit trust's holdings in a U.S. ETF.

Venezuela (2015–2019): Venezuela's crisis was driven by internal mismanagement, but U.S. sanctions added pressure, especially from 2017 onward.

Initial U.S. sanctions (2015) targeted Venezuelan officials involved in human rights abuses. In 2017, as Venezuela's authoritarian slide continued, the U.S. banned trading of new Venezuelan government bonds and later **embargoed Venezuelan oil exports to the U.S.** (2019). Sanctions also froze the assets of Venezuela's state oil company **PDVSA** – including its U.S. subsidiary CITGO – effectively placing them under the control of the opposition government in exile. The impact on Venezuela's economy was drastic: by 2021, Venezuela's GDP had shrunk by an astonishing **75% compared to 2014 levels**. Hyperinflation in the millions of percent destroyed the currency. External bondholders saw Venezuela default on its debts in 2017, and to this day, most Venezuelan sovereign bonds are in default, with recovery tied up in legal disputes.

However, once again, these sanctions did **not** strip Venezuelan individuals or firms (apart from the sanctioned ones) of their foreign assets.

For example, a Venezuelan pension fund with overseas investments remained the lawful owner of those assets – though it would have struggled to repatriate any funds to Venezuela due to local exchange controls and sanctions on Venezuelan banks.

The Venezuelan case is an outlier in severity, reflecting the collapse of a petrostate under both sanctions and policy errors. South Africa's diversified economy and robust institutions make such a scenario highly unlikely. Moreover, unlike Venezuela, South Africa's relationship with the U.S. is not irreparably adversarial – sanctions, if any, would aim to change behaviour rather than induce economic collapse.

Cuba (1960–present): The U.S. embargo on Cuba is one of the longest and most comprehensive sanctions regimes. It bans virtually **all trade and financial transactions** between the U.S. and Cuba.

Over decades, this contributed to Cuba's economic stagnation (Cuba estimates the embargo costs its economy ~$5 billion per year). The Cuban government's U.S. assets were frozen after the 1959 revolution and remain frozen. Yet, even here, there are nuances: the embargo has always allowed exceptions for food and medicine, and Cuban-Americans have been permitted to send remittances to relatives.

The Cuba example is often seen as a worst-case scenario (complete U.S. economic isolation). We stress that **South Africa is nowhere near such a situation** – Cuba sanctions were driven by Cold War politics and expropriation of U.S. properties and have persisted due to domestic U.S. law (Helms-Burton Act) entrenching them.

It is implausible that South Africa would face a Cuba-like blanket embargo given its role in the global economy and lack of fundamental hostility with the U.S. Even if certain sanctions emerged, they would likely be lifted if the triggering issues are resolved (unlike Cuba, where sanctions removal requires U.S. Congressional action). Thus, Cuba offers more of a cautionary tale of broad sanctions' impact on a small economy than a parallel to South Africa.

North Korea: North Korea endures perhaps the strictest sanctions regime globally – a near-total ban on trade/finance by the U.S. and UN.

Its economy is largely closed, and data is scarce; estimates suggest sanctions intensified in 2016–2017 drove GDP down ~4% annually. There is no stock market or accessible bond market to gauge investor impact.

The relevance to South Africa is low, except to highlight that **only in extreme cases of security threats (WMD proliferation) does the U.S. use such blanket measures**. South Africa is not in this category. Moreover, South African investors are very unlikely to have any dealings with North Korea (which would anyway be illegal under current UN/U.S. sanctions). The North Korea story serves to complete the picture of sanction types – from targeted (Russian oligarchs) to comprehensive (North Korean state).

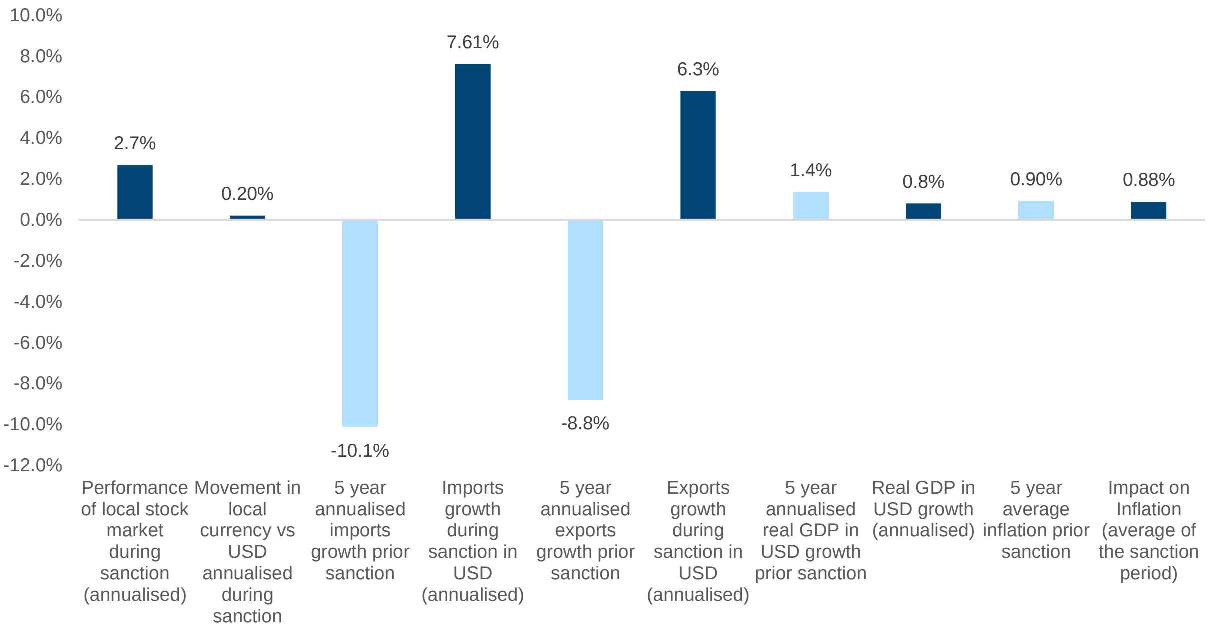
Apartheid South Africa (1985–1990): It is instructive to look at the sanctions South Africa faced in the 1980s. In 1985, after a surge in repression, international banks **withdrew short-term credit lines** to South Africa, precipitating a financial crisis. The rand's value plummeted and the government declared a debt repayment moratorium. The U.S. Comprehensive Anti-Apartheid Act (1986) then banned new U.S. investment and many imports/exports (e.g. coal, iron, uranium from South Africa; computers, oil, and weapons to South Africa).

These measures, combined with capital flight, led to **meagre economic growth** in South Africa – average annual GDP growth fell to around **1.5% in the late 1980s**, far below prior decades. Unemployment rose and the cost of capital increased sharply as sanctions bit. However, it's worth noting that even at the height of apartheid sanctions, there were **no U.S. moves to freeze private South African assets abroad**.

Sanctions were lifted in the early 1990s as apartheid ended. The experience showed that while sanctions added pressure (especially via financial isolation), South Africa's economy managed to avoid complete collapse and, crucially, South African firms maintained their foreign investments.

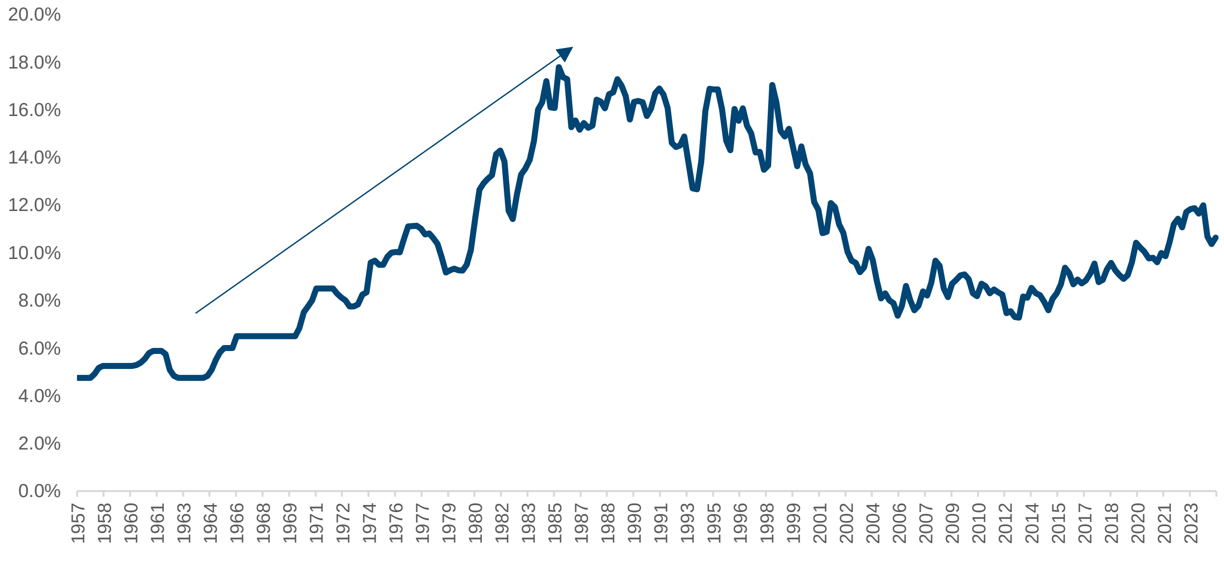
Today's South African investors thus have a historical precedent on home soil: during sanctions, **offshore assets were a safe harbour** that preserved value while the domestic economy struggled. Many South African business groups in the '80s shifted capital overseas; those who did so were shielded from some of the local turmoil (though that was a contentious issue at the time). In summary, apartheid sanctions suggest that should new sanctions arise, having a robust offshore allocation (as our clients do) is a prudent strategy, not a risk.

Figure 3: Impact of US sanctions on South Africa from 1986 to 1993 (Trade and financial sanctions, Arms embargo, transport restrictions, travel bans, cultural boycotts) – lack of economic growth, low equity return, trade activities weakened since UN passed multiple resolutions calling for economic and cultural boycotts before 1986



Source: World Bank, Bloomberg

Figure 4: SA 10-year government bond yield



Source: St Louis Fed

Outlook for South African Investors with Offshore Exposure

Likely Scope of Any Sanctions on South Africa: Recent geopolitical frictions have led to speculation about U.S. sanctions. It bears emphasising that any U.S. response is likely to be **targeted and conditional**, aimed at changing specific policies.

For example, the U.S. could sanction politically connected individuals, or revoke South Africa's eligibility for certain trade preferences (like the AGOA program) rather than impose across-the-board bans.

The goal would be to pressure the government without severing ties with the South African people or destabilising the region. This is in line with how the U.S. has handled allies in the past – for instance, when **Turkey** purchased restricted weapons, the U.S. sanctioned a small defence agency and officials but kept broader economic links intact. South Africa's importance in Africa's economy means broad sanctions would have collateral damage that U.S. policymakers would likely seek to avoid.

Impact on Portfolios: In a worst-case scenario of limited sanctions, South African investors might experience:

- A **decline in domestic asset values** (the JSE could drop on negative sentiment, and SA government bond yields would rise on risk aversion).
- A possible **dip in the rand's exchange rate** as capital flows adjust – ironically, this would increase the **rand value** of offshore assets, partially hedging our clients' total portfolio. In past episodes (e.g. the 1985 debt crisis, the 2023 sanction scare), the rand fell, cushioning those with offshore holdings.
- **Operational delays** in moving funds cross-border if banks enhance compliance checks. For example, U.S. or European custodians might ask South African institutions to certify they are not linked to any sanctioned entity – a paperwork step that our fund managers are prepared to navigate.
- **No direct loss on offshore assets' value attributable to sanctions.** Global markets will continue to be driven by fundamentals; a South African investor's shares in Apple or Microsoft are not going to lose value because of South Africa sanctions. In fact, historical correlations suggest global assets might be *safe havens* if local turmoil hits the SA market.

To underscore this point, consider the situation of Russian investors in 2022: those who had money in foreign stocks through accounts in the West largely kept their wealth (though some faced account freezes by EU brokers as an over-compliance measure, not a legal requirement). Meanwhile, Russians heavily invested at home saw their Moscow stock holdings temporarily evaporate when trading was halted. By maintaining diversified offshore exposure, our clients are in a position similar to those Russian investors who weathered the storm by being international.

Diversification across jurisdictions remains the best shield against country-specific shocks – including sanctions.

In conclusion, while the prospect of any U.S. sanctions on South Africa is concerning, the historical record and current context suggest a **limited direct impact on South African institutional investors' offshore assets**. We recommend staying the course with offshore allocations, while monitoring developments.

Appendix: Historical Sanctions Case Studies and Data

This appendix offers a detailed, country-by-country breakdown of notable U.S. sanctions episodes, including the scope of sanctions and key economic/market outcomes. We also provide underlying data in a separate Excel file ("Sanctions_Data.xlsx") with annual GDP growth rates and other indicators for reference.

A. Russia (2014–present):

Scope: Began with targeted sanctions in 2014 (Executive Orders 13660/61/62) focusing on individuals, a few banks, and defence firms after Crimea annexation. Expanded in 2017 (CAATSA law) and massively in 2022 with a near-comprehensive financial blockade (freezing central bank assets, disconnecting banks, export controls on technology, oil price cap by G7). Energy trade was partly exempt initially (European reliance on gas). No blanket ban on all Russian businesses; focus on government and strategic sectors. Secondary sanctions threat used to deter third countries from aiding Russia's evasion. Economic Impact: GDP fell 2.0% in 2015, recovered then fell ~2.1% in 2022. Inflation spiked (2015: ~15%, 2022: >13% at peak). The ruble plunged ~50% in 2014 and again 30% in early 2022 before capital controls stabilized it. Unemployment rose modestly in 2015, stayed low in 2022 (as labour force shrank). Stock Market: 2014 saw a ~40% drop in USD terms; 2022 saw a 33% one-day crash, month-long trading halt, then partial rebound in ruble terms (helped by capital controls trapping domestic money in stocks). Foreign investors in Russian equities/bonds were effectively stuck – Moscow's market closure and capital controls froze their ability to sell (a *de facto* freeze by Russia, not by the U.S.). Bond Market: Russia's sovereign dollar bonds traded at distress (yields from ~5% pre-2022 to >30% by mid-2022) and eventually defaulted. Domestic OFZ bonds saw yields jump to ~14-15% in 2014 and 2022, but the central bank's policies eventually lowered yields later. Despite sanctions, Russia found ways to stabilize (e.g. pivoting oil sales to Asia, imposing import substitution). However, long-term growth is eroded – estimates suggest sanctions could shave several percentage points off Russia's potential GDP. Foreign investors with Russian offshore assets mainly faced write-downs due to Russia's countermeasures, not Western confiscation (except sanctioned oligarchs, who saw yachts/properties seized in the West).

B. Iran (1979–present, intensified 2010–2015, 2018):

Scope: Comprehensive U.S. embargo since 1995 (no U.S. trade/investment, freeze on Iranian government assets). UN/EU joined with tough sanctions 2010-2015 targeting Iran's nuclear program – including banning Iranian oil imports, sanctioning the central bank, and cutting Iranian banks from SWIFT. 2015 nuclear deal (JCPOA) gave sanctions relief, but the U.S. reimposed all sanctions in 2018 after withdrawing from the deal. Current scope: virtually no access to U.S. financial system, secondary sanctions on foreign companies trading with Iran (with humanitarian exceptions).

Outcomes: Iran's GDP fell ~7.4% in 2012 (IMF est.), -1.5% 2013, then surged +13.4% in 2016 with sanctions relief, and fell about -5% in 2018 and -6% 2019 when sanctions returned. Oil output dropped from 2.5 million barrels/day pre-2012 to ~1 mbd in 2013, recovered in 2016, then fell again after 2018. The rial has depreciated by over 95% against the dollar over the last decade on the black market. **Inflation** averaged 30-40% in sanction periods. **Stock market:** Tehran's exchange saw a huge rally in 2019-2020, but this was driven by inflation (locals moving out of cash); it subsequently crashed in real terms. Foreign investors have been largely absent due to sanctions. **Bond market:** Iran has almost no international bonds outstanding (sanctions era borrowing was minimal), so no data on yields. Local interest rates are heavily managed. Social impact has been significant – higher unemployment, especially youth, and reduced living standards. Iran has turned to barter-like trade (e.g. swapping oil for goods with China) to circumvent financial blocks. For investors, Iran shows that sanctions can *isolate* an economy for long periods, but also that once sanctions ease, there can be rapid catch-up growth (as seen in 2016). It also illustrates secondary sanctions risk – even non-U.S. entities (like European banks) pulled out of Iran business to avoid U.S. penalties.

C. Venezuela (2006–present, major escalation 2017–2019):

Scope: Early U.S. sanctions (2006) limited arms sales. By 2015, targeted sanctions on individuals (human rights, corruption grounds). August 2017: U.S. bans trading new Venezuelan government or PDVSA debt and equity. 2019: U.S. embargo on Venezuelan oil, designation of PDVSA (blocking its U.S. assets and revenues); sanctions also on the central bank and government. These essentially cut off Venezuela from U.S. and (de facto) global financial markets. Some European and Latin American countries imposed their own targeted sanctions.

Outcomes: A catastrophic GDP collapse ~ -35% in 2019 alone; cumulatively ~ -75% 2014–2021 – among the worst economic depressions in modern history. Hyperinflation exceeded 1,000,000% at one point (prices doubling every few weeks). By 2020, oil output had fallen to ~300k barrels/day from 2.3m in 2016, due to mismanagement and sanctions. **Stock market:** The Caracas exchange's index rose astronomically in nominal terms, but in USD terms it was near zero – essentially not a meaningful indicator. **Bonds:** All sovereign and PDVSA international bonds defaulted (prices fell to ~10-15 cents on the dollar). Yields were meaningless post-default; prior to default, yields hit ~30-40%. Sanctions prohibited U.S. persons from dealing in these bonds, complicating any restructuring. **Human impact:** extreme poverty surged (over 80% in poverty by 2021), mass emigration of ~7 million Venezuelans. However, starting 2021-2022, there has been a mild stabilization as the government informally dollarized the economy and some sanctions have been relaxed (in 2022 the U.S. allowed limited oil-for-debt swaps and in late 2023 eased some oil sanctions in exchange for promised reforms). From an investor perspective, Venezuela is a lesson in *political risk*: even before U.S. oil sanctions, the economy was imploding, and those who held Venezuelan bonds or equities suffered huge losses due to the country's policies. U.S. sanctions then locked up any remaining value (e.g. CITGO's fate is tied up in legal battles among creditors and political claimants). It's a reminder that sanctions usually come when an economy is already in trouble – they rarely are the sole cause of collapse, but they can be the final straw.

D. Cuba (1960–present):

Scope: Full U.S. trade embargo, in place since 1962 (with minor tweaks). Prohibits U.S. companies and persons from virtually any commercial interaction with Cuba. Bans Cuban imports and U.S. exports (with exceptions for humanitarian goods). U.S. travel to Cuba is restricted. Helms-Burton Act (1996) extended sanctions extraterritorially by penalizing foreign companies that "traffic" in expropriated U.S. properties in Cuba. No U.S. financial institution can process transactions involving Cuba.

Outcomes: Cuba, once the wealthiest Caribbean nation, saw very low growth for decades under the embargo (and its own socialist system). The fall of the Soviet Union (1991) caused a 35% GDP contraction in Cuba in the early 1990s ("Special Period"), showing its vulnerability when external support vanishes. In recent years, growth has averaged only 1-2%, with occasional recessions (e.g. -11% in 2020 due to COVID and sanctions). The embargo has certainly constrained development – Cuba struggles with chronic shortages of inputs, and limited access to external credit. However, Cuba has also found niches outside U.S. reach (tourism with Canada/Europe, medical services exports). For investors, Cuba has been largely off-limits; the few who attempted (from non-U.S. jurisdictions) faced legal uncertainties due to U.S. secondary sanctions. South Africa has *some* analogous experience as an embargo target in the 1980s, but the global context now is different. Notably, **no major U.S. allies joined a Cuba-style embargo against South Africa even at apartheid's peak** – sanctions were significant but not total. In any future scenario, it's even less likely that a Cuba-like isolation would apply to South Africa. Additionally, global financial institutions would lobby against broad measures, given South Africa's integration. Thus, Cuba remains a unique case shaped by Cold War dynamics that are unlikely to recur for South Africa.

E. North Korea:

Scope: Multilateral and U.S. sanctions since 2006 (nuclear tests) with earlier U.S. sanctions dating to the Korean War. Virtually all exports from North Korea are banned (notably coal, minerals, seafood under UN resolutions). Most imports of luxury goods, oil capped. North Korean entities are barred from the international banking system; any bank doing business with them risks sanctions. The U.S. even sanctioned a Chinese bank in 2017 for assisting North Korea, to enforce secondary sanctions.

Outcomes: North Korea's economy is extremely opaque. South Korea's central bank estimated NK GDP fell 4.1% in 2018 and 4.5% in 2019 after the toughest UN sanctions were imposed (targeting key exports). Trade with China (90% of NK trade) has also been curtailed at times. The populace has faced severe hardship (periodic famines, energy shortages), though the regime prioritizes resources for its military. There is no formal stock or bond market. The North Korean won is not convertible. Essentially, North Korea demonstrates the limits of sanctions: they have isolated the country but not (yet) forced denuclearization. Investors generally have zero exposure to NK, aside from perhaps humanitarian or very specialized contexts. The lesson for South Africa is simply that **sanctions potency depends on international unity and the target's alternatives**. South Africa has many alternatives and friends in the international system; it is deeply interwoven with global trade and finance, unlike North Korea. Therefore, replicating a North Korea-style isolation would be infeasible short of a nearly universal global consensus.

F. South Africa – Apartheid Era (1977 arms embargo; 1985–1990 economic sanctions):

Scope: International pressure built gradually. The UN imposed a mandatory arms embargo in 1977. In 1985, after widespread unrest, many foreign banks refused to roll over South African short-term debt – effectively a financial sanction by the market. In 1986, the U.S., UK, and others enacted official sanctions: the U.S. banned new investment and imports of key commodities; the European Community banned new investments and some exports to SA; Commonwealth nations did similar. These measures were not as all-encompassing as Cold War embargoes – for instance, trade in gold and certain other minerals continued (gold was too important globally). Japan and other Asian trading partners did not fully cut off South Africa.

Outcomes: South Africa experienced capital outflows and had to declare a debt standstill (freezing repayment on ~$13 billion in foreign loans). The rand fell sharply (from ~R2/USD in early 1985 to ~R5/USD by 1988). GDP stagnated – 1985: -1.2%, 1986: +0.0%, and growth remained low through 1993. Inflation was elevated (15–20% range in late 1980s), partly due to the weaker rand. Government borrowing costs rose; domestic interest rates were kept high (the prime rate hit 20%+). **Stock market:** the JSE initially dropped about 40% in USD terms in 1985–86 but recovered in local terms afterward as investors looked to company earnings from exports (helped by the weak rand). Many multinational companies disinvested (e.g. IBM, Ford sold their SA subsidiaries), causing job losses but also opening space for local businesses. Notably, the restrictions on capital actually led to the financial rand dual-exchange rate system, which allowed foreign investors to sell and repatriate funds at a penalty exchange rate. This demonstrates a creative workaround to keep some investment flows. By 1994, after sanctions ended, South Africa's GDP and markets surged in a relief rally (the JSE was one of the best performing markets of the 1990s).

Takeaway: Sanctions in the 1980s hurt South Africa's economy and increased its financial risk premium, but they did not result in asset seizures from citizens. In fact, affluent South Africans often moved money abroad through any available means during that era – those who succeeded effectively safeguarded their wealth. That historical memory informs why today both the government and businesses in South Africa are sensitive to any sanction risk and would likely take pre-emptive steps to avoid a repeat.

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