

When a Vessel Becomes a Prisoner of Sanctions*

Arbitration in Uncharted Waters

by Giuseppe De Palo

Mediator and Arbitrator at JAMS | President, Dialogue Through Conflict Foundation

* This case is entirely fictional and was developed through a collaborative discussion among practitioners. It reflects shared perspectives and does not represent any individual, organization, or client.

The Scenario

The Vessel

State-of-the-art LNG carrier built in Northern Europe for Chinese energy company, powered by American technology

The Crisis

- U.S. sanctions halt engine components
- EU Blocking Statute prohibits compliance
- China's AFSL warns against obeying

Three Continents

Washington: Sanctions licenses

Brussels: EU compliance rules

Beijing: Asset seizures

Arbitration in Paris. One vessel, three legal systems, no clear path forward.

Sanctions & Arbitration: The New Normal

Sanctions no longer sit at the margins.
They now shape commercial relationships, performance obligations, and enforcement outcomes in real time.

The Question

Not whether arbitration survives

But HOW

We design, conduct, and enforce in a sanctions-constrained world

The Real Bottleneck: Enforcement

✓ Arbitration Works

Tribunals can be constituted

Proceedings move forward

Awards can be issued

✗ Payment Is Hard

Requires regulatory approval

Assets frozen pending licenses

Can take months or years

Sophisticated Strategies

- Multiple payment channels & currencies
- Clear licensing responsibilities
- Staged/modular relief from tribunals

Regional Considerations



Europe

Public Policy Review

- EU Blocking Statute scrutiny
- Document terminations carefully
- Choice of seat matters
- Anti-suit injunctions available



China

Sanctions as Leverage

- Anti-Foreign Sanctions Law
- Asset seizures for bargaining
- Commercial pragmatism
- Global coordination required

Enforcement risk must be addressed proactively across all jurisdictions

Contract Drafting: First Line of Defense

Sanctions-aware drafting is not optional—it's basic commercial hygiene

Payment Mechanisms

Multiple currencies, alternative banks, escrow arrangements

Licensing Obligations

Who applies, who pays, timeline requirements

Performance Standards

Concrete steps replacing vague "reasonable efforts"

Force Majeure

Explicitly cover sanctions, banking restrictions, regulatory changes

Risk Allocation

Define who bears losses, provide for interim relief

Navigating Uncharted Waters

Arbitration remains resilient—but it must adapt

Tribunals

Issue awards acknowledging sanctions realities while preserving enforceability

Counsel

Draft contracts for turbulent conditions, not ideal ones

Parties: Stay Flexible

- Escrow accounts
- Neutral payment channels
- Structured settlements

Arbitration can keep global trade afloat—with foresight, precision, and strategic adaptability

Thank You !