

ECONOMIC SANCTIONS: SILVER BULLET OR HARMLESS DUD?

Since the end of the Cold War, economic sanctions have been imposed more often than ever before. At the same time, there are doubts as to their effectiveness. The fact is that apart from economic sanctions, there are few options between words and warfare to induce a change of behaviour in international actors. Therefore, sanctions will remain an important element of the foreign and security policy toolbox of the community of states. Consequently, the debate over when the imposition of economic measures is useful, and how such sanctions regimes should be designed, is gaining importance.



Complex enforcement of sanctions regime: Inspecting a freighter in the Persian Gulf, 2003

The 1990s are sometimes labelled the “sanctions decade”. After the Cold War had ended and the UN deadlock had been broken, the UN Security Council (UNSC) increasingly took recourse to economic sanctions based on Art. 41 of the UN Charter in order to punish undesirable behaviour on the part of international actors without having to take immediate recourse to military means. This development began in 1990 with the sanctions against Iraq after the annexation of Kuwait. Other UN sanctions followed in rapid succession, including against Yugoslavia, Libya, Liberia, Somalia, Cambodia, Haiti, Rwanda, Sierra Leone, or Afghanistan. Frequently, UN sanctions were accompanied by further measures imposed by individual states or regional organisations. These aimed to achieve a broad range of goals: Reversal of

territorial aggression, the reinstatement of democratically legitimised governments, ending civil wars, protecting human rights, counterterrorism, or disarmament and relinquishment of weapons of mass destruction.

The “sanctions decade” has resulted in a mixed balance sheet. Though there were occasional successes, including in South Africa, Libya, and Indonesia, in the majority of cases the stated goals of the international community could not be achieved through economic sanctions. Advocates of sanctions were forced to admit that efficient economic sanctions are not necessarily also politically effective. Additionally, comprehensive sanctions frequently brought unintended, but far-reaching consequences for the civilian population with-

out achieving any change of behaviour in the rulers of the states in question. Thus, the sanctions against Iraq, combined with the redirection of available resources by the Iraqi regime, caused a serious deterioration of the supply situation for the general population. But not even the resulting humanitarian catastrophe could compel Saddam Hussein to give in.

The negative experiences made with comprehensive sanctions led to the creation of the concept of “smart”, or “targeted sanctions”. Targeted sanctions are focused on specific economic sectors (e.g., the financial sector, the oil and gas sector, specific goods) and directed against selected individuals, organizations, or companies. The intention is to target decision-relevant groups of people specifically, to minimise the negative effects on the civilian population, and thus to design the sanctions to be as efficient as possible. Smart sanctions, however, are no panacea either, as seen in the experiences of recent years. Controversial discussions are still being waged over the question of when and under which conditions sanctions work.

The sanctions debate

Economic sanctions pursue political goals through economic means. To this end, they disrupt ordinary trade and financial relations. Economic sanctions may be defined as discriminatory restrictions on the import or export of goods, technology, capital, or services against a country or a group of countries with the aim of compelling the recipients of sanctions, for political

reasons, towards a specific behaviour. The initiators of sanctions may be international organisations such as the UN, regional groupings such as the EU, or individual states.

For a long time, the dominant view was that economic sanctions ultimately do not work. Sceptics regarded as illusory the prospect of successfully influencing the cost-benefit calculation of states and bringing about a change of behaviour in the government concerned by economic means. Their criticism was that economic sanctions are difficult to implement and easy to circumvent, that they frequently prompt a move to “rally around the flag” in the country in question, and that economic effects rarely cause a political reconsideration, but in the worst case can result in the sanctioned state becoming more independent economically. These pessimistic voices felt vindicated by many examples where economic sanctions were shown to have had no measurable effect on the behaviour of the state concerned.

The advocates of sanctions emphasise that economic sanctions can indeed be effective when they are applied correctly by political decision-makers. They argue that the only reason why the balance sheet so far has been so negative is because implementation of economic sanctions is often insufficient and because the initiators of sanctions far too often pursue unrealistic goals. A core demand is that the goals should be defined carefully and the measures be calibrated accordingly for the sanctions to be effective. The advocates have high hopes for the application of “smart sanctions”. Furthermore, they recommend complementing sanctions with positive incentives and following a policy of carrots and sticks. These more optimistic voices also cite examples where sanctions have at least contributed to bringing about a change of political behaviour in a targeted state.

Certain observers point out, furthermore, that economic sanctions are not always aimed at changing the actions of the state that they are applied to. Sometimes, the symbolic nature of the sanctions is more important for reasons of domestic or foreign policy. Thus, some governments may already achieve the desired effect merely by imposing sanctions, which appear to imbue them with decisiveness and leadership qualities, and fulfil internal and external political expectations, even if the

When are economic sanctions effective?

- 1) Expectations of what sanctions can accomplish, and goals to be achieved, must be realistic.
- 2) Sanctions are more likely to be complied with when directed against close trading partners and “friendly” states.
- 3) Autocratic states are hard to bully with economic measures, while democratic regimes are more susceptible.
- 4) Massive sanctions deployed with maximum impact have a better chance of success than an incremental approach.
- 5) A large coalition of sender countries does not necessarily make a sanctions episode more likely to succeed. But too many opponents of sanctions can reduce the likelihood of success.
- 6) Select “companion measures” can enhance the effectiveness of sanctions.
- 7) The domestic costs of sanctions for the initiators have to be taken into account.

Source: Hufbauer, Gary C./Schott, Jeffrey J./Elliott, Kimberly Ann/Oegg, Barbara. *Economic Sanctions Reconsidered*. 3rd ed., Washington, D.C.: PIIE, 2009.

measures remain fruitless when it comes to the targeted country. The Western reactions to China’s suppression of the democracy movement in 1989 are a case in point. In other cases, the sanctions serve to send out a signal to other parties, for instance in deterring third states.

The usefulness of sanctions must therefore be considered in a differentiated manner and depends to a decisive extent on the criteria applied. Any analysis must include the crucial distinction between the (economic) effects of sanctions and their efficiency (in terms of achieving political goals).

Empirical findings

A number of studies have attempted to determine the success of economic sanctions based on empirical evidence. One of the best-known investigations rested on an analysis of 174 case studies. The authors concluded that applying economic sanctions could be deemed an at least partial success in about 34 per cent of the evaluated cases. “Success” was defined as the sanctioned state’s (partial) fulfilment of the demands stated by the initiators of the sanctions.

The authors vehemently rejected the view that economic sanctions do not work. They further differentiated the results according to a number of criteria, showing, inter alia, that limited goals of sanctions (e.g., the release of political prisoners) had a notably higher success rate than more ambitious intentions (e.g., regime change or cessation of military interventions). Furthermore, they concluded from their results that sanctioned states were more likely to agree to change their behaviour if they had previously had good relations with the initiators of sanctions, since in these cases,

the potential economic and diplomatic costs were higher. The authors derived seven recommendations from their results (cf. box).

Such investigations on the success of economic sanctions are fraught with methodological problems. For instance, the study cited was criticized for defining success too narrowly, as it did not take into account the possible symbolic nature of imposing sanctions, and was accused of being based on a distorted selection of cases, as it did not look at cases where the mere threat of sanctions had already achieved the desired effect. Nevertheless, such research is essential, for the debate on the timing and conditions of successful sanctions is not (only) an academic one, but has political relevance of the highest order, as the example of Iran shows.

Iran: The twisting spiral of sanctions

Iran has been the target of an increasingly severe sanctions regime for many years (cf. CSS Analysis no. 43 [↗](#)). The UNSC has imposed four rounds of economic sanctions against Tehran since 2006, most recently in June 2010. The US and the EU have imposed even further-reaching measures. The demand is for Tehran to comply with UNSC resolutions, to relinquish uranium enrichment and the development of nuclear arms, and to return to the negotiating table.

So far, there are no indications that economic pressure has had any long-term effect on Tehran’s decisionmaking process in the nuclear dispute. Observers believe that the sanctions will have effects on the Iranian economy, but this effect has not precipitated any political success. Tehran has continued to enrich uranium and

maintained an ambivalent stance towards offers of negotiations. Thus, the sanctions have so far failed to achieve their strategic goal.

A number of explanations have been advanced for this lack of success. In particular, the involvement of Beijing and Moscow in the UN sanctions regime has required considerable willingness to compromise on the part of Washington and Brussels regarding the proposed sanctions measures. This has diluted the multilateral regime, reduced its effectiveness, and delayed implementation. It is doubtful whether the unilateral measures of the US and the EU will be able to effect any change in this respect. Furthermore, the incentive package offered to Tehran as an accompanying measure, which included possible WTO membership for Iran, is seen as insufficient by observers. Also, Tehran has managed to compensate partially for the effects of the sanctions, thus diminishing their impact. To some extent, the disruption of business ties with Western companies has been successfully compensated for through cooperation with companies from states such as China, Russia, or the United Arab Emirates. Critics of sanctions argue, furthermore, that the rising external pressure could increase domestic support for the Iranian regime and diminish its amenability to compromise.

While Tehran's lack of cooperation can be easily explained, governments are hard pressed to find a way to deal with the sanctions' lack of success. The proposal to turn the screw once more by applying comprehensive economic sanctions against the Iranian energy sector, from which the government derives around 80 per cent of its revenues, is gaining ground. This is not surprising, as alternative options, such as a preventive military strike, or support for the opposition movement with a view to establishing a new government that would be more cooperative in the nuclear dispute, are, for various reasons, regarded as too risky. But there is scepticism regarding the likelihood that a further tightening of sanctions could bring about a rapid change in Tehran's stance in the dispute over its nuclear programme.

Strategic embedding as a criterion of success

With difficult cases like Iran in mind, a number of recommendations have been

advanced for the ideal design of sanctions. Even though sweeping statements are problematic, a consensus is evolving on certain points. For instance, the goals of economic sanctions must first be clearly defined and prioritised. The concrete form of a sanctions regime must vary according to its applicability in terms of substance, its multilaterally binding nature, and its implementation – depending on whether the aim is to bring about a change of political behaviour, to mitigate the damage potential of a state, or to destabilise a regime. Secondly, sanctions should be part of a comprehensive strategy and accompanied by further measures. These may include positive incentives, diplomatic initiatives, or the threat of military force. Third, the potential economic, political, and humanitarian effects of the sanctions in the targeted country as well as among the initiators of the sanctions should be analysed, and the challenges arising from them anticipated.

Sober analysts emphasise that there is no guarantee of success with sanctions. Ultimately, every case must be seen in its specific context and follows its own set of rules. Furthermore, certain factors such as the economic conditions or the domestic situation, which may be decisive for the success of sanctions, are often beyond the influence of the sanctions initiators.

Economic sanctions are not a silver bullet. Their success quota is far from satisfactory. They are costly for all parties concerned. Their continuing political popularity is mainly due to the fact that most of the alternatives are fraught with even greater risks and costs. Therefore, sanctions will remain an important instrument of foreign and security policy for international organisations and states. Continued efforts are therefore required to design them to be as effective as possible.

Switzerland and economic sanctions

For many years, the Federal Council's position was that Swiss participation in economic sanctions was not reconcilable with the country's neutral stance. This was one of the main reasons why Switzerland decided not to join the UN after the end of World War II. During the Cold War, however, Switzerland handled its official injunction against sanctions prag-

matically. For instance, in 1951, it de facto joined the Western economic embargo against the states of the Eastern Bloc.

The about-face in Switzerland's sanctions practice came in 1990. The Federal Council renounced its position that neutrality was fundamentally irreconcilable with participation in sanctions and "autonomously" joined the UN's economic sanctions against Iraq. In its Foreign Policy Report of 1993, the Federal Council decided no longer to apply the law of neutrality to broadly-supported economic sanctions by the UN due to considerations of solidarity, and instead to associate itself autonomously with such measures. Since joining the UN in 2002, Switzerland has been obliged to abide by UNSC decisions in this regard. In the diplomatic arena, Switzerland has lobbied for the elaboration of smart sanctions for the financial sector.

The most sensitive questions Switzerland is confronted with today concern sanctions regimes that are separate from the UN. In 1998, it took part for the first time in unilateral economic sanctions imposed by the EU against Yugoslavia. As a matter of principle, however, Switzerland prefers concerted measures developed in the context of the UN. This is also the Federal Council's current position regarding the matter of whether Switzerland should participate in measures imposed by the EU and the US against Iran in addition to UN sanctions. Here, the country must find its independent position in a field of tension between extensive solidarity with the Western states and its role as a potential bridge-builder that maintains privileged relations with the Iranian government. The extent of pressure that the US and the EU will apply to join in the additional sanctions will depend decisively on whether Berne can succeed in preventing Switzerland from becoming a hub for business designed to evade such sanctions.

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