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INTRODUCTION

Two controversial actions by the United States in the early 1980s—President Jimmy Carter's grain embargo against the Soviet Union and President Ronald Reagan's attempt to block the Soviet-European gas pipeline project—rekindled a smoldering debate over the use of economic sanctions in pursuit of foreign policy goals. The debate continues to rage today, as policymakers in the United States and elsewhere decide how to respond to the Tiananmen Square massacre in China, the continuation of apartheid in South Africa, and most recently the Iraqi invasion and annexation of Kuwait. Advocates of sanctions regard them as an important weapon in the foreign policy arsenal. Skeptics question whether sanctions are an effective stand-alone instrument of foreign policy and whether the costs to the users of sanctions are worth the benefits derived.

To put these issues in perspective, we have delved into the rich history of the use of sanctions in the twentieth century in order to identify circumstances in which economic sanctions can succeed in attaining foreign policy goals. Our study concentrates on three central questions: What factors—both political and economic—usually result in a positive contribution of sanctions to the achievement of foreign policy goals? What are the costs of sanctions to both target and sender[1] countries, and to what extent do they influence policy

1 We use the term "sender" to denote the country whose foreign policy goals are being pursued at least in part through the threat or imposition of economic sanctions. A synonymous term often found in the literature is "sanctioner."

decisions? And what lessons can be drawn from this experience to guide policymakers on the use of sanctions in the future?

A Case Study Approach

Much has been written about the use of economic sanctions in the conduct of foreign policy, and most of the literature takes the form of studies of individual sanctions episodes. In this study we attempt to extract propositions of general validity from that literature. The starting point for our analysis is the list in table 1.1 (at the end of this chapter) of 116 cases of economic sanctions, from the economic blockade of Germany in World War I through the US–UN embargo of Iraq in 1990. Abstracts of 11 important cases make up the bulk of this volume, while the companion volume, *Economic Sanctions Reconsidered: Supplemental Case Histories*, contains the other 105 cases. The abstracts summarize the key events in each case, the goals of the sender, the response of the target, the actions of third countries, and the economic costs to both target and sender. Each abstract concludes with overall assessments of the episode by scholars of the case and our own summary evaluation.

Because each abstract cites sources for all the data presented, we have minimized source notes in the analytical chapters. A bibliography of general references follows chapter 5. Moreover, because our abstracts summarize each episode, and because detailed narratives can be found in the literature, we deliberately refrain from extensive descriptions of the events of individual episodes in our analysis.

The cases listed in table 1.1 plainly do not include all instances since World War I of economic leverage applied by one sovereign state to try to change the conduct of another. To focus our analysis strictly on the use of sanctions to achieve foreign policy goals, we have taken care both to distinguish economic sanctions from other economic instruments and to separate foreign policy goals from other goals at home and abroad. The boundaries we have set may be described in the following way.

We define economic sanctions to mean the deliberate, government-inspired withdrawal, or threat of withdrawal, of customary trade or financial relations. "Customary" does not mean "contractual"; it simply means levels of trade and financial activity that would probably have occurred in the absence of sanctions. We generally exclude cases in which positive economic incentives (e.g., new aid or credits) are used to achieve foreign policy goals. However, when such incentives are closely paired with economic sanctions in a "carrot-and-stick" approach, they are covered in our abstracts and analysis.

We define foreign policy goals to encompass changes expressly and purportedly sought by the sender state in the political behavior of the target state. We rely on the public statements of officials of the sender country,

supplemented by the assessment of historians of the episode, for identification of the foreign policy goals sought in each case.

We exclude from foreign policy goals the normal realm of economic objectives sought in banking, commercial, and tax negotiations between sovereign states. It may seem a violation of this rule that many of our cases deal with attempts to settle expropriation disputes. However, many expropriation episodes harbor political disputes that go beyond the compensation issues, and those are the episodes we seek to include in our analysis.

Sanctions also serve important domestic political purposes in addition to sometimes changing the behavior of foreign states. As David Lloyd George, then a leader of the British political opposition, remarked of the celebrated League of Nations sanctions against Italy in 1935, "They came too late to save Abyssinia, but they are just in the nick of time to save the Government" (Rowland 1975, 723). The same is true today. What president—or Kremlin leader for that matter—has not been obsessed with the need to demonstrate leadership, to take initiatives to shape world affairs, or at least to react forcefully to adverse developments? And what president—or Kremlin leader—is eager to go to war to make his point? The desire to be seen acting forcefully, but not to precipitate bloodshed, can easily overshadow specific foreign policy goals.

Indeed, one suspects that in some cases domestic political goals were the motivating force behind the imposition of sanctions. Such measures often succeed in galvanizing public support for the sender government, either by inflaming patriotic fever (as illustrated by US sanctions against Japan just prior to World War II) or by quenching the public thirst for action (as illustrated by US sanctions against Libyan leader Moammar Gadhafi's adventurism in northern Africa and elsewhere, and later against Manuel Noriega for many months prior to the actual invasion of Panama). It is quite clear that US, European, and British Commonwealth sanctions against South Africa, as well as US, EC, and Japanese sanctions against China in the wake of the Tiananmen Square massacre, were principally designed to assuage domestic constituencies, to make a moral and historical statement, and to send a warning to future offenders of the international order, whatever their immediate effect on the target country.

For a democratic nation these are appropriate goals. However, because of limitations on our resources, we have left to others the arduous task of unearthing the domestic side of the story: Have economic sanctions in fact been effective in satisfying domestic political purposes? Has their use for such purposes been worth the associated political and economic costs, both international and domestic? These are important questions that are worthy of additional research.

In this study we make no attempt to evaluate the merits of the foreign policy goals pursued through the use of sanctions. We do have opinions on those goals, but we doubt that many readers are eager to discover the collective wisdom of Hufbauer, Schott, and Elliott on the merits, for example, of the US government destabilizing the Trujillo regime in the Dominican Republic in 1960–61, or of the Indian government altering Nepal's posture toward China in 1988–89. Similarly, we do not explore the fascinating international legal questions raised by the imposition of sanctions, in particular the definition and proper limitation of extraterritorial measures, whereby one nation attempts to extend its laws to persons and firms overseas. Much literature is devoted to these questions, and we could not usefully contribute to the legal debate (on these issues see, for example, Marcuss and Richard 1981, Rosenthal and Knighton 1982, Moyer and Mabry 1983, Marcuss and Mathias 1984, and especially Carter 1988).

Finally, table 1.1 probably omits many uses of sanctions imposed between powers of the second and third rank. These cases are often not well documented in the English language, and we did not have adequate resources to study source material in foreign languages. Also, we may have overlooked instances in which sanctions were imposed by major powers in comparative secrecy to achieve relatively modest goals. To the extent of these omissions, our generalizations do not adequately reflect the sanctions experience of the twentieth century.[2]

Historical Overview

Economic sanctions entered the diplomatic armory long before World War I. Indeed the technique was used in ancient Greece. The most celebrated occasion was Pericles's Megarian decree, enacted in 432 BC in response to the kidnapping of three Aspasian women. Thucydides accords the decree only minor notice in *The Peloponnesian War*; by contrast, Aristophanes in his comedy *The Acharnians* (lines 530–43), assigns the Megarian decree a major role in triggering the war:

> Then Pericles the Olympian in his wrath
> thundered, lightened, threw Hellas into confusion,
> passed laws that were written like drinking songs
> [decreeing] the Megarians shall not be on our land, in our market, on the sea or on the continent. . . .
> Then the Megarians, since they were starving little by little, begged the
> Lacedaemonians to have the decree
> arising from the three strumpets withdrawn.
> But we were unwilling, though they asked us many times. Then came the clash of the shields.
> Someone will say it was not right. But say, then, what was.
> Come, if a Lacedaemonian sailed out in a boat
> and denounced and confiscated a Seriphian puppy,
> would you have sat still? (quoted in Fornara 1975)

Despite the rich history of sanctions episodes from ancient Greece through the nineteenth century, we start our investigation with World War I both because earlier episodes are less well documented and because lessons from the distant past may seem less relevant to today's problems. However, by way of historical perspective, table 1.2 (at the end of this chapter) lists selected pre–World War I instances of economic sanctions.

Most of these episodes foreshadowed or accompanied warfare. Only after World War I was extensive attention given to the notion that economic sanctions might substitute for armed hostilities as a stand-alone policy. Even through World War II, the objectives sought with the use of sanctions retained a distinctively martial flavor. Sanctions were usually imposed to disrupt military adventures or to complement a broader war effort. Of the 11 cases we have identified in table 1.1 between 1914 and 1940, all but 2 are linked to military action. Four of the cases involved League of Nations attempts, through collective action, to settle disputes. These efforts had varied results: from success in inducing Greece to back down from its incursion into Bulgaria in 1925, to the celebrated failure to persuade Italy to withdraw from Abyssinia in the mid-1930s.

In the period following World War II, other foreign policy motives became increasingly common, but sanctions were still deployed on occasion to force a target country to withdraw its troops from border skirmishes, to abandon plans of territorial acquisition, or to desist from other military adventures. In most instances in the postwar period where economic pressure was brought to bear against the exercise of military power, the United States played the role of international policeman. For example, in 1948–49 the United States was able to coerce the Netherlands into backing away from its military efforts to forestall Indonesian independence; in 1956, the United States pressed the French and the British into withdrawing their troops from the Suez region; and in the early 1960s, the United States persuaded Egypt to withdraw from Yemen and the Congo by withholding development and PL 480 food aid.

More recent attempts have not been as successful. Turkish troops remain in Cyprus more than 15 years after their invasion and in spite of US economic pressure in the mid-1970s. The Carter grain embargo and boycott of the 1980 Moscow Olympics did not discourage the Soviet occupation of Afghanistan.

2. Richard James Ellings (1983) has written a Ph.D. thesis in which he lists 107 instances of the use of economic sanctions since World War II. Our table 1.1 contains some cases not in his work; others in his list do not fit our definition of sanctions. In some instances, Ellings has broken down lengthy episodes into two or more cases.

Indeed, aside from the 1956 Suez incident, major powers have never been able to deter the military adventures of other major powers simply through the use of economic sanctions.

Closely related to these military adventure cases are those episodes in which sanctions are imposed to impair the economic capability of the target country, thereby limiting its potential for military activity. This was an important rationale for the broad-based multilateral controls on strategic trade that the United States instituted against the Soviet Union and China in the late 1940s, and the same rationale was cited by US officials in defense of sanctions against the Soviet Union following the invasion of Afghanistan and the crisis in Poland in the early 1980s. It is doubtful whether these cases have yielded positive results, not least because it is difficult to hamper the military capabilities of a major power with marginal degrees of economic deprivation.

In this book we do not evaluate the narrowly defined national security issues that arise in cases where sanctions are deployed to deprive an adversary of access to goods and technologies with direct military applications. Although attempts to impair another country's military potential usually entail narrowly defined national security controls—identifying military hardware and so-called dual-use technologies that can be denied the adversary—the sender country often seeks to limit the foreign policy options of the target state as well. In our view, the COCOM and CHINCOM controls of the Cold War period[3] were aimed both at restricting strategic exports to the Soviet Union and China, to prevent them from making technological advances in weaponry, and at impairing the ability of the Soviet and Chinese economies to support an expanded military machine capable of advancing those countries' foreign policy objectives. The latter goal—to inhibit potential Soviet and Chinese foreign policy responses by limiting the national capability to support a military machine—is the reason why these cases are included in our analysis.

Sanctions have also been deployed in pursuit of a number of foreign policy goals other than those related to warfare and national security. Especially noteworthy is the frequent resort to sanctions in an effort to destabilize foreign governments, usually in the context of a foreign policy dispute

3 Case 48–5: *US and COCOM v. USSR and COMECON* (1948–) and Case 49–1: *US and CHINCOM v. China* (1949–70). COCOM, the Coordinating Committee for Multilateral Export Controls, is an informal group of NATO countries (minus Iceland, plus Japan) which attempts to limit the shipment of strategic goods, broadly and narrowly defined, to the Soviet Union. CHINCOM, a parallel but smaller group of countries controlling exports to China, was disbanded in 1958, at which time China came under COCOM controls. COMECON, the Council for Mutual Economic Assistance, was an organization established in 1949 to facilitate economic cooperation among the Soviet Union and its satellites. After the dismantling of the Berlin Wall in November 1989, COMECON and its military counterpart, the Warsaw Pact, have become increasingly irrelevant organizations.

involving other issues. Destabilization episodes have often found a superpower pitted against a smaller country. By our count the United States has engaged in destabilization efforts 15 times, often against other countries in the Western Hemisphere such as Cuba, the Dominican Republic, Nicaragua, Brazil, Chile, and Panama. Sanctions contributed at least modestly to the overthrow of Trujillo in 1961, of Brazilian dictator João Goulart in 1964, and of Chilean President Salvador Allende in 1973; sanctions played a minor role in the electoral defeat of the Sandinistas in Nicaragua in 1990. On the other hand, Cuba under Fidel Castro has not succumbed to three decades of US economic pressure, in large measure because Castro received compensating aid from the Soviet Union. Likewise, despite intense US economic sanctions, Noriega was able to retain power in Panama; it finally took US military intervention to dislodge him.

The Soviet Union has also picked on its neighbors, although less successfully. Every time the Soviets have used sanctions in an effort to topple a rebellious government within the socialist bloc—Yugoslavia in 1948, China in 1960, Albania in 1961—the effort failed; the only Soviet success came in the "Nightfrost Crisis" of 1958, when Finland was coerced into adopting a more pliant attitude toward Soviet policies. Finally, the United Kingdom also has participated in the destabilization game through the use of economic sanctions to topple hostile or repressive regimes in areas where the British once exercised colonial influence: Iran in 1951–53, Rhodesia in 1965–79, and Uganda in 1972–79.

Since the early 1960s, sanctions have been deployed in support of numerous other foreign policy goals, most of them relatively modest compared to the pursuit of war, peace, and political destabilization. For example, sanctions have been used on behalf of efforts to protect human rights, to halt nuclear proliferation, to settle expropriation claims, and to combat international terrorism. Here again, the United States has played the dominant role as guardian of its version of global morality. Following a series of congressionally inspired initiatives beginning in 1973, human rights became a *cause célèbre* of the Carter administration. In the early phase, country-specific riders were attached to military aid bills requiring the Nixon and Ford administrations to deny or reduce assistance to countries found to be abusing human rights. Later, President Carter adopted the congressional mandate as his own guiding light. Eventually many countries in Latin America and elsewhere became targets of US sanctions. In a more limited way, Presidents Reagan and Bush also used sanctions to defend human rights and support democracy in Suriname, Haiti, Burma, Somalia, and the Sudan.

Sanctions were also frequently used, by both the United States and Canada in the 1970s and 1980s, to enforce compliance with nuclear nonproliferation safeguards. In 1974, Canada acted to prevent Pakistan from acquiring a nuclear explosive capability and tried to control the reprocessing of spent fuel in both India and Pakistan to guard against its use in weapons production. The United States joined the Canadians in applying financial pressure on South Korea to forestall its purchase of a nuclear reprocessing plant. Subsequently, the United States imposed sanctions on shipments of nuclear fuel and technology to South Africa, Taiwan, Brazil, Argentina, India, and Pakistan in similar attempts to secure adequate multilateral surveillance of nuclear facilities. Australia used sanctions in an effort to deter French testing in the South Pacific. These assorted efforts were highly successful with respect to Korea and Taiwan (at least initially) but had little impact on India, Pakistan, or France.

Since World War II the United States has used sanctions nine times in its efforts to negotiate compensation for property expropriated by foreign governments. However, expropriation claims have become less urgent in recent years; the last recorded use of sanctions in an expropriation dispute was against Ethiopia (commencing in 1976). In almost all the expropriation cases, the United States hoped to go beyond the claims issue and resolve conflicting political philosophies. This was true the first time the United States (in conjunction with the United Kingdom) pressured Iran with economic sanctions—seeking the overthrow of the regime of Prime Minister Mohammad Mussadiq in the early 1950s—and was behind US efforts to undermine Castro in Cuba, Goulart in Brazil, and Allende in Chile.

Antiterrorism has been another of the more modest—but increasingly important—policy goals sought by the United States through the imposition of economic sanctions. A wave of international plane hijackings in the 1960s and 1970s, together with the massacre of Israeli athletes at the Munich Olympics in 1972, focused world attention on terrorism. The hijacking problem was greatly reduced through international hijacking agreements, including one signed in 1973 by the United States and Cuba. Lethal terrorist raids, often funded by oil-rich radical Islamic countries, have proven much harder to control. In 1980, following a congressional directive, the US State Department branded four countries—Libya, Syria, Iraq, and South Yemen—as international outlaws because of their support of terrorist activities. The United States soon thereafter imposed sanctions on Libya and Iraq in an attempt to limit their activity as suppliers of military equipment to terrorist groups. Iraq was removed from the terrorism list in 1982, despite congressional opposition, whereas sanctions against Libya were expanded to cover all trade and finance in early 1986. Since then, Cuba, North Korea, and Iran have been added to the list of target countries on account of their support for terrorism.

This brief historical review illustrates the important role that economic sanctions have played since World War I in the conduct of US foreign policy. Of the 116 cases documented in table 1.1, the United States, either alone or

in concert with its allies, has deployed sanctions 77 times. Other significant users have been the United Kingdom (22 instances, often in cooperation with the League of Nations and later the United Nations), the Soviet Union (10 uses, usually against recalcitrant satellites), and the Arab League and its members (4 uses of its oil muscle).

This overview demonstrates that sanctions have been deployed quite frequently in the post–World War II era. Table 1.3 summarizes the record, presenting, first, the number of sanctions episodes initiated in each five-year period beginning with 1911–15; second, the total cost imposed on target countries every fifth year beginning with 1915 (expressed as an annualized figure in current US dollars); and third, for comparison, the value of total world exports (expressed in current US dollars). The table indicates that the incidence of new episodes has increased from less than 5 in the pre-1945 period to approximately 10 to 15 in the post-1960 period. The annual cost imposed on target countries was quite high in 1915, on account of World War I; it fell markedly thereafter, and has since risen from very low levels in the 1920s and 1930s to some $1.5 billion and higher in the post-1965 period. The aggregate cost of sanctions peaked in 1980, when costs totaling some $5.9 billion were imposed on target countries.[4]

Table 1.3 also shows that, although sanctions activity has grown, particularly in recent decades, it has expanded much more slowly than world trade, which grew almost two-hundred-fold between 1915 and 1990 (expressed in current dollars). Compared to total world trade flows, the cost imposed by sanctions on target countries represents barely a ripple in the world economy.

The Cyclical Popularity of Sanctions

Like other fashions, economic sanctions wax and wane in popularity. After World War I, great hopes were held out for the "economic weapon," with President Woodrow Wilson the leading advocate. Speaking in Indianapolis in 1919, Wilson said:

> A nation that is boycotted is a nation that is in sight of surrender. Apply this economic, peaceful, silent, deadly remedy and there will be no need for force. It is a terrible remedy. It does not cost a life outside the nation boycotted, but it brings a pressure upon the nation which, in my judgment, no modern nation could resist. (quoted in Padover 1942, 108)

The League of Nations enjoyed minor success with the use of sanctions against smaller powers in the 1920s and 1930s. But with the failure of the League's campaign against Italy, the reputation of the "economic weapon"

4 However, our estimate of the annualized cost to Iraq of the UN embargo is more than $20 billion, which swamps even the highest estimates in other cases.

correspondingly sank. Scholars were quick to point out that sanctions had not in fact been used decisively against Italy, but the public at large simply concluded that sanctions were not equal to the task.

The reputation of the "economic weapon" was somewhat rehabilitated by the contribution of the naval blockade of Europe and the Allies' preemptive buying of strategic materials to the ultimate defeat of Germany and Japan during World War II. Sanctions were used frequently and with some success in the late 1940s and 1950s, but they did not again attract public notice until the US campaign against Cuba and the UK–UN campaign against Rhodesia in the 1960s. Overoptimistic British pronouncements in the Rhodesian case and the considerable success of Cuba—with massive aid from the Soviet Union—in withstanding US economic pressure again fostered disillusion. Disillusion grew progressively more fashionable with the extensive American reliance on sanctions, and a series of conspicuous failures, in the 1970s and early 1980s.

Probably the bottom of the most recent wave of disfavor was reached in the late 1980s.[5] But we would suggest that the "economic weapon" will not regain full respectability until a few significant episodes are recorded in which sanctions are deployed judiciously and successfully. Perhaps the US–UN embargo of Iraq will be such a case. However, most of the recent, well-publicized cases do not qualify: sanctions were of marginal use in persuading the Sandinistas to allow elections in Nicaragua; although some progress has been made, so far sanctions have not significantly altered the hard reality of apartheid in South Africa; Noriega held out in Panama until US troops intervened; and sanctions did not deflect the Chinese leadership from its repressive policy following the massacre in Tiananmen Square.

Sender Countries and Their Motives

Sanctions are part and parcel of international diplomacy, a tool for coercing target governments into particular avenues of response. The use of sanctions presupposes the sender country's willingness to interfere in the decision-making process of another sovereign government.

Among the cases we have documented, the countries that impose sanctions are for the most part large nations that pursue an active foreign policy. To be sure, there are instances of neighborhood fights: Indonesia versus Malaysia in the mid–1960s; Spain versus the United Kingdom over Gibraltar from the 1950s until 1984; India versus Nepal over the latter's rapprochement with China in 1989–90. But in the main, sanctions have been used by big powers, precisely because they are big and can seek to influence events on a global

5 A leading scholar, David A. Baldwin (1985), has written a book that seeks to rehabilitate the use of economic diplomacy as a tool of statecraft.

scale. Instances of the collective use of sanctions—the League of Nations against Italy in 1935–36, the United Nations against Rhodesia from 1965 to 1979, the Allies against Germany and Japan in World War II, the United Nations against Iraq in 1990—are in fact usually episodes of major powers enlisting their smaller allies.

"Demonstration of resolve" has often supplied the driving force behind the imposition of sanctions. This is particularly true for the United States, which frequently has deployed sanctions to assert its leadership in world affairs. US presidents seemingly feel compelled to dramatize their opposition to foreign misdeeds, even when the likelihood of changing the target country's behavior seems remote. In these cases sanctions often are imposed because the cost of inaction—in terms of lost confidence at home and abroad in the ability or willingness of the United States to act—is seen as greater than the cost of the sanctions. Indeed, the international community often expects such action from the United States, to demonstrate moral outrage and to reassure the alliance that America will stand by its international commitments. The impact of such moral and psychological factors on the decision to impose sanctions should not be underestimated, even if it is hard to document.

"Deterrence"—the notion that a sender country can discourage future objectionable policies by increasing the associated costs—is another frequently cited reason for sanctions. In many cases, such as the US sanctions against the Soviet Union over Afghanistan in 1980–81, it is difficult, if not impossible, to determine whether sanctions were an effective deterrent against future misdeeds. Under President Mikhail Gorbachev, the Soviet Union has dramatically changed its internal and external policies, but it is hard to credit even the combined effect of all US sanctions with more than a marginal role in this transformation.

Finally, sanctions are sometimes used as a surrogate for other measures. A diplomatic slap on the wrist may not hit where it hurts, but more extreme measures, such as covert action or military measures, may be excessive. Sanctions provide a popular middle road: they add teeth to international diplomacy, even when the bark is worse than the bite.

In a sense, the imposition of sanctions conveys a triple signal: to the target country it says the sender does not condone your actions; to allies it says that words will be supported with deeds; to domestic audiences it says the sender's government will act to safeguard the nation's vital interests.

The parallels between the motives for sanctions and the three basic purposes of criminal law—to punish, to deter, and to rehabilitate—are unmistakable. Countries that impose sanctions, like states that incarcerate criminals, may find their hopes of rehabilitation unrealized, but they may be quite satisfied with whatever punishment and deterrence are accomplished.

Nevertheless, in judging the success of sanctions, we confine our examination to changes in the policies and capabilities of the target country.

Limitations on the Use of Sanctions

Sanctions often do not succeed in changing the behavior of foreign countries. One reason for failure is plain: the sanctions imposed may simply be inadequate to the task. The goals may be too elusive, the means too gentle, or cooperation from other countries, when needed, too tepid.

A second reason for failure is that sanctions may create their own antidotes. In particular, economic sanctions may unify the target country both in support of its government and in search of commercial alternatives. This outcome is evident in a number of episodes; for example, a nationalistic reaction seems to have blunted the League's actions against Italy in 1935–36, Soviet sanctions against Yugoslavia in 1948–55, US measures against Indonesia in 1963–66, UN actions against Rhodesia in 1965–79, and US sanctions against Nicaragua in the 1980s. Benito Mussolini expressed Italy's nationalistic defiance of the League's sanctions in 1935 with these words: "To sanctions of an economic character we will reply with our discipline, with our sobriety, and with our spirit of sacrifice" (quoted in Renwick 1981, 18).[6]

A third reason why economic pressure may fail is that sanctions may prompt powerful or wealthy allies of the target country to assume the role of "black knight"; their support can largely offset whatever deprivation results from the sanctions themselves. In the period since World War II, offsetting compensation has occurred most conspicuously in episodes where the big powers were caught up in ideological conflict over the policies of a smaller nation: examples include the US sanctions against Cuba and later Nicaragua and Soviet sanctions against Yugoslavia and Albania. However, with the Kremlin's new approach to world affairs, it is entirely possible that "black knight" diplomacy will become a relic of the Cold War. The Soviet Union refused to buttress Daniel Ortega when the Sandinista government looked shaky in 1989, it made no effort to rescue Noriega, and it has joined in the US condemnation of Iraq. Another example of countervailing support, with different historical origins, is the Arab League campaign against Israel, a campaign that has helped ensure a continuing flow of public and private assistance to Israel from the United States and Western Europe.

A fourth possible reason for failure is that economic sanctions may alienate allies abroad and business interests at home. When a sender's allies do not share its goals, they may, in the first instance, ask exasperating questions about the probability of a successful outcome; in the second instance, they may refuse to take the stern measures requested against the target country, thereby making the sender's own initiatives seem all the more futile; finally, they may revolt and enforce national antisanctions laws, such as the US antiboycott provisions and the British Protection of Trading Interests Act, to counteract the impact of others' sanctions on their own foreign policy and economic interests. The protective legal barrier is a relatively new development, but one that has spread to a number of countries—France, Denmark, Australia, and others—where firms have been victimized by the errant aim of a sender state.

The backlash from the sender's allies may be exacerbated if attempts are made to enforce the sanctions on an extraterritorial basis, as the United States did in the 1981–82 Soviet-European pipeline case. The Europeans refused to cooperate with the United States and halt the pipeline project; indeed, they wondered who the real target of the sanctions was: the country subject to sanctions (the Soviet Union), or their own firms, whose trade was being hit by the measures. The internecine feud that ensued between the United States and Europe undercut the economic and psychological force of the sanctions, rendering the action ineffective.

Business firms at home may also experience severe losses when sanctions interrupt trade and financial contacts. Besides the immediate loss of sales, they may lose their reputation for reliability. Outcries from US business against both the grain embargo and the pipeline sanctions arose as much from the fear of future competitive weakness as "unreliable suppliers" as from the immediate sacrifice of grain, pipelaying equipment, and gas turbine sales to the Soviet Union. After the first flush of patriotic enthusiasm, such complaints can undermine a sanctions initiative.

These pitfalls are well known to most policy officials, and they can hardly escape the briefing memoranda prepared for world leaders considering sanctions. Why then are sanctions so frequently used? In the first place, as the results of this study show, sanctions have not been, on balance, nearly so unsuccessful as the episodes directed against the Soviet Union in the 1970s and 1980s would suggest. In the second place, world leaders often find the most obvious alternatives to economic sanctions unsatisfactory—military action would be too massive, and diplomatic protest too meager. Sanctions can provide a satisfying theatrical display, yet avoid the high costs of war. This is not to say that sanctions are costless. Our purpose in this study is precisely to suggest conditions in which sanctions are most likely to achieve a positive benefit at a bearable cost.

6 Manuel Noriega used comparable rhetoric when the United States imposed sanctions on Panama in the late 1980s.

Plan of the Book

In chapter 2, we examine the components of a sanctions episode. In a simple and crude way, we attempt to quantify a number of dimensions. We explain our definition of success, our scheme for distinguishing objectives, our scale of international cooperation, and our measurement of economic costs. In chapter 3, we assess sanctions episodes in terms of their political variables. In chapter 4, we summarize the economic variables in a sanctions episode and relate the economic costs to the measure of success achieved. In chapter 5, we derive general lessons from the cases studied and offer a list of nine commandments that sender countries might follow to improve their prospects for achieving foreign policy goals. We also take a close look at recent US experience and consider what the end of the Cold War may mean for the future of sanctions. Appendix A explains how we calculate economic costs to the target country. Finally, the case abstracts in appendix B of this volume and the supplementary volume give details on each of the 116 cases we examined.

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Table 1.1 Chronological summary of economic sanctions for foreign policy goals, 1914–90

Case number	Principal sender	Target country	Active years	Goals of sender country
14–1	United Kingdom	Germany	1914–18	Military victory
17–1	United States	Japan	1917	(1) Contain Japanese influence in Asia; (2) Persuade Japan to divert shipping to Atlantic
18–1	United Kingdom	Russia	1918–20	(1) Renew support for Allies in World War I; (2) Destabilize Bolshevik regime
21–1	League of Nations	Yugoslavia	1921	Block Yugoslav attempts to wrest territory from Albania; retain 1913 borders
25–1	League of Nations	Greece	1925	Withdraw from occupation of Bulgarian border territory
32–1	League of Nations	Paraguay and Bolivia	1932–35	Settle the Chaco War
33–1	United Kingdom	USSR	1933	Release two British citizens
35–1	United Kingdom and League of Nations	Italy	1935–36	Withdraw Italian troops from Abyssinia
38–1	United Kingdom and United States	Mexico	1938–47	Settle expropriation claims
39–1	Alliance Powers	Germany, later Japan	1939–45	Military victory
40–1	United States	Japan	1940–41	Withdraw from Southeast Asia
44–1	United States	Argentina	1944–47	(1) Remove Nazi influence; (2) Destabilize Perón government
46–1	Arab League	Israel	1946–	Create a homeland for Palestinians
48–1	United States	Netherlands	1948–49	Recognize Republic of Indonesia
48–2	India	Hyderabad	1948	Assimilate Hyderabad into India
48–3	USSR	United States, United Kingdom, and France	1948–49	(1) Prevent formation of a West German government; (2) Assimilate West Berlin into East Germany
48–4	USSR	Yugoslavia	1948–55	(1) Rejoin Soviet camp; (2) Destabilize Tito government
48–5	United States and COCOM	USSR and COMECON	1948–	(1) Deny strategic materials; (2) Impair Soviet military potential
49–1	United States and CHINCOM	China	1949–70	(1) Retaliation for Communist takeover and subsequent assistance to North Korea; (2) Deny strategic and other materials
50–1	United States and United Nations	North Korea	1950–	Withdraw attack on South Korea

Case number	Principal sender	Target country	Active years	Goals of sender country
51–1	United Kingdom and United States	Iran	1951–53	(1) Reverse the nationalization of oil facilities; (2) Destabilize Mussadiq government
54–1	USSR	Australia	1954	Repatriate a Soviet defector
54–2	India	Portugal	1954–61	Assimilate Goa into India
54–3	Spain	United Kingdom	1954–84	Gain sovereignty over Gibraltar
54–4	United States and South Vietnam	North Vietnam	1954–	(1) Impede military effectiveness of North Vietnam; (2) Retribution for aggression in South Vietnam
56–1	United States	Israel	1956–83 (intermittent episodes)	(1) Withdraw from Sinai; (2) Implement UN Resolution 242; (3) Push Palestinian autonomy talks
56–2	United Kingdom, United States, and France	Egypt	1956	(1) Ensure free passage through Suez Canal; (2) Compensate for nationalization
56–3	United States	United Kingdom and France	1956	Withdraw from Suez
56–4	United States	Laos	1956–62	(1) Destabilize Prince Souvanna Phouma government; (2) Destabilize General Phoumi government; (3) Prevent Communist takeover
57–1	Indonesia	Netherlands	1957–62	Control of West Irian
57–2	France	Tunisia	1957–63	Halt support for Algerian rebels
58–1	USSR	Finland	1958–59	Maintain pro–USSR policies
60–1	United States	Dominican Republic	1960–62	(1) Cease subversion in Venezuela; (2) Destabilize Trujillo government
60–2	USSR	China	1960–70	(1) Retaliation for break with Soviet policy; (2) Impair Chinese economic and military potential
60–3	United States	Cuba	1960–	(1) Settle expropriation claims; (2) Destabilize Castro government; (3) Discourage Cuba from foreign military adventures
61–1	United States	Ceylon	1961–65	Settle expropriation claims
61–2	USSR	Albania	1961–65	(1) Retaliation for alliance with China; (2) Destabilize Hoxha government
61–3	Western Allies	German Democratic Republic	1961–62	Berlin Wall
62–1	United States	Brazil	1962–64	(1) Settle expropriation claims; (2) Destabilize Goulart government
62–2	United Nations	South Africa	1962–	(1) End apartheid; (2) Grant independence to Namibia

Case number	Principal sender	Target country	Active years	Goals of sender country
62–3	USSR	Romania	1962–63	Limit economic independence
63–1	United States	United Arab Republic	1963–65	(1) Cease military activity in Yemen and Congo; (2) Moderate anti–US rhetoric
63–2	Indonesia	Malaysia	1963–66	Promote "Crush Malaysia" campaign
63–3	United States	Indonesia	1963–66	(1) Cease "Crush Malaysia" campaign; (2) Destabilize Sukarno government
63–4	United States	South Vietnam	1963	(1) Ease repression; (2) Remove Nhu; (3) Destabilize Diem
63–5	United Nations and Organization for African Unity	Portugal	1963–74	Free African colonies
64–1	France	Tunisia	1964–66	Settle expropriation claims
65–1	United States	Chile	1965–66	Roll back copper price
65–2	United States	India	1965–67	Alter policy to favor agriculture
65–3	United Kingdom and United Nations	Rhodesia	1965–79	Majority rule by black Africans
65–4	United States	Arab League	1965–	Stop US firms from implementing Arab boycott of Israel
67–1	Nigeria	Biafra	1967–70	End civil war
68–1	United States	Peru	1968	Forgo aircraft purchases from France
68–2	United States	Peru	1968–74	Settle expropriation claims
70–1	United States	Chile	1970–73	(1) Settle expropriation claims; (2) Destabilize Allende government
71–1	United States	India and Pakistan	1971	Cease fighting in East Pakistan (Bangladesh)
S–1	United States	Countries supporting international terrorism	1972–	Overview
72–1	United Kingdom and United States	Uganda	1972–79	(1) Retaliation for expelling Asians; (2) Improve human rights; (3) Destabilize Amin government
S–2	United States	Countries violating human rights	1973–	Overview
73–1	Arab League	United States and Netherlands	1973–74	(1) Retaliation for supporting Israel in October war; (2) Restore pre-1967 Israeli borders
73–2	United States	South Korea	1973–77	Improve human rights
73–3	United States	Chile	1973–	Improve human rights

Case number	Principal sender	Target country	Active years	Goals of sender country
S–3	United States and Canada	Countries pursuing nuclear weapons option	1974–	Overview
74–1	United States	Turkey	1974–78	Withdraw Turkish troops from Cyprus
74–2	Canada	India	1974–76	(1) Deter further nuclear explosions; (2) Apply stricter nuclear safeguards
74–3	Canada	Pakistan	1974–76	(1) Apply stricter safeguards to nuclear power plant; (2) Forgo nuclear reprocessing
75–1	United States and Canada	South Korea	1975–76	Forgo nuclear reprocessing
75–2	United States	USSR	1975–	Liberalize Jewish emigration
75–3	United States	Eastern Europe	1975–	Liberalize Jewish emigration
75–4	United States	South Africa	1975–82	(1) Adhere to nuclear safeguards; (2) Avert explosion of nuclear device
75–5	United States	Kampuchea	1975–79	(1) Improve human rights; (2) Deter Vietnamese expansionism
76–1	United States	Uruguay	1976–81	Improve human rights
76–2	United States	Taiwan	1976–77	Forgo nuclear reprocessing
76–3	United States	Ethiopia	1976–	(1) Settle expropriation claims; (2) Improve human rights
77–1	United States	Paraguay	1977–81	Improve human rights
77–2	United States	Guatemala	1977–86	Improve human rights
77–3	United States	Argentina	1977–83	Improve human rights
77–4	Canada	Japan and European Community	1977–78	Strengthen nuclear safeguards
77–5	United States	Nicaragua	1977–79	(1) Destabilize Somoza government; (2) Improve human rights
77–6	United States	El Salvador	1977–81	Improve human rights
77–7	United States	Brazil	1977–84	Improve human rights
78–1	China	Albania	1978–83	Retaliation for anti-Chinese rhetoric
78–2	United States	Brazil	1978–81	Adhere to nuclear safeguards
78–3	United States	Argentina	1978–82	Adhere to nuclear safeguards
78–4	United States	India	1978–82	Adhere to nuclear safeguards
78–5	United States	USSR	1978–80	Liberalize treatment of dissidents (e.g., Shcharansky)

Case number	Principal sender	Target country	Active years	Goals of sender country
78–6	Arab League	Egypt	1978–83	Withdraw from Camp David process
78–7	China	Vietnam	1978–88	Withdraw troops from Kampuchea
78–8	United States	Libya	1978–	(1) Terminate support of international terrorism; (2) Destabilize Gadhafi government
79–1	United States	Iran	1979–81	(1) Release hostages; (2) Settle expropriation claims
79–2	United States	Pakistan	1979–	Adhere to nuclear safeguards
79–3	Arab League	Canada	1979	Retaliation for planned move of Canadian embassy in Israel from Tel Aviv to Jerusalem
79–4	United States	Bolivia	1979–82	(1) Improve human rights; (2) Deter drug trafficking
80–1	United States	USSR	1980–81	(1) Withdraw Soviet troops from Afghanistan; (2) Impair Soviet military potential
80–2	United States	Iraq	1980–	(1) Terminate support of international terrorism; (2) Renounce chemical and nuclear weapons
81–1	United States	Nicaragua	1981–90	(1) End support for El Salvador rebels; (2) Destabilize Sandinista government
81–2	United States	Poland	1981–87	(1) Lift martial law; (2) Free dissidents; (3) Resume talks with Solidarity
81–3	United States	USSR	1981–82	(1) Lift martial law in Poland; (2) Cancel USSR–Europe pipeline project; (3) Impair Soviet economic and military potential
81–4	European Community	Turkey	1981–82	Restore democracy
82–1	United Kingdom	Argentina	1982	Withdraw troops from Falkland Islands
82–2	Netherlands and United States	Suriname	1982–88	(1) Improve human rights; (2) Limit alliance with Cuba and Libya
82–3	South Africa	Lesotho	1982–86	(1) Return refugees suspected of antistate activities; (2) Destabilize Chief Jonathan
83–1	Australia	France	1983–86	Stop nuclear testing in the South Pacific
83–2	United States	USSR	1983	Retaliation for downing of Korean airliner

Case number	Principal sender	Target country	Active years	Goals of sender country
83–3	United States	Zimbabwe	1983–88	(1) Temper opposition in United Nations to US foreign policy; (2) Resume food shipments to Matabeleland; (3) Apologize for anti-US rhetoric
83–4	United States and Organization of Eastern Caribbean States	Grenada	1983	Destabilize Bishop-Austin regime
84–1	United States	Iran	1984–	(1) End war with Iraq; (2) Halt attacks on Gulf shipping
85–1	United States	South Africa	1985–	End apartheid
86–1	United States	Syria	1986–	End support of terrorism
86–2	United States	Angola	1986–	Expel Cuban troops
87–1	United States	Panama	1987–90	Destabilize Noriega
87–2	United States	Haiti	1987–90	(1) Improve human rights; (2) Restore democracy; (3) Stop drug smuggling
87–3	United States	El Salvador	1987–88	Reverse amnesty decision
88–1	Japan, West Germany, and United States	Burma	1988–	(1) Improve human rights; (2) Restore democracy
88–2	United States and United Kingdom	Somalia	1988–	(1) Improve human rights; (2) End civil war
89–1	India	Nepal	1989–90	Reduce ties with China
89–2	United States	China	1989–	Retaliation for Tiananmen Square
89–3	United States	Sudan	1989–	(1) Improve human rights; (2) Restore democracy
90–1	United States and United Nations	Iraq	1990–	(1) Withdraw from Kuwait; (2) Restore legitimate government; (3) Release hostages

Table 1.2 Selected pre–World War I episodes of economic sanctions for foreign policy goals

Sender country	Target country	Active years	Background and objectives	Resolution	Source
Athens	Megara	circa 432 BC	Pericles issued the Megarian decree limiting entry of Megara's products into Athenian markets in retaliation for Megara's attempted expropriation of territory and the kidnapping of three women.	The decree contributed to the Peloponnesian War between Athens and Sparta.	de Ste. Croix 252–60; Fornara 222–26
American colonies	Britain	1765	England passed the Stamp Act as a revenue measure; colonies boycotted English goods.	Britain repealed the Stamp Act in 1766.	Renwick 5
American colonies	Britain	1767–70	England passed Townshend Acts to cover salaries of judges and officials; colonies boycotted English goods.	Britain repealed the Townshend Acts except on tea; the tea tax gave pretext for the Boston Tea Party of 1774 and calling of the Continental Congress.	Renwick 5
Britain and France	France and Britain	Napoleonic Wars: 1793–1815	British goal: contain French expansion and eventually defeat Napoleon. French goal: deprive Britain of grain through the Continental System, and eventually defeat England.	"The experience of economic warfare during this period is inconclusive as to its possible effects when applied with more systematic organization." One result of sanctions was French development of sugar beet cultivation, anticipating development of substitutes in later war.	Jack 1–42
United States	Britain	1812–14	United States embargoed British goods in response to British Naval Acts limiting US trade with France. The total embargo, which evolved out of the Non-Intercourse Acts of 1809, followed an ineffective embargo imposed from 1807 to 1809.	The acts were revoked, but the United States, not knowing of the revocation, declared war two days later. The War of 1812 ensued.	Knorr 101–02
Britain and France	Russia	Crimean War: 1853–56	Britain and France blockaded the mouth of the Danube River so that the Russian army could not receive supplies by sea.	Russia was defeated and the partition of Turkey prevented.	Oppenheim 514

Sender country	Target country	Active years	Background and objectives	Resolution	Source
US North	Confed-erate states	Civil War: 1861–65	"In seapower, railroads, material wealth and industrial capacity to produce iron and munitions, the North was vastly superior to the South. This disparity became even more pronounced as the ever tightening blockade gradually cut off the Confederacy from foreign imports."	The South lost. Leckie: "Attrition and blockade had scuttled the Confederate capacity. . . ."	Leckie 513; Matloff 192
France	Germany	Franco-Prussian War: 1870–71	France declared war on Germany to prevent emergence of a unified German state. France blockaded the German coast and even blockaded three of its own ports that had been occupied by the Germans.	The German army prevailed despite supply problems.	Oppenheim 515
France	China	Indochina War: 1883–85	At war with China over the Vietnamese territory of Annam, France declared rice to be contraband because of its importance to the Chinese population.	China ceded to France control over the Annamese territory.	Oppenheim 554
United States	Spain	Spanish-American War 1898	Matloff: "To the extent the United States had a strategy for conduct of the war against Spain in the Caribbean, it consisted of maintaining a naval blockade of Cuba while native insurgent forces carried on a harassing campaign against Spanish troops on the island." A companion blockade of the Philippines was intended to deny Spain revenues from that colony.	The United States obtained independence for Cuba and, after occupying the Philippines and Puerto Rico, forced Spain to cede those territories and Guam to the United States for $20 million.	Matloff 324–26; Leckie 566
Britain	Dutch South Africa	Boer War: 1899–1902	The British denied articles of contraband to the Boers.	The Boers were eventually overwhelmed and South Africa was added to the British Empire.	Jack 73
Russia	Japan	Russo-Japanese War: 1904–05	Russia declared rice, all types of fuel, and cotton as contraband.	Following military defeat, Russia ceded portions of its own territory to Japan and recognized Korea as within Japan's sphere of influence.	Oppenheim 454
Italy	Turkey	1911–12	Italy used a limited blockade as part of its campaign to acquire Libya.	Italy acquired Libya from the Ottoman Empire.	Dupuy 926

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Table 1.3 Sanctions episodes initiated, aggregate cost of sanctions to target countries, and world exports, 1915–90

Year	Number of episodes initiated in past five years[a]	Aggregate annual cost each fifth year[b] (billions of dollars)	Total world exports[c] (billions of dollars)
1915	1	0.84	15[d]
1920	2	—	n.a.
1925	2	—	25[e]
1930	0	—	30
1935	3	0.09	n.a.
1940	3	0.78	25[f]
1945	1	0.03	50
1950	8	1.00	55
1955	5	1.20	85
1960	10	1.72	115
1965	16	2.19	165
1970	4	1.82	285
1975	13	2.36	795
1980	24	5.90	1,870
1985	13	2.57	1,810
1990	10	1.64	2,695[g]

n.a. = not available.

a. The counts are based on table 1.1; the figure for 1975, for example, represents cases initiated in 1971–75. The 1990 figures exclude US and UN v. Iraq because the costs in that case, an estimated $21.6 billion, are aberrant and would distort the data.

b. The figures represent the net annualized cost (after offsets) to target countries of outstanding cases, based on abstracts of 115 cases summarized in tables 4.1 through 4.5. All figures are in current dollars, rounded to the nearest $10 million.

c. Based on Yates for 1915 to 1940; *Yearbook of International Trade Statistics* for 1945; *International Financial Statistics* for 1950 to 1990. All figures are in current dollars, rounded to the nearest $5 billion.

d. Extrapolated from 1913 data ($21.0 billion).

e. Extrapolated from average of 1926–29 data ($31.8 billion).

f. Extrapolated from 1938 data ($22.7 billion).

g. 1988

Sources: Tables 1.1 and 4.3 through 4.7; P. Lamartine Yates, *Forty Years of Foreign Trade* (London: George Allen & Unwin, 1959); United Nations, *Yearbook of International Trade Statistics*, various issues; International Monetary Fund, *International Financial Statistics*, various issues.

2

ANATOMY OF A SANCTIONS EPISODE

The case abstracts in this and the supplemental volume provide the data base for our analysis of the effectiveness of economic sanctions. The narrative portion of each abstract sets out what happened and—in the views of actual participants and case historians—why it happened. Each abstract also contains statistical information on the economy of the target country and on economic relations between the target and sender countries. This information underlies our evaluation of motives and outcomes.

This chapter describes our definitions and methods. It may be skipped by readers who are eager to turn to the results.

Senders and Targets

We use the term "sender" to designate the country (or international organization) that is the principal author of the sanctions episode. More than one country may be engaged in the campaign, but usually a single country takes the lead and brings others along. The leader may enlist support through bilateral consultations or, less frequently, through an international organization—the League of Nations, the United Nations, or the Organization of American States, for example. In a few instances, two countries, or a country and an international organization, may share leadership, and in these cases both are listed as sender countries in table 1.1. Our abstracts concentrate on the motives and actions of the sender country, with separate mention made of the supporting cast.

We use the term "target" to designate the country that is the immediate object of the episode. On occasion, sanctions may be aimed at two or more countries—for example, the COCOM sanctions directed against the Soviet Union and its East European allies (Case 48–5). The lessons of a sanctions episode can also (and importantly) be intended for other countries that might be silently contemplating objectionable policies similar to those of the target—for example, engaging in terrorism, imprisoning political opponents, undertaking a nuclear weapons program, or embarking on a military adventure. However, our abstracts and analysis necessarily concentrate on the response of the immediate targets. It is always difficult to know when a good thrashing of one wrongdoer deters bystanders from committing similar misdeeds.

Types of Sanctions

There are three main ways in which a sender country tries to inflict costs on its target: by limiting exports, by restricting imports, and by impeding finance, including the reduction of aid. Most of the cases we have studied involve some combination of trade and financial sanctions. If only one or the other is imposed, financial sanctions are somewhat more likely to be chosen.

Trade sanctions engender costs to the target country in terms of lost export markets, denial of critical imports, lower prices received for embargoed exports, and higher prices paid for substitute imports. In a third of the cases studied, both export and import controls have been employed. In instances where only one or the other is invoked, export controls are almost always preferred to restrictions on imports. Exports have been restricted in such highly publicized cases as the Arab oil embargo of 1973–74 (Case 73–1), President Jimmy Carter's cutoff of grain shipments to the Soviet Union (Case 80–1), and the Western response to the Chinese massacre in Tiananmen Square (Case 89–2). One of the few examples of the use of import controls alone was the Soviet embargo on wool imports from Australia in 1954 in an unsuccessful attempt to force the return of a defected Soviet diplomat (Case 54–1).

Why have import controls been used less often? There seem to be two explanations: First, target countries usually can find alternative markets or arrange triangular purchase arrangements to circumvent the sender country's import controls. Indeed, for many products—especially bulk commodities such as oil and grains—it is hard to verify the origin of goods entering customs. Second, some important sender countries have only limited, if any, legal authority to impose import controls for foreign policy reasons. The

United States, for example, can only impose broad import limitations pursuant to a presidential declaration under section 232 of the Trade Expansion Act of 1962 or under the International Emergency Economic Powers Act (IEEPA).[1] A 1985 provision gives the president authority to ban imports from countries that support or harbor terrorists or terrorist organizations.[2] To date, the United States has invoked this provision only once: against Iran in 1987 (Case 84–1).

Prior to 1985 the United States only rarely imposed import sanctions, since a finding of a national security threat or other national emergency was necessary to do so. The most notable cases were against Iran in 1979–80 (Case 79–1), and against Libya (Case 78–8) pursuant to a 1975 national security finding under section 232 involving oil imports. In both cases, limited export and import controls ultimately were replaced with comprehensive trade and financial sanctions using authority under IEEPA. Presidents Reagan and Bush also invoked IEEPA in imposing comprehensive embargoes against Nicaragua in 1985 (Case 81–1) and Iraq in 1990 (Case 90–1), and extensive financial sanctions against Manuel Noriega in Panama in 1988–89 (Case 87–1).

Target countries are often hurt through the interruption of commercial and official finance. Financial sanctions were used alone or in combination with trade controls in 86 of our 116 cases. The interruption of commercial finance will usually require the target country to pay a higher interest rate to alternative creditors. The same happens when official finance is turned off. In addition, when a poor country is the target, the grant component of official financing may provide further leverage. The United States, for example, manipulated food and economic aid in the 1960s to great effect against the United Arab Republic (Case 63–1), India (Case 65–2), and Chile (in Cases 65–1 and 70–1). In the 1970s the United States used a carrot-and-stick approach with military aid, possibly improving the human rights situation in Brazil (Case 77–7), but failing to move Turkey out of Cyprus (Case 74–1). More recently, financial sanctions were delivered against Nicaragua and Panama, but in neither case did they provide a knockout punch.

The ultimate form of financial and trade control is a freeze of the target country's foreign assets, such as bank accounts held in the sender country. A

1 A major issue in the Export Administration Act debate of 1983–84 was whether to grant the president authority to control imports as a means of achieving foreign policy goals in "nonemergency" situations. Curiously, the Reagan administration did not want this additional authority, fearing that the forces of protection would champion its misuse. In chapter 5 of his authoritative study, Carter (1988) stresses the anomaly of narrow authority for import controls.

2 Section 505 of the International Security and Development Cooperation Act of 1985. In addition, section 504 of the statute provides specific authority to restrict Libyan imports. See Carter (1988, 111).

freeze not only stops financial flows; it also impedes trade. The US freeze of Iranian assets in late 1979 played a role in the eventual resolution of the hostage crisis, the UK freeze of Argentine assets (Case 82–1) made a modest contribution to the British victory in the Falklands in 1982. However, the US freeze of Panamanian assets failed to destabilize the Noriega regime.

Another key goal of an assets freeze is to deny an invading country the full fruits of its aggression. Such measures were used against Japan for that purpose just before and during World War II (Case 40–1). More recently, in the 1990 Middle East crisis the United States and its allies froze Kuwait's assets to prevent Saddam Hussein from plundering them.

Foreign Policy Goals

We have found it useful to classify the case histories in this study into five categories, according to the major foreign policy objective sought by the sender country:

- ☐ Change target-country policies in a relatively modest way (modest in the scale of national goals, but often of burning importance to participants in the episode); this type of goal is illustrated by the human rights, terrorism, and nuclear nonproliferation cases.
- ☐ Destabilize the target government (including, as an ancillary goal, changing the target country's policies); this category is illustrated by the US campaigns against Fidel Castro (Case 60–3) and Manuel Noriega (Case 87–1), and the Soviet campaign against Marshal Tito (Case 48–4).
- ☐ Disrupt a minor military adventure, as illustrated by the UK sanctions against Argentina over the Falkland Islands.
- ☐ Impair the military potential of the target country, as illustrated by the sanctions imposed during World Wars I and II (Cases 14–1 and 39–1) and the COCOM sanctions against the Soviet Union and its allies.
- ☐ Change target-country policies in a major way (including the surrender of territory), as illustrated by the UN campaign against South Africa over apartheid and control of Namibia (Case 62–2) and the Indian sanctions designed to reverse Nepal's pro-China line (Case 89–1).

An episode may have more than one objective. Such cases are classified according to the most difficult objective, except in a few instances where two objectives are judged to be equally important; in those few instances the cases are cross-listed. For example, in the US campaign against Cuba, the principal objective shifted from settlement of expropriation claims, to destabilization, to an attempt to disrupt military adventurism. Destabilization usually presupposes a lesser goal, in the Cuban instance settlement of the expropriation dispute. Hence, we submerge the expropriation dispute within the destabilization category. However, we cross-list this case as a disruption of military adventure case as well as a destabilization episode because both objectives seemed equally important—and equally elusive.

Other examples of multiple policy goals are Case 44–1: *US v. Argentina* and Case 63–1 involving US sanctions against the United Arab Republic. In the Argentine case, the United States was initially preoccupied with ending the love affair between Argentina and fascism; later, senior US officials began to view President Juan Perón as an outright exponent of fascism and therefore a target for removal from office. We have listed this case solely as a destabilization episode, although it had another important goal, namely, ridding Argentina of fascist tendencies. In the UAR case, the United States wanted to convince President Gamal Abdel Nasser both to moderate his anti-American rhetoric and to cease military operations in Yemen and the Congo. Since the two goals were equally important, but quite different, this case has been listed both as a disruption of military adventure case and as a modest policy goal case.

Attempts to impair the military power of an adversary usually encompass an explicit or implicit goal—however elusive—of destabilizing the target country's government. Hence, we do not list these cases under the destabilization heading. Where appropriate, however, these cases are cross-listed under the category of disruption of military adventure when the conflict is less than a major war. An example is Case 49–1: *US and CHINCOM v. China*.

To summarize, even though the goals of destabilization and impairment of military potential usually encompass other policy disputes, the cases are not cross-listed under those other headings. However, if a case also entails disruption of a military adventure, it is listed under that heading as well.

Sender countries do not always announce their goals with clarity. Indeed, obfuscation is the rule in destabilization cases. The Soviet Union never directly said it wished to overthrow either Tito or Albanian President Enver Hoxha (Case 61–2); the United States was equally circumspect in its public statements about Castro, Allende, and the Sandinistas. Moreover, goals may change during the course of an episode. Here, as elsewhere in this study, we must rely on newspaper accounts and other secondary sources in assigning episodes to categories.

Overview of the Variables

Whether to impose sanctions—and if so, how—is influenced by a whole host of factors, both domestic and international, which constrain the actions a sender country can take in pursuit of its foreign policy goals. For example, conflicting pressures within the sender government often lead to an indecisive response, which neither emits the desired political signal nor imposes arduous costs on the target country.

The classic example of confused signals was the League of Nations sanctions against Italy in 1935–36 (Case 35–1). The major powers in the League (the United Kingdom and France) were torn between their desire to stop the Italian advance in Abyssinia and their fear of upsetting the political balance in Europe. With an eye on upcoming national elections, British leaders in particular wanted to keep the peace in Europe; thus, even while the League Council was considering sanctions, attempts were being made to appease the Italians by ceding some territory in Abyssinia.

Clearly, there are a number of underlying elements that may influence the outcome of a sanctions episode. The factors that influenced a specific episode are described in the abstract of each case. Here we have divided these factors, somewhat artificially, into two clusters: a group of "political" variables and a group of "economic" variables. The political variables that we have scored (by no means an exhaustive list) include:

- ☐ Companion policies used by the sender country, namely, covert maneuvers (identified by a J in the case abstracts and in the tables in chapter 3), quasi-military activity (identified by a Q), and regular military activity (identified by an R)
- ☐ The number of years economic sanctions were in force
- ☐ The extent of international cooperation in imposing sanctions, scaled from 1 (no cooperation) to 4 (significant cooperation)
- ☐ The presence of international assistance to the target country (indicated by an A)
- ☐ The political stability and economic health of the target country, scaled from 1 (a distressed country) to 3 (a strong and stable country)
- ☐ The warmth of prior relations (i.e., before the sanctions episode) between sender and target countries, scaled from 1 (antagonistic) to 3 (cordial).

The economic variables that we have scored (again not an exhaustive list) include:

- ☐ The cost imposed on the target country, expressed in absolute terms, in per capita terms, and as a percentage of its gross national product (GNP)
- ☐ Commercial relations between sender and target countries, measured by the flow of two-way trade between them expressed as a percentage of the target country's total two-way trade
- ☐ The relative economic size of the countries, measured by the ratio of their GNPs
- ☐ The type of sanctions used, namely, an interruption of exports from the sender country (identified by an X), an interruption of imports to the sender country (identified by an M), or an interruption of finance (identified by an F)
- ☐ The cost to the sender country, expressed as an index scaled from 1 (net gain to sender) to 4 (major loss to sender).

In this chapter, we describe our approach to distilling and quantifying "success," and then discuss each of the underlying political and economic variables. In chapter 3 we discuss the connection between success and the political variables. In chapter 4 we examine the relationship between success and the economic variables. Finally, in chapter 5 we summarize our findings and draw policy conclusions.

The Success of an Episode

The "success" of an economic sanctions episode—as viewed from the perspective of the sender country—has two parts: the extent to which the policy outcome sought by the sender country was in fact achieved, and the contribution made by the sanctions (as opposed to other factors, such as military action) to a positive outcome.

Policy outcomes are judged against the foreign policy goals of the sender country. As noted earlier, *domestic* political motives may overshadow concerns about changing foreign behavior. Unfortunately, the literature on individual economic sanctions episodes seldom evaluates the role of domestic political objectives, nor does it indicate whether they were satisfied. We have not attempted to fill those important gaps in our study. Instead we confine our examination to changes in the policies, capabilities, or government of the target country. However, casual observation indicates that, for example, sanctions against South Africa have been enormously satisfying to domestic political constituencies in Europe, the United States, and Canada. The same was true of British sanctions against Argentina in the context of the Falklands dispute, and of US sanctions against China following the Tiananmen Square massacre.

Our conclusions regarding both the achievement of the foreign policy goals and the contribution of sanctions to the outcome of particular episodes are heavily influenced by the qualitative conclusions reached by previous scholars of the episodes, as summarized in the abstracts. We recognize that such assessments entail a good deal of subjective evaluation. Indeed, since foreign policy objectives often come in multiple parts, since objectives evolve over time, and since the contribution of sanctions to the policy outcome is often murky, judgment plays an important role in assigning a single number to each element of the success equation. However, by relying on the consensus views of other analysts, we believe we have minimized the bias resulting from our personal views. This method of critical assessment works better, of course, when the case has been examined by two or more scholars. Fortunately, the major cases usually have been studied by several.

We have devised a simple index system, scaled from 1 to 4, to score each element. Our index system is described as follows:

Policy Result

(1) Failed outcome; illustrated by the Soviet attempt to destabilize Tito in the period 1948–55 (Case 48–4)

(2) Unclear but possibly positive outcome; illustrated by the Arab League's long campaign against Israel (Case 46–1), which to some extent has isolated Israel in the international community

(3) Positive outcome, that is to say, a somewhat successful result; illustrated by US efforts to prevent a communist takeover of the Laotian government during the period 1956–62 (Case 56–4)

(4) Successful outcome; illustrated by the joint efforts of the United Kingdom and the United States to overthrow Idi Amin in Uganda in the late 1970s (Case 72–1).

Sanctions Contribution

(1) Zero or negative contribution; illustrated by the US campaign against Noriega in Panama in 1988–89 (Case 87–1)

(2) Minor contribution; illustrated by the Soviet withdrawal of assistance from China in the 1960s (Case 60–2)

(3) Modest contribution; illustrated by the withdrawal of Dutch and American economic aid to Suriname between 1982 and 1988 (Case 82–2)

(4) Significant contribution; illustrated by the US success in destabilizing the government of Rafael Trujillo in the Dominican Republic in 1960–61 (Case 60–1).

By multiplication, the two elements are combined into a "success score" that ranges in value from 1 to 16. We characterize a score of 9 or higher as a "successful" outcome. Success does not mean that the target country was vanquished by the denial of economic contacts, or even necessarily that the sanctions decisively influenced the outcome. Success is defined against more modest standards. A score of 9 means that sanctions made a modest contribution to the goal sought by the sender country and that the goal was in part realized; a score of 16 means that sanctions made a significant contribution to a successful outcome. By contrast, a score of 1 indicates that the sender country clearly failed to achieve its goals or may even have left the sender country worse off than before the measures were imposed.

Companion Policy Measures

"War is nothing but the continuation of politics with the admixture of other means."[3] The same could be said of economic sanctions. Indeed, sanctions frequently serve as a junior weapon in a battery of diplomatic artillery aimed at the antagonistic state. Leaving aside the normal means of diplomatic protest—recalling an ambassador, canceling a cultural mission—we distinguish three types of companion policies: covert action, quasi-military action, and regular military action.

Covert action, mounted by the intelligence forces, often accompanies the imposition of economic sanctions when the destabilization of a target government is sought. In destabilization cases and in other episodes where major policy changes are sought, the sender state may also invoke quasi-military force—for example, massing troops at the border or stationing war vessels off the coast. Finally, sanctions may precede or accompany actual armed hostility.

Duration of Sanctions

The life of a sanctions episode is not often defined with the precision of a college matriculation and graduation. In the early phases, the sender country may take pains to conceal and even deny that it is imposing sanctions. This seems to have been the case when the United States first began its campaigns against Chile in 1970 and against Nicaragua in 1981. In other cases, the whole episode may pass with hardly an official word, as in the US actions against the United Kingdom and France in the Suez episode of 1956 (Case 56–3). In still other cases, the ending may be misty rather than sharp, as in the Soviet campaigns against Albania and China.

Our approach in dating episodes is to start the episode with the first recorded sanctions threat from official sources or the first recorded sanctions event, whichever comes earlier. We treat the episode as ended when the sender or the target country changes its policies in a significant way, or when the campaign simply withers away. Because the exact dates of onset and termination of sanctions episodes are often indistinct, we have arbitrarily decided to round the length of sanctions episodes to the nearest whole year, disregarding the beginning and the ending month, with a minimum of one year. For example, an episode that began in January 1981 and ended in November 1983 would be counted as lasting two years (1983 minus 1981 equals 2).

3 Carl von Clausewitz, *Vom Kriege* (1832), cited in *The Oxford Dictionary of Quotation*, 3d ed. (Oxford: Oxford University Press, 1979, 152).

International Cooperation

In high-profile cases, such as the two world wars, the League of Nations foray against Italy, the series of US sanctions against the Soviet Union, and the 1990 sanctions against Iraq, much emphasis has been placed on achieving international cooperation in order to deny the target country access to the supplies or markets of its principal trading partners. In fact, the degree of cooperation realized has usually disappointed the lead country. Even in World Wars I and II, when the Allies ultimately achieved a high degree of cooperation, Germany was able to draw on supplies from Eastern Europe and adjacent neutral powers. The following statement, taken not from a lament of President Reagan's advisers at the Versailles or the Williamsburg summit, but from a commentary on World War I, describes the problem:

> . . . all attempts in this direction [of a permanent inter-Allied organization] had been wrecked by the contradictory nature of the commercial interests of the Allied nations, which were only kept in touch with one another by means of intermittent conferences. . . . (Guichard 1930, 67)

Although a complete economic blockade is seldom achieved, there are substantial differences from episode to episode in the degree of cooperation realized. We have used an index scaled from 1 to 4 to grade the extent of cooperation:

(1) No cooperation: a single sender country imposes sanctions, and usually seeks no cooperation; illustrated by the US campaign against Brazil to destabilize President João Goulart (Case 62–1)

(2) Minor cooperation: the sender country enlists verbal support and possibly token restraints from other countries; illustrated by the US sanctions imposed on the Soviet Union in part for its support of repressive measures in Poland (Case 81–3)

(3) Modest cooperation: the sender country obtains meaningful restraints—but limited in time and coverage—from some but not all the important trading partners of the target country; illustrated by the US sanctions against Castro's Cuba and against Iran during the hostage crisis

(4) Significant cooperation: the important trading partners make a major effort to limit trade, although leakages may still exist through neutral countries; illustrated by the two world wars, the early years of COCOM, and the recent US and UN sanctions against Iraq.

The many efforts and the inevitable failures in building watertight economic barriers have led, we think, to an overemphasis on the role played by cooperation in determining the success or failure of a sanctions episode.

Proponents of economic sanctions often engage in a wishful, "if only" form of argument:[4] "if only" the United States would stop all commerce with South Africa; "if only" the Japanese would restrict their financial ties to China.

From the standpoint of the sender country, it is almost axiomatic that more cooperation is better than less. But other variables are also at play. A critical variable is the nature of the objective. The inspiring words of Robert Browning seem written for sender countries: "A man's reach should exceed his grasp, or what's a heaven for?" The pursuit of more ambitious objectives accompanied by much fanfare often goes hand in hand with efforts to enlist international cooperation. After all, other countries are not likely to rally in support of modest goals, and the grasp of ambitious objectives usually remains beyond the reach of sender countries, even when assisted by a large measure of international cooperation.

International Assistance to the Target Country

The mirror image of international cooperation with the sender country is the support the target country receives from its neighbors and allies. Target countries are seldom cut off from alternative markets or financing sources when sanctions are imposed; trade and financial channels usually remain open, even though at a higher cost. For this reason, we do not count evasive and covert trade as "assistance." Such transactions are part and parcel of every episode. Rather we are concerned with overt economic or military aid to the target country in response to the imposition of sanctions.

If a target country can rely on its friends to compensate for the burdens imposed by sanctions, the impact can be reduced. Indeed, in several Cold War cases, target countries have turned sanctions to their economic advantage, coaxing opponents of the sender country to provide new or additional funds in order to "make a stand" against the policy excesses of the rival power. The United States and its allies came to the rescue of Yugoslavia in the early postwar period when Tito was threatened by Josef Stalin. The Soviets in similar fashion joined forces with Colonel Haile-Mariam Mengistu in war-torn Ethiopia to deflect US attempts to foster human rights and gain compensation for expropriated property (Case 76–3). In both cases, the amount of aid provided to the target more than offset the economic impact of the sanctions. In addition, there have been many episodes—such as the Soviet efforts against Albania and the US efforts against Nicaragua—where assistance from a major foreign power provided welcome moral support to the target.

4 As an example of the "if only" argument in the Rhodesian context, see Brown-John (1975, 378).

We do not attempt to scale the degree of international assistance. Instead we simply identify those cases where significant assistance was given to the target country.

Economic Health and Political Stability

The economic and political atmosphere in the target country is critical to the outcome of a sanctions episode. An analogy with rainmaking is appropriate. If storm clouds are overhead, rain may fall without anyone's help. If moisture-laden clouds are in the sky, chemical seeding may bring forth rain. But if the skies are clear and dry, no amount of human assistance will produce rain. Similarly, sanctions may be redundant, productive, or useless in pursuing foreign policy goals, depending on the economic health and political stability of the target country.

It is no simple matter to summarize the complex of events that describe a country's economy and politics at a point in time. Our task is made more difficult because we wish to know what the target country's health and stability would have been in the absence of sanctions over a period of time; that is, we want to separate the underlying conditions in the target country from the effect of the sanctions themselves. Consider, for example, the problem of assessing health and stability in the context of a successful destabilization case. At the beginning of the episode, the target country might be experiencing significant problems; shortly before its downfall, the target government might well have reached a crisis stage quite apart from the pressure imposed as a result of sanctions. We have heroically put these difficulties to one side in devising an index to describe the overall political and economic health of the target country, throughout the period of the sanctions episode and in the hypothetical absence of sanctions:

(1) Distress: a country with acute economic problems, exemplified by high unemployment and rampant inflation, coupled with political turmoil bordering on chaos; illustrated by Chile at the time of Allende and by Uganda in the later years of the Amin regime

(2) Significant problems: a country with severe economic problems, such as a foreign-exchange crisis, coupled with substantial internal dissent; illustrated by Ceylon under S.W.R.D. Bandaranaike (Case 61–1)

(3) Strong and stable: a country with the government in firm control (even though dissent may be present) and an economy experiencing only the normal range of inflation, unemployment, and similar ills; illustrated by India during the nuclear nonproliferation campaigns of the 1970s (Cases 74–2 and 78–4) and China at the time of the Tiananmen Square massacre.

Prior Relations Between Sender and Target

Sanctions are imposed against friends and foes alike. Against belligerent countries, forceful sanctions may be needed to coerce the target government into yielding, especially since the domestic political consequences of backing down can be damaging. On the other hand, a friendly country will often consider the importance of its overall relations with the sender country before fashioning a response to economic sanctions. Such considerations led South Korea and Taiwan to accede to mild US pressure and to forgo construction of nuclear reprocessing plants in the mid-1970s (Cases 75–1 and 76–2). With friends, subtle sanctions may succeed.

To reflect the role of prior relations in determining the outcome of a sanctions episode, we have constructed an index by which to classify the cases according to the state of political relations between the sender and target countries before the imposition of sanctions:

(1) Antagonistic: the sender and target countries are in opposing camps; illustrated by most East-West cases, US–Japan relations prior to World War II, and Arab-Israeli relations

(2) Neutral: the sender country does not have strong ties to the target, but there is a workable relationship without antagonism; illustrated by relations between Spain and the United Kingdom despite centuries of dispute over Gibraltar (Case 54–3), and US relations with Haiti prior to the 1987 sanctions (Case 87–2)

(3) Cordial: the sender and target countries are close friends and allies; illustrated by ties between the Arab League and Egypt prior to the Camp David accords (Case 78–6), US relations with the United Kingdom and France before the Suez crisis of 1956, and Indian relations with Nepal before the 1989 dispute.

Estimating the Costs

Sanctions are designed to penalize the target country for its unwanted behavior. In theory, the target country will weigh the costs imposed by the sanctions against the benefits derived from continuing its policies—the higher the net cost, the more likely it is that the target country will alter its policies. The absolute cost exacted on a target country is not the best measure of the potential impact, however: a cost of $100 million means more to Chile, for example, than to the Soviet Union. We have therefore related our estimated cost figures to the GNP of the target country. Our methodology for estimating the cost to the target country is explained in detail in appendix A.

We have not attempted to calculate the actual costs of sanctions to sender countries, nor have we attempted to measure the political costs visited on the sender as a result of flexing its economic muscle. Instead, we have drawn from the case abstracts a rough sense of the trade or financial loss incurred by the sender from the imposition of sanctions, and we have related this loss to the sender country's total external trade. Illustrations of our approach are provided in chapter 4. The following index reflects our judgment as to the relative cost to the sender country:

(1) Net gain to sender: usually cases where aid is withheld; illustrated by the US suspension of aid to Turkey in 1974

(2) Little effect on sender: cases where a trivial dislocation occurs; illustrated by the US export controls on nuclear fuel shipments to Taiwan in 1976

(3) Modest loss to sender: some trade is lost, but neither the size nor the concentration of the loss is substantial; illustrated by the League of Nations campaign against Italy in 1935–36

(4) Major loss to sender: large volumes of trade are adversely affected; illustrated by the two world wars and the recent US–UN sanctions against Iraq.

Country Size and Trade Linkages

Quite apart from the magnitude of costs that the sender imposes on the target, the outcome of a sanctions episode may be influenced by the relative size of the two countries and the trade links between them. The imposition of even minor sanctions carries the implicit threat of more drastic action. Whether that threat looms large or small depends very much on relative country sizes and trade flows. Hence, we include among our economic variables a ratio between sender-country and target-country GNP levels, and figures on trade between target and sender expressed as a percentage of the target country's total trade.

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3

POLITICAL VARIABLES

In evaluating the success of economic sanctions, the first step is to distinguish between the types of foreign policy objectives sought in different sanctions episodes. The nature of the objective may be the most important political variable of all: sanctions cannot stop a military assault as easily as they can free a political prisoner. Accordingly, our discussion is organized around five major groups of objectives, namely, modest changes in policy, destabilization of the target government, disruption of military adventures, impairment of military potential, and other major policy changes. As mentioned in chapter 2, in classifying cases where more than one goal was sought, the more ambitious goal takes precedence, except in a few cases where both goals are deemed of equal weight. Thus, destabilization cases usually involve, as ancillary goals, the search for modest or even major policy changes.

Six political variables are considered in this chapter: the presence of companion policies (e.g., covert action); the extent of international cooperation with the sender; the presence of international assistance to the target; the duration of sanctions; the health and stability of the target country; and prior relations between sender and target.

Modest Changes in Policy

Sanctions have been frequently threatened or deployed in pursuit of relatively modest changes in the policies of target countries. Modest changes are not trivial changes. Changes that we have labeled modest may have seemed overwhelmingly important at the time of the confrontation to the target or the sender country. But in the grander scale of events, the settlement of an expropriation dispute or a limited improvement in respect for human rights does not compare with stopping a military adventure or destabilizing a government.

Illustrative of these episodes is Case 75–1 in which financial sanctions dissuaded South Korea from procuring a nuclear reprocessing plant from France. The objective was quite specific, and the sender states had a great deal of leverage due to Korea's "sensitivity . . . to a slight hardening in Canadian and American financial terms [for nuclear transactions]" (Wohlstetter 1976–77, 168).

The United States has been particularly active in the pursuit of modest policy goals, accounting for 41 of the 51 cases listed in table 3.1 (the United States was a co-sender in 5 of the 41 cases). This lopsided US weight may partly reflect our omission of contests between second- and third-rank powers over modest policy goals.

Of the 51 modest change cases listed in table 3.1, there are some 23 in which we scored the outcome as positive (score of 3) or successful (score of 4). (Tables 3.1 through 3.5 appear at the end of this chapter.) In 25 of the 51 cases, we conclude that sanctions made a contribution to the outcome ranging from modest (3) to significant (4). The combined result is that in 17 of the 51 cases we obtain a success score of 9 or higher. Thus, by our analysis, in one-third of the modest policy change cases, the sender country made some progress in achieving its goals through the use of economic sanctions. This, we think, is a significant finding. However, even these results should be further qualified: the success rate since 1973 is dramatically lower than that before 1973.

In their quest for modest policy changes, sender countries usually do not employ covert force, nor do they engage in quasi-military measures or regular military action. Rather, in this group of cases, sanctions tend to stand alone as the policy instrument.

Because of the narrow scope of objectives sought in this category, supporters seldom rally to help the target country counter the sanctions. The threat is usually small in political terms; both the sender and the target country treat the policy dispute as a bilateral affair.

For the same reasons, international cooperation with the sender is generally minor or nonexistent. Indeed, it is usually not sought. In part, the reason is that the sanctions in these cases were often imposed against friendly or neutral countries. In only 8 of the 51 cases (16 percent) were sanctions directed against hostile target countries. A look at table 3.1 reveals that there is little correlation between the extent of international cooperation and the contribution of sanctions to the policy outcome.

In the 17 cases for which the success score was 9 or higher, the average sanctions period was 2.8 years. In the 34 cases with success scores of 8 or lower, the average sanctions period was 5.2 years, and in 6 of these unsuccessful cases sanctions have been in effect for 10 years or more. Shorter is better.

The average score for the economic health and political stability of the target country in successful cases was 2.1 (in terms of our index, which assigns a maximum score of 3). The health and stability score in less successful episodes was also 2.1. Obviously, this indicator gives no guidance in distinguishing between failure and success among this set of cases.

Destabilizing a Government

Destabilization episodes usually spring from conflicts over other issues. In some instances, the underlying dispute involves modest changes in target-country policies, for example, to compensate for expropriation (as in Case 62–1: *US v. Brazil*), to renounce terrorism (Case 78–8: *US v. Libya*), to better safeguard human rights (Case 77–5: *US v. Nicaragua*), or to cease drug-dealing (Case 87–1: *US v. Panama*). In other instances, destabilization is sought because the target government has adopted a hostile attitude in its overall relations with the sender country.

This category of cases has a decided Cold War flavor—for example, in episodes involving Yugoslavia, Finland, and Albania, the Soviet Union found its smaller allies wandering from the socialist sphere, whereas in cases involving Cuba, Brazil, Chile, and Nicaragua (under the Sandinistas), the United States found its Western Hemisphere neighbors stealing away from the capitalist camp. Over half the cases involved attempts to overthrow the regimes of former friends. Correspondingly, when relations between sender and target were cordial before the episode, the chances of success were greater.

Table 3.2 summarizes 21 destabilization cases. Our research suggests that sanctions, coupled with other policies, are surprisingly successful in destabilizing governments. In over half the cases, the success score is 9 or greater; in one of the remaining cases (Case 78–8) the outcome remains in doubt. This high success rate contrasts sharply with the skepticism expressed in the literature, and compares positively with the results of sanctions used for other foreign policy goals.

It must be emphasized that economic sanctions unassisted by companion measures seldom achieve destabilization. Covert action and quasi-military operations regularly play a role in destabilization cases; indeed, companion policies were present in all but five of the episodes. On the other hand, international cooperation is not an important ingredient of successful destabilization episodes: in two cases the Soviet Union was supported by its East European allies, and the United States enjoyed some international cooperation in its efforts to isolate Cuba, but in each instance the target country received considerable material and moral support from an opposing major power. That support compensated for the impact of the sanctions on the target country and led to low success scores.

In the 11 cases with a success score of 9 or higher, the average sanctions period was 3.8 years; in the 10 other cases the average sanctions period was 7.4 years. Thus, sanctions that have an early impact are the most effective. If an episode drags on, it probably indicates that the target government was more resistant to erosion.

The average index of economic health and political stability for target governments that succumbed to destabilization was only 1.4. By contrast, the average index for target regimes that resisted destabilization is 1.9. It is prosaic but true: governments in distress are more easily destabilized.

In cases where another goal underlies or accompanies that of destabilization, we have generally listed the case only in the destabilization group. After all, a destabilization attempt presupposes policy disputes as well as personality differences. We make an exception, however, when the sender country seeks both to destabilize a government and to disrupt a military adventure; such cases are cross-listed under both headings.

Disrupting Military Adventures

At the end of World War I the classic rationale offered for economic sanctions was to persuade hostile countries to abandon their military adventures. Lord Curzon, a member of the war cabinet of British Prime Minister David Lloyd George, suggested in 1918 that the sure application of sanctions might have averted the outbreak of a lesser conflict than World War I:

> [Sanctions] did not, it is true, succeed in preventing the war; they have not, at any rate at present curtailed its duration, but I should like to put it this way. I doubt very much whether, if Germany had anticipated when she plunged into war the consequences, commercial, financial, and otherwise, which would be entailed upon her by two, three, or four years of war, she would not have been eager to plunge in as she was. Remember this. Though possibly we have not done all we desired, we have done a great deal, and we could have done a great deal more if our hands had not been tied by certain difficulties. It is naturally a delicate matter for me to allude to this. A good many of them have been removed by the entry of the United States of America into the war, but we have always the task of handling with great and necessary delicacy the neutral states, and this difficulty still remains with us. (Mitrany 1925, 36)

Apparently influenced by advocates such as Lord Curzon and President Wilson, British and American policy officials came increasingly to use sanctions as an explicit substitute for military action or as a key component of an overall effort to disrupt unwelcome military adventures.

Table 3.3 identifies 18 military adventure cases. We define a military adventure as an action on a less grand scale than, for example, the Napoleonic Wars or the two world wars. The classic instance of the use of sanctions in such circumstances is Case 35–1: *UK and League of Nations v. Italy*; others include Case 40–1: *US v. Japan*, and Case 60–3: *US v. Cuba*. There are few ambiguous cases in this group: when sanctions succeeded, they did so decisively; when they failed, they flopped. In 6 of these cases, a success score of 9 or higher was reached; in another 12 cases, sanctions failed to deter the target country's martial ambitions.

The presence of companion measures—covert interference and military and quasi-military action—was not decisive in distinguishing between success and failure cases. In only one episode, Case 82–1: *UK v. Argentina*, were companion policies used to good effect. In six other instances, companion policies did not materially advance the desired outcome.

International cooperation has been of marginal significance in this group of cases. The average degree of cooperation in the 6 success cases, as measured by our index, is 2.3 (where 4 is the maximum); the average in the 12 failure cases was 2.2. In the success episodes, the sanctions period on average lasted 1.2 years. In the failure episodes, the average sanctions period was 4.4 years.

Target countries that engage in military adventures are usually not in acute distress. At most they have significant internal problems—for example, malfunctioning economies in Egypt in the mid-1960s and in Turkey in 1974. However, our data indicate that the weaker the condition of the target country, the more likely it is that sanctions will succeed: the average health and stability index for target countries was 2.0 in success cases and 2.3 in failure cases.

An additional feature that helps distinguish between success and failure episodes in this group of cases is the prior relations index. Success more often (but not invariably) resulted when the target country was either an ally, or at least neutral and on friendly terms with the sender country, prior to the episode: Case 25–1: *League of Nations v. Greece*, Case 48–1: *US v. Netherlands*, Case 56–3: *US v. UK and France*, and Case 63–1: *US v. United Arab Republic*. By contrast, in cases where a background of hostility preceded the use of sanctions, success proved elusive: Case 40–1: *US v. Japan*, Case 49–1: *US and*

CHINCOM v. China, and Case 80–1: *US v. USSR*. The average prior relations index for target countries was 2.3 in success cases and 2.1 in failure cases.

Impairing Military Potential

The immediate purpose of practically every economic sanctions episode is to diminish the potential power of the target country. Nevertheless, we can distinguish between the imposition of short-term economic measures to achieve defined political goals and the conduct of a long-term campaign to weaken a major adversary. Table 3.4 lists 10 episodes in which weakening the target's economy became an end in its own right. These episodes usually involve contests between major powers, often in wartime or in the shadow of war.

In neither World War I nor II, nor in the Korean War, did the Allies believe that sanctions would decisively contribute to the outcome. Instead, they hoped and expected that economic denial would marginally limit the adversary's military capabilities. Economic sanctions became a minor adjunct to a major war effort, and "trading with the enemy" was labeled an offense in its own right, quite apart from calculations of cost and benefit. These features distinguish the impairment episodes from the disruption of military adventure cases. Similarly, for nearly four decades (until 1990), the United States sought to constrain the Soviet military machine by denying it technological sustenance, initially through COCOM and later, in the 1980s, through additional measures associated with the Afghanistan invasion and the Polish crisis.

Apart from the two world wars, we assign these episodes low success scores. With the exception of North Korea and North Vietnam, the target countries were economically healthy and politically stable. Economic difficulties and political separatism in the Soviet Union were suppressed until the late 1980s. With the exception of North Korea, North Vietnam, and Israel, the targets were major powers. It is unreasonable to expect that sanctions that disrupt a modest amount of trade or finance can significantly detract from the economic strength of a major power.

It is not surprising that the two successes in this category were associated with major wars. But even in wartime, as subsequent studies of defeated Germany showed, it was hard to find key economic links whose destruction—whether by sanctions or by bombing—would cripple the war machine. Instead, the contribution of sanctions was one of attrition. Similarly, if COCOM played any role in the economic troubles of the Soviet Union, it was small. Internal mismanagement and the inherent contradictions of Marxism were far greater factors.

Other Major Policy Changes

Under this heading we put cases that are not already covered by the destabilization and military impairment groupings. Examples include Case 62–2: *UN v. South Africa* and Case 85–1: *US v. South Africa*, both of which had the objective of ending the South African policy of apartheid and its control of neighboring Namibia; Case 73–1: *Arab League v. US and Netherlands*, over the target countries' support of Israel; and Case 89–1: *India v. Nepal*, over Nepal's relations with China.

As table 3.5 shows, in only 5 of the 20 cases was a success score of 9 or better reached. Two of these cases involved civil wars: India's forced assimilation of Hyderabad (Case 48–2) and Nigeria's defeat of Biafra (Case 67–1). In these two cases, the success of sanctions was clear-cut. A borderline success case was the Arab League boycott: the sudden rise in the price of oil in 1973–74 from $2.59 per barrel to $11.65 per barrel gave the Organization of Petroleum Exporting Countries (OPEC) instant and spectacular wealth. In our judgment, the sanctions were not a significant cause of the price leap. However, the threat to withhold oil from diplomatic adversaries contributed to a shift in West European and Japanese policies on the Palestinian question. Accordingly, we conclude that sanctions made a positive contribution to the diplomatic achievements of the OPEC group. Other borderline success cases are Case 81–2: *US v. Poland*, in which US sanctions contributed to political liberalization, and Case 89–1, in which India reversed the brief pro-China line of the Nepalese government.

To mention just a few of the failures, there is little evidence that the Arab League boycott has moved Israel on the question of establishing a Palestinian homeland, or that sanctions helped Indonesia prevent the consolidation of neighboring territory into the nation of Malaysia. Success in abolishing apartheid in South Africa has remained elusive, although the freeing of Nelson Mandela was an important step toward the larger goal. It is noteworthy that the target countries in this group generally enjoy high levels of economic health and political stability, and that the failure cases on average lasted 8.7 years.

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Table 3.1 Cases involving modest changes in target-country policies: political variables

Case[a]	Sender and target	Policy result[b] (index)	Sanctions contribution[c] (index)	Success score[d] (index)	Companion policies[e]	International cooperation with sender[f] (index)	International assistance to target[g]	Sanctions period[h] (years)	Health and stability[i] (index)	Prior relations[j] (index)
33–1	UK v. USSR	4	3	12	—	1	—	1	2	1
38–1	UK, US v. Mexico	3	3	9	—	2	—	9	3	2
54–1	USSR v. Australia	1	1	1	—	1	—	1	3	1
56–2	US, UK, France v. Egypt	3	3	9	R	2	—	1	2	2
61–1	US v. Ceylon	4	4	16	—	1	A	4	2	2
62–3	USSR v. Romania	1	1	1	—	4	—	1	3	3
63–1	US v. United Arab Republic[k]	4	4	16	—	1	—	2	2	2
64–1	France v. Tunisia	3	3	9	—	1	—	2	2	3
65–1	US v. Chile	3	4	12	—	1	—	1	2	2
65–2	US v. India	4	4	16	—	1	—	2	2	2
68–1	US v. Peru	1	1	1	—	1	—	1	2	2
68–2	US v. Peru	3	4	12	—	1	—	6	2	2
73–2	US v. South Korea	2	2	4	—	1	—	4	2	3
73–3	US v. Chile	3	2	6	—	1	—	17+	1	2
74–2	Canada v. India	2	2	4	—	2	—	2	3	2
74–3	Canada v. Pakistan	2	2	4	—	2	—	2	2	2
75–1	US, Canada v. South Korea	4	4	16	—	2	—	1	3	3
75–2	US v. USSR	3	2	6	—	1	—	15+	3	1
75–3	US v. Eastern Europe	4	2	8	—	1	—	15+	3	1
75–4	US v. South Africa	2	2	4	—	2	—	7	3	2
76–1	US v. Uruguay	3	2	6	—	1	—	5	2	2
76–2	US v. Taiwan	4	4	16	—	1	—	1	3	3
76–3	US v. Ethiopia	2	3	6	—	2	A	14+	1	2
77–1	US v. Paraguay	2	3	6	—	1	—	4	3	2
77–2	US v. Guatemala	3	2	6	—	1	A	9	2	2
77–3	US v. Argentina	3	2	6	—	1	—	6	2	2
77–4	Canada v. Japan, EC	3	3	9	—	1	—	1	3	3
77–6	US v. El Salvador	2	3	6	—	1	—	4	1	2
77–7	US v. Brazil	3	3	9	—	1	—	7	2	2
78–1	China v. Albania	1	1	1	—	1	—	5	3	3
78–2	US v. Brazil	2	2	4	—	1	—	3	2	2
78–3	US v. Argentina	2	2	4	—	2	—	4	2	2
78–4	US v. India	2	2	4	—	2	—	4	3	2
78–5	US v. USSR	1	1	1	—	2	—	2	3	1
79–1	US v. Iran	4	3	12	Q	3	—	2	1	3
79–2	US v. Pakistan	1	1	1	—	2	A	11+	2	2
79–3	Arab League v. Canada	4	3	12	—	3	—	1	3	2
79–4	US v. Bolivia	2	3	6	—	2	A	3	1	2
80–2	US v. Iraq	2	2	4	—	1	—	10+	2	2
82–2	Netherlands, US v. Suriname	3	3	9	J	2	A	6	1	3
83–1	Australia v. France	1	1	1	—	1	—	3	3	3
83–2	US v. USSR	1	1	1	—	4	—	1	3	1
83–3	US v. Zimbabwe	2	2	4	—	1	—	5	2	2
84–1	US v. Iran	2	3	6	Q	2	—	6+	2	1
86–1	US v. Syria	2	3	6	—	2	—	4+	2	1
87–2	US v. Haiti	2	3	6	—	2	—	3	1	2
87–3	US v. El Salvador	4	4	16	—	1	—	1	1	3
88–1	Japan, West Germany, US v. Burma	2	3	6	—	3	—	2+	1	2
88–2	US, UK v. Somalia	2	2	4	—	2	—	2+	1	3
89–2	US v. China	1	1	1	—	3	—	1+	3	3
89–3	US v. Sudan	1	1	1	—	2	—	1+	1	3

a. The *case* numbers are those in table 1.1.

b. The *policy result,* on an index scale of 1 to 4, indicates the extent to which the outcome sought by the sender country was achieved. Key: 1 = failed outcome; 2 = unclear but possibly positive outcome; 3 = positive outcome; 4 = successful outcome.

c. The *sanctions contribution,* on an index scale of 1 to 4, indicates the extent to which the sanctions contributed to a positive result. Key: 1 = zero or negative contribution; 2 = minor contribution; 3 = modest contribution; 4 = significant contribution.

d. The *success score* is an index on a scale of 1 to 16, found by multiplying the policy result index by the sanctions contribution index.

e. Types of *companion policies* are covert action (J), quasi-military operations (Q), and regular military action (R).

f. The extent of *international cooperation with sender,* on an index scale of 1 to 4, indicates the degree of assistance received by the principal sender country in applying sanctions. Key: 1 = no cooperation; 2 = minor cooperation; 3 = modest cooperation; 4 = significant cooperation.

g. *International assistance to target,* indicated by an A, is judged to exist when another country (usually a major power) extends significant economic or military assistance to the target country. The mere transshipment of goods subject to sanction is not counted here as assistance.

h. The *sanctions period* is the time (rounded to the nearest year) from the first official threat or event to the conclusion. The minimum period is one year. A "+" indicates that the sanction is still in effect as this book goes to press.

i. *Health and stability* is an index, scaled from 1 to 3, that represents the target country's overall economic health and political stability (abstracting from sanctions) during the sanctions episode. Key: 1 = distressed country; 2 = country with significant problems; 3 = strong and stable country.

j. *Prior relations* is an index, scaled from 1 to 3, that measures the degree of warmth, prior to the sanctions episode, in overall relations between target and sender country. Key: 1 = antagonistic; 2 = neutral; 3 = cordial.

k. This case is also listed in table 3.3.

Table 3.2 Cases involving destabilization of target-country governments: political variables

Case[a]	Sender and target	Policy result[b] (index)	Sanctions contribution[c] (index)	Success score[d] (index)	Companion policies[e]	International cooperation with sender[f] (index)	International assistance to target[g]	Sanctions period[h] (years)	Health and stability[i] (index)	Prior relations[j] (index)
18–1	UK v. Russia	1	1	1	Q,R	4	—	2	1	1
44–1	US v. Argentina	2	2	4	—	2	—	3	2	2
48–4	USSR v. Yugoslavia	1	1	1	Q	4	A	7	2	3
51–1	UK, US v. Iran	4	3	12	J	2	—	2	2	3
56–4	US v. Laos	3	3	9	J	2	—	6	1	3
58–1	USSR v. Finland	4	4	16	—	1	—	1	2	3
60–1	US v. Dominican Republic	4	4	16	Q,J	3	—	2	1	3
60–3	US v. Cuba[k]	1	1	1	Q,J	3	A	30+	2	3
61–2	USSR v. Albania	1	1	1	J	4	A	4	2	3
62–1	US v. Brazil	4	3	12	J	1	—	2	1	2
63–3	US v. Indonesia[k]	4	2	8	—	1	—	3	2	2
63–4	US v. South Vietnam	4	3	12	J	1	—	1	1	3
65–3	UK, UN v. Rhodesia	4	3	12	Q	4	A	14	2	3
70–1	US v. Chile	4	3	12	J	1	—	3	1	2
72–1	UK, US v. Uganda	4	3	12	—	2	—	7	1	2
77–5	US v. Nicaragua	4	3	12	—	1	—	2	1	3
78–8	US v. Libya	2	2	4	Q,J	1	—	12+	3	1
81–1	US v. Nicaragua	4	2	8	Q,J	1	A	9	2	2
82–3	South Africa v. Lesotho	4	4	16	Q	1	—	2	2	3
83–4	US, OECS v. Grenada	4	2	8	R	3	—	1	1	2
87–1	US v. Panama	4	1	4	Q,J,R	1	A	3	2	3

a.–j. See table 3.1.

k. These cases are also listed in table 3.3.

Table 3.3 Cases involving disruption of military adventures (other than major wars): political variables

Case[a]	Sender and target	Policy result[b] (index)	Sanctions contribution[c] (index)	Success score[d] (index)	Companion policies[e]	International cooperation with sender[f] (index)	International assistance to target[g]	Sanctions period[h] (years)	Health and stability[i] (index)	Prior relations[j] (index)
21–1	League v. Yugoslavia	4	4	16	—	4	—	1	2	2
25–1	League v. Greece	4	4	16	—	4	—	1	2	2
32–1	League v. Paraguay, Bolivia	3	2	6	—	3	—	3	2	2
35–1	UK, League v. Italy	1	1	1	—	4	A	1	3	2
40–1	US v. Japan	1	1	1	—	2	—	1	3	1
48–1	US v. Netherlands	4	4	16	—	1	—	1	2	3
49–1	US, CHINCOM, v. China[k]	1	1	1	R,Q	3	A	4[l]	3	1
56–3	US v. UK, France	4	3	12	—	1	—	1	3	3
57–2	France v. Tunisia	1	1	1	R	1	A	6	2	3
60–3	US v. Cuba[m]	1	1	1	J,Q	3	A	15+[n]	2	3
63–1	US v. United Arab Republic[o]	4	4	16	—	1	—	2	2	2
63–3	US v. Indonesia[m]	4	2	8	—	1	—	3	2	2
71–1	US v. India, Pakistan	2	1	2	Q	1	—	1	2	2
74–1	US v. Turkey	1	1	1	—	1	—	4	2	3
75–5	US v. Kampuchea	1	1	1	—	1	—	4	1	2
78–7	China v. Vietnam	3	1	3	R	3	A	10	2	3
80–1	US v. USSR (Afghanistan)[k]	1	1	1	J	3	—	1	3	1
82–1	UK v. Argentina	4	3	12	R	3	—	1	1	2

a.–j. See table 3.1.

k. These cases are also listed in table 3.4.

l. For this case, the length of the episode is linked to the Korean war period only.

m. These cases are also listed in table 3.2

n. For this case, the length of the episode is linked to the deployment of Cuban troops in foreign countries (e.g., Angola).

o. This case is also listed in table 3.1.

Table 3.4 Cases involving impairment of military potential (including major wars): political variables

Case[a]	Sender and target	Policy result[b] (index)	Sanctions contribution[c] (index)	Success score[d] (index)	Companion policies[e]	International cooperation with sender[f] (index)	International assistance to target[g]	Sanctions period[h] (years)	Health and stability[i] (index)	Prior relations[j] (index)
14–1	UK v. Germany	4	3	12	R	4	A	4	3	1
39–1	Alliance Powers v. Germany, Japan	4	3	12	R	4	A	6	3	1
46–1	Arab League v. Israel	2	2	4	R	3	A	44+	3	1
48–5	US, COCOM v. USSR, COMECON	3	2	6	—	4	A	42+	3	1
49–1	US, CHINCOM v. China[k]	1	1	1	R,Q	3	A	21	3	1
50–1	US, UN v. North Korea	2	1	2	R	4	A	40+	2	1
54–4	US, South Vietnam v. North Vietnam	1	1	1	R	2	A	36+	2	1
60–2	USSR v. China	2	2	4	Q	3	—	10	3	3
80–1	US v. USSR (Afghanistan)[k]	1	1	1	J	3	—	1	3	1
81–3	US v. USSR (Poland)	1	1	1	—	2	—	1	3	1

a.–j. See table 3.1.

k. These cases are also listed in table 3.3.

Table 3.5 Cases involving other major changes in target-country policies (including surrender of territory): political variables

Case[a]	Sender and target	Policy result[b] (index)	Sanctions contribution[c] (index)	Success score[d] (index)	Companion policies[e]	International cooperation with sender[f] (index)	International assistance to target[g]	Sanctions period[h] (years)	Health and stability[i] (index)	Prior relations[j] (index)
17–1	US v. Japan	2	2	4	—	1	—	1	3	2
48–2	India v. Hyderabad	4	3	12	R	1	—	1	2	3
48–3	USSR v. US, UK, France	1	1	1	Q	1	A	1	3	1
54–2	India v. Portugal	4	2	8	R	1	—	7	3	2
54–3	Spain v. UK	2	3	6	—	1	—	30	3	2
56–1	US v. Israel (intermittent episodes)	2	1	2	—	1	—	4	3	3
57–1	Indonesia v. Netherlands	4	2	8	R	2	—	5	3	2
61–3	Western Allies v. German Democratic Republic	1	1	1	Q	3	A	1	3	1
62–2	UN v. South Africa	2	3	6	—	3	—	28+	3	2
63–2	Indonesia v. Malaysia	1	1	1	Q	1	—	3	2	2
63–5	UN, Organization of African Unity v. Portugal	4	2	8	—	3	—	11	2	2
65–4	US v. Arab League	2	3	6	—	2	—	25+	3	2
67–1	Nigeria v. Biafra	4	3	12	R	1	—	3	1	3
73–1	Arab League v. US, Netherlands	3	3	9	—	3	A	1	3	2
78–6	Arab League v. Egypt	1	1	1	—	3	A	5	2	3
81–2	US v. Poland	3	3	9	—	3	A	6	1	2
81–4	EC v. Turkey	2	3	6	—	2	—	1	2	3
85–1	US v. South Africa	2	3	6	—	4	—	5+	2	2
86–2	US v. Angola	2	1	2	J	1	—	4+	2	1
89–1	India v. Nepal	3	3	9	—	1	—	1	2	3
90–1	US, UN v. Iraq[k]	—	—	—	Q	4	—	1+	2	2

a.–j. See table 3.1.
k. As this book goes to press, it is still too early to score this case; other variables are as of the moment the book goes to press.

4

ECONOMIC VARIABLES

The data for the economic variables in the sanctions episodes we studied are summarized in tables 4.3 through 4.7 at the end of this chapter. As in chapter 3, we have grouped the cases according to the principal foreign policy objective in each case. However, in this chapter we organize the discussion according to the economic variables.

Size of Sender and Target Countries

The economy of the sender country is usually very much larger than that of the target country. In most cases, the sender's GNP is over 10 times greater than the target's GNP, and in over half the ratio is greater than 50. When the goal is destabilization of the target country, the GNP ratio exceeds 100 over 70 percent of the time. These figures reflect, on the one hand, the prominence of the United States, the United Kingdom, and the Soviet Union as senders and, on the other hand, the small size of the countries they usually try to influence with economic sanctions.

In many instances, when the GNP ratio is under 10, sanctions founder. Several cases that entail major policy changes belong to this category of failures. These cases either involve big-power confrontations or sender countries that are not major powers. Examples are the series of US–USSR confrontations and Canadian attempts to advance nuclear nonproliferation policies in the mid-1970s. In several instances, however, sanctions were successful even though the GNP ratio was less than 10: the two world wars; US efforts against the United Kingdom and France during the Suez crisis (Case 56–3); the Arab oil embargo against the United States and the Netherlands (Case 73–1; in this case, the GNP ratio was less than 1); and the British sanctions against Argentina during the Falklands war (Case 82–1). But in most of these instances military victory was critical to the success of the episode.

Another aspect of these cases should be noted. The two cases in which sanctions were not accompanied by military conflict involved a strategic commodity: oil. During the Suez crisis, the United States threatened to provoke a sterling crisis in the United Kingdom by denying it access to its reserves with the International Monetary Fund (IMF), as well as dollar credits that it needed to replenish its oil reserves. More directly, in the 1973 oil embargo case, the Arab countries' control of vast oil supplies gave them leverage far out of proportion to the size of their economies as measured by their GNP. By the same token, a target country's control of a strategic commodity may increase its counterleverage out of proportion to the size of its economy. For example, even though the US economy is 54 times larger than South Africa's, US policymakers have been hesitant in their application of sanctions, partly out of concern that South Africa would retaliate by withholding exports of key metals and minerals.

Trade Linkages

Since sender countries are generally very large countries, it is not surprising that the target's import and export trade with the sender usually accounts for over 10 percent of the target's total trade. In the cases we have scored as successes, the sender country accounts, on average, for over a quarter of the target country's total trade. Even when the sender country interrupts only a small portion of that trade, the interruption carries an important message to the target country: change your policies or risk a larger disturbance.

The trade ratios in cases involving modest policy goals vary greatly. Some cases were successful when only a small amount of bilateral trade was involved: for example, in Case 61–1 the United States accounted for only 9 percent of Ceylon's exports and 3 percent of its imports. Yet many other cases were unsuccessful even when a high proportion of trade was at stake: such was the case in the confrontation between the United States and Guatemala over human rights (Case 77–2); over one-third of Guatemala's total trade was with the United States. In general, however, higher trade linkages are more closely associated with success episodes (average trade linkage of 25 percent) than with failure episodes (average trade linkage of 15 percent).

Because of the usually close geographic proximity of senders and targets in destabilization cases, their trade linkages are generally strong. One exception is Case 72–1: *UK and US v. Uganda,* over the atrocities of the Idi Amin regime. But in almost every case in this group, the sender takes more than 10 percent of the exports, and supplies over 10 percent of the imports, of the target country. Within this group, the extent of linkage appears somewhat greater for success cases (average of 38 percent) than for failure cases (average of 27 percent).

Trade linkage does not appear to distinguish between success and failure in episodes involving the disruption of military adventure or the impairment of military potential (these cases are listed in tables 4.5 and 4.6). However, in cases involving other major policy changes, listed in table 4.7, the trade linkage was decidedly higher in success episodes than in failures. Some successful cases involve high trade dependencies (Case 25–1: *League of Nations v. Greece*; Case 63–1: *US v. United Arab Republic*; Case 81–4: *EC v. Turkey*), whereas other successes occur when the bilateral trade relations are small (for example, Case 82–1; in this case, however, the financial ties between the United Kingdom and Argentina were much stronger than the trade ties). Conversely, high levels of bilateral trade do not ensure success, as is evident in the UN sanctions against South Africa from 1962 on (Case 62–2) and Soviet measures against China in the 1960s (Case 60–2).

Type of Sanction

Success may depend, to some extent, on whether the sanctions hit a sensitive sector in the target country's economy. A $100 million cost may have quite different effects—at home and abroad—depending on whether it is imposed by way of export sanctions, import sanctions, or financial sanctions. Officials in the US State Department and other foreign ministries spend long hours tailoring their creations because they believe that the cut of a sanction matters a great deal.

Trade Sanctions

When trade weapons are deployed, sender countries more frequently use export than import controls. One reason is that sender countries are more likely to enjoy a dominant market position as suppliers of exports than as purchasers of imports. Hence, for a given interruption of trade, sender countries may inflict greater pain by stopping exports than by stopping imports. The dominant position of the United States as a manufacturer of military hardware and high-technology equipment has particularly influenced US tactics. In addition, there are certain products or technologies—for example, nuclear materials and technologies—that sender countries may simply wish to deny to certain targets because the "toys" are too dangerous. However, global economic development and the rapid diffusion of technologies mean that unilateral export controls generally provide less leverage today than in the period shortly after World War II.

A second reason for the emphasis on export controls, and one peculiar to the United States, is that the Congress has given the president much greater flexibility to restrain exports than to slow imports. Exports may be stopped readily through the mechanisms of the Export Administration Act, whereas imports can be slowed only by invoking the more cumbersome International Emergency Economic Powers Act, the national security section (section 232) of the Trade Expansion Act of 1962, or preexisting quota legislation (such as sugar or textile quotas).

As Carter (1988) has noted, Congress was prepared, in revising the Export Administration Act in 1985, to expand the president's authority to control imports for foreign policy reasons. However, President Ronald Reagan did not want this new authority for fear it would be later misused for protectionist purposes. Reagan's concerns were in a sense borne out by the nature of import controls later imposed by Congress against South African goods (Case 85–1): these controls were applied selectively to textiles and apparel, iron and steel, agricultural products, and a few other items.

However, it is worth pointing out that export controls often result in a concentrated burden on individual companies in the sender country, whereas import controls usually spread the burden more widely. This is one argument for devising statutes that make it equally easy (or equally hard) for the executive branch to impose import controls as to impose export controls.[1]

Financial Sanctions

Financial sanctions were used alone, without trade controls, in 32 of our 116 cases. Export and/or import sanctions, unaccompanied by financial measures, were used in only 24 instances. Financial sanctions in combination with trade controls were deployed in 55 of our 116 cases,[2] and in 34 of these 55 cases all three types of sanctions were imposed. The United States, which was a sender in 77 cases overall, has played an even more dominant role in the use of financial sanctions, employing them in 90 percent of the cases in which they were used without accompanying trade controls (see tables 4.3 to 4.7). Indeed, as the comparative data in table 4.1 reveal, the United States was not only the

1 Article XXI of the General Agreement on Tariffs and Trade (GATT) enables a country to take "any action which it considers necessary for its national security interests. . . . " Notwithstanding this provision, Nicaragua challenged US sanctions on sugar imports as inconsistent with the GATT (Case 81–1). A GATT panel determined that these import controls, imposed for foreign policy purposes, do not fall within the purview of Article XXI.

2 In the remaining five cases, sanctions were threatened but not imposed.

dominant user overall of economic sanctions in the post–World War II era, but also a far more frequent user of financial sanctions than the European Community or Japan.

The most common type of financial sanction is the interruption of official development assistance. Although Export-Import Bank financing, multilateral development bank loans,[3] and other forms of official and private credit have been linked to political goals from time to time, the majority of cases involve the manipulation of bilateral economic and military assistance to developing countries.

The ultimate financial sanction is a freeze of financial assets held by the target country in the sender country. An assets freeze not only stops financial flows but also impedes trade. The legal and political consequences of an assets freeze are severe, because it entails blocking access by the target country to its own property. For this reason, foreign assets have only been frozen in times of great hostility. In fact, all 13 cases occurred either during or just prior to a period of military conflict or were accompanied by some degree of military force. In all of these cases, financial sanctions were also supplemented with trade controls, often in the form of a complete embargo.

In our judgment, only 3 of 12 assets freeze cases had a positive or successful outcome to which sanctions contributed modestly (the remaining episode, Case 90–1: *US and UN v. Iraq,* remains undecided as this book goes to press).[4] The assets freezes imposed by the United States against Iran in 1979 (Case 79–1) and by the United Kingdom against Argentina in 1982 clearly contributed to the resolution of those conflicts by inhibiting the ability of the target countries to purchase weapons and ammunition (in the Iranian case, Tehran was inhibited in pursuing its war against Iraq). Economic sanctions, including an assets freeze, also contributed to Egyptian President Gamal Abdel Nasser's willingness to negotiate a compromise solution for governing the Suez Canal

3 The charters of the IMF, World Bank, and other international financial institutions (IFIs) prohibit them from using their funds for political purposes. The US Congress has from time to time passed amendments to appropriations bills requiring the US representatives to these institutions to vote no or to abstain from votes on loans to various countries. However, such US actions usually had no effect since the United States no longer has veto power in the IFIs, and other members either have not shared US goals or its willingness to politicize those institutions. Nevertheless, suspension of multilateral loans does appear as a sanction in some cases, usually those involving expropriation or nationalization, which is deemed an inappropriate economic policy by the IFIs.

4 Baldwin (1985), among other observers, would rate episodes a success if they signalled that military action was imminent. By this standard, we would concede that many of the episodes were a "success". By our standard, however, the following cases were failures: Case 40–1: *US v. Japan*; Case 44–1: *US v. Argentina*; Case 50–1: *US and UN v. North Korea*; Case 54–4: *US and South Vietnam v. North Vietnam*; Case 60–3: *US v. Cuba*; Case 75–5: *US v. Kampuchea*; and Case 57–1: *Indonesia v. Netherlands* in 1957. Case 87–1: *US v. Panama* had a "successful" outcome, but the sanctions were a nonsignificant factor.

Table 4.1 Comparison of US, EC, and Japanese sanctions in recent and continuing episodes[a]

Target	Period	United States			European Community[b]			Japan		
		Export	Import	Financial	Export	Import	Financial	Export	Import	Financial
COMECON	Since 1948	X			X			X		
North Korea	Since 1950	X	X	X						
Vietnam	Since 1957	X	X	X						
Cuba	Since 1960	X	X	X						
South Africa	Since 1962	X	X	X	X	X	X	X	X	X
Angola	Since 1974			X						
Cambodia	Since 1975	X	X	X	X		X			
Libya[c]	Since 1978	X	X	X	X			X		
Iran[d]	1979–81	X	X	X	X					
Pakistan	Since 1979			X	X					
Bolivia	1979–82			X						
USSR	1980–81	X								
Iraq	Since 1980	X								
Nicaragua	1981–90	X	X	X						
Poland	1981–87	X	X	X			X			X
USSR	1981–82	X								
Suriname[f]	1982–88			X			X			
USSR	1983		X			X			X	
Zimbabwe	1983–88			X						
Grenada	1983	X	X	X						
Iran[g]	Since 1984	X	X	X		X				
Panama	1987–90		X	X						
El Salvador	1987–88			X						
Haiti	1987–90			X			X			
China	Since 1989	X		X	X		X			X
Iraq	Since 1990	X	X	X	X	X	X	X	X	X

a. An X indicates the use of this type of sanction. For continuing episodes, an X is only used if the measure is currently in force.

b. Sanctions by the European Community includes both those by the EC as a political entity and those by any of its member states.

c. The EC has limited arms shipments to Libya.

d. EC and Japanese restraints on trade with Iran were mild.

e. France cooperated in restricting nuclear technology.

f. In the EC, only the Netherlands imposed financial sanctions.

g. France banned Iranian oil imports.

Sources: Hufbauer (1990).

after he had nationalized it in the summer of 1956 (Case 56–2). In general, however, even the freezing of assets made a limited contribution to cases involving the pursuit of major objectives, and in these cases sanctions were usually a small supplement to the use of military force.

Comparing Financial and Trade Sanctions

The economic and political effects of trade and financial sanctions differ in several ways. Trade controls are usually selective, affecting one or a few goods: for example, Soviet imports of wool from Australia in 1954 (boycotted in the context of an espionage scandal; Case 54–1) or US exports of nuclear technology to various developing countries in the 1970s. In such cases, the trade may only be diverted rather than cut off. Whether import prices paid by (or export prices received by) the target country increase (or decrease) after the sanctions are applied depends on the market in question. Often the price effects are very modest.

In contrast, alternative financing may be harder to find and is likely to carry a higher price (i.e., a higher interest rate) and require greater credit security because of the uncertainties sanctions create. Official development assistance may be irreplaceable. In addition, financial sanctions, especially involving trade finance, may interrupt a wide range of trade flows even without the imposition of explicit trade sanctions.

The economic effects of financial sanctions also may tilt the political balance more sharply in the sender country's favor. The pain from trade sanctions, especially export controls, usually is diffused through the target country's population. Financial sanctions, on the other hand, are more likely to hit the pet projects or personal pockets of government officials who are in a position to influence policy. On the sender's side of the equation, an interruption of official aid or credit is unlikely to create the same political backlash from business firms and allies abroad as an interruption of private trade.

Comparing episodes of financial sanctions with trade sanctions reveals other factors that may contribute to leverage. All but 3 of the 32 cases in which financial sanctions were used alone feature the United States as a sender; it was a co-sender with the Netherlands in one of these (Case 82–2, against Suriname), and with Japan and Germany in another (Case 88–1, against Burma). Only two episodes did not involve the manipulation of economic, food, or military assistance: Case 56–3 (the Suez crisis) and Case 86–2: *US v. Angola*. The 24 trade cases in which trade controls alone were imposed (import controls 3 times, export controls 16 times, and the two together 5 times) present a rather different picture. The United States was the principal sender in only half the cases and was a target in two. The Soviet Union, which

is represented in none of the financial-only cases, was a sender in two cases in which only trade sanctions were used and a target in six.

The different cast of characters and the predominance of aid manipulation in the financial sanctions episodes creates significant differences in relevant economic and political variables:

- ☐ The cost to the sender of financial sanctions was, on average, negligible
- ☐ The economic and political health and stability of the target were typically very weak
- ☐ Relations between sender and target were relatively close prior to the imposition of sanctions
- ☐ The incidence of international cooperation with the sender country was relatively low—usually because it was not needed
- ☐ The economic costs of sanctions as a percentage of target-country GNP were nearly twice as high when finance was interrupted as when trade alone was interrupted.

If one views financial sanctions in their overall context, it is perhaps not surprising that a successful outcome was scored in 13 of the 32 financial-only cases (41 percent). By contrast, a successful outcome was scored in only 6 of the 24 trade-only cases (25 percent) and in 18 of the 55 combined trade-finance cases (33 percent).

The Cost of Sanctions

Sanctions are supposed to impose economic penalties in order to coerce the target country to alter its policies; if the sanctions impose no costs, they are unlikely to change foreign behavior. In short, the level of costs importantly determines the success or failure of a sanctions episode.

Costs to Targets

Economists have constructed fairly elaborate theoretical models to suggest how the conditions of supply and demand for the sanctioned commodity might affect the level of costs incurred by the sender and imposed on the target, and how the balance of costs might affect the outcome of a sanctions episode. Unfortunately, the more elaborate the model, the less likely that it is tarnished by economic data. In fact, few studies go beyond anecdotal accounts of the costs that economic sanctions impose on target countries. We have therefore developed a very simple analytical construct to guide our own rudimentary efforts to estimate the costs imposed on the target country. Our methodology is detailed in appendix A.

To calculate the cost of sanctions to the target country in each episode, we have estimated the initial deprivation of markets, supplies, or finance, expressed on an annualized basis in current US dollars. To calculate the welfare loss to the target's economy, we then used our own judgment to estimate the "sanctions multiplier" that should be applied in the context of the particular episode. Some types of sanctions affect the target country more than others for a given interruption of trade or finance. The welfare loss caused by reductions in aid may be 100 percent of the value of the aid; on the other hand, trade controls may cause less harm than the value of the shipments affected because of the availability of other markets or substitution of other goods.

We recognize that the third law of physics—for every action there is a reaction—seems to play a role in the course of a sanctions episode. The impact of sanctions on the target country may be partially or totally offset by the helping hand of another major power. There are several instances in which the target has actually become better off, in economic terms, as a result of the sanctions. Soviet attempts to pressure Yugoslavia in 1948 (Case 48–4) failed miserably from Moscow's perspective, but yielded Marshal Tito an abundant harvest of Western aid and trade credits. In a similar fashion, American efforts to sway Ethiopian policy on human rights and compensation issues (Case 76–3) helped push Colonel Haile-Mariam Mengistu into the waiting and generous arms of the Soviets. In our cost estimates we attempt to reflect these offsetting benefits.

A brief survey of three cases may help illustrate our calculations of economic costs.

Case 35–1: UK and League of Nations v. Italy (1935–36: Abyssinia)

In a belated attempt to coerce Italy into withdrawing its troops from Abyssinia, the League agreed in late 1935 to a limited trade embargo and to restrictions on loans and credits to Italy. The sanctions did not include key commodities such as oil, nor were they universally applied by League and non-League members (the most important nonmember, the United States, did not apply sanctions). Nonetheless, trade was sharply reduced from the presanction period. Financial conditions in Italy were also affected by the sanctions (and the cost of the war): the lira was devalued by 25 percent in November 1935, and Italy was forced to sell about $94 million in gold between November 1935 and June 1936 to bolster its dwindling reserves.

The sanctions caused a decline in both exports and imports. During the six months when sanctions were in effect, exports dropped by $56 million and imports by $72 million from the previous year's levels. Yet in analyzing this period, M. J. Bonn noted that "[s]tocks on hand, the practice of economies, the development of substitutes, and the purchase of goods with gold, foreign securities, emigrants' remittances and tourists' disbursements kept the country going without too severe a strain" (Bonn 1937, 360). The elasticity of

substitution was undoubtedly high. Accordingly, we estimated the welfare loss to the Italian economy at 30 percent of the value of interrupted trade, or $34 million and $43 million, respectively, for exports and imports, when calculated on an annualized basis. In addition, we estimated that Italy incurred a financial loss of $9 million because of forced gold sales, which we estimated to have been made at a 10 percent discount. In sum, we estimate that the sanctions led to an $86 million loss in welfare to the Italian economy, equal to 1.7 percent of GNP.

Case 48–4: USSR v. Yugoslavia (1948–55: Nationalism)

Soviet leader Josef Stalin used economic pressure and threats of military intervention in an attempt to force Marshal Tito's Yugoslavia back into the Soviet fold. Almost all economic ties between Yugoslavia and the Soviet bloc were suspended by mid-1949. The sanctions led Yugoslavia to expand its trade and to seek military and economic aid from the West. Total trade flows were not reduced, but there was a dramatic shift in the direction of trade: in 1948, over 50 percent of Yugoslav trade was with the Soviet Union and Eastern Europe; by 1954, over 80 percent of trade was with the United States and Western Europe.

Yugoslavia claimed it lost $400 million between 1948 and 1954 as a result of the Soviet sanctions. Our calculations are in the same ball park. We took the amount of Soviet credits offered to Yugoslavia at the end of the sanctions episode—$289 million in 1955—as a surrogate for the reduction in aid from the COMECON countries. Spreading the credits over a six-year period and estimating the welfare loss at 75 percent of the value of the aid yields an annualized cost of $36 million. The suspension of debt payments by COMECON countries also cost the Yugoslavs about $300 million over the period 1948–54, which, when valued at 70 percent of the lost revenues, led to a further loss of $35 million per year. The confrontation with the Soviet bloc also caused a sharp increase in military expenditures, which accounted for 22 percent of national income during 1950–54 (Farrell 1956, 27–30). The increase in the military budget was directly attributable to the heightened tensions caused by the Soviet sanctions; accordingly, we also took account of increases in the Yugoslav military budget over the sanctions period. Annual military expenditures in 1950–54 ran about $162 million above the 1948 level; we estimated the annual welfare loss at 25 percent of the additional expenditures, or $40.5 million a year.

These various costs amounted to 3.6 percent of Yugoslav GNP in 1952. However, the costs were more than offset by compensating aid flows from the United States and Europe and loans from the World Bank. From 1950 to 1954, Yugoslavia received about $1 billion in military and economic aid from the West. Clearly, such funds would not have been forthcoming in the absence of a breach in the Soviet bloc. We estimated Yugoslavia's welfare gain as 75 percent of the transfers, or $187.5 million a year. As a result, there was an annual net welfare *gain* to the Yugoslav economy during this period of $76 million, equal to 2.5 percent of GNP.

Case 60–1: US v. Dominican Republic (1960–62: Trujillo)

The notorious abuses of Rafael Trujillo prompted the United States in 1960 to impose a limited trade embargo to destabilize the Trujillo regime. The embargo covered arms, petroleum products, trucks, and spare parts. In addition, the United States imposed a special entry fee of 2 cents a pound for sugar imported from the Dominican Republic in excess of the established quota. Although nominally multilateral, for all practical purposes the sanctions were imposed only by the United States.

The most costly measure was the US sugar fee. It has been estimated elsewhere (Brown-John 1975, 229) that this fee cost the Dominican Republic about $12.5 million per year. Imports of the sanctioned petroleum products fell by 25 percent, but limited product coverage and alternative sourcing in Europe softened the impact on the Dominican economy. Accordingly, we estimated the annual welfare loss due to the petroleum embargo at 30 percent of the trade affected by the sanctions, or only $0.7 million on an annual basis. Imports of trucks, buses, and parts were so small that the losses caused by the sanctions had a negligible impact. Nonetheless, in total the sanctions put the squeeze on an already shaky economy and contributed both to a drop in per capita GNP from $293 in 1960 to $267 in 1961 and to a decline of $28 million in gold and foreign-exchange reserves. We estimated that the drop in reserves resulted in a welfare loss of $2.8 million (10 percent of the actual decline). Overall, then, the sanctions cost the Dominican Republic some $16 million, equal to 1.9 percent of GNP in 1960.

As these three examples show, we tried to err on the side of overestimating the economic impact of sanctions on target countries. Nevertheless, we uncovered few cases in which sanctions inflicted a heavy cost relative to national income. Very seldom did the costs of sanctions (expressed on an annualized basis) reach even 1 percent of the target country's GNP. Of course, government officials fight very hard for policy changes that might change GNP by 1 percent, and elections are won or lost, and coups are staged, with the expenditure of far less money. Still, the numbers seem small.[5]

Why don't sanctions impose a heavier cost on the target country? The most important reason is that sender countries encounter great difficulty in extending the scope of sanctions to cover a broad range of economic activity and a large number of trading partners. Even when allied governments embark on a joint sanctions effort, the obstacles are formidable. Sanctions create powerful incentives for evasion. It could be said that a sieve leaks like a sanction. Ingenious new trading relationships, devised by domestic and third-country firms, flower because it is difficult to trace the origin and destination of traded goods. In the 1980s, Iran and Argentina obtained spare military parts, and Libya marketed its oil in Europe (albeit at some cost and delay) thanks to triangular trade arrangements. Moreover, transshipments can be routed through friendly (or at least not antagonistic) countries: for many years, the lifeline for Rhodesia was its continuing trade with South Africa, Zambia, and Mozambique.

The US–UN sanctions against Iraq will provide a most interesting test case. Almost all countries have joined in the embargo, making it the most watertight array of trade and financial restrictions since World War II. But how much Iraqi and Kuwaiti oil will be surreptitiously sold via Iran? To what extent will civilian supplies and war material leak back across the frontiers with Jordan, Turkey, and Iran? Will the exception, in both the US and the UN resolutions, allowing for "humanitarian" food shipments, prove to be Saddam's lifeline?

Despite the many leakages, sanctions do impose a cost. And when the costs exceed 1 percent of GNP, sanctions often succeed. Destabilization episodes stand out as cases where the sender country is generally willing and able to turn the screws hard. In more than two-thirds of the destabilization cases, the cost of sanctions equaled or exceeded 1 percent of GNP. By contrast, when a sender seeks modest policy goals, it seldom inflicts heavy costs: in only 20 percent of the cases listed in table 4.3 did the costs exceed 1 percent of GNP. Yet even sanctions that exert a modest impact relative to GNP can contribute to the successful achievement of foreign policy goals. The fear of deprivation can be just as important as deprivation itself. Moreover, policy decisions often turn on amounts that are quite small in GNP terms.

Costs to Senders

Foreign policy measures generally entail domestic costs, and sanctions episodes are no exception. Domestic firms pay an immediate price when trade, aid, or financial flows are disrupted. Moreover, sanctions increase the long-term uncertainty, and therefore the cost, of doing business abroad. All trading partners of the sender country, not just the target country, may be prompted to diversify their sources of supply and seek alternative partners for joint ventures and technologies not developed in the sender country. In cases involving a large number of economically significant countries or a strategic

5 The outlier on this variable is Iraq; we estimate that the UN embargo is costing the Iraqi economy nearly half its 1988 level of output.

commodity, as with the US–UN embargo of Iraq and the 1973 Arab oil embargo of the United States and the Netherlands, sanctions may even have broader macroeconomic effects.

There is a limited exception to the general rule that sanctions entail costs for the sender country. If the sender seeks to coerce the target by cutting aid or official credits, the sender may enjoy an immediate economic gain due to a reduction in budget expenditures.[6] But even in these instances, the corollary loss of trade contacts may entail an economic burden, in the form of lost sales and jobs, on the sender country.

It is often said that the sender country in a sanctions episode should seek to maximize its political gains and to minimize its economic costs. Sometimes this advice is translated into the recommendation that the sender country should seek to maximize the ratio of costs inflicted to costs incurred. At best, these precepts are honored in the abstract. The domestic costs of a sanctions episode are rarely calculated—and almost never in advance—for two basic reasons.

First, it is just plain hard to quantify the costs to the sender country. Too many intangible factors are at play. If the green eyeshade staff of the Office of Management and Budget were ever asked to calculate the costs of imposing sanctions, they would be aghast. Hard data rarely exist. And many costs appear only years later in the form of lost sales opportunities for domestic firms branded with the tag of "unreliable supplier."

The second reason for not making advance calculations is that, for large countries, the overall impact on the sender's economy may be regarded as trivial. In most of the cases we have examined, the cost to the target is less than 1 percent of its GNP. The costs borne by the sender country, as a percentage of its GNP, usually will be very much less, since as a rule the sender has by far the larger economy. From the lofty perspective of the White House or 10 Downing Street, the costs may seem entirely affordable.

However, the US grain embargo and pipeline sanctions cases of the early 1980s (Cases 80–1 and 81–3) focused attention on the very different perspective of the individual firm. Sanctions are paid for by the industries whose trade is most deeply affected. In contrast, most other foreign and defense policies are financed out of general treasury revenues.

Sanctions can amount to a discriminatory, sector-specific, and therefore unfair tax to finance foreign policy. In many instances, sanctions restrict the

6 In the US Foreign Assistance Act of 1989, numerous provisions were inserted conditioning aid on the actions of foreign countries: section 511 (human rights); section 512 (which singles out Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran, and Syria for general bad behavior); section 513 (military coups); section 518 (the Brooke amendment, on countries in default); section 527 (monitoring the UN voting records of aid recipients); section 539 (refugee resettlement); and sections 563 and 564 (terrorism).

sale of goods that are available from competitors in foreign countries, or require the cancellation of existing contracts, or both. The impact of sanctions may fall most heavily on those few firms that suffer lost sales and damaged reputations. This sort of lopsided burdensharing can quickly arouse political opposition to the goals of the sender government.

Reflecting these concerns, the US Export Administration Act of 1979 contained safeguards to guard against its overzealous use and the consequent damage to US export interests.[7] However, the grain embargo and pipeline cases quickly revealed these safeguards to be ineffective. The Export Administration Act was therefore eventually extended as the Export Administration Amendments Act of 1985 (1985 EAAA), which put additional limits on presidential power. The most important new limitations are a time limit on agricultural embargoes, a provision limiting the president's power to impose controls on exports subject to existing contracts, and stricter criteria for the imposition of controls, taking the availability of foreign substitutes into account.

Congress, in the 1985 EAAA, inserted a sunset provision that permitted the president to enact a 60-day embargo on agricultural goods, which could be extended for one year if Congress endorsed the sanctions by joint resolution. Otherwise, after 60 days the export controls would expire. However, the president is given unfettered discretion, in section 2406(g)(3)(B)(ii) of the legislation, to block all agricultural exports as part of a generalized export embargo.

The 1985 amendments also protect existing contracts for export or reexport: section 108(1) provides that the president can break those contracts only when a "breach of peace" threatens the strategic interests of the United States and he has conferred with Congress. The contract sanctity issue cuts in two directions. On the one hand, sanctions are more likely to be effective when they are imposed abruptly and with maximum force. This argues for canceling existing contracts in spite of the inevitable domestic dissatisfaction. On the other hand, if existing contracts are honored, domestic costs will be reduced, but the initial impact on the target country will be lessened, providing time for the target country to adjust and to attract compensating foreign assistance. The "breach of peace" threshold represents Congress's attempt to resolve this dilemma.

Finally, the 1985 EAAA requires the president to dismantle national security and foreign policy controls when the goods in question are available from foreign sources. Section 2405(h)(3) of the act states that if the secretary

7 This discussion of the Export Administration Act is drawn from Hufbauer (1990).

of commerce "affirmatively determines that a good or technology . . . is available in sufficient quantity and comparable quality from sources outside the United States . . . so that denial of an export license would be ineffective [in accomplishing the purpose of the controls] . . . then he must provide an export license." Unlike national security export controls, whose success depends on the prohibition of access to controlled goods (a modern form of contraband), the success of foreign policy sanctions does not entirely depend on restricting access to goods from other countries. However, the availability of goods from other sources lessens the impact of the sanctions, raises the level of international cooperation required to implement the sanctions, and increases the domestic political costs of maintaining the controls. It is clearly preferable to impose sanctions on goods not readily obtainable in foreign markets.

It may be useful to illustrate our construction of the cost-to-sender index through a review of two cases.

Case 73–2: US v. South Korea (1973–77: Human Rights)

Sanctions generally impose small costs on domestic economic interests—and generate little or no domestic political opposition—when they involve the closing of the bilateral aid spigot. This is clearly illustrated by US actions in support of human rights in South Korea following President Park Chung Hee's declaration of martial law in 1972. The average US citizen did not feel the pinch from the substantial cutback in economic aid (mostly PL 480 food aid) and military aid to South Korea; indeed, the US government "profited" from the reduced expenditures, although the reduction of a few hundred million dollars in aid transfers had little impact on the budget deficits that were incurred during this period.

From 1974 to 1978, average US economic and military aid to South Korea declined by over $450 million from the average level for the period 1970–73. Although the cutbacks in PL 480 and military aid led to some increased costs for the United States (for example, in terms of storage and other incidental expenses for grain), the short-run impact on the US budget was minimal (about 1 percent of the deficit) but favorable. In this case, then, the cost to the sender was negative: the United States was actually slightly better off, in economic terms, as a result of the sanctions. This result illustrates those cases that we accorded a cost-to-sender index number of 1.

Case 80–1: US v. USSR (1980–81: Afghanistan)

Much has been written about the economic impact of the post-Afghanistan grain embargo on the US farm sector. When the Carter administration imposed the embargo in January 1980, it estimated that US farm income would be reduced by $2.0 billion to $2.25 billion as a result of a cut of 17 million tons in grain shipped to the Soviet Union. Measures were introduced to soften the blow on the US farmer, including purchases for the grain reserve and increases in loan, release, and call prices. These measures added an additional $2 billion to $3 billion to the federal deficit during fiscal years 1980 and 1981.[8] The purchases for the grain reserve, which sopped up about $2.4 billion in grain that would have been dumped on the market, alone cost the US taxpayer (according to estimates of the General Accounting Office) over $600 million in direct budgetary expenditures, including costs incurred in the purchase, storage, and resale of the grain.

The extent to which the embargo imposed a welfare loss on the US farm sector as a whole is more difficult to measure. The Congressional Research Service noted that it took nine months for wheat, corn, and soybean prices to recover from the initial shock of the embargo (Congressional Research Service 1981, 45–46); at the same time, farm income plummeted, although how much of the fall was due to the embargo and how much to other factors (for example, high interest rates) is hard to quantify. In any event, US farmers lost a significant share of the Soviet market. Even though the US share of the world market actually grew by 2 percent in the 1980–81 marketing year over preembargo levels (US Congress 1983), these lost sales to the Soviet Union probably imposed a welfare loss to US farmers through their effect on prices and stunted trade opportunities.

The grain embargo was accompanied by export controls on high-technology products and superphosphoric acid, affecting close to $500 million in prospective US exports. Using the same methodology that we employed to calculate the cost to the target country, we estimate the welfare loss to US producers, after accounting for substitution and price effects, at about 30 percent of the value of trade affected by the sanctions. This translates into a $150 million loss for producers of superphosphoric acid and high-technology products and at least $600 million for producers of farm goods. In sum, the sanctions against the Soviet Union—by this admittedly rough estimate—did inflict significant costs on US economic interests. In GNP terms, the costs to the United States were negligible, yet the sanctions did result in substantial trade diversion and important losses for specific sectors of the US economy. These losses in turn created political problems for the Carter administration.

We have not based our cost-to-sender index on costs as a percentage of GNP; instead we only consider whether there has been a modest or substantial level of trade diversion that might be expected to create, as it did in this case, domestic political opposition to the sanctions. By this standard, the Afghanistan case was given an index number of 3 to reflect the significant cost to the sender.

8 *Weekly Compilation of Presidential Documents*, 28 January 1980, 105ff.

In over 40 percent of the cases involving modest policy goals, listed in table 4.3, the sender country enjoyed a net gain (usually quite small) as a result of withholding aid and official credits. The only episode in the modest policy goals category in which significant trade diversion occurred, with consequent losses to the affected firms in the sender country, was the case involving US efforts to release hostages held by Iran (Case 79–1).

The successful destabilization cases listed in table 4.4, except for the Rhodesian episode (Case 65–3), generally cost the sender country rather little. The average cost-to-sender index for the successful cases was 1.5. In contrast, the average for failed cases was 2.3, and some of these episodes were rather expensive to the sender. US traders have long since adjusted to the Cuban embargo, but the initial measures entailed losses of some consequence for particular US industries. In the Libyan case (Case 78–8), some US oil companies were placed in a disadvantaged position. Exxon, for example, sold its Libyan assets for substantially less than their book value.

In the successful cases involving disruption of military adventures, listed in table 4.5, the average cost to the sender was again relatively low: the average index is just 1.7. For disruption cases with failed outcomes, the cost-to-sender index was 1.9. Here again the data suggest that failed episodes were generally more costly to the sender—a finding that will come as no surprise to the farmers affected by the Carter grain embargo.

When countries resort to sanctions in order to impair the military potential of target countries, or to pursue other major policy changes, not only are they distinctly unsuccessful (except when the sanctions are accompanied by actual warfare) but they also invariably are forced to accept a significant economic burden.[9] In the success cases, the costs to the sender were understandably great in the two world war cases and in Case 67–1: *Nigeria v. Biafra*. On the other hand, India prevailed over Hyderabad (Case 48–2) at relatively little cost, and the Arab countries clearly gained from their mid-1970s oil embargo. However, this sample is too small to yield clear trends.

The average cost-to-sender index in the impairment of military potential cases that failed was 3.0; the average cost-to-sender index in the failures among the other major policy change cases was 2.3. Although small in GNP terms, the annualized cost figures in these cases probably run in the hundreds of millions of dollars, and those losses are usually concentrated on relatively few firms.

To summarize: higher failure rates are associated with greater costs borne by the sender country. On the one hand, failed cases may entail intrinsically tougher objectives, and the sender government may be willing to expend greater effort in achieving its goals; on the other hand, as costs mount, pressures may arise within the sender country to abandon the attempt, thereby contributing to the failure of the episode.

9 Case 90–1: *US and UN v. Iraq* is excluded from these averages, but it is clear that the cost-to-sender index in that case will be 4 because of the significant rise in oil prices due to the embargo.

Table 4.2 Rough estimate of the impact of US sanctions on US exports, 1987 (millions of dollars)

Target	Actual US exports to target	Actual OECD exports to target	Hypothetical US exports to target[a]	Estimated impact of sanctions[b]
COMECON[c]	2,189	37,988	6,838	4,649
North Korea	0	452	99	99
Vietnam	23	312	69	46
Cuba	1	882	432	431
South Africa	1,295	9,553	1,624	329
Angola	94	759	129	35
Cambodia	0	7	1	1
Libya	0	3,410	341	341
Iran	54	6,075	911	857
Nicaragua	3	210	103	100
Panama[d]	634	4,108	743	109
Total	4,293	63,756	11,290	6,997

a. For COMECON, hypothetical US exports are estimated by assuming that the United States would have, in the absence of sanctions, maintained its share of OECD exports to Europe (excluding intra–EC trade), namely, 18 percent. For North Korea, Vietnam, and Cambodia, it is assumed that the United States would have maintained its 22 percent share of OECD exports to the non–OECD Far East. For Libya, it is assumed that the United States would have maintained its 10 percent share of OECD exports to Africa. For South Africa and Angola, it is assumed that the United States would have maintained its 17 percent share of OECD to South Africa in 1985. For Iran, it is assumed that the United States would have maintained its 15 percent share of OECD exports to the Mideast. For Cuba and Nicaragua, it its assumed that the United States would have maintained its 49 percent share of OECD exports to non–OECD America. For Panama, see note d.

b. This estimate is calculated as the difference between the hypothetical and the actual US exports to the target country.

c. Data for COMECON also include the residual effect of repeated US sanctions directed against the Soviet Union.

d. No export sanctions were imposed against Panama; however, financial sanctions severely curtailed economic activity in Panama. The actual export figure is for 1988 (after sanctions took their toll), whereas the hypothetical figure is for 1987 (before economic chaos set in).

Sources: Organization for Economic Cooperation and Development, *Foreign Trade by Commodities, Exports,* vols. I and II, Paris 1989.

One rough-and-ready attempt to measure US exports lost on account of economic sanctions is reproduced in table 4.2. For the year 1987, it is calculated that US exports were reduced by about $7.0 billion as a result of economic sanctions then in effect; most of the loss (some $4.6 billion) was attributable to COCOM controls (then in full force). Significant US export losses were also incurred in Cuba, South Africa, Libya, and Iran.

The costs of economic sanctions are not confined to the economic realm. A failed episode can impose heavy political costs on the sender country, particularly if the episode precipitates a public outcry. US sanctions against the Soviet Union over the Yamal pipeline project and Soviet support of repression in Poland (Case 81–3) badly disturbed the NATO alliance. The Reagan administration was derided by its domestic political opponents for the failure of its sanctions policies against Nicaragua and Panama (Cases 81–1 and 87–1). Earlier celebrated episodes in which failure exacted large political costs for the governments of the sender countries include Case 35–1: *UK and League of Nations v. Italy* and Case 40–1: *US v. Japan* (1940–41).

Even successful sanctions episodes can impose political costs on the sender country. Examples include the US response to the Franco-British Suez invasion (Case 56–3), which left a bitter taste in Europe for many years; the destabilization campaign and eventual overthrow of Salvador Allende (Case 70–1: *US v. Chile*), which gave the United States a reputation for being willing to use the CIA to accomplish "dirty tricks"; and Case 77–4: *Canada v. Japan and EC*, in which Canadian insistence on nuclear safeguards (prompted by the "peaceful" Indian nuclear explosion) irked Canada's trading partners and allies.

We have not attempted to systematically assess the political cost of each episode to the sender country. All diplomacy has its political costs; some episodes are dear and others are cheap. The political costs of economic sanctions may be lower or higher than the political costs of achieving the same diplomatic ends by different means. We leave these matters for other scholars to explore.[10]

10 Baldwin (1985) addresses these questions.

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Table 4.3 Cases involving modest changes in target-country policies: economic variables

Case[a]	Sender and target	Success score[b] (index)	Cost to target[c] (millions of dollars)	Cost as percentage of GNP[d]	Cost per capita (dollars)	Trade linkage[e] (percentages)	GNP ratio: sender to target[f]	Type of sanction[g]	Cost to sender[h] (index)
33–1	UK v. USSR	12	4	negl.	negl.	13	1	M	2
38–1	UK, US v. Mexico	9	2	0.2	0.11	70	75	M,F	2
54–1	USSR v. Australia	1	50	0.5	5.56	3	18	M	2
56–2	US, UK, France v. Egypt	9	138	3.4	5.87	23	160	X,F	2
61–1	US v. Ceylon	16	8.7	0.6	0.86	6	375	F	1
62–3	USSR v. Romania	1	—	—	—	41	24	—	2
63–1	US v. United Arab Republic[1]	16	54	1.4	1.93	15	153	F	1
64–1	France v. Tunisia	9	12	1.5	2.67	48	106	M,F	2
65–1	US v. Chile	12	0.5	negl.	0.06	37	98	M,F	2
65–2	US v. India	16	41	negl.	0.08	24	13	F	1
68–1	US v. Peru	1	33	0.7	2.60	10	186	F	1
68–2	US v. Peru	12	35	0.7	2.72	10	186	F	1
73–2	US v. South Korea	4	333	1.8	9.60	29	78	F	1
73–3	US v. Chile	6	54	0.6	5.29	18	187	F	1
74–2	Canada v. India	4	33	negl.	0.06	2	2	X,F	2
74–3	Canada v. Pakistan	4	13	0.1	0.18	2	14	X	2
75–1	US, Canada v. South Korea	16	—	—	—	32	87	—	2
75–2	US v. USSR	6	102	negl.	0.40	4	2	M,F	2
75–3	US v. Eastern Europe	8	37	negl.	0.51	1	5	M,F	1
75–4	US v. South Africa	4	2	negl.	0.08	12	43	X	2
76–1	US v. Uruguay	6	10	0.3	3.57	10	452	X,F	1
76–2	US v. Taiwan	16	17	0.1	1.01	32	100	X	2
76–3	US v. Ethiopia	6	(160)	(5.5)	(5.67)	22	592	M,F	1
77–1	US v. Paraguay	6	2	0.1	0.71	13	959	F	1
77–2	US v. Guatemala	6	21	0.4	3.17	37	355	F	1
77–3	US v. Argentina	6	62	0.1	2.38	13	38	X,F	2
77–4	Canada v. Japan, EC	9	115	negl.	0.31	2	0.1	X	2
77–6	US v. El Salvador	6	13	0.5	3.02	32	685	F	1
77–7	US v. Brazil	9	94	0.1	0.84	19	12	F	1
78–1	China v. Albania	1	43	3.3	16.54	34	249	X,M,F	2
78–2	US v. Brazil	4	5	negl.	0.04	22	11	X	2
78–3	US v. Argentina	4	0.2	negl.	negl.	14	34	X	2
78–4	US v. India	4	12	negl.	0.02	13	18	X	2
78–5	US v. USSR	1	51	negl.	0.19	3	2	X	2
79–1	US v. Iran	12	3,349	3.8	90.51	13	28	X,M,F	3
79–2	US v. Pakistan	1	34	0.2	0.43	10	114	F	1
79–3	Arab League v. Canada	12	7	negl.	0.30	2	1	X,M,F	2
79–4	US v. Bolivia	6	48	1.7	8.73	22	562	F	1
80–2	US v. Iraq	4	22	0.1	1.71	5	69	X	2
82–2	Netherlands, US v. Suriname	9	80	7.8	202.53	37	2,565	F	1
83–1	Australia v. France	1	negl.	negl.	negl.	negl.	0.3	X	2
83–2	US v. USSR	1	negl.	negl.	negl.	2	2	M	2
83–3	US v. Zimbabwe	4	27	0.4	3.55	7	462	F	1
84–1	US v. Iran	6	130	negl.	2.83	3	25	X,M,F	2
86–1	US v. Syria	6	4	negl.	0.39	3	189	X,F	2
87–2	US v. Haiti	6	56	2.9	10.37	74	2,383	F	1

Case[a]	Sender and target	Success score[b] (index)	Cost to target[c] (millions of dollars)	Cost as percentage of GNP[d]	Cost per capita (dollars)	Trade Linkage[e] (percentages)	GNP ratio: sender to target[f]	Type of sanction[g]	Cost to sender[h] (index)
87–3	US v. El Salvador	16	—	—	—	42	1,006	F	1
88–1	Japan, West Germany, US v. Burma	6	234	2.1	5.85	22	803	F	1
88–2	US, UK v. Somalia	4	49	2.0	6.90	10	1,429	F	1
89–2	US v. China	1	322	0.1	0.29	10	13	X,F	2
89–3	US v. Sudan	1	91	0.1	3.96	7	408	F	1

Negl. = negligible; — indicates none, because sanctions did not go beyond threat stage.

a. The *case numbers* are those in table 1.1.

b. The *success score* is an index on a scale of 1 to 16, found by multiplying the policy result index by the sanctions contribution index (see tables 3.1 through 3.5).

c. The *cost to target* is expressed in millions of current US dollars, as estimated in the case abstracts. Parentheses indicate a gain to the target country.

d. The *cost as percentage of GNP* is the cost of sanctions to the target country as a percentage of its GNP. Parenthesis indicate a gain.

e. The *trade linkage* equals the average of presanction target-country exports to the sender country (as a percentage of total target-country exports) and imports from the sender country (as a percentage of total target-country imports).

f. The *GNP ratio* is the ratio of the sender country's GNP to the target country's GNP.

g. *Types of sanction* include the interruption of commercial finance, aid, and other official finance (F), the interruption of exports from the sender country to the target country (X), and the interruption of imports by the sender country from the target country (M).

h. The *cost to sender* is an index number scaled from 1 to 4. Key: 1 = net gain to sender; 2 = little effect on sender; 3 = modest welfare loss to sender; 4 = major loss to sender.

i. This case is also listed in table 4.5.

Table 4.4 Cases involving destabilization of target-country governments: economic variables

Case[a]	Sender and target	Success score[b] (index)	Cost to target[c] (millions of dollars)	Cost as percentage of GNP[d]	Cost per capita (dollars)	Trade linkage[e] (percentages)	GNP ratio: sender to target[f]	Type of sanction[g]	Cost to sender[h] (index)
18–1	UK v. Russia	1	446	4.1	2.49	19	1	X,M,F	3
44–1	US v. Argentina	4	29	0.8	1.82	19	58	X,F	2
48–4	USSR v. Yugoslavia	1	(76)	(2.5)	(4.47)	13	52	X,M,F	1
51–1	UK, US v. Iran	12	186	14.3	11.14	42	235	X,M,F	1
56–4	US v. Laos	9	5	4.2	2.08	2	4,372	F	1
58–1	USSR v. Finland	16	45	1.1	10.23	19	58	X,M,F	2
60–1	US v. Dominican Republic	16	16	1.9	5.52	56	596	X,M,F	2
60–3	US v. Cuba[i]	1	114	4.4	16.76	47	173	X,M,F	3
61–2	USSR v. Albania	1	3	0.6	1.76	51	494	X,M,F	2
62–1	US v. Brazil	12	110	0.6	1.49	49	30	F	1
63–3	US v. Indonesia[i]	8	110	2.0	1.05	25	145	F	1
63–4	US v. South Vietnam	12	9	0.3	0.59	20	206	F	1
65–3	UK, UN v. Rhodesia	12	130	13.0	28.89	69	1,388	X,M,F	3
70–1	US v. Chile	12	163	1.5	17.16	17	102	F	1
72–1	UK, US v. Uganda	12	36	2.6	3.44	22	860	X,M,F	2
77–5	US v. Nicaragua	12	22	1.0	9.48	27	913	X,F	1
78–8	US v. Libya	4	246	1.3	90.74	20	118	X,M,F	3
81–1	US v. Nicaragua	8	45	3.2	16.67	33	1,727	X,M,F	3
82–3	South Africa v. Lesotho	16	27	5.1	19.29	100	103	X,M	2
83–4	US, OECS v. Grenada	8	negl.	negl.	negl.	1	32,900	X,M,F	2
87–1	US v. Panama	4	319	6.0	138.70	50	854	M,F	3

negl. = negligible

a.–h. See table 4.3

i. These cases are also listed in table 4.5.

Table 4.5 Cases involving disruption of military adventures (other than major wars): economic variables

Case[a]	Sender and target	Success score[b] (index)	Cost to target[c] (millions of dollars)	Cost as percentage of GNP[d]	Cost per capita (dollars)	Trade linkage[e] (percentages)	GNP ratio:[f] sender to target	Type of sanction[g]	Cost to sender[h] (index)
21–1	League v. Yugoslavia	16	—	—	—	27	37	—	2
25–1	League v. Greece	16	—	—	—	36	56	—	2
32–1	League v. Paraguay, Bolivia	6	4	3.0	1.03	74	224	X	2
35–1	UK, League v. Italy	1	86	1.7	1.98	16	6	X,M,F	3
40–1	US v. Japan	1	88	0.9	1.21	31	11	X,F	3
48–1	US v. Netherlands	16	14	0.2	1.43	9	45	F	1
49–1	US, CHINCOM v. China[i]	1	106	0.5	0.20	38	13	X,M,F	3
56–3	US v. UK, France	12	167	0.3	3.25	10	7	F	2
57–2	France v. Tunisia	1	7	0.9	1.75	66	76	F	1
60–3	US v. Cuba[j]	1	114	4.4	16.76	47	173	X,M,F	3
63–1	US v. United Arab Republic[k]	16	54	1.4	1.93	15	153	F	1
63–3	US v. Indonesia[j]	8	110	2.0	1.05	25	145	F	1
71–1	US v. India, Pakistan	2	117	0.2	0.18	19	16	X,F	1
74–1	US v. Turkey	1	77	0.2	1.92	12	42	F	1
75–5	US v. Kampuchea	1	42	6.8	6.27	negl.	2,523	X,M,F	1
78–7	China v. Vietnam	3	254	3.5	5.20	12	41	F	1
80–1	US v. USSR (Afghanistan)[i]	1	525	negl.	2.00	4	2	X	3
82–1	UK v. Argentina	12	979	0.6	34.84	5	3	X,M,F	2

a.–h. See table 4.3.

i. These cases are also listed in table 4.6.

j. These cases are also listed in table 4.4.

k. This case is also listed in table 4.3.

Table 4.6 Cases involving impairment of military potential (including major wars): economic variables

Case[a]	Sender and target	Success score[b] (index)	Cost to target[c] (millions of dollars)	Cost as percentage of GNP[d]	Cost per capita (dollars)	Trade linkage[e] (percentages)	GNP ratio:[f] sender to target	Type of sanction[g]	Cost to sender[h] (index)
14–1	UK v. Germany	12	843	7.1	12.58	9	1	X,M,F	4
39–1	Alliance Powers v. Germany, Japan	12	688	1.6	5.00	15	2	X,M,F	4
46–1	Arab League v. Israel	4	258	4.1	123.00	3	2	X,M,F	4
48–5	US, COCOM v. USSR, COMECON	6	706	0.2	2.28	24	3	X	3
49–1	US, CHINCOM v. China[i]	1	106	0.5	0.20	38	13	X,M,F	3
50–1	US, UN v. North Korea	2	8	1.2	0.83	20	378	X,M,F	2
54–4	US, South Vietnam v. North Vietnam	1	129	3.1	3.96	1	358	X,M,F	2
60–2	USSR v. China	4	287	0.5	0.42	46	4	X,M,F	4
80–1	US v. USSR (Afghanistan)[i]	1	525	negl.	2.00	4	2	X	3
81–3	US v. USSR (Poland)	1	480	negl.	1.79	2	2	X	3

a.–h. See table 4.

i. These cases are also listed in table 4.5.

Table 4.7 Cases involving other major changes in target-country policies (including surrender of territory): economic variables

Case[a]	Sender and target	Success score[b] (index)	Cost to target[c] (millions of dollars)	Cost as percentage of GNP[d]	Cost per capita (dollars)	Trade linkage[e] (percentages)	GNP ratio:[f] sender to target	Type of sanction[g]	Cost to sender[h] (index)
17–1	UK v. Japan	4	23	0.8	0.44	21	13	X	2
48–2	India v. Hyderbad	12	18	2.0	1.10	99	22	X,F	2
48–3	USSR v. US, UK, France	1	258	0.1	1.05	1	0.4	X,M	3
54–2	India v. Portugal	8	negl.	negl.	negl.	negl.	13	X,M,F	2
54–3	Spain v. UK	6	5	negl.	0.10	1	0.2	X,M	2
56–1	US v. Israel (intermittent episodes)	2	16	0.1	4.13	22	218	X,F	2
57–1	Indonesia v. Netherlands	8	69	0.7	6.27	3	0.2	X,M,F	2
61–3	Western Allies v. German Democratic Republic	1	—	—	—	12	40	—	2
62–2	UN v. South Africa	6	273	2.8	15.08	77	130	X,F	3
63–2	Indonesia v. Malaysia	1	29	1.0	3.14	7	2	X,M	4
63–5	UN, Organization of African Unity v. Portugal	8	11	0.3	1.25	15	10	X,M,F	2
65–4	US v. Arab League	6	8	negl.	0.06	10	31	X,F	2
67–1	Nigeria v. Biafra	12	220	15.2	14.67	50	3	X,M,F	3
73–1	Arab League v. US, Netherlands	9	5,697	0.4	25.55	3	0.04	X	1
78–6	Arab League v. Egypt	1	(77)	(0.4)	(1.88)	4	16	X,M,F	3
81–2	US v. Poland	9	246	0.1	6.83	4	17	X,M,F	2
81–4	EC v. Turkey	6	300	0.5	6.47	34	40	F	1
85–1	US v. South Africa	6	550	0.8	17.19	12	54	X,M,F	2
86–2	US v. Angola	2	4	negl.	0.44	25	437	F	2
89–1	India v. Nepal	9	132	4.6	7.25	28	94	X,M	2
90–1	US, UN v. Iraq[i]	—	21,600	48.0	1,255.81	100	242	X,M,F	4

a.–h. See table 4.

i. As this book goes to press, it is still too early to score this case; other variables are as of the time the book goes to press.

5

CONCLUSIONS AND RECOMMENDATIONS

A number of lessons can be abstracted from the sanctions episodes of the past 75 years. In this concluding chapter we first assess the overall effectiveness of sanctions as a tool of foreign policy, based on the experience of 115[1] cases, and group the lessons learned into a list of suggestions for increasing the prospects for success. We then explore the implications of recent US experience, and of the end of the Cold War, for the future use of economic sanctions. We conclude with a list of do's and don'ts—nine commandments—to guide governments in the use of economic sanctions.[2]

The purposes of a sanctions campaign must be clearly identified before its effectiveness can be assessed. Sender countries usually pursue more than one goal and may use sanctions as a warning shot against future misdeeds, by the target country or others. We have chosen to focus on the effectiveness of sanctions in coercing the identified target country to conform to the sender's demands in the episode at hand.

1 We have referred to all 116 cases of sanctions in other parts of the book where we had enough information to include the UN embargo of Iraq. As we went to press, the outcome of that case was not known, and thus we could not assign a success score under our methodology. Although this case is referred to where appropriate, it is omitted from the 115 cases on which our calculations and the tables in this chapter are based.

2 Those readers familiar with the first edition of this study will note that we have dropped the multiple regression analysis. The regression was rudimentary and, although it largely confirmed the conclusions derived from our simple statistical analysis, it provided few additional insights.

As one sanctions scholar has observed, "Compellant purposes of sanctions are the most difficult to achieve. . ." (Leyton-Brown 1987, 304). However, sanctions also may be intended to demonstrate resolve both at home and abroad, to express outrage, to punish, or to deter. Many of the cases we have judged to be failures would be considered successes if measured against other criteria. Moreover, the design of a sanction intended for symbolic or signaling purposes may not be appropriate for a sanction meant for coercion. Nonetheless, we believe that a careful analysis of the factors contributing to the success of coercive sanctions is important and can provide insights to guide the use of sanctions in other circumstances as well.[3]

Before moving to the results, a word of caution. Forecasting the outcome of statecraft, like forecasting the stock market, is a hazardous business. As one might expect from a diverse collection of 115 cases, the statistical results are not always clear-cut. Idiosyncratic influences are often at play. Human personalities and plain luck may well determine the outcome of a sanctions episode. Much depends on the kaleidoscope of contemporaneous world events and other factors not captured by our variables. Hence our summary assessments and nine commandments must be read as general indicators, not infallible guideposts, in the fine art of statecraft.

Are Sanctions Effective?

In designing foreign policy strategy, policymakers need to take a close look at both the cost and the effectiveness of sanctions. Although it is not true that sanctions "never work," they are of limited utility in achieving foreign policy goals that depend on compelling the target country to take actions it stoutly resists. Still, in some instances, particularly situations involving small target countries and relatively modest policy goals, sanctions have helped alter foreign behavior. Table 5.1 summarizes the scorecard.

By our standards, successful cases are those with an overall success score of 9 or higher; failed cases are those with a score of 8 or lower (the success score is arrived at by multiplying the assigned policy result score by the sanctions contribution score, where 4 is the maximum result for each; see tables 3.1 to 3.5). We must emphasize that a score of 9 does not mean that economic sanctions achieved a foreign policy triumph. It means only that sanctions made a modest contribution to a goal that was partly realized, often at some

3 David Baldwin (1985) has argued the case for a broader definition of success in evaluating the utility of "economic statecraft." Margaret Doxey (1987, 144) has emphasized the importance of identifying whether a goal is coercive or symbolic and of designing the sanction accordingly. Michael Malloy (1990) has taken a different tack, arguing that the effectiveness of sanctions should be judged against the immediate "instrumental" goal (denying goods, markets, or finance) and not confused with the effectiveness of the overall foreign policy that sanctions serve.

political cost to the sender country. Nor does a score of 8 indicate dismal failure. In fact, in all of the cases assigned a score of 8 and about a third of those scored as 6, the sender's objective was at least partially achieved but sanctions played only a minor role in the outcome.

Sanctions have been successful—by our definition—in 34 percent of the cases overall. However, the success rate importantly depends on the type of policy or governmental change sought. Episodes involving destabilization succeeded in half the cases, usually against target countries that were small and shaky. Cases involving modest goals and attempts to disrupt minor military adventures were successful about a third of the time. Efforts to impair a foreign adversary's military potential, or otherwise to change its policies in a major way, succeeded only infrequently.

Of course, some sanctions fail because they were never intended to succeed, in the sense of producing a real change in the target's behavior. As one analyst has noted, when sanctions have been used primarily for domestic political or other rhetorical purposes, " 'effective' sanctions [in an instrumental sense] were not a primary policy goal, and such sanctions were not imposed" (Malloy 1990, 626). This is clearly demonstrated by the Bush administration's sanctions against China after the massacre in Tiananmen Square.

Table 5.1 Success by type of policy goal

Policy goal	Success cases	Failure cases	Success ratio (percentage of total)
Modest policy change	17	34	33
Destabilization	11	10	52
Disruption of military adventures	6	12	33
Military impairment	2	8	20
Other major policy changes	5	15	25
All cases[a]	41	79	34

a. Five cases are classified under two different policy goals: 49-1: *US v. China;* 60-3: *US v. Cuba;* 63-1: *US v. United Arab Republic;* 63-3: *US v. Indonesia;* and 80-1: *US v. USSR (Afghanistan).* Since all but one of these cases are failures, double-counting them adds a small negative bias to the success ratio.

Sanctions may also be imposed timidly, and hence ineffectively, if conflicting goals are not weeded out. For example, the Reagan administration attempted in 1988 to impose sanctions that would force Manuel Noriega out of power without permanently damaging the Panamanian economy. Sanctions were imposed incrementally and then gradually weakened by a number of exemptions intended to support the second goal. In the end, the sanctions proved inadequate to remove Noriega, and military force had to be applied.

Nine Commandments

It is clear that sanctions sometimes bear fruit, but only when planted in the right soil and nurtured in the proper way. We therefore offer nine propositions for the statesman who would act as a careful gardener. These recommendations are intended to maximize the chances of success when sanctions are deployed to coerce changes in the policies of a target country. Not all of the commandments may be appropriate in every situation, nor are they necessarily optimal toward achieving other types of goals. However, we would caution that, if a particular case requires that the commandments be modified or ignored, success is likely to prove even more elusive than if they had been followed. Since sanctions entail both political and economic costs, which are sometimes substantial, we believe this conclusion should not be taken lightly.

I. "Don't Bite Off More Than You Can Chew."

Policymakers often have inflated expectations of what sanctions can accomplish. This is especially true of the United States today and was true of the United Kingdom in an earlier era. At most there is a weak correlation between economic deprivation and political willingness to change. The *economic* impact of sanctions may be pronounced, both on the sender and on the target, but other factors in the situation often overshadow the impact of sanctions in determining the *political* outcome.

Sanctions are seldom effective in impairing the military potential of an important power, or in bringing about major changes in the policies of the target country.[4] Of the 30 cases involving these high policy goals,[5] success was achieved in 7, or only 23 percent of the time. Excluding the two world wars and the two civil wars (Case 48–2: *India v. Hyderabad* and Case 67–1: *Nigeria v. Biafra*), we have found only three cases in which economic coercion was effective in changing a major policy of the target country.

In Case 73–1: *Arab League v. US and Netherlands,* the Arab oil embargo helped accomplish two of its four objectives: it caused a significant shift, namely, a more pro-Arab slant, in European and Japanese policies toward the Palestinian question, and it supported OPEC's decision to boost the world price of oil, to its members' enormous economic benefit. But the embargo failed to get Israel to retreat behind its pre-1967 frontiers, and it failed to persuade the United States to abandon its pro-Israel policy stance. The sanctions were an important factor in the attainment of results that, on balance, must be deemed at least marginally successful from the Arab viewpoint. In Case 81–2: *US v. Poland,* sanctions exacerbated a deteriorating economic situation and encouraged the gradual softening of the Communist government's crackdown on the Solidarity union movement. In the third case, India's trade embargo against landlocked Nepal (Case 89–1) contributed to the political unrest that forced King Birenda to recognize long-banned opposition parties and ultimately allowed a more pro-Indian government to take power. In the other cases where impairment was sought and attempts were made to change major policies of target countries, sanctions have been ineffective.

To justify even a remote hope for success in military impairment and major change cases, sender countries should form a near monopoly over trading relations with the target country. This obvious precept, learned in the first and second world wars, was forgotten in the case of UN sanctions against South Africa (Case 62–2)[6] and turned on its head in the case of US sanctions to block construction of the Soviet-European gas pipeline. It was recalled and forcefully implemented in Case 90–1: *US and UN v. Iraq,* and as this book went to press the authors expected sanctions—backed by the threat of military action—to succeed in dislodging Iraq from Kuwait.

II. "More Is Not Necessarily Merrier."

In general, the greater the number of countries needed to implement sanctions, the less likely it is that they will be effective. The 1990 UN embargo against Iraq, which is unprecedented in its comprehensive coverage and almost universal participation, is the exception that proves the rule. Few, if any, cases provide the glue for common action by raising such dominating security concerns as the Iraqi threat to world oil supplies. In most instances, multilateral sanctions are not associated with success.

The idea that international cooperation is a necessary ingredient in all sanctions cases is misplaced. A country looks to its allies for help when its goals are ambitious; in cases involving more modest goals, such cooperation is not needed. These conclusions are borne out in table 5.2, which compares successful and failed cases based on the extent of international cooperation achieved (as measured by our international cooperation index, with its maximum score of 4). On average, the degree of international cooperation is

4 See Chapter 3 for definition of "major changes in the policies of the target country."

5 We use the term "high policy goals" to refer only to episodes involving military impairment and other major policy change. Some authors have used the same phrase to refer to cases involving destabilization and disruption of military adventure as well.

6 Sanctions, though imposed only on selected products by major trading partners, have contributed to the progress made in South Africa in 1989–90, and that case may yet move into the success column. However, as we went to press, the legal underpinnings of apartheid—the Group Areas Act and the Population Registration Act—were still in place, and large numbers of political prisoners were still being held. Although Nelson Mandela has credited sanctions for his release and for other reforms adopted by the South African government, he has also called for their continuance until the end of apartheid is more certain.

actually somewhat less in successful than in failed cases. The difference is most marked in episodes involving modest goals and destabilization, which tend to be pursued unilaterally from the outset.

Table 5.2 Success and international cooperation

	Average international cooperation index[a]	
Policy goal	Success cases	Failure cases
Modest policy changes	1.5	1.7
Destabilization	1.7	2.4
Disruption of military adventures	2.3	2.2
Military impairment	4.0	3.0
Other major policy changes	1.8	1.9
All cases	1.8	2.0

a. See text for definition of index.

To be sure, international cooperation may serve three useful functions: to increase the moral suasion of the sanction, to help isolate the target country from the global community psychologically as well as economically, and to preempt foreign backlash, thus minimizing corrosive friction within the alliance. However, pressing too hard to corral reluctant allies can have the perverse effect of undermining the economic impact of the sanctions, if multilateral agreement takes too long to achieve or requires watering down the sanctions imposed.

When a sender country has thought it necessary to seek cooperation from other countries, it was probably pursuing a sufficiently difficult objective that the prospects for ultimate success were not bright. Without significant cooperation from its allies, a sender country stands little chance of achieving success in cases involving high policy goals. However, international cooperation does not guarantee success even in these cases, as evidenced from the long history of US and COCOM strategic controls against the Soviet Union and COMECON, and by the Arab League's futile boycott of Israel.

These observations, together with our statistical analysis, suggest that overemphasis on international "cooperation," and especially attempts to force it with the heavy hand of extraterritorial controls, will seldom yield desirable results. Sanctions should be either deployed unilaterally, because the need for one's allies is slight, or designed in cooperation with one's allies in order to reduce backlash and evasion.

This last point is significant. Too many cooks *opposing* sanctions can spoil the sender's broth. Adversaries of the sender country may be prompted by a sanctions episode to assist the target. Such opposition has frequently occurred in episodes that either provoked or derived from East-West rivalry. Assistance extended by a "black knight" not only offsets the economic cost inflicted on the target country; it also bolsters the target government's standing at home and abroad.

Table 5.3 indicates that external assistance to the target country erodes the chances of sender-country success, particularly in cases where the policy goal is destabilization of the target government or disruption of a military adventure. With the end of the Cold War, however, black knights may in the future be less likely to appear on the sanctions scene to rescue target countries.

Table 5.3 Success and international assistance to target country

	Incidence of international assistance (percentage of cases)	
Policy goals	Success cases	Failure cases
Modest policy changes	12	12
Destabilization	9	80
Disruption of military adventures	0	42
Military impairment	100	62
Other major policy changes	40	20
All cases	17	28

III. "The Weakest Go to the Wall."

For our case sample as a whole, there seems to be a direct correlation between the political and economic health of the target country and its susceptibility to economic pressure. Table 5.4 reports the average health and stability index (with a maximum value of 3) for both successful and failed cases. The table clearly demonstrates that countries in distress or experiencing significant problems are far more likely to succumb to coercion by the sender country.

Table 5.4 Success and health and stability of target country

	Average health and stability index[a]	
Policy goal	Success cases	Failure cases
Modest policy changes	2.1	2.1
Destabilization	1.4	1.9
Disruption of military adventures	2.0	2.3
Military impairment	3.0	2.7
Other major policy changes	1.8	2.6
All cases	1.9	2.3

a. See text for definition of index.

When certain types of policy goals are at issue, the health and stability of the target country are usually an important determinant in the success of the episode. This is most true of the destabilization cases, where successes generally came against weak regimes. The average health and stability index was also lower in successful than in failed cases when disruption of military adventures and other major policy changes were at stake. In episodes involving modest policy goals and impairment of military potential, the results based on the health and stability of the target country are less clear-cut—in the former set of cases because a wide variety of countries have been targeted for modest reasons, and in the latter because countries only attempt military impairment when the target is strong enough to be a threat.

Table 5.5 The importance of size

Policy goal	Average GNP ratio: sender to target	Percentage of cases where the GNP ratio is: 0 to 10		11 to 100		101 and over	
		Success	Failure	Success	Failure	Success	Failure
Modest policy changes	213[a]	6	12	12	24	16	31
Destabilization	427[a]	0	5	10	10	43	33
Disruption of military adventures	62[a]	11	11	17	33	5	22
Military impairment	76	20	50	0	10	0	20
Other major policy changes	57	10	20	15	40	0	15
All cases	187	23	24	36	38	41	38

a. These averages exclude cases where the GNP ratio is over 2,000 (56-4: *US v. Laos;* 75-5: *US v. Kampuchea;* 82-2: *Netherlands and US v. Suriname;* 83-4: *US and OECS v. Grenada;* and 87-3: *US v. Haiti*) because their inclusion would unduly bias the results.

In the great majority of cases we have documented, the target country also has been much smaller than the sender country. Thus, whereas sanctions typically involve only a small proportion of the trade or financial flows of the sender country, they can significantly affect the external accounts of the target country. Table 5.5 shows that in cases involving modest goals the sender's economy is on average more than 200 times larger than the target's economy, and in cases involving destabilization the average ratio exceeds 400. For cases involving the disruption of military adventures, military impairment, and other major policy change, the results in table 5.5 indicate less of a size differential between sender and target. However, there is still a significant mismatch in economic clout: in 77 percent of the disruption of military adventure cases, 30 percent of the military impairment cases, and 60 percent of the other major change cases, the sender country's GNP was over 10 times the size of the target country's GNP.

Because senders' economies are almost always much bigger then their targets', relative size is not very helpful in predicting success in the majority of cases. Although few of our cases involved countries of nearly equal size, the sample does support the conclusion that size is usually a necessary, but is not a sufficient, condition for success.[7] The relative size of the target economy is less important than other factors that come into play, such as the extent of trade linkage, the economic impact of the sanctions, and the warmth of relations between sender and target prior to the imposition of sanctions.

IV. *"Attack Your Allies, Not Your Adversaries."*

Economic sanctions seem most effective when aimed against erstwhile friends and close trading partners. In contrast, sanctions directed against target countries that have long been adversaries of the sender country, or against targets that have little trade with the sender country, are generally less successful.

We quantified the warmth of preepisode relations between sender and target countries by means of an index scaled from 1 (antagonistic) to 3 (cordial). Table 5.6, which reports the average prior relations index in successful and failed cases, indicates that, for most types of sanctions, preepisode relations were warmer in successful than in failed cases.

Table 5.6 Success, prior relations, and trade linkage

Policy goal	Prior relations index[a]		Average trade linkage (percentage of total trade)[a]	
	Success cases	Failure cases	Success cases	Failure cases
Modest policy changes	2.4	2.0	25	15
Destabilization	2.7	2.2	38	27
Disruption of military adventures	2.3	2.1	16	28
Military impairment	1.0	1.2	12	17
Other major policy changes	2.6	2.0	36	16
All cases	2.4	2.0	28	19

a. See text for definitions.

7 Sanctions contributed to a positive outcome in only 2 of 19 cases in which the GNP ratio was under 10 and military conflict or control of oil reserves was not a factor (see chapter 4).

The higher compliance with sanctions by allies and trading partners reflects their willingness to bend on specific issues in deference to an overall relationship with the sender country. Such considerations may not be decisive in the calculus of an antagonistic target country, or a target country that has little economic contact with the sender. In addition, an ally will be a less likely candidate for offsetting assistance from black knights, and less willing to accept it if offered. Sanctions may succeed more often against friends than against foes, but a word of caution must be inserted: the preservation of political alliances and economic ties should be equally important to prospective senders as to intended targets.

Likewise, the trade linkage data, also reported in table 5.6, suggest that success is more often achieved when the target country conducts a significant portion of its trade with the sender. We measured trade linkage as the average of, first, the target country's imports from the sender, as a percentage of the target's total imports, and second, the target country's exports to the sender as a percentage of the target's total exports. In most episodes involving modest policy goals or destabilization attempts, the trade linkage exceeds 20 percent; further, the trade linkage in successful cases is generally higher than in failed cases. Cases involving disruption of military adventures also have trade linkages at the 20 percent level; in this category, however, failed cases exhibit a somewhat higher trade linkage than successes.

In the military impairment cases, the trade linkage is usually less than 20 percent. Although the trade linkage is perversely higher in failed cases in this group, the distinction between successful cases and failures is not significant—the only successes in this category are the sanctions applied during the two world wars. Similarly, in cases involving other major policy changes, the trade linkage is usually low, although in three of the five successful episodes the average trade linkage was over 50 percent. Taking all categories together, successful cases exhibit a higher average trade linkage (28 percent) than do failed cases (19 percent).

V. *"If It Were Done, When 'Tis Done, Then 'Twere Well It Were Done Quickly."*

A heavy, slow hand invites both evasion and the mobilization of domestic opinion in the target country. Sanctions imposed slowly or incrementally may simply strengthen the target government at home as it marshals the forces of nationalism. Moreover, such measures are likely to be undercut over time either by the sender's own firms or by foreign competitors. Sanctions generally are regarded as a short-term policy, with the anticipation that normal commercial relations will be reestablished after the resolution of the

crisis. Thus, even though popular opinion in the sender country may welcome the introduction of sanctions, the longer an episode drags on, the more public support for sanctions dissipates.

The cases we have documented show a clear association, summarized in table 5.7, between the duration of sanctions and the waning prospects of success. The impact of sanctions may be less than expected either because the sanctions take too long to bite or because their bite loosens too soon. A critical question in the 1990 Iraq case is whether the UN coalition will have the patience to outwait Saddam Hussein and allow the sanctions time to reach full force.

Table 5.7 Success and the duration of sanctions

	Length of episode (years)	
Policy goal	Success cases	Failure cases[a]
Modest policy changes	2.8	5.2
Destabilization	3.8	7.4
Disruption of military adventures	1.2	4.4
Military impairment	5.0	24.4
Other major policy changes	1.8	2.6
All cases	2.9	8.0

a. The periods for the failure cases are biased on the low side because several cases are still ongoing.

However, it is not the passage of time alone that undermines economic sanctions. Other factors are correlated with the length of an episode. Episodes between erstwhile allies are generally short, to the point, and often successful. Further, the target country is more likely to receive assistance from another major power if the episode continues for a number of years. Finally, the greater the latent likelihood of success, the shorter the sanctions period necessary to achieve results.

In any event, the inverse relationship between success and the duration of sanctions argues against a strategy of "turning the screws" on a target country, slowly applying more and more economic pressure over time until the target succumbs. Time affords the target the opportunity to adjust: to find alternative suppliers, to build new alliances, and to mobilize domestic opinion in support of its policies.

VI. *"In For a Penny, In For a Pound."*

Cases that inflict heavy costs on the target country are generally successful. As shown in table 5.8, the average cost to the target for all successful cases was 2.4

percent of GNP; by contrast, failed episodes barely dented the economy of the target country, with costs averaging only 1 percent of GNP. Both averages reflect the heavy costs typically imposed in destabilization, military impairment, and other major policy change cases, which counterbalance the generally minor impact of sanctions in cases involving modest policy changes.

Table 5.8 Success and costs to the target country

	Costs as percentage of GNP	
Policy goal	Success cases	Failure cases
Modest policy changes	1.2	0.4
Destabilization	4.1	2.2
Disruption of military adventures	0.4	2.0
Military impairment	4.3	1.2
Other major policy changes	4.5	0.5
All cases	2.4	1.0

The seemingly perverse result in cases involving disruption of military adventures, where the average costs of failed cases are much higher than those for successes, reflects the experience of the early League of Nations sanctions against Yugoslavia and Greece. In these two episodes, the mere threat of sanctions succeeded in forcing the invading armies to withdraw, and therefore no costs were imposed on the target country.

The conclusion to be drawn from these findings is that if sanctions can be imposed in a comprehensive manner, the chances of success improve. Sanctions that bite are sanctions that work. However, there is a "black knight corollary" to this conclusion: sanctions that attract offsetting support from a major power may cost the target country little on a net basis and are less likely to succeed.

VII. "If You Need to Ask the Price, You Can't Afford the Yacht."

The more it costs a sender country to impose sanctions, the less likely it is that the sanctions will succeed. This conclusion finds support in table 5.9, which shows that the average cost-to-sender index (scored from 1 to 4, with 1 representing a net gain and 4 a major loss to the sender), is generally lower in successful than in failed cases. The exceptions are the two world wars. In most other instances, the cost to the sender country in successful episodes is insignificant, and often the short-term result is a net gain (usually where the sanction is in the form of a cutoff of aid).

Table 5.9 The price of success

	Average cost to sender index[a]	
Policy goals	Success cases	Failure cases
Modest policy changes	1.6	1.5
Destabilization	1.5	2.3
Disruption of military adventures	1.7	1.9
Military impairment	4.0	3.0
Other major policy changes	2.0	2.3
All cases	1.8	2.0

a. See text for definition of index.

The basic conclusion to be drawn from table 5.9 is clear: a country should shy away from deploying sanctions when the economic costs to itself are high. Countries that shoot themselves in the foot may not mortally wound their intended targets. Although we did not attempt to measure the political costs of sanctions episodes to sender countries, we believe this conclusion would apply with equal force to episodes that entail high political costs. The early-1980s Soviet gas pipeline case is a good example of how self-imposed economic and political costs can cause a sanctions campaign to backfire and undercut the sender's foreign policy objectives.

These results suggest that sender governments should design sanctions so as not to inflict unduly concentrated costs on particular domestic groups. One example of actions to avoid, in all but extreme situations, is the retroactive application of sanctions to cancel existing contracts. Such actions not only leave the affected firms high and dry, with unsold inventories and excess capacity, but they also sour those firms' chances of competing for future business. If the sender government believes that retroactive application is essential to the success of an episode, then it should compensate the affected domestic firms at least for the loss on unsold inventories.

The sanctions episodes that are least costly to the sender are often those that make use of financial leverage—manipulating aid flows, denying official credits, or, at the extreme, freezing assets—rather than trade controls. Denial of finance may also compound the cost to the target country by inhibiting its ability to engage in trade even without formal trade controls being imposed. Table 5.10 shows that financial sanctions have been used alone more often and more effectively than trade controls alone.

Table 5.10 Success by type of sanction

	Financial sanctions					
	Alone		With trade sanctions		Trade sanctions alone	
Policy goal	Success cases	Failure cases	Success cases	Failure cases	Success cases	Failure cases
Modest policy change	7	13	6	10	3	10
Destabilization	4	1	6	8	1	1
Disruption of military adventures	3	4	1	6	0	2
Military impairment	0	0	2	5	0	3
Other major policy changes	0	2	3	8	2	4
All cases[a]	14	20	18	38	6	19

a. These figures include five cases listed under two different policy goals (see table 5.1), but they exclude five cases in which sanctions never went beyond the threat stage.

When financial, export, and import controls are all used in a single episode, it is usually because the goal is ambitious. A major reason for the better track record of financial sanctions alone is that they typically involve relatively modest goals, sought through the reduction, suspension, or termination of economic or military assistance from richer nations (usually the United States) to smaller and poorer developing countries.

VIII. "Choose the Right Tool For the Job."

Economic sanctions are often deployed in conjunction with other measures directed against the target: covert action, quasi-military measures, or regular military operations. As table 5.11 shows, companion measures are used most frequently in episodes involving destabilization and impairment of military potential. By contrast, companion policies are seldom used in cases involving modest policy changes, and were used in fewer than half the disruption and major policy change cases.

Table 5.11 Success and companion policies

	Incidence of companion policies (percentage of cases)	
Policy goals	Success cases	Failure cases
Modest policy changes	18	3
Destabilization	73	80
Disruption of military adventures	17	50
Military impairment	100	75
Other major policy changes	40	40
All cases	39	34

The figures on success and failure in cases involving companion policies are somewhat misleading, since our methodology only recognizes success in cases where sanctions made a positive contribution to the policy outcome. In several cases counted as failures—for example, the US sanctions against the Sandinistas in Nicaragua (Case 81–1) and against Noriega in Panama (Case 87–1)—the sender country achieved its goal, but military or covert measures swamped the impact of the sanctions. It may also be unfair to say that sanctions "failed" in other cases—for example, the United States versus Grenada (Case 83–4)—where the military weapon was unsheathed before sanctions had been given a chance to work. Rather than buttressing a sanctions campaign, companion measures are frequently used when sanctions are perceived to be either wholly inadequate or simply too slow.

IX. "Look Before You Leap."

Sender governments should think through their means and objectives *before* taking a final decision to deploy sanctions. Leaders in the sender country should be confident that their goals are within their reach, that they can impose sufficient economic pain to command the attention of the target country, that their efforts will not prompt offsetting policies by other powers, and that the sanctions chosen will not impose insupportable costs on their domestic constituents and foreign allies. These conditions will arise only infrequently, and even then the odds of success are slim.

Sanctions imposed for symbolic purposes—for the benefit of allies or a domestic audience—should be just as carefully crafted. For example, although some analysts have argued that imposing a high cost on one's own economy sends a signal of seriousness, the intended signal may be quickly drowned out by a cacophony of protests from injured domestic parties. Efforts to extend sanctions extraterritorially may produce the same effect abroad.

Although economic sanctions may be the best or even the only option in some cases where it is necessary to "do something," not just any sanction will do—the sanction chosen must be appropriate to the circumstances. Senders usually have multiple goals and targets in mind when they impose sanctions, and coercion is not always at the top of the list. Prudence argues that one carefully analyze the unintended costs and consequences before choosing a particular measure. It makes sense to tailor sanctions carefully to the objective they are genuinely intended to achieve.

Recent Experience and Prospects For the Future

Success in the use of sanctions has proved more elusive in recent years than in earlier decades, primarily as a result of welcome changes in the world economy: a more open international system with new and emerging economic superpowers. The question for the 1990s is whether changes in the global political system (in particular the end of the Cold War) can reverse this trend.

If one splits the case sample roughly in half, into those initiated before 1973 and those begun after that date, a striking difference emerges: almost half the sanctions episodes in the pre-1973 period succeeded, whereas the success rate among the cases begun after 1973 was just under a quarter. Just as striking is the fact that the "other major goals" category is the only one to show an increase in its success rate (although in this category the number of cases dropped by nearly half); meanwhile the success rate for cases involving modest goals plummeted (table 5.12).

These general trends need to be qualified. First, seven cases is a small number on which to base conclusions about the use of sanctions for ambitious goals. Moreover, two of the three "major" victories involved unusual circumstances. As noted in chapter 4, control of strategic commodities can provide senders (and targets) with leverage out of proportion to their overall economic size. Oil was the critical factor in one case (Case 73–1: *Arab League v. US and Netherlands*), and control of major transit routes in and out of a mountainous, landlocked country provided unusual leverage in the other (Case 89–1: *India v. Nepal*). Whether the end of the Cold War will increase the prospects for multilateral sanctions, and hence for success in "high" policy goal cases, is explored below.

Table 5.12 Success by period

	Pre-1973		1973–89	
Policy goal	Success cases	Failure cases	Success cases	Failure cases
Modest policy changes	9	3	8	31
Destabilization	9	6	2	4
Disruption of military adventures	5	8	1	4
Military impairment	2	6	0	2
Other major policy changes	2	11	3	4
All cases[a]	27	34	14	45

a. These figures include five cases listed under two different policy goals (see table 5.1).

Second, the increasing use of sanctions despite their declining effectiveness can be attributed entirely to US experience. Other senders, including multilateral coalitions in which the United States played a relatively minor role, both reduced their reliance on sanctions and improved their record: from 10 successes in 28 attempts prior to 1973, to 6 of 13 since then. In contrast, after posting a better than .500 average in the earlier period, the United States has batted under .200 since 1973.

Declining Success and Declining Hegemony

Reflecting its roles as economic hegemon and political and military superpower, the United States in the decades following World War II attempted to impose its will on a wider variety of targets and sought a broader array of objectives than did any other country, including the Soviet Union (which generally confined its use of sanctions to trying to keep rebellious allies in line). The unique US role translated into less reliance on international cooperation and, on average, more distant relations and weaker trade linkages with its targets than was observed with other users of sanctions. This in turn has contributed to a lower average cost imposed on target countries, although the dominant role played by foreign aid in US sanctions has also meant that they imposed lower average costs on the US economy (table 5.13 summarizes the US experience with sanctions).

The sharp upswing in the use of US sanctions for modest goals began in the early 1970s, when détente with the Soviet Union briefly allowed the United States to turn its attention to other matters, such as human rights violations and nuclear proliferation. Because the targets of these policies were more likely to be found among the developing countries, they tended to be economically weaker and less stable than the average target in earlier years. Furthermore, détente together with economic problems at home made the Soviet Union less and less willing and able to play the black knight and provide offsetting assistance to target countries.

All of these factors should have boded well for US sanctions in the 1970s. However, the global economy had also changed, and although US goals were more modest and the targets usually even smaller and weaker than before, the United States found that it had less leverage. In the early years after World War II, the US economy was the reservoir for rebuilding war-devastated countries. It was also the major if not sole supplier of a variety of goods and services. Well into the 1960s, the United States remained the primary source of economic assistance for developing countries.

Table 5.13 The US experience with sanctions[a]

Sender	Number of cases	Incidence of companion policies (percentage of cases)	International cooperation with sender (index)	Target health and stability (index)	Prior relations (index)	Cost to target as percentage of GNP	Trade linkage (percentage)	Cost to sender (index)
United States								
Pre-1973[b]								
Successes	18	44	1.6	1.8	2.3	2.0	24	1.5
Failures	17	47	2.2	2.5	1.8	1.3	24	2.1
Since 1973								
Successes	8	25	1.7	1.6	2.7	1.6	25	1.6
Failures	38	21	1.8	2.1	1.9	0.7	15	1.7
Other[b]								
Successes	16	44	2.3	2.2	2.3	3.3	32	2.3
Failures	25	48	2.4	2.5	2.2	1.1	21	2.3

a. See text for explanation of variables.

b. Includes two cases that have been cross-listed under "United States" and "Other" (39-1: *Alliance Powers v. Germany and Japan*, and 61-3: *Western Allies v. German Democratic Republic*).

Since the 1960s, however, trade and financial patterns have grown far more diversified, new technology has spread more quickly, and the US foreign aid budget has virtually dried up for all but a few countries. Recovery in Europe and the emergence of Japan have created new, competitive economic superpowers, and economic development has reduced the pool of potentially vulnerable targets. These trends are starkly illustrated by the declining average trade linkage between the United States and its targets (from 24 percent prior to 1973 to only 17 percent since), the lower costs imposed on targets (1.7 percent of GNP v. 0.9 percent of GNP), and the fading utility of manipulating aid flows. For example, the success rate for financial sanctions used alone (these are usually cases involving reductions of aid to developing countries) declined from nearly 80 percent before 1973 to less than 20 percent since then.

The Soviet invasion of Afghanistan and the election of Ronald Reagan brought an intensification of the Cold War that restored an East-West flavor to sanctions campaigns. This change in emphasis manifested itself in several differences between the sanctions cases in the 1980s and those in the decade preceding. Only about half of the 1980s cases involved modest goals, down from three-quarters in the 1970s; the incidence of companion policies nearly tripled (although from a low level given the predominance of modest goals in the 1970s); and the average cost imposed on the target doubled. Perhaps in recognition of its declining leverage, the United States also tried to harness more international cooperation. Still, the costs imposed remained below pre-1970 levels, the average trade linkage remained low, the average cost borne by the US economy (although still small) increased, and the overall effectiveness of sanctions continued to decline.

As this study goes to press, the United States could boast of only three successes in the 1980s: convincing Poland to reduce its repressive policies early in the decade (eventually leading to free elections and a Solidarity-led government); forcing El Salvador to prosecute rebels accused of killing Americans in a San Salvador café (despite a Salvadoran court ruling that they were covered by El Salvador's political amnesty law); and, in cooperation with the Netherlands, encouraging Suriname to improve its human rights record and hold elections.

In three other cases, the United States achieved a successful outcome, but regular or quasi-military action either superseded the sanctions (Grenada and Panama) or was the overwhelming factor in the success of the policy (Nicaragua). In several other cases, including South Africa, sanctions have had an observable impact, but they have not yet achieved the desired changes in target behavior.

Whatever the outcome in South Africa and other episodes, one thing is clear: the outcome of the Iraq case will color world opinion on the utility of sanctions for years to come. Many parallels can be drawn between the 1935 League of Nations sanctions against Italy and the 1990 United Nations sanctions against Iraq. But the strongest parallel is the power of each episode to shape informed opinion. If sanctions succeed in prying Iraqi troops out of Kuwait, a new era of superpower cooperation in the use of economic weapons may dawn; if sanctions fail, or if military force is required, then conventional wisdom will long hold that even draconian economic measures against an isolated target are futile.

To return to the main story, the most obvious and important explanation of the sharp decline in the effectiveness of US sanctions is the relative decline of the US position in the world economy. However, the evidence from the cases suggests three other contributing causes. First, although the United States typically took smaller bites in the 1970s and 1980s, it did not always finish what it started. Although détente allowed cases involving modest goals to multiply, concerns about Soviet influence or strategic position still claimed first priority in the strategic planning of the US government and frequently undermined the pursuit of less central goals. For example, the United States has been reluctant to enforce sanctions vigorously against El Salvador, Guatemala, and others for fear of weakening these regimes and allowing leftist rebel victories, which would benefit the Soviet Union. It also backed off on sanctions against Pakistan's nuclear program following the Soviet invasion of Afghanistan.

There may also be a misclassification problem, which would help to explain the anomaly noted above of sanctions becoming less effective in achieving modest goals, but more effective in pursuit of major goals. Although the goals in several more recent cases may have been modest from the perspective of the United States—and indeed seemed so to us, relative to the surrender of territory or threats to sovereignty and independence—they were often of central importance to targeted regimes whose leaders believed that their survival depended on stifling domestic political opposition or keeping up with a regional rival thought to be pursuing a nuclear weapons option. To military leaders in Argentina, Brazil, El Salvador, Pakistan, and elsewhere it seemed better to forgo continued US economic or military assistance, or imports of nuclear technology from the United States—and to seek alternative suppliers—than to risk losing power and possibly their lives. However, reclassifying the human rights and nuclear proliferation cases under the "other major goal" heading only reshuffles success rates by goal—reducing it for major goals and raising it slightly for modest goals. It does not affect the overall conclusion.

A second and related trend is the growing assertiveness of Congress in foreign policy in the past 15 years. The Hickenlooper amendment to the Foreign Assistance Act of 1962 (originally sponsored by Senator Bourke B.

Hickenlooper [R–IA]), which prompted executive branch action in many of the expropriation disputes of the 1960s, was a rare example of congressionally mandated economic sanctions in the early postwar period. In the 1970s, however, Congress increasingly forced the president's hand and constrained his discretion in various foreign policy situations by passing legislation requiring the use of economic sanctions. The confused signals sent by administrations that were forced to implement legislatively mandated sanctions may have led target countries to believe, often correctly, that the sanctions would not be sustained.

Finally, whereas financial measures were part of the sanctions package in more than 90 percent of episodes prior to 1973, they were present in only two-thirds of the cases after that. In the antiterrorism and nuclear nonproliferation cases, denial of key hardware was typically as important as inducing a change in policy, and so selective export controls were the tool of choice. Because alternative suppliers of the sanctioned goods were usually available, both goals proved elusive.

The type of financial sanction used most frequently also changed. Economic aid was the dominant choice in the earlier period, whereas military assistance was prominent in the later period, especially in the human rights cases, where military governments were often the target. Again, in some cases alternative sources of arms and financial assistance were available. Even more important, however, these governments perceived internal dissent to be a greater threat to their longevity than US enmity and sanctions.

Sanctions After the Cold War

The inevitable decline of American postwar hegemony has substantially reduced the utility of unilateral US economic sanctions. Moreover, the US experience and increasing global economic interdependence have convinced most other countries—never as enamored of sanctions as the United States—that the use of economic leverage for foreign policy ends was largely anachronistic. The end of the Cold War raises two questions for the future of sanctions: Can the utility of unilateral US sanctions be restored? And does the UN embargo of Iraq presage a new approach to international diplomacy, with multilateral sanctions playing an important role?

The decline in superpower rivalry, combined with severe economic problems at home, means that the Soviet Union is far less likely to play the black knight to countries seeking assistance to offset the impact of US sanctions. Although Libya and occasionally sympathetic neighbors (South Africa for Rhodesia and Saudi Arabia for Pakistan) have played this role, the resources and commitment of potential new black knights are certain to pale beside those of the Soviet Union at the height of the Cold War.

However, even if black knights are fewer in the 1990s, the scope for unilateral US action will continue to diminish. Changes in the international economy in recent decades have reduced the number of targets likely to succumb to unilateral economic coercion, even if black knights go the way of dragons. Many potential targets have developed strong and diversified economies that will never again be as vulnerable as they once were. And even relatively weak economies are less vulnerable today as a result of the growth in world trade and the rapid dispersion of technology, which mean that most US exports can be replaced at little cost and alternatives even to the large US import market can usually be found.

Does this mean that the second commandment, regarding international cooperation, should be dropped? We think not, for two reasons. First, ambitious goals will still be more difficult to achieve than modest ones, regardless of the degree of cooperation. Second, Iraq notwithstanding, multilateral cooperation is likely to be as difficult to achieve in the future as it has been in the past.

For many, the embargo of Iraq has provided a vision of a post–Cold War world in which the United Nations, without the superpower rivalries that have hamstrung it in the past, would finally play the dispute-settlement role originally intended for it. Success in the Middle East could revive enthusiasm for Woodrow Wilson's vision of sanctions as an alternative to war, but that enthusiasm is likely to be short-lived for two reasons.

First, economic sanctions seldom if ever achieve the sort of outright victory that military action can, although they may achieve a compromise solution that is preferable to war. The UN embargo may succeed in getting Iraqi troops out of Kuwait, but it probably will not be sufficient to rid the world of Saddam Hussein or his military might.

Although the end of the Cold War opened the door for an unprecedented degree of international cooperation against Iraq, the real source of that near unanimity was the threat to global prosperity and political stability posed by Hussein's aggression. Had the invasion of Kuwait not placed Hussein in a position to control the second-largest oil reserves in the world, with his million-man army poised on the Saudi Arabian border, it is unlikely that the world would have united in condemning him. Even with the stakes so high, China was a reluctant participant in many of the UN actions against Iraq. China might well have blocked some or all of those actions, using its veto in the UN Security Council, if not for its desire to rehabilitate its own international image and see the sanctions imposed after the Tiananmen Square massacre lifted. Since, few situations pose the global risks of Iraq's invasion of Kuwait, the degree of cooperation achieved in this case is unlikely to be repeated.

A more relevant case study for the post–Cold War world may be South Africa. There, despite 30 years of UN and various bilateral sanctions, a peaceful end to apartheid remains a dream, though a less distant one than in the early to mid-1980s. The five permanent members of the UN Security Council, as well as virtually all the members of the General Assembly, are united in their abhorrence of apartheid, but they differ widely on how to end it. For 15 years after the Sharpeville massacre, the United Nations could manage no more than to call on its members to voluntarily restrict arms sales to South Africa. Nearly 15 years and thousands of lives farther down the road, the arms embargo (mandatory since 1977) is still the only UN sanction in place.

Over the years, political and economic concerns other than ending apartheid have frequently dominated policy toward South Africa in important sender countries. In the 1980s, public campaigns against apartheid intensified in the United States, Europe, and elsewhere in response to increasing repression and violence in South Africa, but still sanctions were imposed reluctantly and selectively.

While condemning apartheid in the 1960s and 1970s, the United States soft-pedaled sanctions because of fears that the result would be increased Soviet influence in a region considered strategic. In the 1980s, even after the easing of Cold War tensions, the Reagan administration worried that South Africa would retaliate against sanctions by restricting the export of certain strategic minerals and metals for which the only alternative source was the Soviet Union. Congress eventually passed the Comprehensive Anti-Apartheid Act over a presidential veto in 1986, but even that legislation imposed only partial sanctions. Moreover, the choice of sanctions appeared to reflect commercial as well as foreign policy goals. Only US exports of petroleum products and weapons and munitions were barred, while US imports of such domestically sensitive import-competing products as textiles and apparel, iron and steel, and agricultural products were banned.

Sanctions against South Africa by most of Europe (outside of Scandinavia) and Japan have been even less resolute, as these countries have allowed economic interests to dominate their policy in this area. The United Kingdom has substantial investments in and trade with South Africa, and Prime Minister Margaret Thatcher, who appears to have a genuine ideological aversion to the use of economic sanctions, blocked significant measures by either the European Community or the Commonwealth, and led the fight for lifting sanctions after President Frederick W. de Klerk released Nelson Mandela from prison.

Because the screws were tightened slowly and only part of the way, we estimate that the post-1985 sanctions against South Africa cost it less than 1 percent of GNP. Moreover, the "sanctions" that appear to have had the greatest impact in this period—the freeze on new lending to and substantial capital outflows from South Africa—were imposed by skittish financial institutions, not by governments. Thus, even if a peaceful resolution is eventually achieved in South Africa, it seems likely at the end of 1990 that government-imposed economic sanctions will have played no more than a modest role in the outcome.

Do's and Don'ts

The end of the Cold War removes one significant obstacle to the use of economic sanctions as a tool of international diplomacy. However, it will not erase all the economic and political interests that divide countries, or even different governments within the same country over time. Nor does it make difficult objectives easy, or strong and stable targets more susceptible to economic pressure. This does not mean that the United Nations should eschew sanctions, but only that effective multilateral sanctions are likely to remain rare events.

The problems for individual sender countries are even more difficult. One byproduct of the evolution of the world economy since World War II has been a narrowing of the circumstances in which unilateral economic leverage may be effectively applied. Success increasingly depends on the subtlety, skill, and creativity with which sanctions are imposed—a test the United States has frequently failed. Still, the United States and others are unlikely to forgo attempts at economic coercion entirely. Bearing that in mind, we present our short list of "do's and don'ts" for the architects of a sanctions policy designed to change the policies of the target country:

(1) Don't bite off more than you can chew.

(2) Don't exaggerate the importance of international cooperation with your policies—it may not be necessary in small episodes—but don't underestimate the role of international assistance to your target.

(3) Do pick on the weak and helpless.

(4) Do pick on allies and trading partners, but remember, good friends are hard to come by and sad to lose.

(5) Do impose the maximum cost on your target, but. . .

(6) Don't pay too high a price for sanctions yourself.

(7) Do apply sanctions decisively and with resolution, but. . .

(8) Don't expect sanctions to work right away, and don't jump to covert maneuvers or military action too soon.

(9) Do plan carefully: economic sanctions may worsen a bad situation.

"FOREWARNED IS FOREARMED."

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Appendix A

Estimating the Cost of Sanctions: Methodology

This appendix sets forth the basic analytical model we have used to guide our efforts to estimate the costs of sanctions to both target and sender countries. The following discussion focuses solely on the costs imposed on the target country, but parallel analysis also is relevant for the calculation of the welfare costs to the sender country.

Figure B.1 shows supply and demand curves for a hypothetical good or service (e.g., bank credit) exported from the sender country to the target country. The presanction equilibrium price P_1 and quantity Q_1 are shown by the intersection of the supply and demand schedules at point e_1. In the first instance, the sender and its allies deprive the target country of supplies of the good or service in the amount dQ. Since the sender country and its allies are ordinarily not the only suppliers of the good or service, overall supply availability does not decline by the full amount dQ. Instead, the supply curve facing the target country shifts from S_1 to S_2. This horizontal shift corresponds to the removal of the amount dQ from the pool of supplies available to the target country. Other suppliers, responding to the abandoned market and potentially higher prices, provide an additional quantity indicated by x to the target country. As a result, the net quantity supplied to the target country declines by the amount y. The postsanction equilibrium of price and quantity is at point e_2, and the postsanction price is P_2, which is higher than the initial price P_1 by the amount dP.

How much does the target country lose from this sequence of events? The answer to that question depends on the loss in consumer surplus, that is, the reduction in the gains that purchasers enjoy from engaging in market transactions. Consumer surplus is measured by the difference between the total amount actually paid for the quantity consumed (price times quantity) and the total amount that consumers would pay if the market could be segregated and each consumer were charged the maximum price he is willing to pay. Note that the concept of consumer surplus applies with equal force to spare parts, capital goods, and food. It therefore might better be called "purchaser surplus" than consumer surplus.

In figure B.1, the level of consumer surplus before the imposition of sanctions is shown by the triangular area bounded by P_1, P_3, and e_1. When sanctions are imposed, shifting the supply curve from S_1 to S_2, the trapezoidal area bounded by P_1, P_2, e_1, and e_2 is subtracted from the previous level of consumer surplus. This loss to consumers represents the cost that export sanctions impose on the target country. By inspection, it is intuitively obvious

that the steeper the slope of the demand curve in the neighborhood of the initial equilibrium price (i.e., the more "essential" the item to the target country and the smaller the range of substitute products), and the steeper the slope of the supply curve (i.e., the smaller the range of available alternatives), the greater will be the deprivation experienced by the target country.

The loss of consumer surplus is customarily referred to as a "welfare loss." The area of the trapezoid representing lost consumer surplus approximately equals the rectangle denoted by Q_1dP. Hence, as a first approximation, we may write:

(1) Q_1dP = welfare loss

With the use of some algebra, the change in price dP can be expressed in terms of the elasticity of supply E_s and the elasticity of demand E_d. The elasticity of supply is defined as the ratio between the percentage change in quantity supplied, to a rough approximation denoted as x/Q_1, and the percentage change in price, denoted as dP/P_1. Similarly, the elasticity of demand is defined as the ratio of the percentage change in quantity demanded, denoted as y/Q_1, and the percentage change in price, denoted as dP/P_1. These elasticities can be represented by the following equations:

(2) $(x/Q_1)/(dP/P_1) = E_s$.

(3) $(y/Q_1)/(dP/P_1) = E_d$.

As noted earlier, supply and demand curves that are more steeply sloped in the neighborhood of the initial equilibrium price are characterized by smaller elasticities of supply and demand.

We may note further that:

(4) $x + y = dQ$.

We thus have three equations, (2), (3), and (4), and three unknowns, x, y, and dP. By solving these three equations algebraically it can be shown that:

(5) $dP = [P_1dQ]/[(E_d + E_s)(Q_1)]$.

Substituting this expression for dP in equation (1), we obtain the following result:

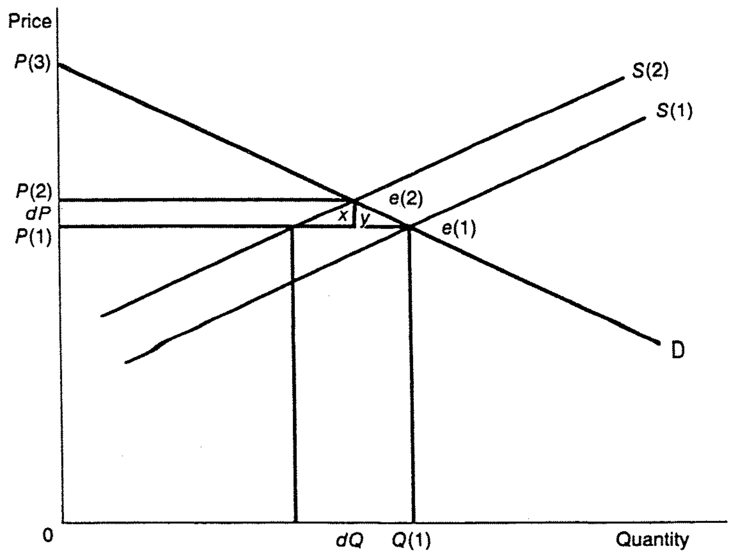
(6) $P_1dQ/(Ed + Es)$ = welfare loss.

In equation (6), P_1dQ represents the face value of the reduction in supply from the sender and its allies, before the price paid by the target country rises and other suppliers partly fill the gap.

To summarize, in this simple construct, the welfare loss inflicted on the target country depends on the size of the initial deprivation, the elasticity of supply, and the elasticity of demand. Table B.1 gives some hypothetical values of demand and supply elasticities and the resulting values of the expression $1/(Es + Ed)$. This expression may be thought of as the "sanctions multiplier": the coefficient applied to the initial deprivation of supplies experienced by the target country in order to calculate the welfare loss.

By a similar analysis, it can be shown that equation (6) also describes the welfare loss imposed when the sender country closes its markets and the target country initially loses sales in the amount dQ. In this case, however, the welfare loss represents a reduction in producer surplus, not consumer surplus. That is to say, the welfare loss represents a burden on the producers in the target country—a deduction of part of the difference between the market price they actually receive for the product and the price they would receive if the market could be segregated and each producer were paid the lowest price he would be willing to accept.

Figure B.1 Illustration of welfare loss from the imposition of export sanctions



In order to calculate the cost of each sanctions episode to the target country, we first estimate the initial deprivation of markets or supplies, expressed on an annualized basis in current US dollars. We then use our own judgment to estimate the "sanctions multiplier" that should be applied in the particular episode. As a general proposition, we have tried to err on the side of overestimating the appropriate "sanctions multiplier." To illustrate, we apply a multiplier of near 1.00 to most reductions in aid, and a multiplier between 0.10 and 0.50 to most reductions in the supply or demand for goods. In a war context, we may apply a multiplier as high as 2.00. The estimates are generous because, in most contexts, the combined supply and demand elasticities would ordinarily exceed 5.0, simply because the target country is likely to be a small factor in world markets. A combined elasticity greater than 5 would correspond to a sanctions multiplier of less than 0.2.

Appendix B

Selected Case Histories

CASE 74–1

US v. Turkey

(1974–78: Cyprus)

Chronology of Key Events

June 1964	President Lyndon B. Johnson warns Turkish Prime Minister Ismet Inonu that Turkey is not permitted to use US military equipment against Cyprus. (Karaosmanoglu 158)
15 July 1974	With collaboration from Greek military government, coup overthrows government of Archbishop Makarios in Cyprus. (Legg 108–09)
20 July 1974	Turkish troops invade northern part of Cyprus, justifying intervention under 1960 treaty with Cyprus. (Legg 108–09)
22 July 1974	Cease-fire reached between Greek, Turkish troops on Cyprus. Greek military government collapses next day; former Prime Minister Constantine Karamanlis heads new civilian government. (Legg 108–09)
8 August 1974	President Richard M. Nixon resigns. (Legg 108–09)
14 August 1974	Turks occupy nearly 40 percent of Cyprus. Congressman John D. Brademas (D-IN) proposes ban on military assistance to Turkey. (Legg 108–09)
September–October 1974	US Congress decisively votes to cut off military aid to Turkey. President Gerald R. Ford vetoes two cutoff bills but ultimately consents to postponing aid cutoff until 10 December 1974. (Legg 108–09)
31 December 1974	Ford signs military, economic assistance bill that defers aid cutoff until 5 February 1975. (Legg 108–09)
Early February 1975	Immediately before cutoff date, Defense Department announces plan to sell $230 million worth of tank equipment to Turkey. (Legg 120)
5 February 1975	US Secretary of State Henry A. Kissinger tries to broker concessions from Turkey in exchange for congressional relaxation of embargo; Congress refuses to play. Embargo on military aid to Turkey goes into effect. (Legg 108–09, 120)
May 1975	US Senate votes to resume all military aid to Turkey after American military activity there is limited by Turkish government. (Legg 121)
August 1975	US House votes to permit sale to Turkey of military goods already contracted for under aid program plus new outright purchases, but continues prohibition on new military grants. (Legg 121)
Early 1976	Ford administration unveils new US–Turkey joint defense program calling for $1 billion in grants over four years, reopening of 26 US bases; administration simultaneously discusses bases with Greece. (Legg 121)
September 1976	Ford administration announces plan to sell $125 million in military equipment to Turkey; because of embargo on use of credit under Foreign Military Sales program, administration encourages Turkey to buy direct from military suppliers. (Legg 122)
January 1977	Administration of President Jimmy Carter abandons attempt to enact bases agreement, instead obtains legislation imposing $175 million ceiling on FY 1978 arms sales to Turkey. (Legg 122)
2 April 1978	Carter, reversing previous position, makes repeal of military aid restrictions "highest foreign policy" priority. (Legg 108–09, 122)
July–August 1978	Congress repeals military aid restrictions. (Legg 123)
27 September 1978	Pursuant to legislation, Carter certifies Turkey is acting in good faith to resolve Cyprus question; Turkey agrees to reopen four bases used for intelligence operations; Carter lifts restrictions on arms aid to Turkey. (Legg 123)

Goals of Sender Country

Fall 1974

Pro-Greek members of Congress introduce, finally win passage of legislation limiting US military assistance to Turkey as means of persuading Turkey to reach agreement on Cyprus. Contemplated agreement would entail some withdrawal of Turkish troops from occupied territory. (Legg 119–20)

Response of Target Country

February–March 1975

Turkey limits US military activity within its borders; many of 26 US bases in Turkey are closed. (Legg 121)

1976

Under Turkish prodding, Ford administration proposes new joint defense agreement coupled with $1 billion in grants. (Legg 121)

1977

Turkish government pressures Carter administration to win congressional approval of new bases agreement; opens contacts with USSR, Arab countries; circulates rumors of possible withdrawal from NATO; requests departure of US troops. (Legg 122)

Late 1978

Following repeal of embargo, Turkey allows US to reopen four intelligence bases. (Legg 123)

Attitude of Other Countries

Western Europe

Throughout embargo, Turkey obtains military goods from Italy, West Germany, NATO maintenance and supply agency. (Legg 123)

Economic Impact

Observed Economic Statistics

Turkish military budget increases in constant dollars from $1,270 million (1974) to $1,640 million (1975) to $2,230 million (1976). (Legg 131)

Turkey: arms imports and US military aid, 1970–78 (millions of dollars)

Year	Arms imports	US military aid
1970	n.a.	181.6
1971	n.a.	214.4
1972	n.a.	223.2
1973	n.a.	245.1
1974	232	190.8
1975	238	109.1
1976	291	250.0[a]
1977	140	
1978	220	175.4

n.a. = not available.

a. Total for 1976 and 1977.

Sources: Arms Control and Disarmament Agency, Legg 131.

Calculated Economic Impact (annual cost to target country)

Reduction in US military aid from FY 1975 to 1978; welfare loss estimated at 90 percent of reduced transfers from earlier aid levels.	$69 million
Increased cost of non–US military purchases to cover reduction in sales of US military equipment; welfare loss estimated at 10 percent of reduced trade in 1975–78.	8 million
Total	$77 million

Relative Magnitudes

Gross indicators of Turkish economy	
Turkish GNP (1975)	$37.1 billion
Turkish population (1975)	40.0 million
Annual effect of sanctions related to gross indicators	
Percentage of GNP	0.2
Per capita	$1.92
Turkish trade with US as percentage of total trade	
Exports (1975)	11
Imports (1975)	13
Ratio of US GNP (1975: $1,549.2 billion) to Turkish GNP	42

Assessment

Keith Legg

"Clearly, the embargo had not induced Turkish concessions on Cyprus, nor had it facilitated direct Greek-Turkish dialogue on other outstanding issues. From the first, spokesmen for the executive branch maintained that the embargo would not be effective in pushing the Turks toward concessions on Cyprus. This was eventually viewed, especially by pro-Greek congressmen, as a self-fulfilling prophecy." (Legg 121, 123)

"The real effect of the embargo . . . was to prevent an alteration of the balance of forces in the Aegean Sea." (Legg 124)

Ali S. Karaosmanoglu

"The embargo also did great harm to Turkey's armed forces. Turkey's arms imports dropped steeply, and by the late 1970s it was unable to import the minimum of its arms needs. The Turkish armed forces are today [1983] still in an equipment crisis, with much weaponry out of date or deteriorating." (Karaosmanoglu 158)

Authors' Summary

Overall assessment

☐ Policy result, scaled from 1 (failed) to 4 (success)	1
☐ Sanctions contribution, scaled from 1 (none) to 4 (significant)	1
☐ Success score (policy result *times* sanctions contribution), scaled from 1 (outright failure) to 16 (significant success)	1

Political and economic variables

☐ Companion policies: J (covert), Q (quasi-military), or R (regular military)	—
☐ International cooperation with sender, scaled from 1 (none) to 4 (significant)	1
☐ International assistance to target: A (if present)	—
☐ Sanctions period (years)	4
☐ Economic health and political stability of target, scaled from 1 (distressed) to 3 (strong)	2
☐ Presanction relations between sender and target, scaled from 1 (antagonistic) to 3 (cordial)	3

- ☐ Type of sanction: X (export), M (import), F (financial) F
- ☐ Cost to sender, scaled from 1 (net gain) to 4 (major loss) 1

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CASE 74–2

Canada v. India

(1974–76: Nuclear Explosion)

Chronology of Key Events

18 May 1974 India explodes underground nuclear device, claiming peaceful purposes. *(New York Times,* 19 May 1974, A1)

22 May 1974 Canadian External Affairs Minister Mitchell Sharp announces suspension of nuclear cooperation with India, says suspension of all other nonfood aid is under consideration. "What concerns us about this matter is that the Indians, notwithstanding their great economic difficulties, should have devoted . . . hundreds of millions of dollars to the creation of a nuclear device for a nuclear explosion." Canada calls on other nations to assess "the broad international implications" of India's explosion. *(Asian Recorder* 12035; *Canadian News Facts* 1207)

August 1974–January 1975 Meetings in Ottawa, New Delhi lead to Canadian admission that Canadian-Indian nuclear agreement has not been broken technically, but Canadians insist spirit of agreement has been violated. No understanding is reached on resumption of nuclear cooperation. *(New York Times,* 3 August 1974, A4; *Canadian News Facts* 1323)

18 May 1976 After further negotiations, Canadian External Affairs Minister Allan McEachen announces permanent suspension of nuclear cooperation with India: "We are involved in giving food and agricultural aid to India and this is likely to continue. But the nuclear side of our relationship is finished. India's detonation of a nuclear explosive device in 1974 made it evident that Canada and India have taken profoundly different views of what should be encompassed in the peaceful application of nuclear energy by nonnuclear weapon states. . . . [The Canadian government] has decided that it would agree to make new nuclear shipments only on an undertaking by India that Canadian supplies, whether of technology, nuclear equipment or materials, whether past or future shall not be used for the manufacture of a nuclear device. . . . In the present case, this undertaking would require that all nuclear facilities in India using Canadian technology would be safeguarded. . . . The decision reached by the Government relating to