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# Analyzing the Utility of Sanctions

While some observers continue to argue that "sanctions never work," we agree with most scholars that the key question is when, not whether, sanctions work. What types of goals are relatively more likely to be advanced with economic sanctions? Which targets are most vulnerable? How should sanctions be imposed to maximize effectiveness? In this chapter we describe the framework we use to address these questions, as well as the explanatory variables we include in that framework. First, however, we summarize the key parameters that define a sanctions episode and its outcome.

## Anatomy of a Sanctions Episode

Analysts of sanctions vary widely on how they define the relevant actors and on what specific tools may be counted as economic sanctions. In addition, a sanctions *episode* has a time dimension that must be defined. Finally, any assessment of the utility of economic sanctions depends critically on the standard against which it is judged. We offer our definitions here.

### 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 1A.1. Our case summaries concentrate on the motives and actions of the sender country (or organization), 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 World War II sanctions directed against Germany and Japan (Case 39-1). Other examples may be found in cases where the sender seeks to settle a border dispute between two or more parties, as when the League of Nations imposed sanctions against Bolivia and Paraguay during the Chaco War of the 1930s.

The lessons of a sanctions episode can also (and importantly) be intended to deter the leaders of other countries who might be contemplating objectionable policies similar to those of the target—for example, engaging in terrorism, undertaking a nuclear or biological weapons program, or embarking on a military adventure. However, our analysis concentrates on the response of the immediate targets. We do not underestimate the exemplary power of forceful action, but it is inherently difficult to know when a good thrashing of one wrongdoer deters bystanders from committing similar misdeeds.[1]

Finally, domestic constituencies may be a "target," to the extent that a president or prime minister uses sanctions to respond to political demands to "do something." Domestic motivations for imposing economic sanctions are discussed further in the section below on foreign policy goals. But domestic constituencies are clearly not the intended target of the economic impact of sanctions, though affected businesses often complain bitterly about the costs they must bear. Thus, in terms of targets, we limit our analysis to the impact on and responses of the country against which sanctions are imposed.

## Types of Economic Sanctions

A sender country tries to inflict costs on its target in three main ways: by limiting exports, by restricting imports, or by impeding the flow of fi-

1. In a recent study, Ioana Petrescu (2007), using a probit model to analyze our dataset, has estimated that economic sanctions, imposed on one of the parties in an episode involving militarized conflict, diminished the likelihood that the targeted actor, or another actor in the same geographic vicinity or with similar military capabilities, would participate in a different military conflict within the next five years by between 9 and 12 percent. This study appears to be the first quantitative study of the deterrence hypothesis.

nance (commercial finance, World Bank and International Monetary Fund credits, and bilateral aid), including by freezing or seizing target-country assets within the sender's control. Most of the cases we have studied involve some combination of trade and financial sanctions. Though still relatively rare, asset freezes and travel bans targeted at individuals responsible for undesirable behavior are gaining popularity with senders who want to avoid injury to ordinary citizens, who have little say in a target country's policies.

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 Soviet Union's embargo on Lithuania in the wake of Lithuania's declaration of independence (Case 90-5). 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 Soviet diplomat who had defected (Case 54-1). Several decades later, China froze imports from France in protest over French arms sales to Taiwan (Case 92-10).

Why have import controls been used less often? An important reason appears to be that the United States, which has been the primary user of sanctions since World War II, has only limited legal authority to impose import controls for foreign policy reasons. Under current legislation, the US president 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 of 1977 (IEEPA). 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 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 Cuba (Case 60-3), Iran in 1979–80 (Case 79-1), and 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 were soon replaced with comprehensive trade and financial sanctions using authority under IEEPA. In

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).

fact, in contrast to some of the literature predicting that policymakers will use sanctions to satisfy protectionist economic interests, import sanctions have rarely been used in this way.[3] The congressionally imposed sanctions against South Africa (Case 85-1), which were passed over a presidential veto in 1985, are the exception, targeting bans on the import of South African coal, iron and steel, textiles and apparel, and agricultural products but not reaching gold, uranium, platinum, chromium, and other exotic minerals.[4] Following the more normal pattern when import controls are used at all, Presidents Ronald Reagan and George H. W. Bush invoked IEEPA to impose comprehensive embargoes against Nicaragua in 1985 (Case 81-1) and Iraq in 1990 (Case 90-1).

Target countries are often hit with the interruption of foreign assistance or other official finance and less often with restrictions on private lending or investment. Financial sanctions were used alone or in combination with trade controls in 153 of our 204 observations. When a poor country is the target and economic or military aid is the tool, the funds withheld are often irreplaceable. 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 helping to improve the human rights situation in Brazil (Case 77-7) but failing to move Turkey out of Cyprus (Case 74-1).

Senders might expect financial sanctions to be more effective than trade sanctions for several reasons (Elliott 2002). First, financial sanctions should be relatively easier than trade sanctions to enforce because governments and international financial institutions are important providers or guarantors of financial flows, especially with respect to poorer developing countries, and because private financial markets tend to be relatively more regulated than goods markets. Also, a smaller number of larger players are likely to be involved in international finance than in international trade, which means financial activities are more easily monitored and penalties for violations of government policy more readily levied.

Complementing stronger enforcement on the sanctioner's side, defensive strategies aimed at evading financial sanctions may be more difficult and more expensive than smuggling or stockpiling to evade trade sanctions. Development assistance or military aid, on soft terms, for example,

3. In their article, William Kaempfer and Anton Lowenberg (1988) argued that sanctions are likely to restrict imports from the target country more than exports to the target since producers are a more cohesive and politically effective interest group.

4. 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. 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, Barry Carter (1988) stresses the anomaly of narrow authority for import controls.

may be irreplaceable unless a "black knight" is ready and willing to provide offsetting assistance. Black knights were a significant factor in undermining US sanctions in a number of cases during the Cold War, most notably Cuba, but they are less likely to be a factor today. Defensive strategies for dealing with private-sector financial sanctions may also be difficult or expensive to invoke. For example, a moratorium on debt servicing or, more seriously, debt repudiation could impede the target's access to international credit long after sanctions are lifted. It is also difficult for the regime, or elites close to it, to reap illicit gains from evading financial sanctions, but profitable evasion often occurs via smuggling in the face of trade sanctions.

Market forces may also reinforce rather than undermine the effects of financial sanctions, but the contrary usually happens with trade sanctions. Under a sanction that bars exports to the target, for example, the induced scarcity leads to price increases that, in turn, encourage smugglers to evade the sanctions. To be sure, there is a risk of being caught and punished, but that risk is often small. By contrast, bankers or investors risk not only legal redress but also losing their capital. Financiers typically are repaid or reap their gains over time and thus tend to be more risk averse than goods traders, who can demand payment up front. Risk aversion also raises the possibility of "privately enforced" financial sanctions, when political instability or the effects of other sanctions raise the perception of risk so that lenders and investors shun the target even in the absence of formal government sanctions. This appears to have happened in South Africa in the mid-1980s.

Finally, in modern market economies, most trade and other economic activities depend on access to finance. Though barter is still used to some degree among cash-poor countries, significant restrictions on financial flows are likely to impede trade flows while avoiding the difficulties involved in enforcing trade sanctions. Similarly, a ban on imports from the target country may be thought of as a form of financial sanction since it deprives the target of hard currency and thus may have follow-on effects on the target's ability to buy foreign goods even in the absence of formal export sanctions. For example, in the Iraq case (90-1), it would have mattered little if sanctions on exports to Iraq were lifted as long as the oil boycott was maintained because Iraq had few other resources with which to buy goods. Similarly, the UN-mandated boycott of Angolan diamonds not certified by the Angolan government was intended to deny financial resources to the National Union for the Total Independence of Angola (UNITA) rebels.

Thus, financial sanctions offer the potential for greater effectiveness as a foreign policy tool because they are relatively easier to enforce, harder to evade, and may spur market-reinforcing effects. But this analysis does not suggest financial sanctions will necessarily be more humane or more likely to affect elites. The question, then, is whether financial sanctions can be targeted in a way that both retains their relative utility and reduces the collateral damage.

One form of targeted financial sanction that has become popular in recent years is a freeze of a target country's—or individual leader's—foreign assets (e.g., bank accounts held in the sender country). Traditionally this weapon was used in cases involving military conflict or episodes entailing a high degree of hostility. When used against a government's assets, a freeze not only stops financial flows but also can impede trade. The US freeze of Iranian assets in late 1979 played an important 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. Another key goal of an asset 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), as well as in the 1990 Gulf crisis when the United States and its allies froze Kuwait's assets to prevent Saddam Hussein from plundering them.

More recently, asset freezes targeted at rogue leaders have been used in cases where senders wanted to avoid hurting innocent civilians. But US freezes of Panamanian and Haitian assets failed to destabilize either the Manuel Noriega or the Raul Cédras regime. In recent years, the United States has tried to use asset freezes to weaken drug cartels (especially the Cali cartel in Colombia) and terrorist groups (notably Osama bin Laden and other al Qaeda operatives).

## Duration of Sanctions

The life of a sanctions episode is seldom defined with the precision of 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 the Salvador Allende government in Chile in 1970 and against the Anastasio Somoza regime in 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 in the Suez episode of 1956 (Case 56-3) or in the case of US and Dutch sanctions against Indonesia over East Timor (Case 91-4). In many cases, the ending may be misty rather than sharp, as in the Soviet campaigns against Albania and China, or US sanctions against Vietnam, which have gradually yielded to normal commercial relations.

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, whether or not the threat or sanction was made public at the time. 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), even though a more exact chronology would measure 34 months.

## Foreign Policy Success of an Episode

The foreign policy "success" of an economic sanctions episode—as viewed from the perspective of the sender country—has two parts: the extent to which the policy *result* sought by the sender country was in fact achieved and the *contribution* to success made by sanctions (as opposed to other factors such as military action or the mere lapse of time). Policy outcomes are judged against the sender's foreign policy goals. Our conclusions regarding both the achievement of the foreign policy goals and the contribution of sanctions to the outcome are heavily influenced by the qualitative conclusions reached by previous scholars of individual episodes (summarized in the case studies). 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 drawing on the views of other analysts, we believe we have minimized the bias resulting from our personal views. This method of assessment works better, of course, when two or more scholars have examined the case. Fortunately, several have studied the major cases.

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 Yugoslavia's Marshal Tito in the period 1948–55 (Case 48-4) and by the Indian nuclear tests in the face of threatened US sanctions (Case 98-1).
2. *Unclear but possibly positive outcome:* illustrated by US and Saudi efforts to get Jordan to reduce its support for Iraq during the run-up to the first Gulf War.
3. *Positive outcome, meaning the sender's goals were partly realized:* illustrated by US efforts to promote a return to democracy in several Latin American countries in the 1970s and by UN efforts to halt ethnic cleansing and civil conflict in the Balkans (Case 91-1).

4. *Successful outcome, in the sense that the sender's goals were largely or entirely realized:* 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), by the end of the apartheid era in South Africa (Case 85-1), and by the removal of General Raul Cédras from power in Haiti (Case 91-5).

### *Sanctions Contribution*

1. *Negative contribution*: illustrated by the US/UN campaign against the Cédras regime in Haiti (Case 91-5), which triggered an outflow of desperate migrants trying to escape the impact of sanctions and find work in the United States.
2. *Little or no contribution*: illustrated by the Soviet withdrawal of assistance from China in the 1960s (Case 60-2) and by US suspension of economic and military aid to Thailand in the wake of the 1991 coup (Case 91-3).
3. *Substantial contribution*: illustrated by the withdrawal of Dutch economic aid to Suriname between 1982 and 1988 (Case 82-2) and by US-UN sanctions against South Africa over apartheid (Case 85-1).
4. *Decisive contribution*: illustrated by the US success in deterring a coup in Guatemala in 1993 (Case 93-2).

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 require that the target country was vanquished by the denial of economic contacts or even that the sanctions determined the outcome. Success is defined against more modest standards. A score of 9 means that sanctions made a substantial contribution to the sender's goals and that the goals were in part realized; a score of 16 means that sanctions made a decisive 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 been left worse off, in foreign policy terms, than before sanctions were imposed.

## Framework for Analysis

Stripped to the bare bones, the formula for a successful sanctions effort is simple: The costs of defiance borne by the target must be greater than its perceived costs of compliance. That is, the political and economic costs to the target from sanctions must be greater than the political and security costs of complying with the sender's demands. The difficulty lies in accurately predicting both the magnitude of those costs *and* how the target will perceive and weigh them.

**Figure 2.1 Expected outcomes, depending on relative motivation and sender leverage**

| Relative intensity of interest | Relative size and sender leverage | | |
|---|---|---|---|
| | **T > S** | **T = S** | **T < S** |
| **T > S** | Failure | Failure | Success possible but not likely |
| **T = S** | Failure | Indeterminate | Success possible but depends on goal, with modest goals being more achievable than ambitious goals |
| **T < S** | Success possible but not likely | Success possible | Success |

S = sender
T = target

The potential leverage that the sender has over the target provides the obvious starting point. If trade and financial flows between sender and target are minimal, then the odds of a successful sanction are low, unless the goal is an extremely modest one. But, as will become obvious in later chapters, potential leverage is not sufficient. If the sender is not strongly interested in achieving the target's compliance, or if the sender government is satisfied with mollifying domestic political demands to "do something," then whatever potential leverage exists may not be fully deployed or used effectively.

Figure 2.1 summarizes what the sender might expect from sanctions, depending on various combinations of relative motivation and the sender's size and leverage, compared with the target. If the target is larger and has more leverage than the sender, in terms of trade and financial flows, then a successful sanction is unlikely unless the sender cares far more intensely about what is at stake than does the target. By contrast, the odds for a successful outcome are higher if the sender is larger and has extensive leverage over the target but still not guaranteed if the perceived costs of compliance for the target are high. In this situation, the outcome will depend on how highly the target values what the sender is asking it to give up.

Measuring the costs of defiance obviously begins with the estimated direct costs of the sanctions, in terms of lost trade or finance. These costs can be increased if the sender is able to attract international cooperation in its sanctioning efforts, and the political costs can be amplified if the sanctions are endorsed by an international organization that is viewed as legitimate. The impact of the sanctions may be intensified if economic conditions in the target are weak; conversely, they can be mitigated if the target government is able to evade them or if it elicits offsetting assistance from a rival of the sender. The sender can also raise the costs of defiance by threatening or actually escalating to the use of military force. Finally, whether the pain of sanctions produces the desired change also depends on whether that pain produces a rally-round-the-flag effect that strengthens the government or leads to political dissatisfaction that weakens the target's ability to resist.

The nature of the sender's goals and the target regime primarily determine the costs of compliance. Sender demands that threaten national security or internal regime stability are obviously ambitious; in many cases, it is simply impossible to make sanctions costly enough to gain the target's acquiescence. For example, autocrats, such as Saddam Hussein, have little incentive to comply when the demand is for democratization or other regime change that means sacrificing the regime's primary source of wealth and the leader's physical safety. In such cases, economic sanctions can contribute to a successful outcome only if they change incentives or capabilities within the country so that more acceptable leaders can win power.

## Foreign Policy Goals

In analyzing the costs of compliance and the relative intensity of interest, we have found it useful to classify the case histories in this study into five broad categories, according to the central foreign policy objective sought by the sender country (or coalition):

- *Change target-country policies in a relatively modest and limited way*—modest in the scale of national values of the target country but often of burning importance to individual parties in the episode. This type of goal is illustrated by some, but by no means all, of the human rights and religious persecution cases, as well as cases against countries sponsoring terrorism, *prior to* the September 11, 2001 terrorist attacks against the United States.
- *Change the target country's regime*, including, as an associated goal, changing the target country's policies. For the period of the Cold War, this category includes many cases where the United States used sanctions in efforts to destabilize governments viewed as tilting toward the Soviet Union. Examples include US campaigns against several left-leaning leaders in Latin America, from Fidel Castro in Cuba (Case 60-3) to President João Goulart in Brazil (Case 62-1) and Salvador Allende in Chile (Case 70-1). On the other side, the Soviet Union used similar tactics in a failed effort to destabilize Marshal Tito in Yugoslavia when he was viewed as tilting toward the West (Case 48-4).

More recent cases include US efforts to evict Manuel Noriega from Panama (Case 87-1) and Saddam Hussein from Iraq (Case 90-1, although the United Nations never officially subscribed to the destabilization goal). Since the end of the Cold War, democratization has become a goal of the European Union, as well as the United States. These cases are illustrated by efforts to broadly improve human rights and hold elections in Haiti, Burma, and much of sub-Saharan Africa over the past two decades.

- *Disrupt a military adventure*, as illustrated by US sanctions against India and Pakistan at the time of Bangladesh independence.
- *Impair the target country's military potential*, often in the context of major hostilities, as illustrated by the sanctions imposed during World Wars I and II (Cases 14-1 and 39-1), the CoCom sanctions against the Soviet Union and its allies (Case 48-5), the ChinCom sanctions against China (Case 49-1), and the prolonged US/UN sanctions against Iraq. Since the 1970s, countries seeking to acquire the capability to produce nuclear and other weapons of mass destruction have become frequent targets of US sanctions in this category.
- *Change target-country policies in another major way*. These cases most often include the surrender of territory, such as getting Saddam Hussein to withdraw from Kuwait in 1990, but may also involve other national security–related policies, such as the Indian sanctions designed to reverse Nepal's pro-China line (Case 89-1).

While exceptions occur, the target country's relative intensity of interest in the issues at stake usually exceeds the interest of the sender in the regime change and disruption of military adventure cases. Both sender and target should be intensely interested in the outcome of the military impairment cases, but one would expect these goals to be difficult to achieve with economic measures alone since they involve national security concerns. When cases are classified as seeking either modest goals or other major goals, the senders and targets often hold similar perceptions about the relative seriousness of issues at stake. If the target perceives an issue to be more serious than the sender, however, we may classify the goal as major even if it seems relatively modest from the sender's perspective.

Some episodes may have more than one objective. We prefer to classify these cases according to the most difficult objective. However, in several instances where two objectives are judged to be equally important or were pursued in sequential fashion as conditions changed, the cases are cross-listed and there are separate observations for each goal in the database. A prominent example is the US campaign against Cuba, where the principal objective shifted from settlement of US corporate and individual expropriation claims back in the early 1960s, to destabilization in the mid-1960s, to an attempt to disrupt military adventurism in Africa and elsewhere in the 1970s and 1980s, to an effort to bring democracy and freedom in Cuba and restore property rights in the 1990s. We end up with three observations for this case: two phases for the destabilization goal, to account for the loss of Soviet support after the end of the Cold War, and one observation under the disruption of military adventure category. Other such cases are discussed in chapter 3.

Sender countries do not always clearly announce their goals. Indeed, obfuscation is the rule in many destabilization cases. The Soviet Union never directly said it wished to overthrow either Marshal Tito or Albanian President Enver Hoxha; the United States was equally circumspect in its public statements about Salvador Allende in Chile and Ngo Dinh Diem in Vietnam and wavered in its public rhetoric over Saddam Hussein. Moreover, goals may change during the course of an episode, and destabilization may be more important during one phase than another. Here, as elsewhere in this study, we must often rely on newspaper accounts and other secondary sources in assigning episodes to categories.

In some cases, domestic political motives may overshadow foreign policy concerns. Unfortunately, the literature on individual economic sanctions episodes seldom evaluates the weight placed by executive branch officials on domestic political objectives in launching economic sanctions, nor does it assess the role of special interest groups in advocating economic artillery. However, casual observation indicates that, for example, sanctions against South Africa proved enormously satisfying to domestic political constituencies in Europe, the United States, and Canada in the late 1980s and early 1990s. 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. Satisfaction need not necessarily coincide with operational success; even if sanctions are not achieving the sender country's goals, the home populace may still support them because citizens believe that sanctions are a just action.

Usually, but not always, when domestic political objectives are a dominant consideration, the likelihood of achieving the foreign policy objective with sanctions shrinks to secondary importance. Indeed, the tactical mix of sanctions may be shaped more for domestic symbolism than for foreign efficacy. We believe that such sanctions ordinarily succeed in serving their domestic political objectives the moment they are launched.[5] The mere act of initiating sanctions justifies the rhetorical campaign against the foreign power, provides a rallying cry for stronger measures, and gives domestic lobbies some leverage over the foreign regime. Whether or not foreign governments or foreign policies change, the imposition of sanctions declares the values of the sender country, and that declaration of national values

5. The limited exception is sanctions designed as a prelude to military action: These succeed, from the president or prime minister's standpoint, only if they rally the public to support sterner measures.

serves important purposes in and of itself. While we recognize that domestic political considerations are often important in explaining the decision to impose sanctions, we do not assess their utility for that purpose. (See Drury 2005 for an analysis of presidential decision making on sanctions.)

## Overview of the Variables Affecting the Costs of Defiance and Compliance

Several factors affect the costs of both compliance and defiance and therefore influence the outcome of a sanctions episode. The specific factors at play in each episode are described in the case histories. Several variables affect the costs of both defiance and compliance, albeit in opposite directions. Here and in chapters 3 and 4 we divide the forces, somewhat artificially, into two clusters: "political" and "economic" variables.

We focus on the following political variables:

- Companion policies used by the sender country or coalition, namely, covert maneuvers (identified by a "J" in the case abstracts and in the tables in chapter 3), quasi-military activity (Q), and regular military activity (R).
- The extent of international cooperation in imposing sanctions, scaled from 1 (no cooperation) to 4 (significant cooperation).
- The involvement of an international organization, scored as 1 if both the sender and target countries are members of an international organization that supports the sanctions and as 0 otherwise.
- The presence of international assistance to the target country (indicated by an "A").
- The warmth of prior relations (before the sanctions episode) between sender and target countries, scaled from 1 (antagonistic) to 3 (cordial).
- The political character of the target country's government, scaled from 1 (autocracy) to 3 (democracy).

We focus on the following economic variables:

- The cost imposed on the target country, expressed in absolute terms (US dollars), as a percentage of its gross national product (GNP), and in per capita terms.
- Commercial relations between sender and target countries, measured by the flow of two-way merchandise 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 the sender's GNP to the target's GNP.

- The economic health and political stability of the target, measured by a judgmental scale from 1 (distressed country) to 3 (strong and stable country).
- 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 (M), and an interruption of finance (F).
- The cost to the sender country, measured by a judgmental scale from 1 (net gain to sender) to 4 (major loss to sender).

The variables just enumerated are described below in more detail. In chapter 3 we evaluate the connection between foreign policy success and the political variables. In chapter 4 we consider the relationship between success and the economic variables. In chapter 6 we summarize our findings and offer policy recommendations.

An important variable that we do not attempt to measure is the skill with which sanctions are employed as a foreign policy tool. For example, conflicting pressures within the sender country and its government can 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 by driving Italy into an alliance with Germany. With an eye on upcoming national elections, British leaders in particular wanted to keep the peace in Europe; thus, while the League Council was considering sanctions, the decision was made to exclude oil, which would have had the most impact on Italy, and attempts were also made to appease Italy by ceding some territory in Abyssinia. In this case, as in many others, sanctions were largely intended to pacify domestic constituencies that were outraged over a foreign country's behavior.

## Political Variables

### *Companion Policy Measures*

As Carl von Clausewitz (1832) famously observed, "War is nothing but the continuation of politics with the admixture of other means."[6] The same could be said of economic sanctions. Indeed, sanctions frequently serve as a junior weapon, or perhaps the starting gun, in a battery of

6. Cited in the *Oxford Dictionary of Quotation*, 3d ed. (Oxford: Oxford University Press, 1979, 152).

diplomatic artillery aimed at the antagonistic state. Leaving aside the normal means of diplomatic protest—recalling an ambassador or canceling a cultural mission—we distinguish three types of companion policies: covert action, quasi-military action, and regular military action.

Covert action, mounted by intelligence forces, often accompanies the imposition of economic sanctions when the destabilization of a target government is sought. An example of unsuccessful covert action was CIA assistance in 1996 to Kurdish opponents of Saddam Hussein. In destabilization cases and 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, as happened in Panama, Haiti, Iraq, and Bosnia. In fact, political scientist David Baldwin (1985) conceives of sanctions as just one element in the "force curve" implemented to resolve conflicts between nations.

### *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 UN sanctions against Iraq and Serbia, much emphasis has been placed on achieving international cooperation. The object is to deny the target country access to the supplies or markets of its principal trading partners and particularly when international organizations are involved to invoke the moral authority of the community of nations against the target. However, 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 President Bill Clinton's difficulties in maintaining strict sanctions against Iraq or from President George W. Bush's problems in erecting a sanctions regime against Iran 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)

That said, the extent of international cooperation in sanctions episodes increased sharply with the end of the Cold War, and the proportion of unilateral US sanctions declined sharply. This decline partly reflects a shift in the regional locus of many sanctions from the US backyard in Latin America to the European backyard in Africa and in part to increased activity by the United Nations (see chapter 5). But—as the sanctions against Haiti, Sudan, and Iran show—the end of the Cold War guarantees neither that cooperation will be forthcoming nor that cooperative sanctions will work. 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 seeks (or gets) no cooperation; illustrated by the US campaign against Brazil to destabilize President João Goulart (Case 62-1) and by India's campaign against Nepal for its pro-China tendencies (Case 89-1).
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) and by US sanctions imposed against India for its nuclear tests (Case 98-1).
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 in the early phases of that drawn-out episode and by US sanctions against Iran during the hostage crisis of the 1970s.
4. *Significant cooperation*: Important commercial nations make a major and coordinated effort to limit trade and/or finance, although the sanctions scope may still be limited (e.g., several UN arms embargoes), or significant leakages may occur through neutral countries; illustrated by the two world wars, the early years of CoCom, and UN sanctions against Iraq and Serbia.

In addition to ad hoc cooperation, senders sometimes seek the cooperation or endorsement of an international organization. Tables 3A.1 through 3A.5 in chapter 3 record such endorsements, in instances when they occurred, by an abbreviation that indicates the cooperating organization. In addition, we created a variable indicating endorsement by an international organization of which both sender and target were members. These cases are indicated by marking the international organization's name in bold in the chapter 3 tables. From the standpoint of the principal sender, enlisting an international organization probably lowers the "transactions costs" of persuading other countries to support a sanctions initiative. Equally important is the greater aura of legitimacy conferred upon sanctions authorized by the United Nations or (in an earlier era) the League of Nations and the consequent political isolation of the target country. However, the humanitarian toll resulting from the near total embargo of Iraq has tarnished the UN "halo"; consequently it may take several years before the United Nations will again authorize comprehensive sanctions (as contrasted with targeted measures).

Moreover, we think that the many efforts and the inevitable failures in building watertight economic barriers have led to an exaggerated emphasis on the mechanical 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: "if only" the United States would stop all commerce with South Africa (in the apartheid era); "if only" the Japanese would restrict their financial ties to China (in the aftermath of Tiananmen Square); "if only" the Europeans would deny Iran financial and trade links (in the context of Iran's attempted acquisition of nuclear weapons).[7] But the effort to create watertight barriers may be doomed from the beginning. And in many cases the symbolic moral authority of international cooperation exceeds the mechanical importance of stopping all trade and financial leakages.

Of course, from the sender country's standpoint, it is axiomatic that more cooperation is better than less—whether the cooperation involves strong sanctions or moral condemnation. But international cooperation is seldom decisive, since 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; yet the grasp of ambitious objectives may remain 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 received by the target country from its neighbors and allies. Target countries are seldom cut off from all alternative markets or financing sources when sanctions are imposed; trade and financial channels usually remain open, even if at a sharply higher cost. For this reason, we do not count evasive and covert trade and finance as "assistance." Such transactions are part and parcel of every episode. Rather we are concerned with overt rhetorical support accompanied by economic or military aid to the target country, in response to the imposition of sanctions.

The impact of sanctions on the target country can be reduced if it can rely on its friends to compensate for the burdens imposed by sanctions. Further, the psychological rebuke is considerably weakened when third countries provide assistance to the target. Indeed, in several Cold War cases, target countries turned sanctions to their economic advantage, coaxing opponents of the sender country to provide new or additional funds in

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

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 Josef Stalin threatened Tito. The Soviets similarly 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 77-8). In both cases, the amount of aid provided to the target more than offset the economic impact of the sanctions. In many episodes—such as the Soviet efforts against Albania, US efforts against Nicaragua and Iran, and UN sanctions against Serbia—assistance from a major foreign power provided welcome moral support to the target. While we do not scale the degree of international assistance among our political variables in measuring the cost of sanctions to the target, we do take into account the estimated value of offsetting assistance. Among the political variables, however, we simply identify those cases where significant assistance was given to the target country.

### *Prior Relations Between Sender and Target*

Sanctions are imposed against friends and foes alike. Forceful sanctions may be needed against belligerent countries to coerce them into yielding, especially since the stakes often involve national security or other major issues for both sender and target and because the target may be concerned about the reputational costs of conceding to a rival's demands (Drezner 1999). On the other hand, a friendly country will often consider the importance of its overall relations with the sender country before responding to economic sanctions. In addition, a sender is likely to trade more with an ally, and therefore have more leverage, than with an adversary. Such considerations led South Korea and Taiwan to accede to mild US pressure and forgo construction of nuclear reprocessing plants in the mid-1970s (Cases 75-1 and 76-2). Likewise, the decertification process had a galvanizing effect in turning the political tide against President Ernesto Samper in Colombia. With friends, subtle or symbolic sanctions may succeed.

To reflect the role of prior relations in determining the outcome of a sanctions episode, we have constructed an index for classifying 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 Cold War cases, US-Japan relations prior to World War II, Arab-Israeli relations, and US relations with Cuba, North Korea, Iran, and Libya for the past two decades or more.
2. *Neutral*: The sender country does not have strong ties to the target, but there is a workable relationship without antagonism; illustrated by immediate post–World War II relations between Spain and the United Kingdom despite centuries of dispute over Gibraltar (Case 54-3), US re-

lations with Haiti prior to the 1987 sanctions (Case 87-2), and US relations with Iraq in the late 1980s prior to the invasion of Kuwait.

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 before the Suez crisis of 1956, Indian relations with Nepal before the 1989 dispute, and UK relations with Malta prior to base negotiations (Case 71-2).

### *Democracy versus Autocracy*

To evaluate the target country's political regime type we rely on the Polity IIId database created by Ted Gurr and colleagues and described in McLaughlin et al. (1998). The Polity project focuses on five dimensions of a political system's authority: "(1) the influence relations between superordinate and subordinate strata; (2) the degree of inequality between the strata; (3) the institutional relations among superordinates; (4) the competitiveness of recruitment to superordinate positions; and (5) the basis of political legitimacy, whether personal, substantive or procedural" (Gurr and Jaeger 1995, 470). This analytical framework provides the basis for the construction of indicators of regime type, regime coherence, and regime durability.

In terms of regime type, Gurr argues that no sharp dividing line separates democratic and autocratic regimes, but each dimension can be measured independently. Focusing on the institutional dimensions of democracy, the indicators of democracy and autocracy are derived from subjective coding of the institutionalized competitiveness of political participation, the regulation of political participation, the openness and competitiveness of executive recruitment, and the institutional constraints on the exercise of executive power. Because most regimes have mixed authority characteristics, Gurr and Jaeger (1995) established a single summary measure of the institutional characteristics of political regimes by subtracting a state's autocracy score from its democracy score. The resulting index ranges from +10 for states that are purely democratic to –10 for completely autocratic states. We have adapted this variable for our regime type variable in this study, compressing the Gurr and Jaeger index to our own scale, running from 1 (autocracy) to 3 (democracy).

## Economic Variables

### *Estimating the Economic Costs to Targets*

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 the target country will alter its policies. The absolute cost exacted on a target country, however, is not the best measure of the potential impact: A cost of $100 million means more to Chile, for example, than to China. We have therefore related our estimated cost figures to the target country's GNP. Appendix C explains in detail our methodology for estimating the cost to the target country.

### *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.

### *Economic Health and Political Stability of the Target Country*

The economic and political atmosphere in the target country also shapes 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 and political situation in the target country.

It is no simple matter to summarize the complex of events that describe a country's political environment at a given point in time. Moreover, during the course of an episode, the target country's overall economic and political stability may deteriorate or improve, rendering it more or less susceptible to economic pressure. Consider, for example, the problem of assessing stability in the context of a successful regime change 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.

In the first and second editions, we developed a judgmental index of economic health and political stability to capture the overall environment facing the target government when sanctions are imposed. Our judgmental scale runs from 1 to 3 and is described as follows:

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 Salvador Allende (Case 70-1) and by Uganda in the later years of the Idi Amin regime (Case 72-1).
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 (Case 89-2).

In this edition, we experimented with replacing our qualitative index with objective indicators of political stability prior to and during sanctions, as well as data on economic growth and inflation in the target country. The results were mixed, however, and the variables were not significant in the multivariate regression analysis, so we did not include them in the final results. To satisfy the potential interest of other scholars, we include these variables in the database on a companion CD-ROM and in tables 3A.1 through 3A.5 and 4A.1 through 4A.5 and discuss them briefly in chapter 4.

### *Types of Sanctions*

As discussed at the beginning of this chapter, senders commonly use three types of sanctions: (1) export sanctions; (2) import sanctions; and (3) financial sanctions. These sanctions are sometimes used alone but more often in combination. Through trade sanctions, sender countries seek to limit their exports to and/or their imports from the target country. Financial sanctions are imposed by delaying or interrupting publicly funded loans or grants or, in extreme cases, by freezing all assets of the target country. Asset freezes are also becoming more popular as a means of targeting the leaders of "rogue" regimes, corrupt autocrats, and their associates. Chapter 4 examines these various types of sanctions in greater detail.

### *Estimating the Costs to Senders*

We have not attempted to calculate the monetary costs of sanctions to sender countries nor to quantify 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, financial, and political costs incurred by the sender from the imposition of sanctions. Our approach uses a judgmental index, scaled from 1 to 4, to measure the economic and political pain endured by the sender country on account of its own sanctions. The following description summarizes our index (chapter 4 provides more detail):

1. *Net gain to sender*: usually where aid is withheld; illustrated by the US suspension of aid to Turkey in 1974.
2. *Little effect on sender*: where there is a net economic gain to the sender and little public commentary and where a trivial dislocation occurs; illustrated by US export controls on nuclear fuel shipments to Taiwan in 1976.
3. *Modest loss to sender*: where some trade is lost, but neither the size nor the concentration of the loss creates a political backlash in the sender country; illustrated by the League of Nations campaign against Italy in 1935–36.
4. *Major loss to sender*: where large volumes of trade are adversely affected and, more important, the loss causes a distinct backlash among affected firms and communities; illustrated by the US pipeline sanctions against the Soviet Union and the US sanctions against China and Iran, the two world wars, and the US-UN sanctions against Iraq following its invasion of Kuwait.