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The American Conservative

Washington's Endless Sanctions Are Finally Backfiring

They've always been ineffective. What's different now is that they're threatening to undermine American strength.

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Washington is filled with talk of American exceptionalism. Policymakers insist that the U.S. has a unique mission in the world: to represent the aspirations of all mankind. This hubris has become the foundation of American foreign policy, especially when it comes to economic sanctions.

Sanctions proponents routinely extol the supposed benefits of their policies, without ever providing much evidence. Studies have found that sanctions are most likely to work when restrictions are international, applied to a limited number of products, and intended to achieve modest goals. Even then, governments rarely sacrifice fundamental interests in response to economic pressure. Rather, they respond like Washington would in a similar situation, resisting concessions even more fiercely.

Frustration with failure has encouraged U.S. officials to double down. So now Washington routinely punishes other nations' individuals and companies. Last year, the Treasury Department added roughly 1,000 people and organizations to the Specially Designated Nationals List. American policymakers currently use the dominant U.S. role in the global financial system as a weapon even against friendly states, denying them access to the American market. Third parties face multi-billion dollar fines for dealing with those on Washington's naughty list.

Even large, prosperous nations are vulnerable to American pressure. Thus, U.S. threats are typically enough to isolate any small country. For instance, for years the Sudanese government

was forced to operate on a cash basis overseas, flying currency into the U.S. for its embassies. The Trump administration's reimposition of sanctions on Iran opened the door for a rush of companies fleeing Tehran.

Yet even such enhanced penalties rarely change the governments they target. Communism continues to reign in Cuba. Sudan's government remains authoritarian and Islamist. Few Korea specialists believe that Pyongyang will ever surrender its nuclear weapons. Russia's Putin has not buckled under economic pressure. Instead, foreign states look for non-economic ways to retaliate against U.S. interests.

International economic pressure played a role in moving Burma, Iran, Libya, and North Korea towards negotiation with the West. However, sanctions were combined with positive inducements. And even then, success still was limited. Naypyidaw remains repressive, brutalizing an entire people, the Rohingya. Tehran agreed to the Joint Comprehensive Plan of Action, which has since been repudiated by the Trump administration, making further progress unlikely. The ouster of Libya's Moammar Gaddafi will discourage any government from making serious concessions in the future. North Korea is likely to maintain its nuclear arsenal for years, even decades to come.

Sanctions are worse than ineffective: they have potentially far-reaching economic impacts. Limiting Iran's oil sales pushes up energy prices globally. Penalizing technology sales to Moscow disproportionately affects European firms. Even smaller markets matter. Warned Peter Harrell, an attorney specializing in sanctions: "Trump's August 9 tariffs on Turkey spurred a dramatic market selloff that not only affected Ankara but also caused the stocks of major European banks with business in Turkey to plunge and raised concerns about contagion to other emerging markets." Washington's promiscuous use of economic sanctions has moved the global economy away from the liberal marketplace.

Moreover, economic penalties almost always hurt those with the least power, influence, and money. Indeed, regime elites often manipulate sanctions to their own benefit. Saddam Hussein, Slobodan Milosevic, Kim Jong-un, Vladimir Putin, and a variety of other despots all did fine even while their governments were under sanction. A quarter century ago, I visited Belgrade and talked with opposition leader Zoran Djindzic—later to become prime minister and an assassination victim of ultra-nationalists. He complained that sanctions enriched Milosevic, while his own middle-class supporters lacked money to purchase gasoline to attend his rallies.

Most famously, U.S. sanctions were blamed for the deaths of a half million Iraqi babies. That number likely is an exaggeration, but when questioned about the issue, then-UN ambassador Madeleine Albright did not dispute it. Instead, she responded that "we think the price is worth it"—an extraordinarily callous sentiment that was transmitted throughout the Arab world.

In recent years the U.S. has relied on "smart sanctions," typically applied to regime leaders and supporters. But preventing Kim from vacationing and banking in the West is unlikely to cause him to disarm. Washington and Brussels have targeted economic "oligarchs" linked to Putin, and while they no doubt they are inconvenienced, their ability to influence events is limited and their willingness to risk their freedom and lives unlikely. Smart sanctions may offer moral satisfaction by punishing the guilty, but they aren't effective in bringing recalcitrant regimes to heel.

Like so many other government programs, economic penalties create interest groups that make future relaxation almost impossible. The Cuban embargo has lasted a half century, despite dramatically changed circumstances. The U.S. continued penalties against Sudan even after Khartoum met Washington's demands and accepted the secession of what became South Sudan. Sanctions on Moscow have damaged Russia's economy without changing its policies.

Economic sanctions are too easy to apply, encouraging the many wannabe secretaries of state who fill Congress. With few responsibilities and no need to balance competing interests or develop effective remedies, legislators look for easy, high-profile actions that win popular attention. Every failure allows them to demand tougher action; at hearings they browbeat executive branch officials who counsel caution and nuance. Sanctions facilitate showmanship, not statesmanship.

Perhaps the biggest problem with economic penalties is that they inflate Washington's natural hubris because they look like an easy tool for imposing America's will on the rest of the world. Escalation is simple, seemingly painless—to Washington, at least. When sanctions are justified in moral terms, which is almost always, policymakers can rationalize coercion of even friendly governments.

This arrogance has driven the Trump administration's misguided policy toward Iran. After his visit to Riyadh last year—the first trip of his presidency—Trump appeared to be taking orders from the Saudis. He abandoned the nuclear deal, which created the most intrusive nuclear inspection regime ever, and demanded that Tehran drop its independent foreign policy, handing Riyadh regional dominance. Washington insisted that it would deploy America's full power against any nation, friend or foe, that continued to trade with Iran. “Anyone doing business with Iran will NOT be doing business with the United States,” tweeted the president. After seeking to prevent the Europeans from following an independent foreign policy, Washington sought to coerce them to back its irresponsible course. Now it blames their refusal to do so on former Obama officials like John Kerry rather than the administration's own irresponsible arrogance.

Washington has encountered unusual resistance. American economic strength gives unique advantages vis-à-vis other governments, but their acquiescence to the U.S. is also critical. And resistance may be growing. For instance, China and India appear likely to continue at least some commercial dealings with Iran, challenging the U.S.

More significantly, the Europeans are considering a number of strategies, including using the European Investment Bank and/or their central banks to handle financial transactions with Iran. That would dare Washington to initiate economic war against them—barring their firms from complying with American sanctions, establishing an alternative to the SWIFT global financial messaging network, and creating a “special purpose” financial company to process payments for deals with Iran. The latter would establish a de facto accounting firm to handle money both ways, keeping the cash within the EU and avoiding reliance on banks vulnerable to U.S. sanctions. Germany's finance ministry reported ongoing negotiations: “The German government is working together with [European agencies and countries] on maintaining financial payment channels with Iran.” France is even considering using state-owned firms to trade with Iran.

Just as misguided U.S. policy toward Moscow pushed Russia and China together, reversing Richard Nixon's famous strategy, pervasive American sanctions now are pushing the Europeans towards China and Russia.

And while European governments were not willing to greatly bestir themselves over Washington's attempts to isolate, say, Cuba and Sudan, Iran is different. America abandoned an international agreement, dismissed European interests, disrupted burgeoning commerce, further destabilized the Middle East, and demanded humiliating obedience. Europeans, used to giving in, now are angrier and less willing to accept the Trump administration's fait accompli. French Finance Minister Bruno Le Maire opined: "I want Europe to be a sovereign continent, not a vassal, and that means having totally independent financing instruments that do not today exist."

Barack Obama's treasury secretary, Jack Lew, warned that "sanctions overreach" could weaken the dollar and encourage foreign businesses to seek alternatives to the U.S. financial system. Indeed, Washington's expanding hubris might eventually end its ability to impose its will on other states, with significant economic and political consequences for America.

Uncle Sam's failure is unsurprising. As Lord Acton famously intoned: "Power tends to corrupt and absolute power corrupts absolutely." It doesn't matter whether the intentions of Washington policymakers are good. The consequences of American policies have been bad, often disastrous.

Candidate Trump promised a change in policy. President Trump should turn that change into a reality. He can begin by introducing a touch of humility and prudence into America's foreign policy.

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