

## **Economic sanctions are rarely effective, often hurt wrong people**

Warren L. Coats

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American political scientist Robert Pape's examination of past sanctions on countries found that only 4 percent were clearly effective. Their virtue is that they tangibly register disapproval of bad behavior without going to war. An important policy question is when to use them.

In my opinion, sanctions should be used very rarely against countries when there is a broad global consensus that the behavior of the country is significantly and unacceptably at variance with established international norms.

This is both because they are rarely effective, in part because they often hurt the general public rather than the leaders responsible for the bad behavior, and because it should generally not be the business of our [U.S.] government to dictate how other governments behave unless that behavior is directly against us. What that means, for example, is that sanctions should not generally be used against countries whose human rights behavior we disapprove of.

Under what circumstances might the use of economic sanctions be justified and effective? The effectiveness of economic sanctions varies greatly with their nature and the circumstances in which they are applied. In what follows, I very briefly illustrate the range of experience and possibilities.

### **Cuba**

Clearly the sanctions of one country against another, such as outlawing trade in certain products or outlawing trade and financial transactions of any sort, are of very limited effectiveness, as the sanctioned country can simply trade with others instead. Cuba illustrates this point.

First imposed more than 50 years ago by President John F. Kennedy and now enforced through six different statutes, the United States forbids most trade with Cuba by its citizens or companies. President Bill Clinton extended and stretched the reach of this embargo to apply to the foreign subsidiaries of American companies as well.

The purpose of this embargo as stated in the Cuban Democracy Act of 1992 is to encourage the Cuban government to move toward “democratization and greater respect for human rights.”

Though the U.S. has put a lot of pressure on other countries to restrict their own trade with and travel to Cuba, it has been largely ignored. The U.S. pretty much stands alone. The cost of the embargo has fallen more on the U.S. than on Cuba. The U.S. Chamber of Commerce estimates the cost to the U.S. economy at \$1.2 billion per year in lost sales and exports.

Moreover, it has not improved governance in Cuba nor led to regime change. In 2009, Daniel Griswold, director of the Cato Institute’s Center for Trade Policy Studies, criticized the embargo, stating:

“The embargo has been a failure by every measure. It has not changed the course or nature of the Cuban government. It has not liberated a single Cuban citizen. In fact, the embargo has made the Cuban people a bit more impoverished, without making them one bit more free. At the same time, it has deprived Americans of their freedom to travel and has cost U.S. farmers and other producers billions of dollars of potential exports.”

Former Secretary of State George P. Schultz called the embargo “insane.”

Cuba is a mess not because of U.S. sanctions but because of the highly repressive Marxist regime in control for the last 52 years. The American embargo has given the Castro government an escape goat for its own failures – and the Castro government still rules.

President Obama recently re-established diplomatic relations with Cuba, but the embargoes will remain until Congress amends or removes them. The president has been criticized for not getting enough in return for re-establishing relations, and its link with Cuba’s freeing of American spy Alan P. Gross is certainly unfortunate, but the U.S.’s diplomatic recognition of a country should have nothing to do with whether we approve of its government and its approach to governing.

The 50-plus-year embargo has totally failed in its objectives as well, which were not justified in any event. It should finally be lifted and we, and our government, should continue to criticize the Cuban government’s oppressive and destructive policies.

## **Iran**

Economic and financial sanctions against Iran have been more successful. Though the U.S. initially imposed limited sanctions following the Iranian revolution in 1979, international sanctions were imposed by the U.N. Security Council in 2006 and later by the EU in response to Iran’s refusal to suspend its uranium enrichment program. These sanctions banned supplying Iran with nuclear-related materials and technology, and froze the assets of key individuals and companies related to the program.

In the following years these sanctions were expanded to include an arms embargo and broader freezes on assets held abroad and monitoring the activities of Iranian banks, and inspecting Iranian ships and aircraft.

These sanctions have reduced Iran's export revenue – largely from oil – and sharply restricted its imports of materials needed for its uranium enrichment program. The international arms embargo has negatively impacted Iran's military capacity as it is now reliant on Russian and Chinese military assistance.

The U.S./EU embargo on oil shipments was made more effective when the EU extended its embargo to ship insurance, resulting in most supertankers refusing to load Iranian oil. Excluding Iran from international payments via SWIFT has significantly complicated such payments. The value of the Iranian rial plunged by 80 percent and the standard of living is suffering.

While smuggling has allowed widespread evasion of many restrictions, it significantly raises the cost of, and thus reduces the gains from, trade. In the list of unintended consequences, journalist and author Fareed Zakaria argues that sanctions have strengthened the state relative to civil society because in Iran the market for imports is dominated by state enterprises and state-friendly enterprises, thus smuggling requires strong connections with the government.

While it is difficult to assess the impact of sanctions on public attitudes, they seem to be succeeding in increasing pressure on the government to reach an agreement with the U.S. and EU to rein in its uranium enrichment program. This qualified success reflects the broadly accepted purpose for the sanctions, thwarting Iran's nuclear weapons potential, and hence broad, but not universal, enforcement of such sanctions.

### **Islamic State – Da'ish**

Da'ish is not a recognized state but is so widely seen as an evil pariah that it constitutes an entity and cause for which sanctions should have their maximum impact. Moreover, it is being resisted and attacked militarily as well. While direct U.S. military engagement would be counterproductive in the long run – it is their region and interest, not ours – logistical and weapons support to the government of Iraq and close coordination with Iraq's neighbors has been and will be helpful.

Blocking every possible source of income, payments and weapons procurement by Da'ish will gradually degrade its ability to fight and to hold on to the territory it needs to fulfill its Islamic caliphate objective.

When virtually the whole world is behind sanctions, we have many tools and the capability to make them effective. But even in this most obvious and potentially effective case, there are challenges. While strongly and rightly defending the right of anyone to offend the Prophet or

anyone else, we can hardly forbid public statements in support of Da'ish. The British "human rights group" CAGE, for example, is under attack for calling Jihadist John "a beautiful young man."

The group, led by former Guantanamo Bay inmate Moazzam Begg, is being attacked by both public and private groups in the U.K. for its jihadist sympathies. Similar issues exist in the U.S. But what about financial support to terrorist groups from their sympathizers? Striking the right balance between fighting terrorists and freedom of expression will require care.

Who of my generation can forget the controversies raised in the 1970s and '80s over the financial contributions of Irish Americans and their charities to the Irish Republican Army (officially a terrorist group)?

## **Russia**

In general, the modern world is blessed with many positive incentives for people and countries to behave well. The broadly embraced values of the Enlightenment, and classical liberalism's respect for each individual and his and her rights has established a presumption against force and coercion and hence against war. It is far more profitable for both sides to buy what we want than to try to take it. But unfortunately, this has not always been enough to deter bad behavior, necessitating consideration of deterrents.

Russia's President Vladimir Putin, whose behavior I can only understand as that of a self-enriching gangster who is happy to exploit the fears and paranoia of the average Russian to enhance his power and control, but who cares little for the future well-being of his country, is grossly violating post-Westphalian principles of sovereignty.

Our interest in Ukraine is marginal, and Putin's is intense for reasons of Russian history and its emotional value for Russian support of its new autocrat. U.S. intervention of any sort in Ukraine would likely precipitate intensified interference by Russia.

Where and when would the escalation on each side end? Would Russia's bankruptcy end the fighting before reaching the nuclear level? We should not try to find out. Whether we should provide the pro-West Ukraine government with defensive arms is a more difficult question, but it would risk ill-advised escalation by Ukraine, a risk we should not take. This leaves us with economic sanctions as the most appropriate deterrent of Russia's bad behavior.

Interestingly and frustratingly, the varied interdependencies that develop with trade also create weapons that can be used by either side to promote a country's aims. Da'ish is not in a position to deprive us of anything in retaliation to sanctions we impose on it. Even shutting down all exports of oil in the territories it controls or is likely to control would be barely noticed. On the

other hand, Russian threats to shut off the flow of oil and gas to Europe and especially Germany, which receives 40 percent of its oil from Russia, must be taken very seriously.

All of the natural gas consumed in Estonia, Finland, Latvia, Lithuania and Macedonia comes from Russia, as does more than 50 percent in Bulgaria, Czech Republic, Greece, Hungary, Montenegro, Serbia, Slovenia, Turkey and Ukraine. A Russian cut-off of gas and to a lesser extent of oil would be devastating to Europe. On the other hand, the loss of that revenue would be devastating to Russia. This is the two-sided nature of trade. It introduces caution into measures to harm trading partners.

Russia's recent deal to supply oil and gas to China will reduce its reliance on its European market, and hopefully Europe will also take steps to reduce its reliance on Russia. However, the U.S. has moved slowly, if at all, to increase its capacity to ship gas and oil to Europe, which is currently heavily dependent on existing pipelines from Russia. Russia has spent billions of dollars in Europe through environmental groups and others to discourage the development of Europe's oil shale potential and to encourage the reduction of its use of nuclear energy.

Sanctions so far have been carefully and wisely targeted to a few specific individuals and companies. It is difficult to determine whether they are having any effect on Putin's behavior. If they are increased, the risk of Russian retaliation will increase as well, the burden of which would fall on Europe, not the U.S. Russia has cut off the flow of its gas and oil to Europe before for relatively short periods but has resisted doing so for the last few years. Putin is now threatening it again.

Putin's behavior justifies increasing sanctions, but they should remain well targeted. A total blockade of Russia, which would be extremely difficult for Europe, would lead to a collapse of the Russian economy with unpredictable political consequences.

The collapse of the Soviet Union in 1991 following the end of the Cold War on Dec. 8, 1987, with the signing of the Intermediate Nuclear Forces (INF) Treaty, launched the transition, for a while, to a more liberal regime. It was among the most dramatic and totally peaceful regime changes the world has ever seen, but it took 70 years of patience to achieve. In a recent letter to the Economist, former British Ambassador to Russia, Sir Tony Brenton, said:

“The solution to the Russia problem is not to sanction and isolate, but to hug close and thus, eventually, subvert.” We have a strong interest in an orderly political transition in nuclear-armed Russia.

## **Israel**

Ironically, the opposite side of the page of The Washington Post story on Russia, linked above, reported on the very disturbing use of economic sanctions by Israel against the Palestinians

living in the West Bank. Israel refused to turn on the promised water to a new upscale city, including residences, a shopping mall, a theater complex, a sports club and a school being built on a West Bank mountaintop.

“Before granting water access to the planned city of Rawabi, Israel – which controls the area that the water pipe would run through – wants Palestinian Authority officials to return to an Israeli-Palestinian Joint Water Committee. The Palestinians abandoned the group in 2010 because they don’t want to approve water projects to Jewish settlements in the occupied West Bank, which are built on land that Palestinians want for a future state – and which still get plenty of water.”

After driving Palestinians from their homes in the war of 1948 that established the Jewish state of Israel, the new state of Israel and the international community accepted boundaries between Israel and the rest of Palestine that were somewhat enlarged from the U.N.-approved partition of Palestine into Israel and the West Bank and Gaza Strip. The right of the 700,000 displaced Palestinians to return to their homes remains one of the unresolved issues in the Israeli-Palestinian dispute.

The Jewish settlements referred to above are in the West Bank and have been ruled illegal in a number of U.N. resolutions and U.S. State Department opinions.

On several occasions Israel has also withheld the import tariffs that it collects on behalf of the WBG government (the Palestinian Authority) in order to pressure the PA not to challenge the construction of additional illegal settlements in the West Bank.

“To protest the Palestinian Authority’s move this year to join the International Criminal Court in The Hague, Israel has also withheld for three months the transfer of \$381 million in custom duties Israel collects on Palestinians’ behalf,” The Washington Post reports.

These are examples of a country’s use of “sanctions” to achieve its own, not widely shared, political ends. In the New York Times, Nicholas Kristof said: “The reason to oppose settlements is not just that they are bad for Israel and America, but also that this nibbling of Arab land is just plain wrong. It’s a land grab.”

The same can be said of Russia’s land grab in Ukraine.

Fortunately, in the case of Israel, Prime Minister Netanyahu intervened on Feb. 27 and approved turning on the water before traveling to the U.S., presumably worried about bad press from Israel’s behavior, something President Putin unfortunately – but predictably – doesn’t seem to care about.