



# **Economic Sanctions: New Directions for the 21st Century**

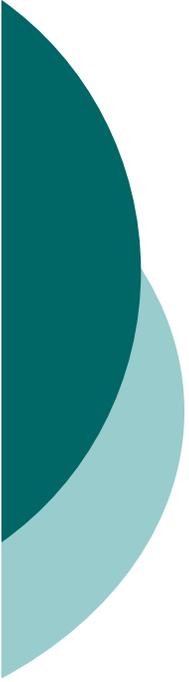
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**Gary Clyde Hufbauer, Jeffrey J. Schott,  
Kimberly Ann Elliott, Barbara Oegg**

***Economic Sanctions Reconsidered, 3<sup>rd</sup> Edition***

**Peterson Institute for International Economics**





# The Key Question Is Not *Whether* Economic Sanctions Will “Work”

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It is for what purposes and  
under what circumstances  
in the years ahead

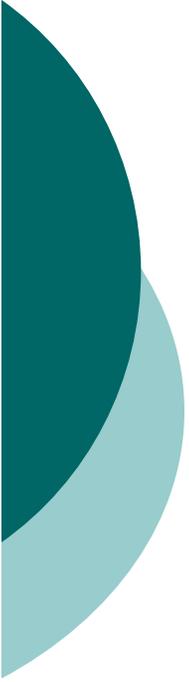
Drawing on history...



# Economic Sanctions, 3d edition

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- 204 observations from World War I to 2000  
: Case 14-1 UK v. Germany through  
Case 00-1 OAS, US v. Ecuador
- 13 post-2000 sanctions episodes have been identified (but not included in the statistical analysis)
- Covers all sanctioners (sender countries), not just US
- Variety of goals, ranging from release of a political prisoner to inducing Iraq's withdrawal from Kuwait in 1990-91

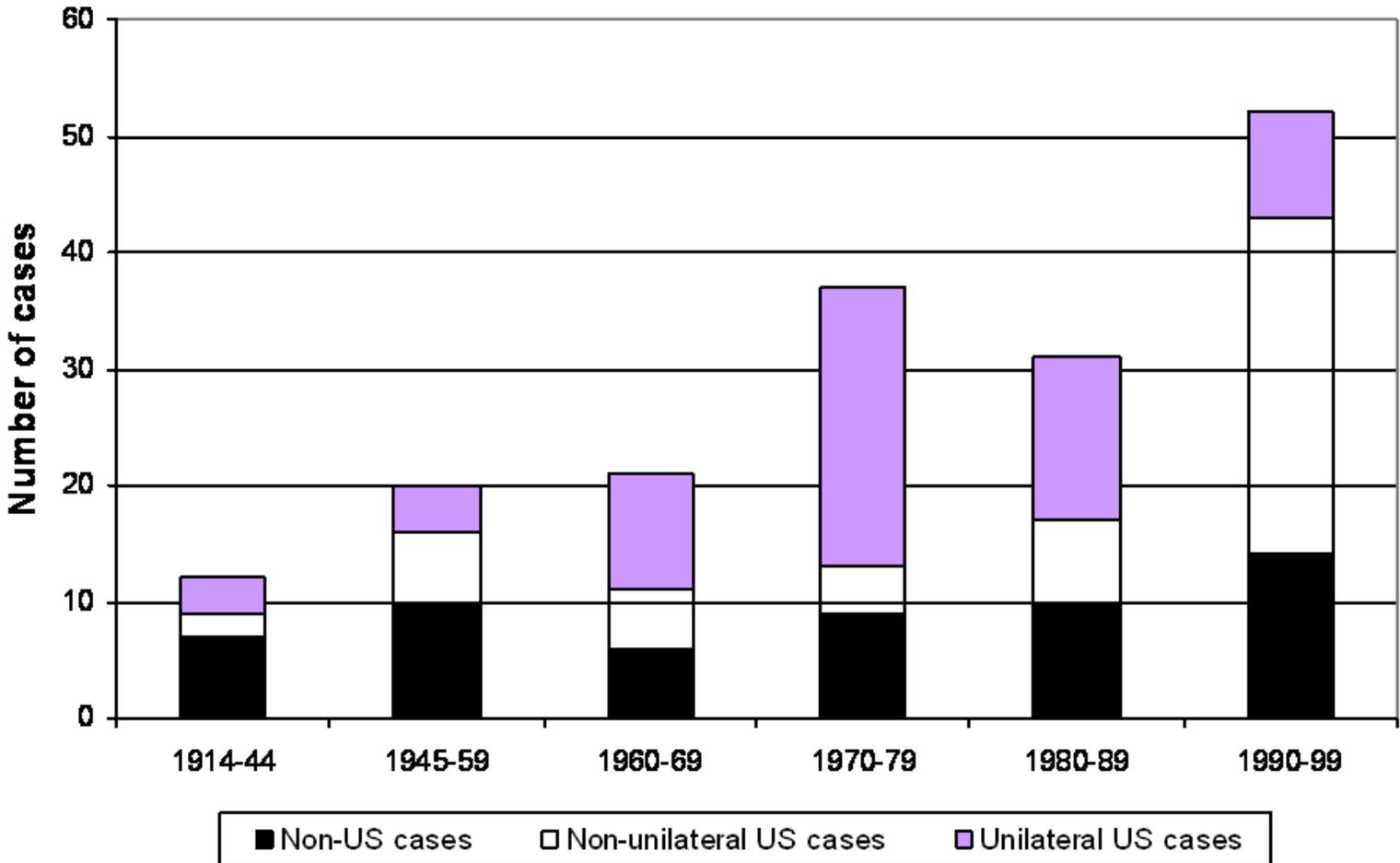


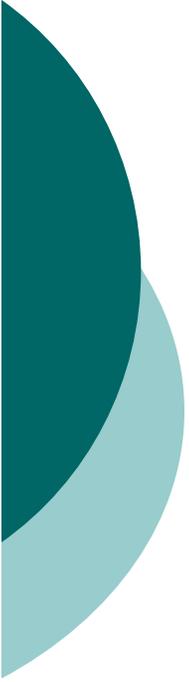
# Defining Success

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- Measuring rod: observed change in the policy, behavior, or government of target country
- Two elements of our “success” score
  - 1) Policy results
  - 2) Sanctions contribution
- We do not evaluate the satisfaction that sanctions bring to domestic constituencies – but, that is an important motivation in many cases

# Trends in the Use of Economic Sanctions





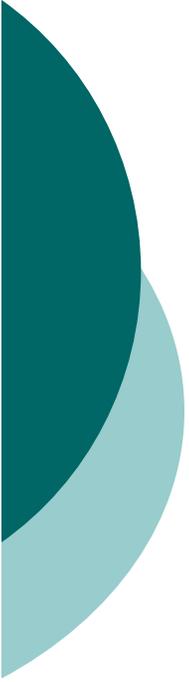
## Sanctions: Principal “Senders”

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**1970-89**                      **1990-99**  
(decadal averages)

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|             |    |    |
|-------------|----|----|
| US          | 25 | 38 |
| EC/EU       | 5  | 19 |
| USSR/Russia | 0  | 6  |
| UN          | 1  | 11 |



## Sanctions: “Targets” by Region

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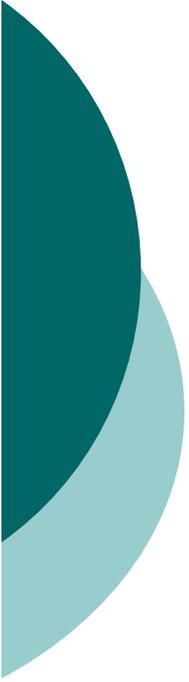
|               | <b>1970-89</b>            | <b>1990-99</b> |
|---------------|---------------------------|----------------|
|               | <b>(decadal averages)</b> |                |
| Africa        | 5                         | 18             |
| Asia          | 7                         | 8              |
| Latin America | 10                        | 8              |
| Middle East   | 4                         | 3              |
| USSR/FSU      | 3                         | 8              |



## Summary of Key Findings

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- Sanctions “succeed” in about one-third of the cases overall, but the success rate depends importantly on the type of objectives sought
- Success means sanctions contributed significantly to the partial or full achievement of the foreign policy goal
- Partial achievement of foreign policy goals is far more common than full achievement
- Diversified sanctions—involving a mix of trade and financial measures—succeed more often than cases involving only trade sanctions
- Incremental implementation of sanctions (i.e., turning the screw) is less effective than full-bore measures. However, diplomats prefer to turn the screw



## Summary of Key Findings (Cont.)

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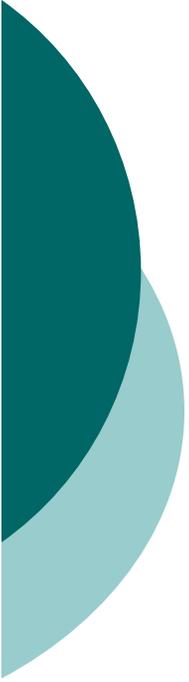
- International cooperation doesn't guarantee success, but in recent years the record for multilateral sanctions is better than the record for unilateral US sanctions
- "Targeted sanctions" are no more successful than traditional measures and those targeting individuals work better as a signaling device than as a coercive measure
- Our success rate of one-third overall indicates that in about two-thirds of the cases the foreign policy goal was not achieved or, if it was achieved, other means were decisive (usually military force)



# Sanctions More Likely to be Effective When:

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- Goals are limited and clearly defined
- Targets are friendly or democratic countries, rather than enemies, autocrats
- Costs are in line with goals (5.5% of GNP in success cases vs. 0.7% in failure cases, when goals are ambitious)



# Sanctions and Globalization

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- Targets more integrated, but not more vulnerable if sanctions are unilateral.
- International cooperation no panacea
  - Costly to generate, creates delays, competing objectives
  - Often necessary but often also insufficient in major cases
- Challenge of China's rise

# Success by Policy Goals

| Policy goal                       | Success cases | Failure cases | Total | Success ratio (percent of total) |
|-----------------------------------|---------------|---------------|-------|----------------------------------|
| Modest policy changes             | 22            | 21            | 43    | 51                               |
| Regime change and democratization | 25            | 55            | 80    | 31                               |
| Disruption of military adventures | 4             | 15            | 19    | 21                               |
| Military impairment               | 9             | 20            | 29    | 31                               |
| Other major policy changes        | 10            | 23            | 33    | 30                               |
| All cases                         | 70            | 134           | 204   | 34                               |

# Success Rate by Regime Type (% of successful cases)

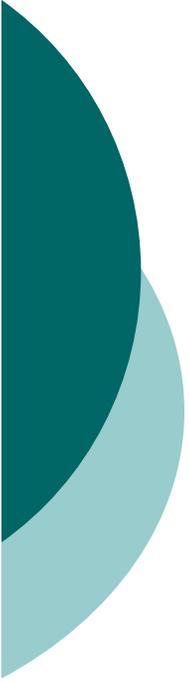
| Policy goal                       | Autocracy | Anocracy | Democracy |
|-----------------------------------|-----------|----------|-----------|
| Modest policy changes             | 39        | 50       | 69        |
| Regime change and democratization | 23        | 28       | 78        |
| Disruption of military adventures | 33        | 11       | 25        |
| Military impairment               | 37        | 50       | 0         |
| Other major policy changes        | 9         | 67       | 29        |
| All cases                         | 28        | 34       | 47        |

# Success by Sanctions Type

| Sanction type                 | Success cases | Failure cases | Total | Success frequency (percent) |
|-------------------------------|---------------|---------------|-------|-----------------------------|
| Financial, export, and import | 25            | 37            | 62    | 40.3                        |
| Financial alone               | 19            | 34            | 53    | 35.8                        |
| Export or import or both      | 10            | 30            | 40    | 25.0                        |
| Financial and import          | 2             | 8             | 10    | 20.0                        |
| Financial and export          | 5             | 23            | 28    | 17.9                        |

# US Experience with Sanctions since World War II

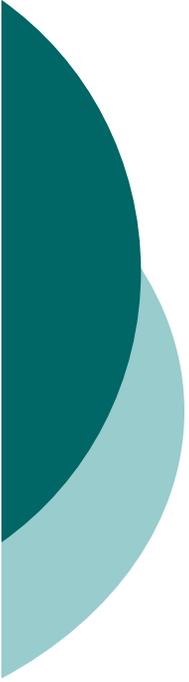
| Sender                     | Number of observations | Incidence of companion policies<br>(percent of cases) | International cooperation with sender index<br>(average) | Health and stability index<br>(average) | Prior relations index | Cost to target<br>(percent of GNP; average) <sup>b</sup> | Trade linkage<br>(percent; average) | Cost to sender index<br>(average) |
|----------------------------|------------------------|---|--|---|-----------------------|--|-------------------------------------|-----------------------------------|
| United States <sup>a</sup> |                        |   |  |   |                       |  |                                     |                                   |
| 1945–69                    |                        |   |  |   |                       |  |                                     |                                   |
| Successes                  | 14                     | 50.0  | 1.6  | 1.8                                     | 2.5                   | 3.2  | 26.3                                | 1.4                               |
| Failures                   | 14                     | 50.0  | 2.4  | 2.4                                     | 1.4                   | 1.5  | 28.5                                | 2.1                               |
| 1970–89                    |                        |   |  |   |                       |  |                                     |                                   |
| Successes                  | 13                     | 30.8  | 1.6  | 1.6                                     | 2.3                   | 1.4  | 27.2                                | 1.9                               |
| Failures                   | 41                     | 24.3  | 1.7  | 2.1                                     | 1.9                   | 0.9  | 16.9                                | 1.8                               |
| 1990–2000                  |                        |   |  |   |                       |  |                                     |                                   |
| Successes                  | 17                     | 29.4  | 3.0  | 1.4                                     | 2.2                   | 3.9 <sup>c</sup>   | 59.5                                | 1.8                               |
| Failures                   | 33                     | 27.3  | 2.5  | 1.6                                     | 2.1                   | 2.5 <sup>c</sup>   | 46.5                                | 1.8                               |
| Other countries            |                        |   |  |   |                       |  |                                     |                                   |
| Successes                  | 23                     | 17.4  | 1.8  | 2.2                                     | 2.4                   | 3.7  | 21.3                                | 2.0                               |
| Failures                   | 41                     | 43.9  | 2.0  | 2.2                                     | 2.2                   | 1.8  | 27.9                                | 2.1                               |



# State & Local Government Sanctions

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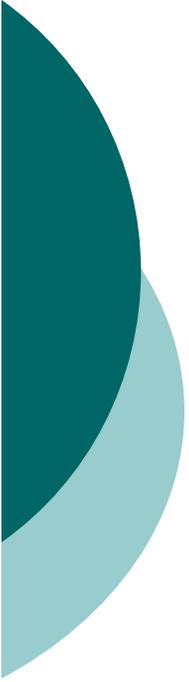
- Since the late 1980s, state and local governments have become more active
- Tools: portfolios of pensions funds, purchases by public agencies
- The federal supremacy issue is being litigated, but trend may be against supremacy.



## **‘Targeted’ Sanctions**

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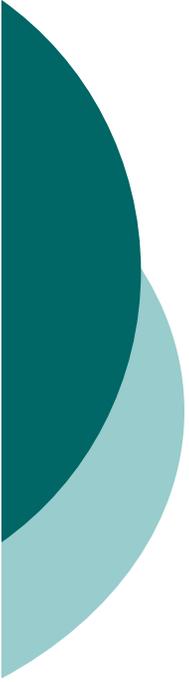
- Aimed at specific officials or government functions
- Arms embargoes, asset freezes, travel bans
- 7 out of 20 ‘targeted’ sanctions cases can be judged successful – about the same as other categories
- Example: UN Security Council sanctions on luxury goods imports to North Korea (aimed at the top leader, Kim Jong-il)



## Non-State Actors

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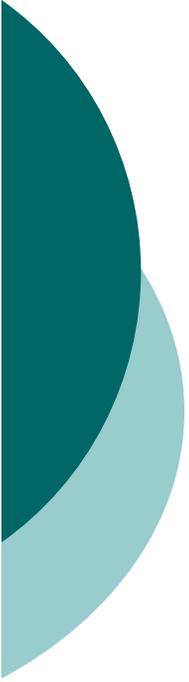
- US has used sanctions as a counterterrorism tool since the 1970s
- Targets have shifted
  - : state sponsors → non-state actors
- SDT (Specially Designated Terrorists)  
FTO (Foreign Terrorist Organizations)  
The USA Patriot Act
- Asset freezes: to prevent money laundering and financing of terrorism



# Assessment of High-Profile Cases

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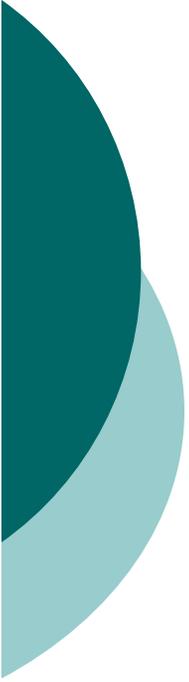
- Iraq
- Libya
- Iran
- North Korea



## Iraq – Partial Success?

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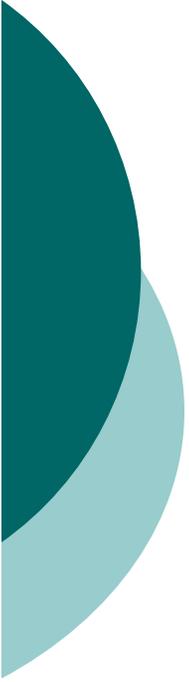
- Shows limitations of sanctions—did not, probably could not, destabilize Saddam Hussein
- But sanctions, along with military threats/strikes, supported UN inspectors in finding, destroying weapons of mass destruction (WMD)
- No new WMD suggests sanctions squeeze more effective than thought in containing Iraq
- But sanctions costly in humanitarian terms
- Difficult to maintain indefinitely
- Undermined support for UN sanctions in other cases, e.g., Sudan



# Libya – Success at Last?

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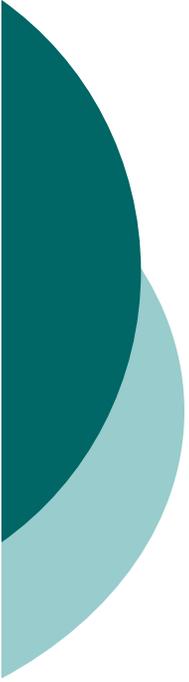
- Goals mostly achieved...
  - Decline in terrorist support
  - Surrender of Pan Am suspects
  - Surrender of WMD
  - Gave up on ejecting Gaddafi?
- But only after 20+ years
- Sanctions not only tool
- Changed Libyan perceptions of relative costs of compliance & defiance?



## And in Iran, North Korea?

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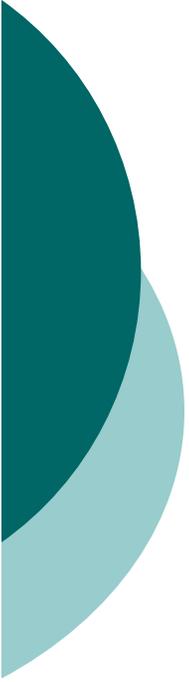
- Unilateral sanctions in place for decades with little effect
- Significant UN sanctions unlikely due to Russian, Chinese opposition
- Lesser multilateral sanctions possible if EU, South Korea, Japan cooperate



# Lessons from Libya, Iraq for Iran, North Korea

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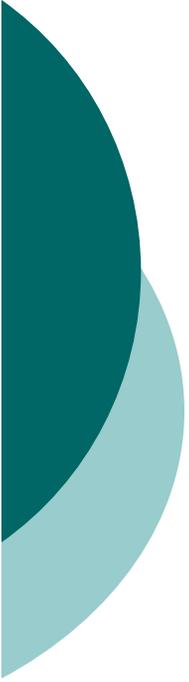
- Destabilization of either existing regime unlikely
- Achievement of other US goals possible if:
  - Sanctions deny key components, technologies
  - Target perceptions change
- Carrots plus sticks strategy more effective than sticks alone



# Lessons

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- Don't bite off more than you can chew
- Friends are more likely to comply than adversaries
- Do not expect quick success against autocratic regimes



## Lessons (*cont.*)

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- Slam the hammer, don't turn the screw
- Decide whether light sanctions are intended as a slap on the wrist or a warning of more to come
- Given the true objective, don't be a cheapskate or a spendthrift