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Case Study on Economic Sanctions

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A Short Survey of Economic Sanctions

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Introduction

Economic statecraft has long been at the core of international relations. The first documented incidents of economic sanctions being used for political ends date back to ancient Greece—the most well-known of these being the Megarian decree (432 BC), which banned all trade between Megara and the Athenian Empire. Throughout the history of economic sanctions, from ancient Greece through the nineteenth century, sanctions almost always foreshadowed or accompanied warfare.[1]

The idea that economic sanctions might be an alternative to the use of force only received attention after the First World War, largely owing to President Woodrow Wilson's advocacy. Indeed, as an alternative to force was the almost exclusive role of economic sanctions between the European armistice of 1918 and the renewal of European hostilities in 1939.[2] Since World War II, other foreign policy motives have beco~~a~~me increasingly common. Economic sanctions have been employed to promote democracy and human rights, to end civil war, to stop drug trafficking, to fight terrorism, to combat weapons proliferation, and to promote nuclear disarmament.

As the list of potential foreign policy objectives expanded, so did the frequency with which economic sanctions were imposed. Since World War I, ~~decade by decade,~~ the use of economic sanctions for foreign policy purposes has increased in frequency in every decade. In the 1990s, economic sanctions were imposed so routinely that some scholars have called it the "sanctions decade."[3] And no country in the world has employed economic sanctions in pursuit of foreign policy goals as often as the United States. ~~No country in the world has employed economic sanctions in pursuit of foreign policy goals as often as the United States.~~

Use and Effectiveness of Economic Sanctions in the 20th C~~c~~entury

Sanctions are the deliberate, government-inspired withdrawal, or threat of withdrawal, of customary trade and financial relations with a target country in an effort to change that country's policies. We emphasize two phrases in this definition: "threat of withdrawal" and "customary." ~~.~~ Threats are as important and sometimes more effective than actual denial. "Customary" includes not only the normal flow of private trade and finance, but also the normal flow of official trade and finance. For example, the United

States is not obligated to sell F-16s or provide Export-Import Bank finance to any particular country, but if the United States stalls or cancels a transaction for political reasons, that constitutes a sanction.[4]

Besides finance and trade in goods and materials, ~~merchandise trade and finance~~, other kinds of transactions can be sanctioned—~~--~~sports events, civil aviation, and telecommunications can all be interrupted. Some sanctions are drastic and comprehensive, such as the UN sanctions against~~on~~ Iraq or the U.S. sanctions imposed on Cuba and North Korea; most are far less severe, such as the stalling of World Bank or International Monetary Fund loans to India and Pakistan by the United States in an effort to stem nuclear tests.

U.S. Sanctions Legislation

Current U.S. sanctions are authorized or mandated under a large number of statutes and executive orders.[5] Over the past decade, and in particular since the end of the Cold War, Congress has taken a more active role in the formulation of foreign policy. State and even local governments have also felt freer to shape the foreign policy agenda. This "democratization" of foreign policy has spurred the imposition of sanctions at the federal, state, and local levels.[6]

Sanction laws can be divided into three categories. First are broad authorization statutes that enable the President to impose sanctions in pursuit of national security or other national interests. Foremost in the United States is the International Emergency Economic Powers Act of 1979 (IEEPA).[7] In other countries, comparable powers are inherent in the office of the prime minister or president.

Next, there are stand-alone laws targeted at specific countries, exemplified by the Comprehensive Anti-Apartheid Act of 1986, ~~by~~ the Cuba Democracy Act of 1992, and a number of laws aimed at Iran, Libya and Iraq. However, a more common type of targeted sanctions legislation is a clause in an appropriations or authorization bill that restricts U.S. foreign assistance or military aid to specific countries. In recent years Congress has invoked such restrictions to limit not only aid, but also trade (e.g. Panama) and investment (e.g. Burma).

Third and finally, and another area for policy entrepreneurship, are laws aimed at specific behaviors on the part of two or more countries. These laws may require periodic "certification" by the executive branch before the potential target countries can avoid sanctions. Currently, U.S. legislation targets countries that: expropriate U.S. property; cooperate with the Arab boycott of Israel; have mounted a coup against an elected government; do not cooperate sufficiently with U.S. anti-narcotics efforts; support terrorism; engage in human rights violations~~;~~ or religious persecution; engage in weapons proliferation; or harbor international war criminals.

Secondary Sanctions[8]

Another facet of U.S. sanction legislation that received considerable attention in the 1980s and 1990s are secondary sanctions threatened or invoked against third parties, such as Canada or France, that deal with target countries, such as Cuba, Iran or Libya. Secondary sanctions aim to extend the reach of unilateral U.S. measures by applying U.S. law to firms located in third countries that have not imposed similar sanctions. The extraterritorial scope of these measures has repeatedly led to friction~~s~~ with allies. Extraterritorial cases involving U.S. sanctions against Cuba and China erupted in the 1960s. However, the extraterritorial question took on new life in 1982 when the Reagan administration imposed sanctions against the construction of~~n~~ an energy pipeline between the Soviet Union and Western Europe after the declaration of martial law in Poland. European allies were not willing to impose the same restrictions on technology exports or to abandon a project to bring Siberian natural gas to Western Europe. Frustrated by the lack of cooperation, the administration extended U.S. technology sanctions to the foreign subsidiaries and licensees of U.S. firms. European governments criticized the United States for violating their sovereignty and breaking international law, and they banned companies from complying. In the end, the United States had to back down.

More recently, the Helms-Burton Act of 1996, targeting foreign companies that invest in Cuba, and the Iran-Libya Sanctions Act (ILSA) of 1996, (Author: years for these Acts?) designed to slow investment in the oil sector in Iran and Libya, created similar tension between the United States and its allies. ILSA threatens sanctions on any foreign company that invests more than $20 million in the energy sector in ~~either~~ Iran or more than $40 million in Libya. The Helms-Burton Act threatens the imposition of sanctions against foreign corporations and their executive officers that invest in properties confiscated by the Cuban government. In response to Helms-Burton, the European Union passed a law that prohibits European individuals or companies from complying with the act and allows them to reclaim damages in EU courts. The European Union also filed a complaint in the World Trade Organization (WTO) challenging Helms-Burton.

In 1998, the Clinton administration agreed to waive the imposition of statutory sanctions under both Helms-Burton and ILSA~~,~~ if the European Union dropped its WTO complaint. In response, the European Union withdrew but did not abandon its WTO claim. More or less the same U.S.~~-~~–EU stalemate continues in the Bush Administration. While ILSA expires on 5 August 2001, Congressional soundings indicate that it will likely be renewed for another five ~~-~~years.

Legal base for UN Sanctions

United Nations sanctions are authorized under Chapter VII of the UN Charter. Article 41 of Chapter VII states: “The Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations."[9] In order to impose sanctions, the Security Council must act by a majority vote with no veto from any of the five permanent members (France, China, Russia, United Kingdom, United States).

Since the creation of the United Nations in 1945, the Security Council has imposed sanctions in fifteen cases: Southern Rhodesia (1966), South Africa (1977), Iraq (1990), former Yugoslavia (1991), Liberia (1992), Libya (1992), Somalia (1992), Angola (1993), Haiti (1993), Rwanda (1994), Sudan (1996), Sierra Leone (1997), Federal Republic of Yugoslavia/Kosovo (1998), Afghanistan (1999), and Ethiopia and Eritrea (2000).[10] While the UN charter explicitly allows for the imposition of sanctions, the UN system lacks formal mechanisms to effectively administer and monitor sanctions. The sanctions committees~~,~~ created to monitor the implementations~~,~~ are usually established on an *ad hoc* basis for each sanctions episode. They vary greatly in extent and effectiveness, depending both on the extent of the cohesion (or division) within the Security Council and the political and geographic circumstances of the target country. For example, neither the United Kingdom nor~~t~~ the United States was enthusiastic about UN sanctions against South Africa in the early apartheid era; consequently, the sanctions were both limited in scope and loosely enforced~~s~~. In the case of former Yugoslavia, geography afforded enormous scope for evasion. By contrast, UN sanctions against Haiti and Iraq (until the mid-1990s) were both comprehensive and effective (in the sense of interrupting trade and finance).

Do Sanctions W~~w~~ork?

Defining Success

Public controversy about the use and effectiveness of sanctions began in the 1930s, triggered by the failure of~~ed~~ League of Nations sanctions against Italy to stop Italian aggression against Ethiopia. The subject was relatively quiet~~te~~ in the 1950s, 1960s and 1970s. But the increasingly frequent deployment of sanctions in the 1980s and 1990s has generated renewed and intense debate among policy makers, business firms, and scholars. Much of the debate and research has centered on the question of whether or not economic sanctions are effective tools in shaping a target country's policy. Effectiveness in achieving goals, however, should be sharply distinguished from effectiveness in interrupting customary economic relations. Sanctions can be very effective in interrupting relations yet fall short of their foreign policy goals;~~:~~ this was true in both Iraq and Haiti. By contrast, limited sanctions feebly enforced—such as UN sanctions against Libya to secure the extradition of alleged terrorists—can nevertheless achieve their goals.

Advocates of foreign policy effectiveness regard sanctions as an important weapon in the arsenal~~tool box~~—a middle-of-the-road policy between diplomatic protest and military force. Opponents, on the other hand, argue that economic sanctions are generally ineffective in achieving major policy changes abroad, and question whether the costs of sanctions are worth the benefits derived.

Individual scholars and practitioners tend to have their own idiosyncratic litmus tests for identifying the foreign policy success or failure of economic sanctions. Depending on what goals sanctions are measured against, assessments can vary sharply. Some scholars emphasize~~s~~ the signaling purposes of sanctions, ~~—~~such as deterring future wrongdoing, demonstrating resolve both to allies and domestic constituencies, and the preservation of international norms. Measured against these symbolic goals, economic sanctions that fail to change a specific target country's policy may nevertheless succeed in deterring similar behavior by other countries. Others argue that unless sanctions alone achieve the stated foreign policy goal, by default they have failed. Under this interpretation, a sanctions episode that was accompanied or followed by the use of force would be considered a failure. Similarly, if foreign policy goals are only partially achieved through the imposition of sanctions, the sanctions may be considered a failure.

Our own evaluation of the success of an economic sanctions episode has two parts: *policy result*, which evaluates the extent to which~~to what extend~~ the stated foreign policy goal of the sender country has in fact been achieved (scaled from 1 [failed] to 4[success]), and the *sanctions contribution*, which evaluates the contributions made by sanctions to a positive outcome (also scaled from 1[none] to 4 [significant]). We multiply the two elements to derive a “success score” that ranges in values from 1 to 16. We consider a “success score” of nine and higher a success. Thus, a score of 9 means that sanctions made a modest contribution to the goal sought by the sender country and that the goal was in part realized; a score of 16 means that sanctions made a significant contribution to a successful outcome.

Effectiveness of Foreign Policy Sanctions, 1919-2000

Preliminary findings based on a survey of 185 sanctions episodes[11] by the Institute for International Economics (IIE) suggest that the effectiveness of economic sanctions in achieving their stated foreign policy objectives—using our definition of effectiveness—has declined since the early post-World War II decades (see Table 1). In the early post-war period (1945-1969), about 50 percent of U.S. sanctions, both unilateral and multilateral, were successful in at least partially achieving their stated objectives. Since 1970, however, the success rate of U.S. cases has dropped. Between 1970 and 1999, U.S. sanctions succeeded in roughly one-fifth of all cases. Unilateral U.S. sanctions fared particularly poorly (see Figure 2). Between 1945 and 1969, U.S. unilateral sanctions achieved their goal in more than 60 percent of the cases; after 1970 the success rate dropped below 20 percent. Broadly speaking, the drop in foreign policy effectiveness was not a continuous slide, but rather a steep decline to a lower plateau.

While the success of U.S. sanctions has dropped, so has the frequency of unilateral U.S. initiatives. Contrary to conventional wisdom, in the 1990s the majority of U.S. sanctions episodes were undertaken in conjunction with other senders. Less than a third of the cases initiated in the 1990s were purely unilateral ventures. By contrast, in the 1970s, the United State was involved in 32 sanctions episodes and three-quarters ~~percent~~ of them were unilateral initiatives.

A common explanation for the drop ~~both~~ in both the effectiveness of sanctions generally, and the frequency of unilateral sanctions in particular, is globalization. Compared to the 1950s and 1960s, target countries found it much easier to tap into world trade and capital markets for alternative goods and finance in the 1970s, 1980s and 1990s. It has become nearly impossible for the United States, acting alone, to deny a target country access to vital markets and finance~~-~~. At least the cooperation of other OECD countries is required. These global forces probably contributed as well to the shift from unilateral actions towards multilateral initiatives.

Another change in the post-Cold War era is the decline of new cases targeting Latin American countries and the rise of new cases targeting African countries. In broad terms, this reflects the swing of Latin America to democratic governance and the growing incidence of civil war, despotic leadership, and large-scale killing in Africa. This shift in geographic locus~~-~~—from the U.S. backyard to the European backyard~~-~~—is another factor in the decline of unilateral U.S. sanctions and the rise of European initiatives.[12] In the 1970s and 1980s, Latin American countries were subject to 20 sanctions episodes, 17 of which were unilateral initiatives by the United States. In the 1990s, 9 sanctions episodes were targeted against Latin American countries, and less than a third of these cases were unilateral U.S. sanctions.

Freed from its Cold War straitjacket after the collapse of the Soviet Union, the United Nations intervened more aggressively in international affairs, including the imposition of mandatory economic sanctions. Prior to 1990, ~~-~~the United Nations had imposed mandatory economic sanctions only twice~~-~~—against Rhodesia and South Africa~~-~~—compared to 13 times after the end of the Cold War. This contrast is partly explained by the fact that, with the end of the superpower rivalry, the world faces different foreign-policy challenges. In many cases, these new threats are no longer of paramount concern to either the United States or its Western allies. Unwilling to commit substantial financial resources or military troops, the United States and its allies have resorted to UN sanctions in the face of pressure to "do something."~~.~~ Meanwhile, the theaters of action have little or no concern to China and Russia, the other permanent members of the Security Council. The UN arms embargoes imposed on Rwanda (1994)~~,~~ and Ethiopia and Eritrea (2000) illustrate these points.

Policy Recommendations

Although sanctions succeed (by our litmus test) only once in every four or five episodes, certain conditions appear to enhance their chances of success. Research done by the IIE suggests that sanctions are more likely to succeed if imposed quickly and decisively, to maximize impact. This poses a dilemma. While decisive action is markedly assisted by multilateral cooperation, ensuring multilateral support for a sanctions initiative usually requires time. The usual scenario is exemplified by the measured international reaction to Liberian involvement in Sierra Leone's civil war (an episode where success has been elusive).

Economic sanctions seem to be more successful in achieving modest policy goals, while they seldom work as a substitute for military force in achieving major goals. Sanctions did not bring about changes of government in Haiti or Panama. U.S. troops ultimately deposed the offending regimes. Severe, but ultimately ineffective, sanctions also presaged the use of force to end Iraq's occupation of Kuwait. In very few instances~~,~~ ~~however,~~ have sanctions alone contributed to a major policy change in the target country. Making a qualified virtue of this observation, some sanctions scholars have argued that sanctions are not a substitute for force but instead signal to the target country (in some circumstances) that the next step could be military force.

The imposition of sanctions against South Africa represents one of the few success stories in the "major policy change" category. After a very long period (1962-1994), economic sanctions contributed to the collapse of the apartheid system. Toward the end, sanctions enjoyed broad multilateral support, discouraging private bank loans (even though capital flows were not sanctioned) as well as trade. Moreover, the white minority government remained sensitive to external opinion. Even under apartheid, South Africa was a semi-democratic country, and many whites were sensitive to increasingly hostile international opinion. In fact, as a general proposition, semi-democratic regimes are vulnerable to public disaffection with economic hardship and the label of international pariah that accompany multilateral sanctions. These forces may have contributed to the downfall of President Milosevic in the Federal Republic of Yugoslavia.

By contrast, an authoritarian regime, already isolated from the world community, may be able to use the sanctions episode to strengthen its grip on the population and to compel support for its policies. Both Mussolini in the 1930s and Castro in the 1990s have effectively rallied popular opinion against the external enemy—in the first case, the League of Nations, in the second case, the United States. Economic sanctions in the form of comprehensive trade and financial bans are blunt instruments. Often they leave the key targets—the military and political elites—unharmed economically and even strengthened politically, while hitting the weakest members of society very hard—children, the poor, the elderly. Despite the poverty Iraq's people have endured, Saddam Hussein remains in power. In Burma and Sudan, less well-known but equally authoritarian regimes are successfully defying sanctions.

Costs of Economic Sanctions

Costs to the Sender Country

While the success of a sanctions episode is usually problematic, the costs of sanctions to the sender country are not. For the United States, the costs are a very small fraction of GDP. However, the costs are typically concentrated on a very few U.S. firms and communities that trade or invest in the target country. The intent of trade sanctions is of course to reduce trade,— both exports and imports. Financial sanctions and asset freezes also reduce trade. The result, of course, is that some U.S. firms lose markets or inputs—and, as a consequence, lay off workers.

An IIE study empirically measured the impact of economic sanctions on bilateral merchandise trade flows. The study found that total U.S. exports to 26 countries subjected to sanctions in 1995 were as much as $20 billion lower than they would have been in the absence of the sanctions. Assuming these lost sales were not offset by exports to other markets, employment among the affected U.S. firms and communities would have been reduced by about 200,000 jobs. In the United States, export industries on average pay about $4,000 more per year than the average in manufacturing industries. Thus the calculated shift in the composition of U.S. employment (assuming that every displaced worker found a new job) would have resulted in a loss of about $800 million to $1 billion annually in wage premiums otherwise earned in export sector jobs by comparison with other jobs.

In addition to the immediate impact on bilateral trade, the adverse effects may linger long after sanctions have been lifted because U.S. firms come to be regarded as “unreliable suppliers.”~~.~~ Countries may avoid buying from U.S. suppliers out of fear that one day they too might be caught up in a U.S. sanctions episode. Capital equipment exports lost today also mean lower exports in the future, because markets are lost for replacement parts and follow-up technologies.

Costs to the Target Country

The economic impact of sanctions on the target country is largely determined by the severity of sanctions and the extent of the target country’s trade and investment links with the sender country or coalition. Research by the IIE indicates that sanctions are more effective as a diplomatic weapon against friends than foes. Countries with substantial trade, investment and financial relations, and close political ties with the sender, are thus more vulnerable to sanctions. But close trade, investment and financial ties with the target country also raise the economic and political costs of imposing sanctions to the sender country~~ of imposing sanctions~~. This link makes the imposition of sanctions less likely~~,~~ (or, when imposed, less severe) against traditional partners. The United Kingdom, for example was never enthusiastic about placing sanctions on~~ing~~ Southern Rhodesia or South Africa; Russia was lukewarm about participating in the sanctions~~ing~~ against Serbia; and China has never imposed sanctions on~~sanctioned~~ Pakistan or North Korea.

In many episodes the aggregate cost to the target country is under 2 percent of GDP annually. In only a few episodes does the cost exceed 5 percent annually. In other words, the costs of sanctions often do not exceed the economic costs of a moderate recession. Any evaluation of the impact of sanctions on a target country must consider how easy it is for the target country to replace goods and capital. For example, unilateral U.S. sanctions against Iran and Libya for their support of international terrorism in the 1980s imposed only modest costs on the respective countries. Iran and Libya found alternative buyers for their oil exports, and alternative suppliers of capital goods.

However, as mentioned above~~before~~, the most vulnerable groups in society may bear the largest burden. As UN sanctions against Iraq exemplify, target regimes are often skilled in using economic scarcity to solidify their control over the population. In many cases, political elites in the target country control the profitable black markets and smuggling activities created by trade embargoes, while the citizens are deprived of basic items. Despite the "oil-for-food" program, child mortality rates in Iraq have reportedly doubled since 1990.

The W~~w~~ay F~~f~~orward:~~—~~ S~~s~~anctions R~~r~~eform D~~d~~ebate and P~~p~~roposals

Not surprisingly, the frequent use of economic sanctions as a tool of international policy in the 1990s, combined with their diminishing effectiveness, has led to a reevaluation. Reform efforts focus on “fine tuning” sanctions to become a more useful foreign-~~-~~policy tool while inflicting fewer~~less~~ economic costs on civilian populations, third states and the sender countries.

Within the United States, this has led to the introduction of ~~the~~ several sanction “reform bills.”~~.~~ These bills propose guidelines for unilateral sanctions. Suggestions include cost-benefit analysis, public hearings, increased executive branch consultation with Congress, a preference for multilateral measures whenever possible, and presidential waivers for all new legislatively-~~-~~imposed sanctions. Although no comprehensive sanctions reform bill has yet been passed, limited efforts have had some success. For example, on 28 April 1999, President Clinton announced that food and medicine would~~ill~~ be exempted from any future sanctions imposed under executive orders. Similarly, the 106th Congress passed the Trade Sanctions Reform and Export Enhancement Act of 2000 (PL 106-387) also dealing with restrictions on food and medicine exports. The Trade Sanctions Reform Act requires that the President submit to Congress, for approval, plans to unilaterally restrict~~-~~ agricultural or medical exports to a sanctioned country. It also requires the President to end most current unilateral economic sanctions that limit~~restrict~~ the availability of food or medicine in a target country.~~.~~

Currently (Summer 2001), the Bush administration is conducting a review of U.S. sanctions policy. Although the final results of this review are uncertain, comments by senior administration officials show a level of skepticism regarding~~towards~~ most unilateral U.S. sanctions. The Bush administration has also launched an effort to modify UN sanctions against Iraq, partly in response to allied weariness after a decade of comprehensive sanctions. The administration suggested lifting restrictions on most civilian goods, while tightening controls over dual-use or military items and controls over oil revenues. A UN resolution sponsored by the United States and Great Britain proposing these changes is currently being debated in the Security Council.

The lessons learned in the 1990s with regard to UN sanctions have also sparked efforts internationally to reform UN sanctions policy. In recent years, scholars and human rights groups~~ and scholars~~ have sounded an alarm about the humanitarian effects of economic sanctions and their impact on third countries. These groups have raised serious questions regarding the legal and ethical basis for UN sanction activities. As the collateral damage from the “blunt weapon” of comprehensive trade embargoes becomes less acceptable, more specific and creative sanctions are being invented in an effort to address these concerns. The goal is to better target economic sanctions on those responsible for the objectionable behavior.

Can Sanctions be Made “Smarter”?

“Targeted sanctions” or “smart sanctions,”~~”,~~ like “smart bombs,”~~”,~~ are meant to focus their impact on the leaders and political elites responsible for the objectionable behavior in question, while sparing powerless civilians. Growing emphasis on the individual accountability of those in power for the unlawful acts of states (highlighted by the Pinochet case and the Bosnian war crimes trials), has made the concept of targeted sanctions all the more attractive.

Targeted sanctions, such as arms embargoes, travel bans and asset freezes, are a relatively new concept. An IIE survey of sanctions cases in the twentieth century shows that in only 20 cases (out of 185) were targeted measures imposed outside the framework of comprehensive embargoes. Even in these 20 cases, targeted sanctions were almost always accompanied by selective export restrictions or aid suspensions.

Record of Arms Embargoes and Travel Bans

Arms embargoes are targeted in the sense that their purpose is to deny military and political leaders access to weapons and related military equipment. In addition, arms embargoes help to identify and stigmatize those who violate international norms. Since 1990, the UN Security Council has imposed 12 arms embargoes in an effort to limit local conflicts.[13] Yet the effectiveness of arms embargoes in ending conflicts remains elusive. Weak enforcement, poor monitoring, and dire conditions in bordering countries all work to undermine the effectiveness of arms embargoes. The UN system has no standing military force to enforce the embargoes, and UN resolutions are often deliberately vague, leaving wide room for diverging interpretation by member states.

Trafficking in small arms is a high profit enterprise, and the profits are even greater following the imposition of an embargo. The market for illicit arms is almost as lucrative as the market for illegal drugs, and the chances of being caught are far less. The money is especially good when the targeted group controls valuable natural resources, exemplified by the control exercised by the National Union for the Total Independence of Angola (UNITA) over Angolan diamonds. UNITA uses its profits from the diamond trade to finance weapons purchases. In reaction, the UN Security Council imposed an embargo on uncertified diamond exports from Angola.[14] Despite additional efforts by the UN to tighten the implementation and enforcement of the arms and diamond embargoes, an end to Angola's civil war seems remote.[15] This episode suggests that, as stand-alone policies, arms embargoes and diamond sanctions are unlikely to curtail local conflicts if the political will to enforce them is lacking.

Travel or aviation bans can be divided into two categories: restrictions on all air travel to and from a target country, and restrictions on the travel of targeted individuals, groups or entities. In the case of restrictions on air travel to and from a target country, or areas under the control of targeted groups (such as UNITA), the assumption is that the flight ban will affect people in power substantially more than the general population. Travel bans and visa restrictions against individuals not only avoid the cost of imposing a trade embargo, but are also useful in denying legitimacy to political leaders, military officials and their supporters. Yet the assumption that flight bans exert minimal humanitarian impact may not always hold. The 1999 UN ban on all international flights by the Afghan national airline has practically grounded an airline that relied on the United Arab Emirates for maintenance. [16] International aid agencies in Kabul have criticized the ban. They claim that the ban hampered their relief work and, due to the dependence of the postal service on the airline, cut off poor Afghans from money sent by relatives abroad. [17] Although it is difficult to draw general conclusions, this example calls attention to the difficulty of crafting truly “smart sanctions”.

An interesting case study of smart sanctions that actually contributed to a successful policy outcome was the European Union “blacklist” of Serbian President Milosevic’s supporters. The 600 individuals on the blacklist were prohibited from traveling in Europe and their assets in European banks were~~are~~ frozen. While Milosevic and his supporters benefited from the Serbian trade embargo by controlling the black market, they did mind their personal international isolation. Cut off from their companies and bank accounts abroad, they found that conducting business became more difficult.[18] These targeted sanctions probably contributed to the ultimate fall of President Milosevic.

Financial Sanctions:~~—~~ What have we learned?

Financial sanctions, such as asset freezes, limiting access to financial markets, restricting economic assistance, or prohibiting new investment, have received considerable attention from practitioners and scholars. In the last few years, the Swiss government has led an international effort to study the complexities associated with asset freezes and other financial sanctions. While travel bans and arms embargoes are mostly symbolic, financial sanctions can potentially harm the targeted group, company or individual, thus increasing the likelihood of success. Empirical evidence based on the second edition of *Economic Sanctions Reconsidered* (1990) supports this argument. Historically, financial sanctions have been more successful in achieving their foreign policy goals than, for example, trade sanctions alone.

Financial sanctions are attractive for a variety of reasons. Technical expertise,~~—~~ developed in international anti-money-laundering efforts,~~—~~ for identifying and tracking ~~of~~ financial assets can prove useful for the implementation of targeted financial sanctions. Furthermore, the United States has substantial experience in administering financial sanctions. The U.S. Treasury Department Office of Foreign Assets Control (OFAC) has continuously administered some form of asset freeze or other financial control since 1940.[19] U.S. predominance in international financial markets also provides additional leverage to exert pressure. Under the label of capital market sanctions, ~~Sudan anti-government~~ activists opposed to the government of Sudan have recently suggested denying companies that do business with the ~~government of Sudan~~Sudanese regime the right to list their shares on the New York Stock Exchange. At a more general level, the SEC has proposed additional disclosure requirements for~~on~~ foreign companies that do business in countries sanctioned by the United States.

In recent years, OFAC has implemented UN-mandated freezes on foreign assets of specifically designated individuals, state-owned companies, and governments in connection with sanctions against Haiti, Serbia-Montenegro, the Bosnian Serbs, and the Angolan rebel f~~r~~action UNITA. New unilateral U.S. initiatives include the creation of a "Specially Designated Narcotics Traffickers "(SDNT) program that identifies Colombia's drug cartels and denies them access to the U.S. financial system and trade with U.S. firms. This new program seems to have succeeded in hitting its~~the~~ targets. According to reports from OFAC, nearly a third of the businesses identified by the program between 1996 and 1999 have gone into liquidation. These companies had a combined net worth of more than $45 million and combined annual income of over $200 million.[20] Other effects, such as the cost to companies and individuals~~ of~~ denied access to the U.S. financial and commercial systems, are real but not yet quantified.

The OFAC programs also highlight~~s~~ the considerable challenges facing financial sanctions, such as the identification of funds belonging to the individuals, governments and companies targeted. Although the means of tracking financial assets have greatly improved, so have the means of deception. Even when individual funds can be identified, secrecy and speed are critical to prevent targets from moving assets between numbered accounts in off-shore banking centers.

Targeted sanctions, at times, may serve other purposes. They may be imposed to show important domestic constituencies that something is being done. Secretary of State Madeline Albright's decision to delay the Export-Import Bank loan to Russia over the conflict in Chechnya (although other reasons were invoked, and Chechnya~~-~~ was not explicitly mentioned) falls in this category.

Conclusions

As support for broader sanctions wanes, alternative measures targeted on ~~the~~ political elites offer a way to continue pressure while reducing the impact on the general population. Current efforts to restructure sanctions against Iraq fall into this category. France and Russia, outspoken critics of the current sanctions regime, have long lobbied for a lifting of sanctions against Iraq. A new menu of targeted measures may prolong the support~~,~~ in the Security Council~~,~~ for some economic punishment of Iraq's leaders.

Regardless of the multiple challenges that face targeted sanctions, we are likely to see this "brand" grow in the marketplace for economic punishment. The latest example was the UN ban on diamond exports and travel sanctions~~,~~ imposed on Liberia in May 2001.

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[1]Likewise, trade agreements were often negotiated in the wake of a peace pact or as economic cement for harmonious relations.

[2] Economic sanctions imposed~~mounted~~ by the League of Nations succeeded in a few small episodes, but they failed miserably in the big case~~-~~—the attempt to dissuade Italy from invading Ethiopia in 1935.

[3] See Cortright, ~~David~~ and ~~George A.~~ Lopez, ~~.~~ *The Sanctions* ~~-~~*Decade*.~~*Decade: Assessing UN Strategies in the 1990s.* Boulder Lynne Rienner, 2000.~~

[4] Senator Jesse Helms applied a much more restrictive definition of economic sanctions in his article "What Sanctions Epidemic?" in *Foreign Affairs* (January/February 1999): 2-8. (Author: Please include title and page numbers)

[5] See: Carter, ~~Barry E. 1988.~~ *International Economic Sanctions*~~*: Improving the Haphazard U.S. Legal Regime.* Cambridge: Cambridge University Press~~; and -Malloy, ~~Michael P. 1990.~~ *Economic Sanctions and U.S. Trade*. ~~Boston: Little, Brown.~~

[6] In the lawsuit filed by the National Foreign Trade Council (NFTC) against the State of Massachusetts challenging a law imposing sanction against~~ing~~ companies doing business in Burma [Crosby v. National Foreign Trade Council], the United States Supreme Court held that the Massachusetts law was pre-empted by federal law. The Court's decision, however, focused narrowly on the specifics of the Massachusetts law and stopped short of prohibiting states and local governments from taking economic actions with foreign policy implications. The ruling, therefore, leaves states free to pursue other methods to sanction a target country, such as requiring public pension funds to dispose of shares in offending companies.

[7] The IEEPA largely superceded the Trading with the Enemy Act of 1917, a First World War statute that gave the President enormous power to curtail economic relations with foreign countries and seize assets.

[8] For more details see: Rodman, ~~Kenneth A. Forthcoming.~~ *Sanctions Beyond Borders*.~~: *Multinational Corporations, Extraterritoriality, and U.S. Economic Statecraft.* Lanham: Rowman & Littlefield.~~

[9] United Nations Charter. http://www.un.org/aboutun/charter/index.html

[10] United Nations, Office of the Spokesman for the Secretary-General. "Use of Sanctions under Chapter VII of the UN Charter". Updated May 2001. http://www.un.org/news/ossg/sanction.htm.

[11] ~~Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, assisted by Barbara Oegg. *Economic Sanctions Reconsidered.* 3rd edition. Washington: Institute for International Economics, forthcoming~~See Hufbauer, Schott, and Elliott, *Economic Sanctions Reconsidered*. This number does not correspond with the number of actual

cases because it includes assessments of multiple goals in some sanctions episodes as well as multiple phases of some prolonged sanctions cases.

[12] See ~~Kimberly Ann~~ Elliott and ~~Gary Clyde~~ Hufbauer,~~.~~ "~~-~~Same Song, Same Refrain?" ~~Economic Sanctions in the 1990's." *American Economic Review* 89, no.2 (May1999): 403-408.~~

[13] Iraq (1990), Yugoslavia (1991), Somalia (1992), Libya (1992), Liberia (1992), Haiti (1993), Angola (1993), Rwanda (1994), Sierra Leone (1998), again against the Federal Republic of Yugoslavia (1998) over the Kosovo conflict,~~-~~ Ethiopia and Eritrea (2000), and Afghanistan (2000).

[14] United Nations Security Council Resolution 1173, U.N. Doc. S/RES/1173 (1998).

[15] Barbara Crossette, "U.N. warns it will enforce Angola Trade Ban", *New York Times*, 19 April 2000;~~.~~ Judy Aita, "Security Council Steps up Investigation of UNITA Sanctions Busting", US Department of State, *Washington File*, 19 April 2000.

[16] UN Security Council Resolution 1267, U.N. Doc. S/RES/1267 (1999).

[17] See Pamela Constable, "Flights of Frustration,"~~;~~ *Washington Post*~~.~~, 6 December 1999, A17. Barbara Crossette, "A Delay in the Security Council Blocks Relief Aid for Afghanistan," *New York Times*,~~-~~ 16 December 1999, A10.

[18] *New York Times*, 10 February 2000, A12; *Financial Times*, 15 February 2000, 2

[19] ~~"~~R. Richard Newcomb,~~.~~ "Targeting Financial Sanctions" (P~~p~~aper presented at the 1st Interlaken Seminar on Targeting United Nations Financial Sanctions, ~~29-30~~17-19 March 199~~9~~8). Available at: www.smartsanctions.ch.

[20] R. Richard Newcomb. "Targeting Financial Sanctions" paper presented at the ~~2~~1st Interlaken Seminar on Targeting United Nations Financial Sanctions, 17-19 March 1998. Available at: www.smartsanctions.ch. (Author: are the papers in notes 19 and 20 the same paper? It is unclear, if they are different, which was first – Note 19 lists it as the "1st Interlaken Seminar," even though it postdates the paper referred to in Note 20, which is listed as having been given at the "2nd Interlaken Seminar." Please clarify. Both notes refer to same paper.)