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Alternatives to Comprehensive Sanctions*

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Abstract

The types of sanctions policies that are likely to be most effective depend on the objectives of the sanctions-whether they are intended merely to send a signal of disapproval or to precipitate a policy change in the target country-and on the alignment of political and economic interests in the target. Having identified the objectives of the sanctions, it is important that policy makers also specify how the sanctions are envisioned to work to achieve those objectives. The linkage from economic damage to desired political impacts is tenuous at best, which suggests that the most effective methods of achieving the intended

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The most important issue to be resolved before one can make a blanket assessment of the success (or use, or fairness) of sanctions in general, or even of specific types of sanctions, is just what was expected of the sanction. The critical failure of both the current sanctions policy making arena, and of assessment of the policies undertaken, is that there almost never is a clear understanding of the objective of the sanction or of how implementation of the sanction will attain success. Understanding these two issues will help in assessing alternatives to comprehensive sanctions.

2. Understanding Sanctions by their Political Objective

International economic sanctions are governmental policies, and as such they can be analyzed according to the general principles set forth in public choice economics. Behind the enactment of any endogenous policy will be a set of interests pressuring for the policy against some resistance to the policy that must be overcome for successful implementation (Becker, 1983). In the case of sanctions, the pressures in favor of the sanctions could come either from interest groups with foreign policy objectives or from interests with more pecuniary objectives. The pecuniary self interest that seeks sanctions might be associated with protectionist interests in the sanctioning countries as in the case of some of the sanctions against South Africa.⁴ Other examples might include U.S. sugar producers anxious to keep Cuban sugar off the U.S. market or energy consumers hoping to avoid market disruption from an Iraqi invasion of Kuwait. Political resistance to sanctions is likely to be based on pecuniary self interest as well. Firms doing business in the intended target well understand that they will bear the brunt of the cost of the sanctions if their business undertakings are interrupted or terminated. Consequently, they will contest the imposition of international economic sanctions that damage their interests

regardless of their own ethical position toward the target's objectionable behavior.

In this analysis, however, we will put aside pecuniary interests for the most part.⁵ Instead, we focus on the various foreign policy interests behind sanctions. The foreign policy interests pressuring for economic sanctions do not always have the same types of objectives given the nature of the target's offense and the kinds of resistance to the sanctions. Objectives range from taking the moral high ground in response to the target's offense, to punishing the target for its offense, to attempting to pressure the target to change its offensive action. Across these objectives, however, the type of sanctions that are appropriate might vary quite a bit in scope and range.

Sanctions that take the moral high ground are those sanctions that are designed more to please interests (particularly of the non-pecuniary type) in the sender than to have any impact in the target. The sender adopts a position that, instead of sitting by and acquiescing to the objectionable policy of the target, it would rather take a stand, even if only at very low domestic cost. An example would be Canada's banning of landing rights, during the apartheid era, for South African Airways whose flights had never landed in Canada prior to the sanction. While such sanctions typically come at very low cost to the sender as well as to the target, occasionally sanctions designed to take the moral high ground are quite costly to the sender (but not to the target), as in the case of President Carter's grain export embargo on the Soviet Union. This sanction imposed huge costs on grain farmers and exporting firms in the U.S. and perhaps politically on Carter himself, while the Soviet Union had plenty of leeway to minimize the damage incurred by seeking out substitute sources of grain.

Sanctions are also designed to punish the target country. These punitive sanctions which

are typically comprehensive and frequently multilateral in nature are expected to extract a high toll in economic damage to the target by cutting it off from international markets. Sanctions of this type are frequently in response to a specific act on the part of the target that has already transpired, for instance, Iraq's invasion of Kuwait or nuclear testing in India and Pakistan. The very nature of the punishment intended by punitive sanctions may interfere with possible policy modification in the target because punitive sanctions tend to cut off other channels of dialog between sender and target. In addition, punitive sanctions may play into the hands of "hardliners" in the target in a way that less comprehensive sanctions may not. Such an effect would tend to entrench the target's objectionable policy, not move the target toward compromise.⁶ Of course, comprehensive economic sanctions also frequently lead to massive human costs in the target, an outcome that may push the sender a bit off the moral high ground as well.⁷

Finally, sanctions may be aimed at policy modification in the target. If policy modification is, in fact, the primary interest of those pressuring for action in the sanctioning countries, then the exact sanctions policy implemented should be evaluated on grounds of how the sanctions are likely to bring about modification, relative to the costs of implementing the sanctions and the availability and costs of other options toward the end of policy modification in the target. It is not at all clear that maximum economic dislocation in the target of the type that might follow comprehensive and multilateral sanctions is either likely to bring about the desired policy modification, or is justifiable in light of the domestic and humanitarian costs of such sanctions.

Of course, in some sense when sanctions are imposed their purpose as envisioned by their

proponents might encompass all three of these objectives—take the moral high ground while punishing the target and getting it to modify its objectionable policies. However, the foregoing discussion suggests that the appropriate package of policies will vary across these objectives. While there are situations in which the appropriate objective for sanctions may be to take the moral high ground or to punish the target, let us restrict the discussion to sanctions that are intended to modify behavior of the target. It is our point that given some international relations episode in which economic sanctions are contemplated, the best sanctions package will depend on the actual objective at hand.⁸ When that objective is not punishing the target by exacting the maximum economic damage, alternatives to comprehensive sanctions should be taken into consideration.

3. Planning Sanctions to Achieve Target Policy Change

While various authors have debated the flaws and failures of international economic sanctions, our contention here is that the major shortcoming of sanctions policies is that they tend to be enacted without any conceptualization of how they will work to bring about policy modification. As Kirshner (1997, p. 32) points out, the relevant question is not whether sanctions work but how they function. In particular, when comprehensive, multilateral sanctions are imposed the question of how those sanctions will bring about policy change must be considered, but rarely is. This reality about sanctions policy leads to the conclusion that perhaps the underlying objective of sanctions is, in fact, punishment of the target. If such is the case, then comprehensive and potentially multilateral sanctions are bound to inflict the greatest amount of economic dislocation on the target country. However, it should be noted that even in this case, the greatest amount of economic damage to the target country is not the same thing as the greatest amount of economic

damage to the target's leaders or ruling elite.

Consider, however, episodes of sanctions in which the real goal is policy modification in the target. The link between the sanctions and policy change is now of critical interest. While this linkage is rarely discussed in the literature, even in theoretical terms (Kirshner, 1997, p. 41), there are some possibilities. The most blunt model, and perhaps the model envisioned by punishment sanctions, is that by inflicting damage on the target country, its ruling elite and core support groups, the leadership will choose to change policies as a response to a straightforward cost-benefit calculus (Kirshner, 1997, p. 42). The empirical evidence that exists on the successes and failures of sanctions seems to show that there is some positive relationship between the amount of economic damage and the success of a sanction in attaining its political objectives (Bonetti, 1997; Hufbauer et. al., 1990, pp. 101-2). However, it is not at all clear that it is the damage that links the sanction to the political success of the episode. For instance, many of the sanctions episodes in which the economic costs of the sanction were greatest in the target also involved military intervention.⁹

Two other possibilities arising out of the public choice literature are presented in Kaempfer and Lowenberg (1992a). In each of these models, international economic sanctions can bring about policy modification in the target country by affecting the political interest groups that are responsible for the offensive policy in the first place. In one instance, sanctions have a direct impact through their income effects on interest groups. In the other, the effect of sanctions is more indirect and acts through signaling channels. In both cases, however, there is no presupposition that comprehensive sanctions will have the best, or even any, chance of effectiveness.

The direct interest group effect model (Kaempfer and Lowenberg, 1988) supposes a political process in the target country in which the objectionable policy is an endogenous outcome. The political process, or political market, administers pressures for and against the policy. The particular alignment of political powers and interests, such as the ascendancy of the National Party in South Africa under apartheid, might, then, lead to a policy outcome that is found objectionable by others outside the target's own polity.

Sanctions can play a role in changing the target's political outcome, however. Support for and resistance to the objectionable policy in the target are all based on *individual* decisions that are subject to a standard constrained optimization calculus. Supporters of the objectionable policy will choose to pressure for less of it (i.e., buy less of it) if its price should happen to rise or if their income constraint tightens and the objectionable policy is a normal good. Sanctions can cause incomes to fall through induced contractionary conditions. In addition, sanctions can even raise the prices of some objectionable policy choices if those policies require certain imported goods or technologies whose prices rise following sanctions. However, all of this must be tempered by the realization that the objectionable policy is the product of a market-like process in which there are both proponents and opponents. The incomes of opponents of the objectionable policy may be similarly affected by sanctions so that their ability to finance their own political resistance may be diminished by the sanctions, leading to a potential strengthening of the objectionable policy.

In the indirect interest group model (Kaempfer and Lowenberg, 1992b), sanctions are seen as a possible method of strengthening internal opposition to the target's objectionable policy.¹⁰ Leaders of opposition interest groups in the target country use external sanctions as a

signal to members and potential members of the viability of their position. Sanctions help to serve notice that the policy that the opposition interest group opposes is in fact also repudiated by others in the world. This notice then gives rise to optimism that, given tangible evidence of external support, the opposition may someday succeed in its efforts. Consequently, individuals find greater personal rewards to joining in collective action with the opposition group, which enhances that group's political effectiveness. In other words, one of the "transmission belts"¹¹ through which sanctions might work is an external message or signal that strengthens collective action among the political opponents of the objectionable policy in the target country.

international economic sanctions. The optimal solution, of course, would be to apply sanctions in such a way as to increase the political resources of the group whose point of view is favored while diminishing the resources of the group whose position is to be thwarted. Thus there is a

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objectionable in the sanctioning countries. An example would be the freezing of assets owned abroad by members of the target elite, of which more below. A potential drawback of smart sanctions is that their highly specific nature might allow their intended targets ample opportunity to deflect their impact.

caused it to retreat, but may have negatively affected its military ability to defend its gains.

Of course it may not always be possible to selectively sanction specific groups or actors in the target country. In some cases where we might think in retrospect that sanctions were targeted, the facts of the matter are quite different, which gives rise to considerable confusion in public discourse on sanctions. For example, Seib (1998) maintains that the sanctions against South Africa were “carefully targeted.” In fact they were carefully targeted not to impose maximum damage on South Africa or to bring about political change, but to minimize damage or promote protectionist interests in the sanctioning countries. Thus the 1986 U.S. legislation, the Comprehensive Anti-Apartheid Act, targeted imports of South African steel, textiles and agricultural products to the advantage of import-competing U.S. industries, while the equivalent legislation in Europe exempted South African coal on which European countries were quite highly dependent for their energy requirements. The intent of the targeting was purely domestic—to serve protectionist interests or to minimize internal damage—not to bring about an expeditious dismantling of South African apartheid policies (Kaempfer and Lowenberg, 1989).¹²

5. Unilateral vs. Multilateral Sanctions

Seib (1998) quotes Sen. Richard Lugar proclaiming that “almost all the academic work on that issue says for sanctions to work they have to be multilateral” rather than imposed by the U.S. alone. In fact the academic literature suggests nothing of the kind. The most comprehensive data on sanctions are those published by the Institute for International Economics (Hufbauer, et al., 1990), comprising 115 sanctions episodes since 1914. Rigorous analysis of these data reveals that there is no statistically significant relationship between multilateral cooperation and the success of sanctions (Bonetti, 1997, p. 332). The consensus among scholars who have

studied the empirical evidence is that multilateral sanctions are no more likely to produce a successful outcome than are unilateral sanctions.

The mantra in Washington that multilateral sanctions are more effective than unilateral

are regime leaders in the target (Rowe, 1993). There are repeated examples of this very effect in practice ranging from Rhodesia to Haiti to Serbia, revealing that sanctions may end up enriching the very leaders they were intended to depose. More limited sanctions may signal their intent without any enriching effects for the intended objects.

Kaempfer and Lowenberg (1999) point out that comprehensive multilateral sanctions in fact have the perverse effect of concentrating sanctions rents within the target country, insuring that residents of the target are the prime beneficiaries of the sanctions, whereas more limited unilateral sanctions typically disperse the sanctions rents among a larger number of countries. Under unilateral sanctions, individuals and firms in many of the non-sanctioning countries benefit from enhanced above-board trading opportunities with the target, whereas under multilateral sanctions, a greater share of the lucrative sanctions-busting activities is likely to be undertaken by merchants or smugglers from the target country itself. For example, when the U.S. unilaterally restricted sales of grain to the Soviet Union in 1981, farmers in Canada, Australia, Argentina and other non-sanctioning countries benefited from higher Soviet grain prices and thereby appropriated a large part of the sanctions rents. However, if an inclusive multilateral alliance were to cut off sales of, say, computers to Iraq, only illegal transactions would remain, in which Iraqi merchants would likely play a major role. These examples illustrate that multilateral sanctions are actually likely to distribute a larger share of the sanctions rents to residents of the country that is supposedly being punished than are unilateral sanctions. The abundant legal trading opportunities that remain under unilateral sanctions diminish the importance of precisely those black-market transactions in which the target is most likely to have the greatest market power.

6. Cultural, Sport, and other Non-Economic Sanctions

If the point of economic sanctions is to do just that—make a point—than it may be that non-economic sanctions can make the point more publicly and with less economic damage in the sanctioning countries. Non-economic sanctions are interruptions of cultural, athletic, scientific, or academic exchanges between nations. Such sanctions usually have only very minor economic consequences in both the sender and the target—although to the individuals concerned the

a target country. In the first instance, general borrowing and trade credit restrictions can be applied through international capital markets. In cases where the government of the target is an active borrower on international capital markets, restrictions can be effective in bringing to bear extensive pressure on that government's ability to rule effectively. Some evidence exists that the most effective economic sanction against South Africa in terms of bringing about substantive reform was the private banking community's refusal to reschedule the country's debt (Lowenberg, 1997; Lowenberg and Kaempfer, 1998, pp. 209-12, 223-24). The problem for the South African government during the financial crisis of 1985 was that its very financial footing was at risk if short-term debt could not be rolled over. Consequently, it was willing to take the economic and political actions necessary to address the concerns of the international banking community. It should be noted, however, that these financial restrictions were really a private market response to increased country risk in South Africa, not a governmental sanctions policy per se.

An alternative action through the financial sector is the freezing and attachment of accounts, transactions and records of selected targets. Advances in financial tracking technology make it possible to uncover specific transactions of individuals. In this way, the transactions of selected individuals—either rulers of renegade states or their important supporters—can be blocked. Such actions clearly aim the economic impacts of sanctions at those individuals most responsible for the objectionable policies of the target. Of course, one issue of concern in such actions is due process. For such asset freezes to be effective they need to be implemented quickly. The required speed of implementation may make individual protections under the law difficult to uphold. In addition, frequent use of such tools in the domestic banking sector of a

sanctioning country like the United States may erode its international financial market power as potential targets seek out more protected offshore financial institutions.

8. Threats of Sanctions and the Role of Multinational Corporations

about modification. Of course the costs of implementing the sanctions and the availability and costs of other options toward the end of policy modification in the target play a part in deciding on a sanctions policy. However, conceptualization of how the sanctions might attain their goal of policy modification is essential.

When a plan for attaining policy change in the target has been formulated, it is likely that something other than comprehensive sanctions will emerge as the best policy. Comprehensive sanctions are convenient packages of sanctions when little is known about the target or how it might be effectively sanctioned. However, given that alternatives to comprehensive sanctions are probably more effective in bringing about whatever modification is likely in the target, the appropriate package of sanctions must be based on clear understanding of the circumstances. Targeting sanctions requires good information on the background of political leaders and the social, political and economic structure of the target. In order to implement a plan with some chance for success, knowing what measures will modify the behavior of current decision makers and what measures will strengthen the hand of potential political opponents is necessary.

However, sanctions cannot be expected to be effective instruments of policy modification in all, or even most, episodes. Arguing for alternatives to comprehensive sanctions is an admission that brute economic force may not be the most effective tool for all of the objectives of sanctions. Such an admission also suggests that sanctions will not work always, or even often.

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Baldwin (1998).

⁴ See Kaempfer and Lowenberg (1989).

⁵ See, however, Section 8 below where the pecuniary interests of sanctions resisters is taken up again.

⁶ On sanctions as instruments of punishment, see Nossal (1989).

⁷ On the collateral damage caused by sanctions, see Haass (1997).

⁸ Thus Kirshner (1997, pp. 36-41) argues that different types of sanctions can be distinguished from one another along several dimensions, such as visibility, robustness and speed of taking effect, which render them more or less suitable depending on the goals and constraints of each particular case.

⁹ Sanctions are often applied as an intermediate step in the escalation of disputes that culminate in military force (Kirshner, 1997, p. 33).

¹⁰ On the role of the domestic opposition in mediating international conflict, see Schultz (1998). Kirshner (1997, pp. 56-63) offers a compelling example of how U.S. sanctions against the

¹² Although the South African case is often touted as a success story for sanctions, there is considerable evidence that sanctions were not the main, or even a major, cause of South Africa's democratic transition. Of more importance than sanctions were the mounting domestic costs of apartheid which were largely self-inflicted (Lowenberg, 1997; Levy, 1999).

¹³ Publicity is important because it helps to induce cooperation by other potential sanctioners and to signal support for opposition groups in the target (Kirshner, 1997, p. 39).

¹⁴ As Elliott (1995, p. 59) points out, however, this effect cuts two ways: enhanced economic interdependence also creates more opportunities to circumvent sanctions by providing numerous alternative trading partners.