

## *Meeting on the Viability of International Economic Sanctions*

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### MEETING REPORT

The Carter Center convened a small, informal meeting to examine the question of whether there might be developed "more effective" international economic sanctions -- those which better achieve desired political goals without causing great suffering to innocent people. President Carter and others have expressed frustration that recent sanctioning efforts have fallen short of their objectives, yet sanctions appear to be one of the only tools available to the international community short of a resort to force. This meeting, chaired by Harry Barnes, Director of the Conflict Resolution and Human Rights programs at The Carter Center, set out to identify 1) what factors might be involved in designing more

effective sanctions; 2) what obstacles must be overcome; 3) what steps governments and international bodies such as the United Nations might take to improve sanctions; and 4) what steps might be taken by non-governmental organizations (NGOs). The following is a summary of the discussion and possible follow-up actions, paying particular attention on potential roles for NGOs.

### **General Findings**

To summarize earlier findings on international sanctions and help focus the present discussion, Kim Elliott of the Institute for International Economics drafted a framework paper which was distributed to all participants prior to the meeting (see Appendix 2). This paper and opening comments by the participants raised important issues to consider when discussing international economic sanctions, including the following:

- Sanctioning is a complex process which covers a broad field that includes such issues as security, foreign policy, human rights, democratization, labor and trade, and the environment.
- Sanctions are just one "tool in the toolbox" and must be seen in the context of larger foreign policy options, including the use of force. Sanctions should be used and their "success" gauged together with other tools.
- Sanctions are a serious tool that *do* work when properly applied, yet this seldom happens.
- There is always a price to pay with sanctions, both to target countries and to senders, but the theory is that in most cases this price is less than one pays in open conflict.
- The United Nations is a political body and the enforcement of sanctions depends ultimately on individual states.
- Financial sanctions may have a considerable potential, but they are not a panacea.

### **More Effective Sanctions**

While sanctions apply to a wide scope of issues, the participants decided to focus the agenda in an effort to maximize the practical aspects of the meeting. Elliott lists in her paper conditions that help determine when to impose sanctions (see Elliott, Page 2 and Figures 1 and 2). The participants agreed that sanctions can work more effectively when certain circumstances exist. Richard Newcomb,

Director of the U.S. Treasury Department's Office of Foreign Assets Control (OFAC), offered nine conditions when sanctions might be made more effective:

1. when the threat is "serious," senders are willing to endure the economic costs of sanctions, and there exist clearly defined goals and objectives;
2. when sanctions are recognized as not being an end in themselves;
3. when leverage is available and the target country has assets vulnerable to blocking;
4. when consensus is reached and senders agree on an approach -- unilateral sanctions can be effective but multilateral sanctions offer fewer escape options for targeted countries;
5. when a realistic implementation plan exists, which recognizes the limits of the UN;
6. when sanctions are applied uniformly by all countries, for a sanctioning regime is only as strong as its weakest link, and sanctions offer great opportunity for "sanctions busters" to profit;
7. when there exists a strong legal foundation for domestic assistance to pursue sanctions programs;
8. when a professional sanctions apparatus is in place among sender countries; and
9. when speed and discretion are employed in implementation of sanctions.

Donald McHenry, Georgetown University Research Professor, emphasized that the process of applying international economic sanctions has proven to be extremely slow and moves more rapidly only when there exists a clear consensus among the international community to proceed. He added that sanctions must be multilateral, comprehensive, and enforced. He stressed that timing is crucial, for slow implementation risks leaks, consolidation of power by authoritarian rulers, and hardships on enforcers. Senders must realize that some targets are more vulnerable to sanctions than others, and once it has been determined to apply sanctions, there needs to be a backup -- probably military in nature -- should economic coercion fail to work.

A fundamental question to ask is under what situation are sanctions applicable. There appear to be two broad categories for applying multilateral sanctions:

- A. To restore international peace and security after standards under Chapter VII [1](#) of the UN Charter have been violated, such as following Iraq's 1990 invasion of Kuwait; or

- B. To change government policies or a ruling government when human rights or democracy standards have been violated, such as apartheid in South Africa.

In either case, the participants agreed that the process of gaining consensus is a long and difficult one. The will to act, or "political will," is contingent on military, economic, geopolitical, and humanitarian concerns. Political will appears to increase the more outrageous or "serious" (referring to Newcomb's first point above) the violation, which has made gaining consensus more difficult when internal change is sought than when countries are faced with threats to international peace and security. Once it is agreed that a state has crossed the "threshold" to the point where corrective action needs to be taken, the international community still must determine what it can do. The choice of sanctions encounters several serious obstacles.

### **Sanctioning Obstacles**

The participants described a series of obstacles that arise during the four stages of any sanctioning regime - decision to impose (see above), implementation, monitoring, and enforcement.

*Implementation:* There is presently no effective multilateral mechanism in place at the international level to address how to apply sanctions among different sender countries. Once sanctions are imposed, it is usually not clear how they will be implemented, for communication both between sender countries and within a target country is frequently lacking. If sanctions are to be effective, the channels of communication between the sender and the target must be kept open, for the target must understand the expectations of the sender and the conditions it has to meet before sanctions can be discontinued. One participant noted that sanctions should be instrumental and politically conditional by their nature. Another stressed that goals must be clearly enunciated, agreed upon, and judged collectively rather than unilaterally if sanctions are to succeed, which has rarely been the case in the past. For example, while the United States wants

Saddam out of Iraq and Castro out of Cuba at any cost, other countries have not agreed on this nor fully understand how this action will be accomplished.

*Monitoring:* All participants seemed to agree that the United Nations, given its present structure and slim economic and personnel resources, is incapable of conducting large monitoring initiatives, yet no other structure presently exists to adequately play this role. While the Sanctioning Assistance Missions (SAMs) employed in the former Yugoslavia proved relatively effective, they required consent from neighboring countries and depended entirely on financial and technical support from the United States, the European Union (EU), and the Organization for Security and Cooperation in Europe (OSCE). Given these limitations, it is doubtful the same structure would succeed, or perhaps even be necessary, in places like Haiti, Nigeria, or Iraq. Even with the SAMs in place, thousands of violations occurred in the former Yugoslavia, including poorly paid customs agents accepting bribes and commercial truck drivers attempting numerous border crossings until finding check points that would let them pass. In addition, a lack of consensus exists on what is considered illegal goods, and when administration is left to the national level, it is never uniform, and thereby impossible to monitor.

*Enforcement:* Participants stressed that UN resolutions, once passed, do not ensure that individual countries will act, and each state must have its own regulations for enforcement, which greatly complicates concerted efforts. The case of Haiti was provided as an example of enforcement failure.<sup>2</sup> The United Nations has no mechanism nor sufficient staff to ensure domestic enforcement steps are taken and no way to monitor whether nations follow their own rules. If states or the UN are not prepared to back up threats with some meaningful enforcement policy, usually military, sanctions may become costly and pointless. One participant stated that countries typically go along with Security Council resolutions only as long as their firms can continue to do business. Unless the political will is great, many countries - particularly close allies or trading partners

of targets - will violate UN resolutions for their own economic gain. While sanctions prove more effective when enforced comprehensively, regional bodies rarely can agree on enforcement procedures. Finally, since conditions are always changing - for example, the situation in Serbia was different in 1989 than in 1992 or 1994 - sanctions should be tailored not only to specific targets but also to changing circumstances within a target. Ideally, sanctions should be designed to be flexible, however the more multilateral the sanctions the less flexible they are likely to be.

### ***Case Study: Nigeria***

The CIA, in its annual report entitled "Complex Humanitarian Emergencies," placed Nigeria on top of its list of potential emergency locations for 1996. In March, the U.S. government circulated a proposal for economic sanctions against Nigeria which received only a "cool reception" from European countries (see *New York Times* article, Appendix 3). A discussion by the participants of whether sanctions should be applied to Nigeria highlighted several of the obstacles noted above and examined the importance of a state crossing the "threshold" prior to becoming a target for international economic sanctions.

John Stremlau, Advisor to the Carnegie Commission on Preventing Deadly Conflict, provided a brief summary of the situation in Nigeria, noting that the West African nation is vulnerable to sanctions, being oil rich, dollar dependent, and reliant on the outside world for most of its economy. McHenry stressed that while he did not foresee progress in Nigeria as likely in the near future, the international community should consider applying sanctions only *after* political consensus to do so was reached. He doubted this would happen any time soon since Nigeria does not pose a sufficient threat to international peace and security. Nigeria's actions have not reached Chapter VII status and getting support, even from regional countries, will be extremely difficult. McHenry warned that talking about sanctions when they are not likely to be applied was counterproductive. Other participants, however, said it might be a useful exercise

to discuss contingency planning for Nigeria should it cross over the "threshold" in the future.

The participants also focused on how external pressure might be exerted on Nigeria to change its internal policies. One suggestion was that the international community take measures to try to isolate Nigerians, such as restricting economic and diplomatic relations. Another suggestion was lending outside support to help empower opposition groups inside Nigeria. Participants pointed to how this strategy worked in South Africa, where Nelson Mandela and the African National Congress became a legitimate alternative to the ruling apartheid regime, yet others stressed that in many ways South Africa was an exception to the rule.

<sup>3</sup> Gene Sharp, president of the Albert Einstein Institution, called attention to the importance of increasing the role of internal resistance as a tool of democratization, and thereby making it possible to reduce dependency on international economic sanctions to bring rogue regimes to heel. Other possibilities included targeted financial measures against Nigerian elites and initiatives taken by NGOs, such as organizing consumer action campaigns and focusing media attention on the repressive regime.

### **Solutions: What States, IGOs Might Do**

Several recommendations were made of what steps governments and international governmental organizations (IGOs) such as the United Nations might take to improve sanctioning regimes. Some of the ideas worthy of further exploration include the following:

*Restructure sanctioning mechanisms:* Since the United Nations, as presently structured, does not seem capable of serving as a global enforcer of sanctions, perhaps the time has come to develop a new mechanism and new systematic structure for sanctions implementation, monitoring, and enforcement. One participant suggested that the International Atomic Energy Agency, while

admittedly flawed, is an important mechanism that nations generally respect and might be used as a model for a new sanctioning mechanism. This mechanism could follow the IAEA model, yet stand administratively outside of the UN apparatus while reporting to the Security Council. In terms of monitoring sanctions, another suggestion was to develop means to force targeted states to use cash to buy goods, since it is easier to follow the movement of money, particularly dollars, than it is to monitor movement of goods. (A more in-depth discussion of financial sanctions follows.)

One recommendation for restructuring a new sanctioning regime was to concentrate on economic giants like the United States, Europe, and Japan, since they control much of the world's finances and would thereby have the most leverage and incentive to make violators comply. As part of any new sanctions mechanism, it was suggested that the international community first identify what gaps exist in national legislative procedures. Information might be collected through overseas banks, which already have sanctions regulations in place, however it was noted that these figures are generalized and usually not uniform across countries.

*Explore secondary sanctions use:* Secondary sanctions are designed to penalize governments not directly sanctioned for their failures to enforce UN-mandated sanctions. One example given of a potential secondary sanction would be to inform a EU nation, such as Greece, that if it failed to comply with a multilateral sanctioning effort, the European Union would permit an economically stronger nation, such as France, to take economic actions against it. It was pointed out, however, that such an action would undermine the GATT, not to mention the European Union.

*Consider rewards and incentives:* David Cortright, President of the Fourth Freedom Forum, described a project he has been asked to direct for the

Carnegie Commission on Preventing Deadly Conflict. Preliminary findings from this project, which examines the role of financial and diplomatic inducements in international conflict prevention, have shown that 1) the use of "carrots and sticks" should be mixed to develop cooperative rather than adversarial relations between senders and targets; and 2) senders should carefully consider how closely related "carrots" are to "sticks" in an effort at seeking win-win situations for senders and targets. Incentives, it was noted, risk the "moral hazard" of giving the appearance of rewarding wrongdoing. To be effective, they should be designed to appeal to specific constituents within a target country.

Some participants stated that incentives and rewards work when norms of democracy and human rights are violated, but not with threats to international peace and security. The latter category, it was argued, requires diplomatic and military backing. For instance, incentives had little impact when applied by the European Union against Serbia in 1991. It was agreed, however, that in post-conflict situations, such as after a peace accord has been signed, economic instruments like rewards and incentives might prove useful, particularly in supporting humanitarian initiatives. It was suggested that when countries under sanctions are unable to earn income from exports, a sanctions exemption fund might be developed to carry out humanitarian aid. Seized assets might be used also to finance humanitarian deliveries to people in need in targeted countries.

*Change U.S. structure:* While the United States is admittedly ahead of other countries when it comes to applying economic coercion, it was agreed that the U.S. government, as presently organized, does not adequately deal with sanctions or non-military policy. Several weaknesses were identified, including: 1) the U.S. government has no mechanism for contingency planning; 2) OFAC and other financial departments are under-staffed, under-funded, and know little of communication policy, data processing, or other essential procedures; 3) there is no "command-and-control" structure in place; 4) the present bureaucratic structure greatly hampers decision making and implementation; and 5) there

does not exist the expertise in the government to make secondary sanctions work, especially in the communications and transportation arenas.

While one participant suggested that the economic side of the State Department might be the best, if not the only, place where contingency operations should be located, it was noted that no one presently there is qualified to determine what gaps are needed in the standardization process. Additionally, territorial disagreements between the State, Treasury, and other departments present difficulties in coordination, as do differences in opinion on the role of the congressional and executive branches when it comes to sanctions. Furthermore, while a major overhaul of U.S. government entities that deal with sanctions is needed to make the United States significantly more effective in this area, such change is not likely to happen any time soon.

*Consider applying financial sanctions:* Newcomb suggested that in some cases it might be worth considering unilateral rather than multilateral sanctions, since the U.S. Treasury Department has the ability to shut down *all* dollar transactions around the globe. This opened a discussion on targeted financial sanctions. Elliott writes in her paper that "humanitarian concerns about the impact of sanctions on 'innocent civilians'...have led to increased interest in the possibility of 'targeting' sanctions against the bad guys, usually members of a ruling military regime and the economic elites supporting them...[by] freezing bank accounts and other assets held abroad by targeted individuals" (see Elliott, Pages 4-6, for a discussion of financial sanctions).

Newcomb described advantages and limitations of financial sanctions. So far, he said, the only examples of the U.S. Treasury blocking dollar transactions abroad occurred against Libya and Iraq. Since only banks can identify personal accounts held by foreigners, financial sanctions require profound cooperation by the international community. The greatest difficulty arises in the reluctance of

countries to apply sanctions in absence of a UN resolution. Aside from the United States, which instituted the International Emergency Economic Powers Act (IEEPA), no country has passed legislation permitting the freezing of foreign assets held within national borders. In 1979, the United States successfully froze more than \$12 billion of Iranian-held currency in U.S. banks. Since this episode, however, other countries have been more successful in "hiding" their foreign reserves.<sup>4</sup>

Because no authority exists to block assets around the world, the United Nations plays a vital, though paradoxical, role in the process: while the UN is the only body able to build consensus for the implementation of multilateral financial sanctions, it has little expertise regarding these measures and, as noted above, is a political body with little power of enforcement. Newcomb agreed that developing a mechanism to freeze targeted accounts was conceivable, but it ultimately would depend on full cooperation from central banks around the world. He said that a UN resolution designed to help block financial transactions would be a useful first step in such a process. It was noted that such a resolution would be needed with each specific case, as it is unlikely that a generic authorizing measure would be possible. The increasingly popular use of dollars worldwide provides an additional opportunity for the U.S. Treasury Department to exercise its control over financial transactions.

### Solutions: What NGOs Might Do

While it was agreed that the bulk of sanctions work and reform depends on individual governments, regional bodies, and international organizations like the United Nations, the participants identified several areas where NGOs might be able to contribute:

1. Convening a "brainstorming" meeting of experts to further explore the design of more effective sanctions, focusing on findings from this meeting. This might include a closer examination of Newcomb's nine conditions; the use and impact of targeted financial sanctions; study of the "threshold" factor; and an exploration of

- how senders get out of sanctions once it is determined they no longer work or their objectives have been accomplished (see Elliott, Pages 9-10).
2. Creating a model for questions that governments and IGOs might ask in an effort to realistically build a new international sanctioning mechanism. This should include addressing the post-sanctioning phase, for presently no political strategies exist for guiding regimes after economic coercion ends.
  3. Designing an effective sanctions-implementing infrastructure. On the national level, this might involve addressing the question of how to draw together OFAC, the State Department's sanctions divisions, State country desks, the NSC, the Commerce Department's Bureau of Export Administration, USAID, Customs, Defense, Intelligence, and other pieces into a U.S. sanctions infrastructure. Another question to answer is how to write a model sanctions implementing law.
  4. Assisting in the communications realm of sanctions, including sending messages that cannot be conveyed by sanctioning parties; keeping lines of communication open between senders and targets; imparting information to people within targeted countries to explain why sanctions are in place; and distributing on-the-ground information to the international community about the impact of sanctions in a given target country.
  5. Monitoring targeted countries to assist in holding them accountable, as it does not seem feasible to establish a permanent monitoring committee at the UN level at this time.
  6. Providing contingency planning aimed at countries on the verge of crossing the "threshold" or in danger of collapse. This might include sanctions simulation exercises, which would bring together financial and country-specific experts, with the understanding that it is never possible to know who specific violators will be until after violations occur.
  7. Utilizing the media, public opinion, and international gatherings to highlight the moral case against pariah states, particularly those which violate norms of democratization and human rights.

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## APPENDIX 1

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## APPENDIX 2

### TOWARDS A FRAMEWORK FOR MULTILATERAL SANCTIONS

#### **Kimberly Ann Elliott**

The focus here is the use of multilateral sanctions to prevent, mitigate, or end violent conflict. It presumes a collective response under the aegis of the United

Nations or a regional organization. Thus it assumes a significant *nominal*/level of international cooperation and a relatively ambitious objective. An analytical framework for the effective use of unilateral sanctions in situations encompassing a greater variety of objectives might follow similar lines but would raise additional, and in some cases different, questions.

The paper begins with the decision whether to impose sanctions or not. It proceeds to issues surrounding the implementation and enforcement of sanctions, respectively, and concludes with a discussion of issues related to the termination of sanctions.

### I. The decision to impose sanctions

Figure 1 summarizes *potential*/ends and means of collective action. Among the questions that should be asked in deciding whether to impose sanctions are the following:

1. What international norm has been violated; how serious is the threat to international peace and security? Is there an international consensus regarding the seriousness of the threat or violation?
2. What policy alternatives exist that are appropriate to the "crime"? Would limited, targeted sanctions send the wrong signal? Would comprehensive multilateral sanctions impose too high an economic or political cost?
3. Is there international consensus regarding the feasibility and desirability of the proposed response?

Although Figure 1 refers to *collective* responses, the closer one is to the top lefthand corner of the figure, the more likely it is that any response will be unilateral or ad hoc. Even when the goals are relatively modest, however, more cooperation and institutional involvement might enhance the impact and effectiveness of modest responses. Hufbauer, Schott, and Elliott found that economic sanctions contributed to at least partial achievement of foreign policy goals in only about a third of the cases where the goal was defined as "relatively modest."<sup>1</sup> This success rate is no better than the average for all sanctions cases or for cases where disruption of a "minor" military conflict was the goal. It is only

slightly better than the 25 percent "success rate" for cases involving "major" goals, such as the surrender of territory or the dismantling of the apartheid system in South Africa.

Hufbauer, Schott, and Elliott also estimate that the average cost to the target country in cases where the goal was defined as "relatively modest" was only 0.6 percent of the target's gross national product (GNP), compared to 2 percent of GNP in all other cases. Greater cooperation could increase the economic impact, if so desired. More important, it would increase the legitimacy of what has often been perceived in the target country as illegitimate superpower interference (usually American) in their internal affairs.

#### *Linkages between economic sanctions and other policy options*

Economic sanctions are an *instrument*, they do not constitute a policy in and of themselves. Moreover, an effective policy response usually relies on a combination of diplomatic, economic, and, sometimes, military methods. Since economic pressure will seldom be sufficient to induce an about-face by the target, diplomatic negotiation and compromise are likely to be important components of an effective policy. Thus, creative diplomacy should be a part of every sanctions package. The linkages to military responses are more complex. In theory, economic sanctions can be used as an alternative to military action, or as a precursor or accompaniment to military force. Military actions, such as naval blockades or limited air strikes, can also be used to enforce or bolster economic measures. Figure 1 suggests that, as the international community becomes more willing to use stiff economic sanctions, it may also become more willing to use military force. This raises dilemmas for policymakers that can be further illustrated with reference to several recent cases.

First, in cases where the threat to international peace or security is sufficiently serious as to make a military response politically feasible, the requisite patience

to give sanctions time to work may be lacking. In the Iraq case, a relatively quick move to military force was made for a number of reasons:

- humanitarian concerns about the treatment of foreign hostages and citizens of Kuwait;
- diplomatic concerns about the solidarity of the international coalition opposing Iraq;
- military concerns about the human and fiscal costs of maintaining a large force in the Saudi desert;
- military and political concerns about the ability of Iraq to use any delay to further develop weapons of mass destruction--including nuclear, chemical, and biological--and the means to deliver them.

Some of these concerns were unique to the Iraq case, but others, such as the treatment of conquered peoples and the solidarity of multinational coalitions, are likely to arise in the future in similar cases.

Second, cases where sanctions are clearly perceived by the target as an alternative to more forceful persuasion (because military action is politically infeasible in the sanctioning states) may be prolonged no matter how great the economic impact of the sanctions. The unwillingness to use force in such cases is likely to be interpreted as a lack of political will that may extend to other policy alternatives, including economic sanctions. Thus, in the former Yugoslavia, the obvious unwillingness of the international community to use force undermined the credibility of other policy responses and may have led the Bosnian Serbs to believe they could outlast the international community and, later, the pressure from Serbian leader Slobodan Milosevic. Only when the military situation on the ground changed were the Bosnian Serbs willing to negotiate seriously.

The dilemma is that in cases involving serious breaches of collective norms or threats to international security, a credible military threat may be necessary to back up economic sanctions. But once the political will to use military force exists, the pressures to use it sooner rather than later build quickly. In such cases, careful consideration should be given to whether and what military action

is politically feasible and strategically desirable. If the answer is none, other means of bolstering the credibility of the international coalition in the eyes of the target may be necessary.

#### *The timing of the response and the choice of instruments*

The offering of economic or diplomatic carrots may be useful in early efforts to prevent a conflict developing but may be inappropriate and ineffective when violent conflict is at its peak. Carrots may again become effective, however, when a conflict is winding down and one or both sides are looking for a way out. Here, the ending of sanctions may be a useful carrot, as in the case of the former Yugoslavia. Carrots in the form of economic, technical, and institutional assistance are particularly important in the post-conflict, rebuilding phase.

## **II. Implementing a sanctions decision**

Figure 2 expands on the types of economic measures available to policymakers responding to threats to international peace or security (broadly defined). As before, the closer one is to the upper left-hand corner, the more likely responses are to be unilateral or ad hoc. The array in Figure 2 is meant to convey the variety of responses available to policymakers; it is not meant to suggest that sanctions must be included in response to any and every deplorable action of a foreign government or faction. As indicated in Figure 1, "no action" is an option, but the costs and consequences of that choice must be weighed against the costs and benefits of the other alternatives.

#### *Goals, costs, and humanitarian effects of economic sanctions*

Coercive economic sanctions are intended to raise the costs to the target of pursuing a particular policy, or supporting a particular government, to the point where those costs exceed the benefits of maintaining the policy or government opposed by the sanctioner.<sup>2</sup> Thus the more important the targeted policy or behavior is to the target, the higher the cost that must be imposed or threatened

by sanctions in order to change it. In Hufbauer, Schott, and Elliott, for example, the average cost imposed on the target in successful cases involving modest goals was 1.2 percent of GNP. That compares to 4.5 percent of GNP in successful cases involving "major" policy goals, such as ending apartheid in South Africa or forcing Iraq to withdraw from Kuwait.

Depending on the situation, the target of sanctions can be a governing elite, an opposition party or faction, or the entire population of a country. Different types of sanctions will have different effects on various groups within a target country. Humanitarian concerns about the impact of sanctions on "innocent civilians" in Iraq and Haiti have led to increased interest in the possibility of "targeting" sanctions against the bad guys, usually members of a ruling military regime and the economic elite supporting them. The weapon of choice in these discussions is usually financial sanctions, particularly freezing bank accounts and other assets held abroad by targeted individuals.

The preference for financial weapons in targeting sanctions can be illustrated by the Iraq case. It would have been possible to target just Iraq's oil exports, and not impose any sanctions on Iraq's imports. But because of Iraq's extreme dependence on that one commodity, a boycott of Iraqi oil exports alone would inevitably have exerted a severe impact throughout the economy, which would have been denied the foreign exchange to purchase vital imports. Similarly, given the dependence of today's modern industrial economy on petroleum and its products, sanctions affecting oil imports might also be expected to provide effective leverage. But, whatever their effectiveness in foreign policy terms, oil embargoes are likely to affect the broad populace, as was seen in Haiti. Selective trade sanctions are also often harder to enforce than sanctions covering all trade. Goods get mislabeled; close substitutes are found for items on the embargo list; and dual-use items, such as heavy trucks, find their way into military hands as troop carriers. In the case of dual-use items, it is often difficult

to get agreement on where to draw the line between technologies representing significant potential threats that should be controlled, and those that should not. Certain financial sanctions, on the other hand, may be fashioned to hit the pet projects or personal pockets of government officials and economic elites who could influence policy. When financial sanctions are put in place, alternative financing may be hard to find and is likely to carry a much higher price (i.e., sharply higher interest rates) and require far greater credit security because of the political and economic uncertainty. Thus, financial sanctions, which increase the risks of lending to or investing in the target economy, do not create the same incentives for evasion as trade sanctions.

Financial sanctions, especially those involving trade finance, may also interrupt a wide range of trade flows without the imposition of explicit trade sanctions. This eases the enforcement burden associated with trade sanctions, but may also broaden the effects within the target country. On the sanctioning country's side of the equation, an interruption of official aid or a foreign assets freeze is unlikely to create the same political backlash from business firms as a direct interruption of private trade.

A good example of a case where carefully crafted financial sanctions, swiftly applied, might have had significant policy impact without inflicting substantial suffering on innocent civilians is Haiti. The Haitian elite keeps little of its wealth in Haiti and enjoys spending time and money in the United States and Europe. A global assets freeze, coupled with a travel ban, would have hit primarily that class, without whose support the military would not have been able to rule for long. Moreover, because the distribution of income is so skewed in Haiti, very little of the wealth concentrated at the top trickles down, and it would be difficult for the economic elite to shift the burden of targeted financial sanctions to other Haitians, who are already barely subsisting. Unfortunately, the gradual, partial, and on-again-off-again nature of the sanctions in Haiti did not provide a fair test

of the finely-tuned approach. Moreover, Haiti may demonstrate the limits of targeted sanctions. It may be that targeted financial sanctions work only where the income distribution is very skewed and the economic elite very narrow.

***"Hit 'em hard and fast" or "turn the screws" gradually?***

In general, when the goal is ambitious and comprehensive sanctions are likely to be necessary, the evidence from the cases in Hufbauer, Schott, and Elliott suggests that a "hit 'em hard, hit 'em fast" strategy is preferable to a "turning the screws," gradual approach. Imposing sanctions incrementally and ratcheting them up if the target does not immediately comply are not universal; to stockpile key products; to set up smuggling routes; to reallocate resources domestically; or to move liquid financial assets to safe havens. Trying to gradually increase sanctions pressure is also likely to be difficult if not impossible where another Security Council debate and agreement of the five permanent members.<sup>3</sup> Delays and squabbling among members would undermine the political credibility of the coalition and encourage the target to dig in its heels. And, if the threatened escalation does not occur--because of intra-alliance differences or domestic political opposition--the sanctions may be fatally undermined.

At the very least, a gradual approach is likely to lengthen the amount of time required for a response since the target will wait to see if the screws are tightened as promised. In fact, a "hit 'em hard, hit 'em fast" strategy that maximizes both the short-run economic impact on the target country and the political credibility of the sanctioning coalition can be the most humane course if it accelerates resolution of the situation. For exactly these reasons, in February 1994, Randall Robinson of TransAfrica recommended, not a relaxation but, a tightening of the sanctions against Haiti.<sup>4</sup>

**III. Enforcing and sustaining a sanctions decision**

*Economic sanctions should not be used to conduct foreign policy on the cheap.*

Passing a Security Council resolution and issuing a presidential directive is only the beginning. Effective monitoring and enforcement require resources, sometimes substantial. Among the issues that must be addressed [5](#):

1. Is geography your friend or your enemy?
2. Who is to be charged with monitoring and enforcement? Individual countries or the sponsoring multilateral or regional institution?
3. How are the burdens of enforcement to be shared? What incentives, both positive and negative, are available to ensure vigorous enforcement cooperation from coalition partners?
4. How should humanitarian exceptions be handled?

In Iraq, the geography was relatively friendly to sanctions' enforcers. Iraq has very limited access to international waters and previously exported most of its oil through a very small number of pipelines through Turkey and Saudi Arabia, which both have strong incentives to cooperate with the international coalition.

The former Yugoslavia, on the other hand, posed significantly more difficult challenges for sanctioners. Serbia sits astride the Danube River, which serves as a major transportation highway for central and southern Europe. The importance of the Danube River to European transportation networks precluded shutting it down entirely in southern Europe. This vastly increased the opportunities for smuggling and evasion of the sanctions and correspondingly increased the costs of monitoring and enforcement. Moreover, the former Yugoslavia is surrounded by countries--Hungary, Romania, Bulgaria, Macedonia, and Albania--that are trying to make the difficult transition from centrally-planned economies to market economies.

Typically, the enforcement of sanctions is the responsibility of member states, though in some cases--such as Iraq, the former Yugoslavia, and at the end in Haiti--one or more member states will be authorized to use naval interdiction to enforce sanctions. In the Yugoslav case, a useful innovation was the creation of "Sanctions Assistance Missions" to provide technical assistance to customs officials in front-line states. Financial assistance for front-line states and other

countries injured as a result of lost trade or financial relations with target countries has been scarce, however. Jordan, Turkey, and Egypt received substantial, if not fully offsetting, assistance to ensure their support for UN policies with regard to Iraq, but other countries received little or nothing in the way of compensation for their losses (get Doxey cite). Nor have Romania, Bulgaria, or the former Yugoslavia's other neighbors and major trading partners received compensation for their losses, though the SAMs did ease the direct costs of enforcing sanctions on their borders.

Article 50 of the UN charter provides for a grievance procedure but with no assurance of or mechanism for providing a remedy. In both the Iraq and Yugoslavia cases, the UN established sanctions committees to receive requests for assistance from member states suffering losses as a result of enforcing sanctions. The first problem for the UN is determining the validity of the claims since there is an obvious incentive for countries to inflate their losses (see Doxey and Martin [get cites]). The second and more important problem is that there is typically no money to pay claims, however valid. One possible means for addressing both problems is to encourage more institutionalized cooperation from the International Monetary Fund (IMF), which provides short-term lending to deal with balance of payments shocks, and the World Bank for rebuilding needs, both in the target and in affected neighboring countries after the sanctions are lifted. This will not be easy, however, since both institutions vigorously defend their independence and assiduously maintain a position of being apolitical. Though financial and technical assistance, trade preferences, and other carrots are the preferred response in situations where some countries bear a disproportionate share of the burden of enforcing sanctions, sticks should not be ruled out. In the Iraq case, the UN authorized the use of secondary sanctions against sanctions-busting members, but it was never invoked. The possibility of extending sanctions to egregious violators of mandated UN sanctions programs

(perhaps South African support for Rhodesia in the 1960s and 1970s is an example) should be an option whenever such sanctions are imposed.

Finally, there is the question of humanitarian exceptions. Food and medical supplies are typically exempted from otherwise comprehensive sanctions programs. The reasons are both moral and practical. Revulsion at reports of innocent women and children dying of malnutrition and easily treatable diseases undermines political support for sanctions and increases the difficulty of sustaining them for as long as may be necessary. It is clear from the Iraq and Haiti cases that simply exempting certain goods from the sanctions is not sufficient to avoid severe humanitarian effects when foreign exchange is scarce as a result of trade and financial sanctions and the target government is concerned primarily with keeping itself and its allies in power and comfortable.

Nongovernmental organizations and specialized UN agencies, such as the World Health Organization (WHO) have picked up some of the slack in providing needed supplies but they have run into a number of problems. As currently handled in the UN, the sanctions committee set up for a particular case must review all requests for humanitarian exceptions. In some cases, these committees have been overwhelmed by hundreds or even thousands of requests, leading to long delays in approvals. These groups have also had problems in getting approval for dual-use goods, such as trucks or fork-lifts needed to deliver supplies. One suggestion made by a humanitarian group involved in Haiti, is to exempt entire organizations, such as WHO (or its regional offices), rather than specific goods.<sup>6</sup> This would both facilitate provision of humanitarian assistance while also freeing the sanctions committees to focus on monitoring and enforcing the sanctions. Such an approach might also reduce the opportunities for abuse of the exceptions system by private actors interested in increasing their own wealth rather than alleviating the suffering of others (see Conlan, op cit.)..

A cynical government can foil even the best-laid plans, however. As Saddam Hussein has shown in Iraq, target governments may well find it in their interest to cite national sovereignty as a reason not to allow NGOs or UN agencies to control distribution. This poses the dilemma for the international community of how to ensure that humanitarian supplies are not diverted to the military, police, or other groups for whom they are not intended. Air drops may work in some cases but are likely to be an unsatisfactory solution in many.

#### **IV. Ending sanctions**

Unwinding sanctions has frequently proved difficult. Kim Richard Nossal has termed this the "termination trap."<sup>7</sup> In his words, "A successful sanctionist, like the successful gambler, has to know when to hold--and when to fold" (p. 220). Goals change over time, as in Iraq, or are never clearly defined to begin with. In other cases, unachievable goals may be clearly and publicly pronounced, making it difficult to "fold" one's hand and walk away (Nossal, chapter 10). Also, multilateral sanctions requiring agreement among coalition partners may be harder to end than unilateral ones, particularly when partners have different objectives or priorities. All too often, the conditions that will lead to the lifting of sanctions are not specified at all, perhaps giving coalition partners or narrow domestic constituencies undue influence over the decision when and whether to lift.

Another neglected area, both in the literature and in practice, is the post-sanctions environment. Long-term, comprehensive sanctions can devastate a target economy, indeed, are usually intended to do so. Where rehabilitation and not destruction of the target country is the ultimate objective, however, serious attention should be given to reconstruction after the sanctions are lifted. As with adequate humanitarian assistance during the sanctions, post-crisis rebuilding assistance may be justified on both moral and practical grounds. Depending on the degree to which punishment was an explicit or implicit objective of sanctions,

the international community may not feel a moral obligation to help a target country rebuild. But even in cases of egregious international misbehavior, practicality may argue for post-sanctions financial and technical assistance to prevent recurrence of a similar crisis in the future.

Figure 1. Potential Collective Responses

Problem/violation	No action	Diplomatic							Selective
		Conditional bilateral or multilateral aid	Facilitating mission by Sec. Gen.	Security Council/ Gen. Assembly Resolution	Withhold recognition	Cultural/sports	Interrupt communications (a)	Economic (b)	
Social injustice, economic inequality	**	??							
Environmental degradation	**	??							
Human rights; repression of political opposition	**	??	??	??					
Accumulation of weapons of mass destruction		**							Selective
Overthrow of democratically-elected government	**	??	??	??	??		Travel restrictions?	Targeted?	
Cold war	**	**	**	**	**	??	??	??	
Civil war with international links	**	**	**	**	**	**	**	**	
Cross-border aggression	**	**	**	**	**	**	**	**	

a. Including postal, telephone, telegraph, and travel restrictions.

b. See Figure 2 for more detail.

Figure 2. Implementing a sanctions decision

Problem violation	Economic carrots	Restrictions on access to capital			Trade sanctions	
		Aid	Concessional finance	Private capital flows	Restrictions on other services trade	Export
Social injustice, economic inequality	Conditionally increase aid or technical assistance; direct aid to grassroots groups or to particular regions or projects	Reduce, suspend or terminate if reforms not forthcoming				
Environmental degradation	Similar	Similar	Refuse to finance environmentally-unfriendly projects or insurance	Refuse to provide environmental guarantees	Restrict or ban waste trade	Boycott environmentally-sensitive products
Human rights; repression of political opposition	Similar	Similar	Reduce, suspend or terminate if reforms not forthcoming	Similar	Restrict travel rights	Embargo police, military equipment
Accumulation of weapons of mass destruction	Technique or financial aid to convert or destroy nuclear or other facilities	Similar	Similar	Similar	Embargo dual-use goods and technologies	Boycott right foreign exchange earnings exports by target?
Overthrow of democratically-elected government		Similar	Similar	Similar	Restrict travel rights	Selective embargo? Selective boycott?
Civil war			Similar		Restrict travel rights	Arms embargo
Civil war with international links				Restrict volume or ban altogether	Restrict travel rights; interrupt telecommunications?	Broader boycott?
Cross-border aggression				Similar	Similar	Similar

## APPENDIX 3

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SECTION: Section A; Page 1; Column 1; Foreign Desk

HEADLINE: U.S. Seeking Tougher Sanctions To Press Nigeria for Democracy

BYLINE: By PAUL LEWIS

The Clinton Administration has circulated a proposal for strong new economic sanctions intended to force the Nigerian military Government to move toward democracy. But the proposal has received a cool reception from several

European countries, according to diplomats, officials and American business representatives watching the negotiations.

The United States has asked industrial countries to join it in banning all new foreign investment in Nigeria and in freezing financial assets that the country's leaders may have in their banks. It also wants them to halt joint sporting events once this summer's Olympic Games are over and to ban Government-sponsored cultural contacts.

The Administration has ruled out for the time being any embargo against Nigeria's oil exports, currently running at about 1.8 million barrels a day, which provide the Government with 90 percent of its foreign exchange earnings. About 40 percent of Nigeria's prized low-sulphur crude is bought by American companies. Just yesterday, Royal Dutch/Shell confirmed it had made a potentially significant oil discovery off the Nigerian coast.

The proposals have not been announced by the Administration, as it gauges the willingness of its allies to cooperate. It is not clear whether the United States will carry out some of the penalties on its own if that support does not appear. "We believe in multilateral action, but we haven't ruled anything out," one Administration official said today when asked about the possibility that the United States would proceed alone.

Administration officials say the proposed new sanctions are intended to show Nigeria's rulers that the West is serious about pressing for a rapid return to democracy. They would follow a number of measures taken against Nigeria by the United States, Europe and the Commonwealth countries last year after the execution of Ken Saro-Wiwa, the Ogoni writer and human rights activist.

"The package is supposed to establish our seriousness prior to re-engaging the military regime in order to secure a speedy passage to democracy," an Administration official said. Gen. Sani Abacha, the military leader, has promised to hand over power to civilians in 1998. But the military annulled Nigeria's last elections in 1993.

Last week the State Department listed Nigeria as a major human rights abuser in its annual human rights report.

Imposing new sanctions against Nigeria would win President Clinton praise from human rights groups and liberal black organizations that have been critical of the Nigerian Government. But it would be fiercely opposed by big business, and many companies that operate in Africa have already spoken out against the idea. European governments, which were presented with the plan about 10 days ago, are not expected to deliver their formal replies for a week or so. But diplomats say several of them -- including Britain, France and the Netherlands, all which have substantial business interests in Nigeria -- are not enthusiastic. These countries contend that blocking new foreign investment, which totaled \$1.95 billion in 1994, according to the World Bank, would merely deliver another blow to the crumbling economy of a deeply impoverished country where the annual average income is a mere \$280.

It would not, they say, affect its notoriously corrupt military rulers, who would still have more than \$10 billion a year in oil revenues.

While it is unclear how new investment would be defined under the American plan, several foreign oil and gas companies are currently engaged in major new Nigerian projects, which they declined to cancel or postpone after Mr. Saro-Wiwa's execution.

A consortium of British, Dutch, French and Italian oil companies led by the Royal Dutch/Shell Group has just signed a contract to build a \$3.8 billion natural gas liquefaction plant at Bonny, in eastern Nigeria. The Mobil Corporation is also engaged in a new \$800 million offshore natural gas project due to start production in 1997. And Shell confirmed yesterday that it had made a potentially significant oil discovery in deep water off the Niger Delta.

American corporations with interests in Nigeria are also campaigning hard against the Administration's sanctions plan. Last year the Corporate Council on Africa, which represents 80 firms doing business there, said "economic growth provides the best foundation for any successful transition to democratic government" and warned that "a collapsing Nigerian economy serves no one's interests, especially not the 100 million Nigerians."

The National Foreign Trade Council, which represents 500 American multinational corporations, has also come out publicly against economic sanctions on Nigeria.

And about 100 American business representatives made their views known personally to the Under Secretary of State for Economic, Business and Agricultural Affairs, Joan Spiro, at a special State Department meeting called on March 6 to discuss the Administration's use of economic sanctions, participants said.

Many European countries are also not enthusiastic about freezing Nigerian bank accounts and other financial assets. Britain, France and Germany traditionally reluctant to take any action that might damage their position as international financial centers.

With China unlikely to allow the United Nations Security Council to impose an immediate asset freeze, blocking Nigerian funds in British banks would require a special act of Parliament. While Parliament prepared and voted on such a new law, Nigeria's leaders would have ample time to move their funds to safer havens European diplomats contend that the American move also risks splitting the unified stand that the United States and the 15 European Union members have taken toward Nigeria recently. After Mr. Saro-Wiwa's execution, the European Union Joined the United States in denying visas to prominent Nigerians, banning sales of arms and withdrawing their ambassadors from Nigeria, though these have now returned.

At the same time the Commonwealth suspended Nigeria's membership for two years and asked a multiracial group of foreign ministers to seek a firm commitment to democracy from its leaders and report back this spring. So far, however, Nigeria's leaders have refused to receive the Commonwealth team. "If we fire all our ammunition now we won't have anything left when the Commonwealth mission reports," one diplomat said.

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**Note 1:** Article 39 in Chapter VII of the Charter of the United Nations states: "The Security Council shall determine the existence of any threat to the peace, breach of the peace, or act of aggression and shall make recommendation, or decide what measures shall be taken ... to maintain or restore international peace and security." These measures, as outlined in Article 41, include a "complete or partial interruption of economic relations..." and, in Article 42, the use of "demonstrations, blockade, and other operations by air, sea, or land forces..."

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**Note 2:** The U.S. government's declaration of an oil embargo which it did not attempt to enforce on the island nation was capsized by the actions of a single ship - a Norwegian vessel owned by a German company - when Germany claimed it had no laws on the books to stop the ship owner from fulfilling his

contractual obligation to deliver the oil. Haitian leader Gen. Raoul Cedras used this episode to demonstrate that the United States was not serious about stopping oil shipments. [Back](#).

**Note 3:** Participants noted that while South Africa provides an example of how economic pressure from outside a country helped change unacceptable behavior within, there existed several specific conditions that might not apply to most other sanctioning regimes. These included: 1) other than the arms embargo, there was no mandated UN sanctions against South Africa; 2) an internal movement which supported sanctions existed in the country; 3) much of the change was due to the sensitivity of American companies, which acted long before legally bound to do so; 4) foreign banks reacted to risks they saw in continuing to finance an ungovernable country; 5) the notion of a "worldwide moral abhorrence" prompted young whites in South Africa to became sensitive to their "pariah" status; and 6) it took a long time before the combination of sanctions, the Anti-Apartheid Act passed in the United States and other countries, the pull-out of major international banks, and internal turmoil led to meaningful change in South Africa.

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**Note 4:** It was only last year that Swiss banks began complying with international sanctioning efforts, and Austria still provides a safe haven for those wishing to hide their deposits. When financial sanctions were applied against Saddam Hussein following Iraq's 1990 invasion of Kuwait, the U.S. Treasury was only able to freeze about \$1 billion worth of Iraqi assets. [Back](#).

**Note 1:** See Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered*, 2 vols. rvd. (Washington: Institute for International Economics, 1990). [Back](#).

**Note 2:** Obviously sanctions are used for goals other than coercion, including punishment of the target and deterrence of third parties observing the situation. They are also used as signals to reassure allies and as symbols of concern to

placate domestic audiences. See David Baldwin, *Economic Statecraft*, Princeton University Press, 1985. [Back](#).

**Note 3:** A phased implementation of sanctions, with specific dates and actions pre-approved by a vote of the Security Council, was proposed by the United States during the North Korean nuclear crisis in 1994. The draft resolution was never voted on, however, and it is quite likely that China would have vetoed it. My thanks to Ray Greene for reminding me of this incident. [Back](#).

**Note 4:** *Washington Post*, February 14, 1994, A15. [Back](#).

**Note 5:** On institutional issues relating to UN monitoring and enforcement of economic sanctions regimes, see Paul Conlon, "Sanctions Infrastructure and Activities of the United Nations: A Critical Assessment," paper prepared for the Carnegie Commission on Preventing Deadly Conflict, Task Force on Economic Sanctions, September 20, 1995. [Back](#).

**Note 6:** Pan American Health Organization, "PAHO's Programme of Humanitarian Assistance to Haiti, 1991-94: A Strategic Evaluation Report," PAHO/PED/95-35, March 1995. [Back](#).

**Note 7:** Kim Richard Nossal, *Rain Dancing: Sanctions in Canadian & Australian Foreign Policy* (Toronto: University of Toronto Press, 1994). [Back](#).