Economic Sanctions: Foreign Policy Tool or Weapon of Mass Destruction?

Hassan Hakimian

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Sanctions – By Way of Introduction

- President Obama in his Now Rouz message to Iranian people:
  (20 March 2012; 03:22 minutes)
  
  "...and though times may seem dark, I want you to know that I am with you"

- Joe Biden – Paul Ryan TV debate (12 Oct 2012; 02:03 minutes)
  
  "these are the most crippling sanctions in the history of sanctions period"

- William Hague (BBC Persian TV Interview 15 Oct 2012)
  
  “We have no quarrel with the people of Iran”
Sanctions – Early History

- Sanctions defined as **deliberate government-inspired withdrawal or threat of withdrawal of customary trade, financial relationship or seizure of assets**
- **Economic tool** to force a change in foreign policy of a target country or to bring about a general change in its behaviour
  - Modern comparator is like sending the US fifth fleet to the South China Sea to force a devaluation of the Chinese Yuan!
- **Old history**: first known example is in 432 BC, when Athens sought to choke the economy of the city-state of Megara by excluding its merchants from Athenian controlled territories.
  - Back then - and often today - sanctions contributed to war (in that case, the Peloponnesian War) rather than averting hostility.
Sanctions – More Recent History

- On the rise especially after the 1990s.
- **1914-1990**: 115 sanctions (average of 1.6 a year) of which two were multilateral UN sanctions (against the then Rhodesia 1966 and South Africa 1977)
- **1990-99**: 66 sanctions (over 7 each year)
  - Of these two-thirds are US sanctions
  - During the Clinton administration alone 35 US sanctions affecting 2.3 billion people worldwide (42% of the total population)
- UN sanctions to date: 20 (Sudan, Ethiopia, Iraq, Iran, Al-Qaida, etc.).
UN Sanctions – Article 41

CHAPTER VII: ACTION WITH RESPECT TO THREATS TO THE PEACE, BREACHES OF THE PEACE, AND ACTS OF AGGRESSION

- 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.

- Despite inflicting intended human distress, sanctions are often justified as a more ethical ‘alternative’ to war.

- Prevalent perception that ‘if they are hurting’ they must be ‘working’.
Sanctions – Main Features

- In most cases imposed by large nations/entities (bullying power?)
  - Not so common to see San Marino or Luxembourg resort to sanctions but the US, EU, UN and the former USSR
  - In 80% of cases S > T more than 10 times
  - In 50% of cases S > T by 100 times
  - Example: US+EU = 40% of World GDP; Iran = 0.5% so 80 times

- Often high profile sanctions serve **important domestic political** purposes (to appear as if ‘not doing anything’ is not an option).
Sanctions – Evidence on Effectiveness

- The most comprehensive study by Hufbauer et al (2007) have shown sanctions to be effective one-third of the time (34%)
  - This is in terms of achieving their stated objectives.
  - The US political scientist Robert Pape has challenged even this measure, claiming that only 5% of these 40 cases can be determined genuine successes for sanctions.
  - Cortright & Lopez (2002) find that successful sanctions capable of a threshold damage of 2% of GDP.
Examples of Successful and Failed Sanctions

Successful examples

- The USA pressed France and Britain to stop the Suez war (1956)
- Iran, Mossadeq era (1953)
- Libya’s decision to renounce WMD in 2003 partly reflected a desire to end US sanctions
- South Africa
- Burma?

Unsuccessful examples:

- Turkey still in Cyprus after more than 30 years
- Complete failure vis-à-vis the nuclear programme in India, Pakistan and of course North Korea

- Iraq?
‘Success’ – The Determinants

1. Relative size of sender and target

2. Trade linkages

3. Type of Sanctions
   - Trade sanctions
   - Financial Sanctions
   - Asset Freeze

4. Economic health and political stability in the target country
   - Ironically perhaps, successful sanctions are associated with relatively more politically stable regimes – not so with dictatorial regimes.
Success – Some Caveats

What makes for a ‘successful’ sanction begs two sub-questions:

1. **The real objective/s?**
   - Explicit vs implicit
   - Varied in nature: nuclear non-proliferation (Iraq and Iran); respect for human rights (Myanmar); counterterrorism (Hamas and Al Qaida) and regime change (Syria).

2. **At what costs?**
Do means justify ends? (Examples from Iraq)

- **Direct or explicit costs**
  - In Iraq, GDP per capita slashed by 72% 1990-92 and then again by 51% 1992-96
  - Severe damage to physical and social infrastructure
  - Infant mortality doubled 1990-98 (leading to 224,000 ‘additional’ infant deaths)

- **Hidden costs**: fanning sectarianism as the Baathist regime justified the annihilation of civil society institutions

- **Unanticipated outcome:**
  - anarchy and chaos
  - Failed state?
Sanctions – Mechanisms for Change

Two Main mechanisms are assumed or presumed:

1. Hardship $\rightarrow$ rebellion/revolt or social implosion $\rightarrow$ regime change
2. Regime caves in to pressure $\rightarrow$ change of behaviour

These however overlook:

- No direct link between the economic and political cycles
- Impact on the elite can be diverted
- Sanctions can actually create rents for and business opportunities for some elite
- Ideologue regimes tend have high pain thresholds.
Some Thoughts on Iran Sanctions

- **Objectives**: Ostensibly to curtail Iran’s nuclear ambitions and capability

- In reality, the scope of sanctions is much wider if not vaguer:
  - Bring Iranian government to the negotiation table?
  - Promote democracy and civil rights in Iran?
  - Curtail Iran’s regional influence and strategic power?
  - Protect Israel’s nuclear monopoly?
  - Regime change?

- Iran nuclear issue a major issue in the US domestic policy

- Many US sanctions may even be irreversible for years to come because they are ‘etched’ in law.
Prospects for ‘Success’

- As for Iran: economic costs already very high and the burden on civil society has been even higher
- Sanctions not good news for civil liberties groups and the movement for reform
- Very little thought given to what if they do not work – what afterwards? A last throw of the dice? A measure of desperation?
- Sanctions work as ‘collective punishment’: hurting the very victims of repressive regimes
- They can promote prospects for civil disintegration and a failed state emerging (like in Syria and Iraq).
‘Success Criteria Revisited in the Iranian Context (1)

1. **Relative size** (already covered)

2. **Trade linkages** (dependence on oil exports and imports high)

3. **Type of Sanctions** (comprehensive in scope and number of countries signed up)
4. The State of the Domestic Economy and Political Landscape
(a far more nuanced picture here).

- Despite Iran's poorly managed economy and well-known structural weaknesses, its political scene is not conducive to a rapid resolution of the nuclear stand-off.

  (a) Ideologue regimes can set a high pain threshold for their populations

  (b) Iran's complex labyrinth of decision-making and intense factional politics thwart easy prospects for an internal solution.

  (c) Sanctions can play into the hands of the most extreme elements within a regime and stifling scope for change of behaviour.
Thoughts on Current Negotiations?

- A rare and historic opportunity to address the issue from both sides
- The longer it takes to reach a basic agreement, the less likely a final agreement can be attained
- Costs of failure too high and the setback too costly

- The jury is still out – as we speak...
Longer Term

• Iran should not be expected to prove its innocence
• Any evidence of wrongdoing must be clear and unequivocal
• Expecting Iran to abandon enrichment is seen as a breach of her sovereignty
• Is a nuclear Iran as much of a danger as claimed?
• Rather odd that a nuclear state such as Israel proclaims insecurity vis-a-vis a non-nuclear state like Iran
• Agreement must be comprehensive and multilateral (to include other regional players like Turkey, Saudi Arabia, Israel etc)
• As John Kerry has stated the resolution of Iran nuclear stand-off is not only good for the world but also good for Israel and other regional Arab states.