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

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Sanctions and the Iranian Political Economy  
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## 1. Sanctions – A General Overview

- a) In historical perspective
- b) Characteristics
- c) Success & failure?

## 2. Iran Sanctions

- a) Their Impact
- b) Success or failure?

## Sanctions – By Way of Introduction

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- 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 period"**

- William Hague (BBC Persian TV Interview 15 Oct 2012)

**“We have no quarrel with the people of Iran”**

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## Sanctions – Early History

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- 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

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- 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.).



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## UN Sanctions – Article 41

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### 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

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- 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

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- 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

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## 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

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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

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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?

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# Costs



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## 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

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Two Main mechanisms are assumed or presumed:

1. Hardship → rebellion/revolt or social implosion → regime change
2. Regime caves in to pressure → 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

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- **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'

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- 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)

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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)

## 'Success Criteria Revisited in the Iranian Context (2)

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### 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?

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

## Longer Term

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- Iran should not be expected to prove its innocence
  - Any evidence of wrong doing 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.
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