



## BRIEFING PAPER

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# Do sanctions work?

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## Summary

### Summary

Sanctions have become increasingly popular as a tool in international relations and security policies. Partly as a result of the end of the Cold War, their use proliferated in the 1990s, so much so that it was labelled the 'sanctions decade'.

Sanctions have also diversified in format, with the US taking the lead in devising 'targeted sanctions', which aimed at particular individuals or organisations, or particular sectors of a target country's economy. In the case of financial sanctions, the importance of the US (and European) financial sector has been employed as a lever to try to influence behaviour.

Innovations like targeted sanctions were partly a response to the damage that broad sanctions can do to the wellbeing of ordinary citizens in a target country.

Whether either broad sanctions or targeted sanctions achieve their objectives is unclear. Analysts used to be united in agreeing that they generally don't. But recently, a more complex approach to assessing their effectiveness, going hand-in-hand with the more complex design of the measures, has led some to change that view and argue that they can be effective.

A new approach is to argue that sanctions have other goals than simply to impose pain on the target country and force that country to choose a different policy. Sanctions can also unite allies and send signals to third parties, for example. And they are also useful because they allow politicians to do something, short of military action.

Many analysts view sanctions more favourably these days than used to be the case. This is partly because of a more complex idea of their purpose, and partly because the measures themselves are more complex than they used to be, and can be tailored to those more complex purposes.

# 1. Evolution of sanctions

Sanctions used to be a blunt instrument. They aimed to impose costs on the target country with the intention that these costs would lead to a change of behaviour by the targeted government. Since the 1990s, targeted or 'smart' sanctions have been much more popular: the idea was that the costs should be focused on decision makers rather than on the general population, or they should be targeted at a particular activity that the sanctioning countries want to stop. This led to a proliferation of different types of sanction.

## 1.1 Targeted sanctions

Sanctions that target individuals have become increasingly popular in recent years. These measures are applied to individuals, usually powerful figures connected with a government whose policy great powers (it is usually the more powerful states that create sanctions regimes) want to change, and entities: usually companies associated with those governments.

Targeted (or 'smart') sanctions are also applied to organisations and individuals who have been designated as 'terrorist'. They usually include travel bans and asset freezes and may include bans on trading with companies or bans on those companies from financial markets.

Targeted sanctions can also include trade bans on particular goods or economic sectors. These can aim to constrain a particular activity directly.

Targeted sanctions are intended to do less damage to the wellbeing of ordinary citizens in the sanctioned country. The sanctions regime against Saddam Hussein's government in Iraq came in for criticism for damaging the lives and health of Iraqis: 'clearly a humanitarian disaster'.<sup>1</sup>

Humanitarian  
concerns

This sort of sanction should also do less damage to the economies of countries applying the sanctions.

## 1.2 Financial sanctions

Globalisation has increased the importance of Western, particularly US, financial markets; restricting access to Western finance is a significant tool. Access to financial markets has been cut off as a means to apply pressure to Russia and Iran, as well as in other cases.

Financial sanctions usually fall somewhere between targeted sanctions and broader measures; they are often applied to some but not all financial institutions in the target country.

The US imposed financial sanctions on North Korea in 2005, adding to an aid and trade embargo that had been in place for some time. It turned out that the financial sanctions were a major blow to the North

North Korea

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<sup>1</sup> Iain Cameron, *EU sanctions: law and policy issues concerning restrictive measures*, 2013

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Korean government; far more effective than the regime that had been in place, and more effective than expected by the US administration.<sup>2</sup>

### 1.3 Trade sanctions

Broad trade sanctions are sometimes referred to as 'tier three' sanctions. They are often the last type of measure to be applied because they are undoubtedly a blunt instrument that will affect the livelihoods of ordinary people in the target country and do broad damage to the country applying the sanction.

The ban on the import of Iranian oil is a well-known example of a broad trade sanction.

### 1.4 Diplomatic sanctions and aid

Some people include among sanctions diplomatic measures such as downgrading diplomatic relations or excluding a country from the meetings of international groups such as the G20.

The suspension of aid can also be considered a sanction. This has been particularly important in such countries as Zimbabwe; In December 2012, the UK (along with other donors) suspended all budget support to the Ugandan government in response to corruption within the Prime Minister's Office.<sup>3</sup>

### 1.5 Multilateral and unilateral sanctions

Most UK sanctions regimes are set up in collaboration with other member states in the EU, many are coordinated at the higher level of the United Nations. There is a clear advantage if many countries agree to apply sanctions: their impact will be much greater. The EU has shown an increasing willingness to impose sanctions that are not backed by or go further than the provisions of a UN Security Council resolution.

However, there are also drawbacks to multilateral sanctions. The US has often sought to impose sanctions unilaterally because the long and often fractious negotiating process in agreeing multilateral sanctions means that they may be later and weaker than the US government wants. With the world's largest economy and, particularly, financial centre, the US can impose effective sanctions unilaterally. If a smaller country such as the UK did this, it would have less impact.

Fractious negotiations

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<sup>2</sup> [North Korea: The Nuclear Issue and Prospects for Change](#), House of Commons Library Research Paper 07/03, January 2007

<sup>3</sup> This suspension was subsequently made indefinite and the funds put to other uses within Uganda. [DFID's Annual Report and Accounts 2013-14](#), p120

## 2. How much impact do they have?

Individually targeted sanctions can usually make the restrictions that they are intended to make. Powerful individuals' assets can be successfully frozen and they can be prevented from travelling through the sanctioning countries' territories. Organisations' bank accounts can be frozen. In this sense targeted sanctions have an immediate impact; they are difficult to circumvent.

If they are consistently applied, financial and trade sanctions certainly impose an economic cost on the targeted countries. Financial sanctions restrict the availability of capital in the target country and that should cause interest rates to rise. EU officials are reported to have estimated that Russia's economy would be 4.8% smaller in 2015 due to the effect of sanctions.<sup>4</sup> The Russian finance ministry estimated that sanctions are costing about \$40 billion per year.<sup>5</sup> These estimates are notoriously unreliable, however. The Russian economy has certainly suffered a slowdown, but how much of that is attributable to sanctions and how much to other factors is uncertain.

Measuring the impact is difficult

### 2.1 Unintended consequences

Sanctions are usually reported to lead to illicit moves to circumvent them. In the same way that abolitionists argue that making drugs illegal largely gives the trade over to criminals, thereby expanding the criminal world, it could be argued that sanctions undermine the rules-based international system by encouraging illicit networks. After sanctions are lifted, those networks may continue to function.

Illicit networks

There are worries, too, about excluding countries from the US-dominated financial system – particularly bans on access to the SWIFT international banking network. Analysts are concerned that this may accelerate the development of alternative systems based in hostile countries.

Similarly, EU sanctions, for example, might divert business away from EU exporters to competitors. Once those trade relationships have been established, they might last even after sanctions have been lifted.

There may be a particular problem for countries that do not have effective administrative systems; they may find it difficult to implement sophisticated targeted sanctions in the first place. They also have considerable administrative costs, both for financial institutions and for governments.

Administrative costs

Trade sanctions may have the undesired consequence of isolating the target country's economy, reducing that country's incentive to cooperate in the international community in the future. In Russia, the

<sup>4</sup> ['Multi-billion losses expected from Russia sanctions'](#), *EUObserver*, 28 July 2014

<sup>5</sup> Iana Dreyer and Nicu Popescu, ['Do sanctions against Russia work?'](#), European Union Institute for Security Studies, December 2014

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sanctions tit-for-tat combined with the weak rouble created an opportunity for Russia's domestic industries: as imports were banned or became more expensive, they could be substituted by Russian products.

US sanctions played a smaller role in the Iranian negotiations than EU sanctions. US trade with Iran was already very limited by sanctions applied since 1979. In that sense, trade sanctions are a once-only measure. At least they need to be lifted and economic relations fully restored before they can be tried again.

Sanctions targeted against individuals are comparable to punishments under criminal law but the safeguards in the system – for example a right to appeal – are often much weaker.

There was no right of appeal against listing by the United Nations Al-Qaeda Committee (the 1267 Committee), and those subject to listing were told little about the reasons for the action. Many considered this a violation of their human rights.<sup>6</sup> This was remedied from 2006 onwards, as independent review systems were set up. The UK's [Terrorist Asset-Freezing etc. Act 2010](#) contained strengthened safeguards against miscarriages of justice compared with the previous regime. Some would still argue that the safeguards are still too weak.

Miscarriages of justice

Similar worries have been expressed about 'political' sanctions regimes, such as the individually targeted sanctions against Russians over activities in Crimea. Individuals and companies can go through the courts to challenge the measures. Challenges to EU sanctions designations have become relatively frequent recently and there have been some well-publicised victories for the appellants.<sup>7</sup>

Russia announced in September 2014 that it would appeal to the World Trade Organisation over the trade sanctions imposed over its actions in Crimea.

The House of Commons European Scrutiny Committee published a report in March 2015 criticising the processes by which the EU applies sanctions, the failure of the European External Action Service to circulate draft decisions and the override of UK parliamentary scrutiny.<sup>8</sup>

Weak Parliamentary scrutiny

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<sup>6</sup> International Commission of Jurists, [Assessing Damage, Urging Action](#), An initiative of the International Commission of Jurists Report of the Eminent Jurists Panel on Terrorism, Counter-terrorism and Human Rights, 2009

<sup>7</sup> ['Another EU designation appeal highlights difficulty in U.S. challenges'](#), Lexology, 26 May 2015

<sup>8</sup> House of Commons European Scrutiny Committee, [Thirty-Seventh Report](#) Documents considered by the Committee on 18 March 2015

## 3. Do sanctions change policy?

### 3.1 Sanctions don't work

It is difficult to evaluate the reasons for a change in policy. Most authors of detailed studies used to conclude, however, that there was precious little evidence for sanctions changing anything. In 1985, an author argued that there were few subjects where international relations analysts agreed as much as on the proposition that sanctions do not work.<sup>9</sup>

Sanctions are often aimed at authoritarian leaders. In authoritarian systems, democratic processes are generally inadequate and information is often controlled, protecting those leaders from a backlash from a population that may be suffering from the impact of sanctions.

Dictators don't care?

Authoritarian leaders may have considerable political investment in their image as nationalists, defying foreign critics and asserting national sovereignty. In such cases, applying outside pressure through sanctions is likely to elicit more patriotic defiance and authoritarians may even gain support in this way.

An increasingly confrontational relationship with other countries can make it difficult for political voices advocating cooperation. These 'moderates' may be accused of lack of patriotism compared with the leader who advocates defiance. To work, sanctions must strengthen domestic opposition to a policy rather than fomenting this sort of nationalist backlash.

Sanctions may also provide an excuse for a country's poor economic performance: 'Don't blame the government – blame the foreigners!'

Perhaps the most commonly cited example of the failure of sanctions were the restrictions imposed on Saddam Hussein's Iraq after the invasion of Kuwait. They caused a lot of suffering among Iraqis but did not seem to weaken the regime, and the official rationale for the sanctions– the Iraqi WMD programme – was called into question.

Sanctions against Russia over the Ukraine conflict have not so far brought about a change of policy. The problems of applying sanctions to authoritarian systems seem relevant here. But culture is important too: Russians' history of confrontation with the West and of stoic suffering of economic hardship may be making the sanctions less effective.

Russia

### 3.2 Sanctions do work

Coinciding with the decline of the Cold War, however, analysts revisited the effectiveness of sanctions. Earlier analysis tended to focus on 'How much pain has been inflicted?' and 'Has the behaviour changed?' Even analysis of traditional sanctions began to change: a report published in 1985 came to a relatively positive conclusion, finding that, in a sample

<sup>9</sup> David A. Baldwin, *Economic Statecraft*, 1985

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of 116 cases, sanctions had contributed to the success of overall policies in 34% of the cases.<sup>10</sup>

A more complex analysis of increasingly sophisticated sanctions was also developed: firstly, sanctions were seen as only one among a variety of tools; they are likely to be used in conjunction with diplomacy and other methods – carrots as well as sticks – and it is difficult to separate the influence of sanctions from all the other factors.

Secondly, it was argued that causing pain and forcing targets to choose a different policy were not the only objectives of sanctions. They could also be used to constrain a particular activity – to make it more difficult even if the target does not choose to abandon it – and to send signals to various actors in the international system, including domestic audiences.<sup>11</sup>

Forcing behaviour change is not the only objective

The idea that threatened sanctions are probably more effective than imposed sanctions also gained ground. But, for the threat to be realistic, they would have to be imposed sometimes.

If sanctions are imposed the target country would also have to have a realistic possibility of improved relations after they were lifted, or there would be no point in giving in to them. Staged lifting of sanctions in response to the target's partial compliance with the demands of the sanctioning country can be effective, encouraging the target to increase compliance or reassuring the target that full compliance will result in full lifting of sanctions.<sup>12</sup>

There has been more diversity in the way sanctions are designed. Sanctions targeted against individuals and entities, for example, are increasingly employed.

More sophisticated design

Individually targeted sanctions are intended to erode leaders' support networks by damaging their allies' wealth and giving them other personal problems. Must this not make their positions more difficult in the long run?

Sanctions are often aimed at particular sectors of a country's economy. Such sanctions can be used to constrain a particular activity. Restrictions were placed on the supply of nuclear-related technology to impede Iran's nuclear programme directly. Even though they are often thought of separately, arms embargoes are a form of sanction that attempts to make certain activities less likely – armed violence in this case.

They are not only applied to countries. The United Nations Al-Qaeda Sanctions Committee, for example, lists individuals and entities connected with al-Qaeda and ISIS mainly in order to constrain the activities of terrorists, to restrict their funding, break down their support

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<sup>10</sup> Hufbauer, quoted in Iain Cameron, *EU sanctions: law and policy issues concerning restrictive measures*, 2013

<sup>11</sup> For more on these ideas, see Francesco Giumelli and Paul Ivan, *The effectiveness of EU sanctions: an analysis of Iran, Belarus, Syria and Myanmar (Burma)*, European Policy Centre, November 2013

<sup>12</sup> Clara Portela, *European Union sanctions and foreign policy: When and why do they work?*, 2010

networks and so on. It would be hard to argue that such sanctions made no difference.

Iran is often held up as an example of a case where the economic impact of sanctions did affect policy. Crucially, Iran does have elections, although they are tightly controlled and the unelected Supreme Leader has the last word. It is probable that the economic impact of sanctions had an impact on the results of the June 2013 Iranian election.

Iran

The election of Hassan Rouhani, who stood on a platform of negotiating with the P5+1 countries and getting sanctions lifted, was the key to unlocking the negotiations, leading to the framework agreement announced in Switzerland in April 2015. Of course these things are complicated: a country's internal dynamics may have more impact than anything else. For example, the economic failures of Rouhani's predecessor, Mahmoud Ahmadinejad, were an important factor in Rouhani's election success.

## 4. Why do countries use them?

States impose sanctions mainly because they hope, or they say they hope, that sanctions will change behaviour. But if the evidence for sanctions changing targets' behaviour remains mixed, why do they seem to be increasingly popular as a tool? Sanctions serve other purposes than simply changing the target's behaviour.

### 4.1 They can be presented as 'doing something'

Most politicians are keen to be seen taking action and the argument that there is nothing that politicians can do about a situation is not particularly popular.

Sanctions allow leaders to show that they have taken some sort of action over a situation that they or the public don't like.

There seem to have been only modest official attempts to find out about sanctions' effectiveness. This might be because politicians find them politically useful and do not want to undermine that usefulness. It may also be because any such research would probably be doomed to inconclusiveness.

### 4.2 They are not military action

The two decades after the end of the Cold War saw Western politicians more enthusiastic about intervening in other countries to prevent humanitarian catastrophes or for other purposes.

Some of these interventions were successful, but others, notably the Afghan and Iraqi operations, led to increasing scepticism about the advisability of sending troops into conflict areas. Together with tightened defence budgets, this means that action short of military intervention is attractive.

However, not everyone goes along with that. Former Republican presidential hopeful Ron Paul famously said about the US *Iran Threat Reduction Act*: "Sanctions do not work. They are precursors to war and usually lead to war."<sup>13</sup>

### 4.3 They send a signal

Even if sanctions do not lead directly to a change in course by their targets, they may be useful to send a message to the target government that other countries are firmly resolved to act against certain behaviour.

That may help to head off more of the behaviour, for fear of the next step, which might be assumed to be military action.

They may also help to deter other actors from following the same course as those that have been sanctioned.

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<sup>13</sup> Statement on the mark-up of HR 1905, the *Iran Threat Reduction Act* of 2011, Office of Ron Paul, former Texas Congressman (Republican), 2 November 2011

#### **4.4 They increase solidarity**

To unite around a programme of action rather than just statements can be useful for allies. The allied countries can participate in designing the sanctions. However, even fairly closely aligned states such as EU members can have widely different interests in relation to proposed sanctions; the sanctioning process can also point up differences.

Countries outside the EU and the US have sometimes signed up to impose sanctions even though they are not mandated by the UN Security Council, in order to signal their allegiance. Joining sanctions regimes may be the result of pressure on the smaller country, or may result in trade-offs beneficial to that country. So sanctions can also be useful bargaining chips in relations between allied states.

## 5. Further reading

- House of Commons European Scrutiny Committee, [\*Thirty-Seventh Report\*](#) Documents considered by the Committee on 18 March 2015

The European Scrutiny Committee raised concerns about the ability of Parliament to scrutinise sanctions regimes, because of the paucity and lateness of information supplied by the UK government and the EU authorities.

- Vladislav Inozemtsev, '[\*Yes, Sanctions Work\*](#)', *American Interest*, 2 February 2015

Vladimir Inozemtsev argues that the old consensus on the ineffectiveness of sanctions is just that. Specifically, he argues that targeted sanctions against Russia will undermine Putin's position, given another year of operation.

- Francesco Giumelli and Paul Ivan, [\*The effectiveness of EU sanctions: an analysis of Iran, Belarus, Syria and Myanmar \(Burma\)\*](#), European Policy Centre, November 2013

Francesco Giumelli and Paul Ivan argue that the EU process can be made more effective if the design of sanctions regimes is made even more effective, from a clear assessment of their objectives.

They also suggest that in the EU at least, there could be more effective coordination to enhance their implementation, particularly as sanctions regimes become more complex.

They call for more monitoring at EU level of the implementation and effects of sanctions.

- House of Lords Select Committee on Economic Affairs, 2<sup>nd</sup> report of 2006-07, [\*The Impact of Economic Sanctions\*](#), 9 May 2007

The House of Lords committee found that broad sanctions did too much damage to ordinary people. It also found that targeted sanctions were not always effective and that there should be more transparency about the process.

The committee argued that objectives should be clear and that there should be more monitoring of effects.

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