STRATEGY
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ECONOMIC SANCTIONS: VIABLE INSTRUMENTS OF POWER OR ECONOMIC CHAOS?

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USAWC CLASS OF 1999

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ABSTRACT

AUTHOR: Michael J. McKinley, Lieutenant Colonel, USA

TITLE: Economic Sanctions: Viable Instruments of Power or Economic Chaos?

FORMAT: Strategy Research Project

DATE: 7 April 1999 PAGES: 47 CLASSIFICATION: Unclassified

Economic sanctions are but one of the many tools of diplomacy utilized as part of the overall U.S. policy response to objectionable actions of foreign governments. This research paper explores and assesses the effectiveness and appropriateness of economic sanctions as an instrument of national power with specific emphasis on the imposition of economic sanctions on Cuba and Iran. This paper will examine four main aspects of economic sanctions. The first is to define and identify what economic sanctions are. The second is to examine the relevancy of economic sanctions. The third is to determine if economic sanctions are viable instruments of national power. And the fourth aspect is to determine if economic sanctions are useful in achieving our national security objectives. Utilizing our current policy on economic sanctions and examining its relevancy, this paper will make recommendations that clearly show that the U.S. government needs to reform its sanctions policy.

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ECONOMIC SANCTIONS

> A nation that is boycotted is a nation that is in sight of surrender. Apply this economic, peaceful, silent, deadly remedy and there will be no need for force. It does not cost a life outside the nation boycotted, but it brings a pressure upon the nation which, in my judgment, no modern nation could resist.[1]
>
> —President Woodrow Wilson, 1919

President Wilson's thought process and economic sanctions policy were right in 1919, but as this paper will show, they are clearly wrong today! While economic sanctions probably worked in the early 1900s, our global economy today limits our ability to impose sanctions. In an increasingly integrated international economy, imposition of economic sanctions must be thoroughly debated and thought-out to the same extent that is given to a decision that commits U.S. soldiers to battle.[2]

Utilizing our current policy on economic sanctions and examining its relevancy, this paper will propose recommendations that clearly show that the United States government needs to reform its sanctions policy. To support these recommendations, our economic policy will be examined followed by three general categories of policy objectives -- National Security Objectives, Other Foreign Policy Objectives, and International Trade and Investment Dispute Resolution. Next, this paper will explore the different types of economic sanctions -- Unilateral and

Multilateral -- and then look at two historical country cases - Cuba and Iran -- to determine if economic sanctions achieved their desired effects. Finally, the paper will conclude with observations regarding economic sanctions and their usefulness in achieving our national objectives.

DEFINITION, POLICY, AND HISTORY OF ECONOMIC SANCTIONS

Definition.

In order to understand the importance of economic sanctions in relation to its use as a foreign policy tool, one must have an understanding of what exactly this term means. Quite simply, economic sanctions are those actions taken to change the behavior of an offending foreign government by adversely effecting their peacetime economy. Economic sanctions can be a valuable tool for enforcing international norms and more importantly for protecting our vital national interests.[3] A more detailed definition from author David-Leyton Brown, a renowned economist, is as follows:

> "The term economic sanctions is defined as deliberate government actions to inflict economic deprivation on a target state or society through the limitation or cessation of customary economic relations. These involve trade and financial measures, including controls upon exports to the target, restrictions upon imports from the target, and interruptions of official or commercial finance, such as cutting off aid or freezing assets."[4]

Knowing what the definition of economic sanctions is, we can now look at the current policy of the United States as it pertains to the use of economic sanctions.

Policy.

The United States does not have a pre-ordained or hard fast standing policy concerning the use of economic sanctions. For example, the policy and the use of economic sanctions are not found in the current issue of the White House's National Security Strategy. Each Presidential administration adopts its own foreign policy on the use of economic sanctions to respond to the increasingly integrated international environment. The Clinton administration sees sanctions as an important foreign policy tool and utilizes them after diplomacy fails and before the use of military force. Their policy was clearly explained by Mr. Eizenstat, Under Secretary of State, during an interview with Mr. Bruce Odessey, writer for the magazine <u>Economic Perspectives</u>:

> "Economic sanctions are an important foreign policy tool intermediate between diplomacy and the use of force. They are used when other measures are insufficient and when their imposition is likely to change the behavior of the offending state. They should be used when traditional diplomatic and other efforts at persuasion have failed, not as a first order of action. They generally should be targeted only at rogue regimes that act contrary to international norms."[5]

The current administration mainly utilizes economic sanctions for the purpose of altering the behavior of a foreign government. If the United States believes that its national security interests are at stake, it will impose these sanctions as a means to alter the behavior of the foreign government to be more in line with U.S. interests and international standards. As Mr. Eizenstat also stated that economic sanctions "address misconduct in human rights, terrorism, narcotics, weapons of mass destruction, and other areas where such conduct is considered unacceptable by world standards of State.[6]"

Our current policy on economic sanctions, as described above, is intended to change the behavior of an offending government. Every Presidential administration prescribes its own policy on the use of economic sanctions.

A historical perspective on the use of economic sanctions is important to understand if we truly want to learn how economic sanctions are imposed. We will soon learn that sanctions are generally imposed haphazardly and unilaterally versus well thought out and multilaterally. We can trace the history on the use of economic sanctions all the way back to 432 B.C.

History.

The concept of economic sanctions has been around for many centuries. It is apparent that in lieu of an all out war, economic sanctions are an intermediary between diplomacy and military intervention.

Economic sanctions have been in existence at least since 432 BC. Pericles, the ancient Athenian leader, imposed sanctions on Megara in retaliation for Megara's attempted expropriation of territory and the kidnapping of three women. Megara then appealed to Sparta for aid, which triggered the Poloponnesian War.[7]

Mr. Eizenstat, describes earlier examples, such as in 1812, when the United States imposed an embargo against Great Britain in retaliation for British attempts to limit U.S. trade with France. In 1917, President Wilson imposed an embargo on the sale of iron, steel and other war essentials to Japan. President Roosevelt also imposed economic sanctions on Japan in 1940.[8] During the Carter administration, sanctions were utilized against the Soviet Union following their invasion of Afghanistan.

These early examples on the use of economic sanctions (prior to the 1990s) show that the use of economic sanctions is not new and that sanctions have been used to advance our foreign policy objectives as well as our military objectives. Prior to the 1990s, economic sanctions were generally imposed to counter actual or potential military aggression versus fostering our other foreign policy objectives.

In fact, most examples of economic sanctions being utilized by one country towards another country were associated with military implications. An analysis conducted of sanctions by the United States during the Cold War (1945-1989) showed that:

"Most economic sanctions imposed by the United States were directed against communist countries and were intended to counter actual or potential military aggression; to deny advanced, militarily sensitive technology to the Soviet Union or its allies; and to control weapons proliferation."[9]

The sanctions imposed by the United States during these years were concerned with national security objectives and usually were applied multilaterally with other industrial democracies.

Since 1990, the U.S seems to have decided to employ unilateral economic sanctions against countries not just for military reasons, but to change their internal or international behavior. "During President Clinton's first term, U.S. laws and executive actions imposed new unilateral economic sanctions 61 times on a total of 35 countries (see figure 1).

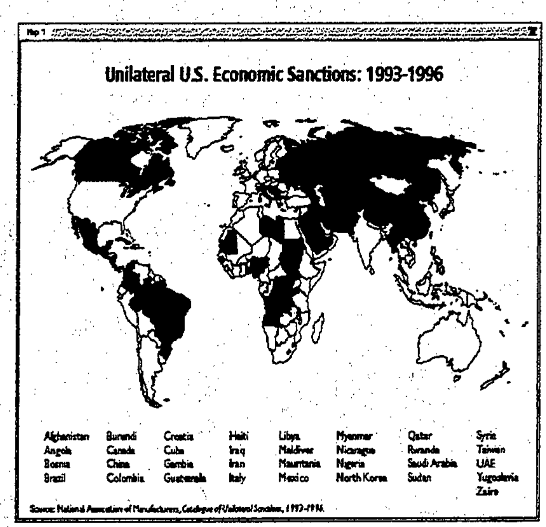

Figure 1

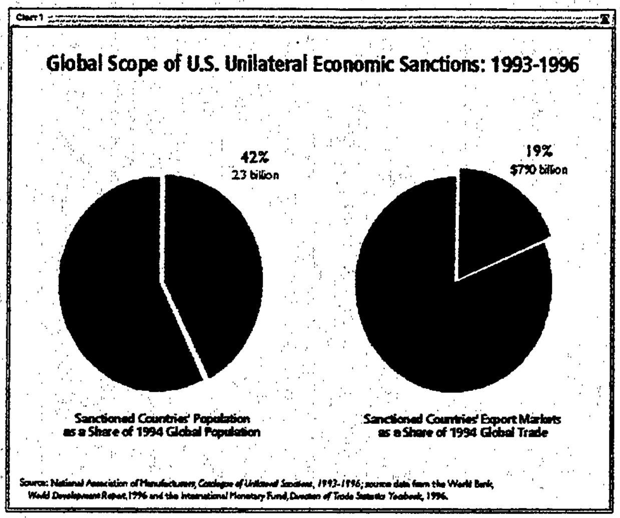

Figure 2

These countries are home to 2.3 billion people, or 42 percent of the world's population, and purchase exports of $790 billion, or 19 percent of the global export market (see figure 2)."[10]

History not only illustrates the use of economic sanctions as part of our overall objective to change the behavior of an offending government, but it also illustrates the tremendous amount of damage that can come about by their effect on our own economic well being. Employing sanctions not only attempts to change the undesirable behavior of a foreign government, but they can also be very costly to the U.S. in terms of monetary value and jobs. In explaining the cost incurred in terms of monetary value and jobs, Mr. Eizenstat states:

> "The President's Export Council recently estimated the direct cost of economic sanctions to the U.S. economy in 1995 at $15-19 billion in lost export sales and up to 250,000 jobs. It also argued that sanctions have an indirect effect through undermining confidence in the reliability of U.S. suppliers. They further claim that the cost to the U.S. economy and U.S. competitiveness can be disproportionate to the results achieved."[11]

In today's global economy, economic sanctions must be utilized more carefully and thoroughly debated by all parties concerned. As described above, history has shown that economic sanctions have been utilized to foster our national foreign policy objectives and military resolve, but they have cost us both financially in terms of dollars and American jobs lost. Mr. Eizenstat, in comments made before the House Subcommittee on Trade states, "We are living in an age of heightened political and economic global integration and growing interdependence in which most countries derive their prosperity, and even power, from growing engagement in the international economy."[12]

To this point in the paper, we understand the definition of economic sanctions and know the Clinton Administration's policy on their use. We briefly examined their historical use, but the issue we must now focus on is why we use economic sanctions. Why exactly do we utilize economic sanctions as a national instrument of power in pursuing our foreign policy objectives?

THREE GENERAL CATEGORIES OF POLICY OBJECTIVES

The current administration's policy on the use of economic sanctions has been consistent. Although not specifically addressed in the current national security strategy, economic sanctions have been important strategic tools in the overall economic policy arsenal. Mr. Robert P. O'Quinn, an economist, in an article he wrote for The Backgrounder, states that "economic sanctions are tools utilized as part of the overall U.S. policy response to objectionable actions of foreign governments and to advance our economic policy goals".[13] He goes on and describes three general categories of policy objectives for which the United States uses economic sanction. The three categories are: national security objectives, other foreign policy objectives, and international trade and investment dispute resolution.

National Security Objectives.

In the national security arena, economic sanctions may be employed multilaterally or unilaterally to deter military aggression or force a county to withdraw its forces from a disputed territory. The United States may use sanctions to restrict sensitive technology to countries that are hostile to its interests. Finally, they may be used to curb weapons proliferation or to punish a country that condones terrorism. For example, economic sanctions are being used unilaterally against Iran and Libya since the "United States prohibits investment in Iran and Libya, forbids trade with Libya, and severely restricts trade with Iran because Iran and Libya fund international terrorist organizations."[14] The obvious multilateral example has been the U.S. led effort through the United Nations to restrict world trade with Iraq.

This paper supports the use of economic sanctions against an adversarial foreign government who commits military aggression, intends to produce or proliferate the use of weapons of mass destruction, sanctions terrorism, and who are hostile to our overall national interests. These acts are of vital interest to the U.S. and economic sanctions or military force must deter them. In fact, sanctions must be used if diplomatic means have failed, and we are not yet ready to commit to the use of military force. Remember, diplomacy first, sanctions second, and if all else fails and the threat is too great then military force.

The use of economic sanctions in protection or attainment of our national security objectives is clearly desirable. In fact, protection of our national security is perhaps the only time economic sanctions should be applied even if the probability of success is very low.[15] The next category of policy objectives this paper will now examine for which economic sanctions may be used is the attainment of other foreign policy objectives.

Other Foreign Policy Objectives.

The term, "other foreign policy objectives", refers to the use of economic sanctions against foreign governments who do not directly threaten our national security objectives, but who pose a threat to one or more of our foreign policy objectives. Some examples of this type of behavior are foreign governments who oppose human rights for their general populace or perhaps those governments who do not exercise some form of acceptable democratic norms. Other examples may include stopping the use of illegal drug flow or even championing the cause for environmental improvements. In these cases, economic sanctions have been used to enhance our policy objectives of controlling the illegal drug flow, human rights violations, environmental concerns, and democratization.

A recent example of employing economic sanctions on a government for failure to observe human rights and democratization is the case of the government of Myanmar.

> "On May 20, 1997, President Clinton announced a ban on new investments in Myanmar (formerly Burma) because the ruling military junta had refused to recognize the victory of the opposition party in the May 1990 general election and had kept opposition leader and Nobel Prize winner Aung San Suu Kyi under house arrest for six years."[16]

The policy concerning the use of economic sanctions against foreign governments who do not directly threaten our national security objectives, but who pose a threat to one or more of our foreign policy objectives is not as clear as are those sanctions imposed on governments who threaten our national security. The reason that the policy is not clear is that it is a "gray" area.

Sometimes the U.S. imposes sanctions and sometimes they do not. In cases where our national security is not at risk, economic sanctions should not be used if there is no achievable sanction objective and if other friendly governments will not join us in our sanction objective. Additionally, assuming that we have an achievable sanction objective, that objective must then be capable of persuading the target government to change its objectionable behavior. Lastly, the economic impact to the U.S. must be minimal in terms of dollars and jobs lost by not being able to conduct business with the targeted country.

The final category of policy objectives this paper will examine for which economic sanctions may be applied is the resolution of international trade and investment disputes.

International Trade and Investment Dispute Resolution.

Of the three U.S. government's categories of policy objectives for which economic sanctions may be applied (national security objectives, other foreign policy objectives, and international trade and investment dispute resolution), the resolution of international trade and investment disputes is certainly the "grayest" of them all. Apparently, the term "resolution of international trade and investment disputes" means that the targeted country has allegedly committed some type of a trade or investment infraction. In other words, this type of infraction may be the result of a target country unfairly increasing its tariffs on the import of some type of product from the United States, i.e., steel, vegetables, etc.

Robert P. O'Qiunn, policy analyst for the Heritage Foundation (a watch group on U.S. economic sanctions policy) describes this category of policy objectives for which economic sanctions may be applied as follows:

> "Economic sanctions may be effective in the resolution of international trade and investment disputes. Most such disputes, however, are resolved satisfactorily through the dispute settlement procedures of the World Trade Organization, regional customs unions like the European Union, regional free trade agreements like the North American Free Trade Agreement, or other bilateral agreements."[17]

The policy involving the use of economic sanctions against foreign governments who practice unfair international trade and investments is very "gray". Like the use of economic sanctions against foreign governments who do not directly threaten our national security, economic sanctions should not be used if there is no achievable sanction objective and if other friendly governments will not join us in our sanction objective. Again, assuming that we have an achievable sanction objective, that objective must be capable of persuading the targeted government to change its unfair international trade and investment infractions. And finally, as is the case when economic sanctions are employed to foster our other foreign policy objectives, the economic impact to the U.S. must be minimal in terms of dollars and jobs lost by not being able to conduct business with the target country.

Now that we know why we utilize economic sanctions to achieve three general categories of policy objectives, we need to now focus our understanding of the two different ways -- unilaterally or multilaterally -- to impose economic sanctions to assess their effectiveness.

TYPES OF ECONOMIC SANCTIONS

Economic sanctions can be applied unilaterally or multilaterally. Unilateral sanctions are those actions taken against another country by the United States alone. Multilateral sanctions are those taken against another country by the United States and other countries backing the position of the United States. Unilateral sanctions, by the United States, do not work very well in achieving their goals. On the other hand, multilateral sanctions appear to work better in achieving their goals. In a recent Washington Post article, Mr. Gary Hufbauer, noted economist, writes:

> "Prior to the 1970's, sanctions in which the United States was involved, either alone or with others, succeeded at least partially just over 50 percent of the time. Between 1970 and 1990, however, U.S. sanctions succeeded in just 21 percent of the cases initiated. The results for unilateral U.S. sanctions, those in which American policymakers

received either no or only minor cooperation from other countries, are even more striking. In 55 post-war episodes, the success rate for such cases was only slightly below that for all cases involving the U.S., 29 percent versus 33 percent. In the 1970s and 1980s, a mere 13 percent of unilateral U.S. sanctions achieved any success at all (see table 1)."[18]

Table 1 The Sanctions Record

Policy goal	Overall record: Number of Successes	Overall record: Number of Failures	Pre-1973: Number of Successes	Pre-1973: Number of Failures	1973-90: Number of Successes	1973-90: Number of Failures
Modest policy change	17	34	9	3	8	31
Destabilization	11	10	9	6	2	4
Disruption of military adventures	6	12	5	8	1	4
Military impairment	2	8	2	6	0	2
Other major policy changes	5	15	2	11	3	4
All cases (a)	41	79	27	34	14	45

(a) The figures include five instances of cases included under two different policy goals: 49-1: US v. China; 60-3: US v. Cuba; 63-1: US v. UAR; 63-3: US v. Indonesia; and 80-1: US v. USSR (Afghanistan). Since these cases are generally failures, double counting them adds a small negative bias to the success ratio.

Table 1

Sanctions work better when they are enforced multilaterally. Even better, when the multilateral support and participation involve the world's largest countries in terms of their ranking as economic "giants" (China, Japan, European countries, etc.) their effect is tremendous. "Multilateral sanctions maximize international pressure on the offending state while minimizing damage to U.S. competitiveness and more equitably distributing the sanctions burden across the international community."[19]

Unilateral sanctions imposed by the United States may be counterproductive for three reasons. First, unilateral sanctions are unlikely to change the target country's objectionable behavior, because the financial impact is not large enough. The U.S. does not enjoy a global market advantage on any of its industries, except perhaps on some high technology industries. Even then, the target country may not be interested in those high technology items. When the United States imposes a unilateral export embargo, foreign suppliers can replace the American companies with minimal damage to the target country's economy.[20]

The second reason that unilateral sanctions may be counterproductive is that the economic sanctions imposed tend to hurt the people of the target country rather than the intended recipient; that of its leader. Mr. Richard Haass, noted economist, in his book, <u>Economic Sanctions and American Diplomacy,</u> writes:

> "The problem with such a broad-brush approach is that sanctions tend to affect those not necessarily responsible for making the policy—that is, the people-while those elites that are responsible-be they in the government, the dominant political organization, the military, or some similar entity-remain largely unaffected given their ability to skirt the sanctions."[21]

The third and final reason that unilateral sanctions may be counterproductive is that some proponents of unilateral sanctions tend to believe that other friendly foreign governments will eventually follow the lead of the U.S. in imposing economic sanctions. But research has shown just the opposite:

> "Recent history, however, demonstrates otherwise. Instead of following U.S. leadership, other countries see unilateral U.S. economic sanctions as commercial opportunities to grab lucrative foreign markets from American companies."[22]

Thinking that other friendly governments may join us in applying economic sanctions is dangerous in terms of dollars and jobs.

To this point we have defined economic sanctions, examined the current administration's policy, and reviewed their historical use. At this time, this paper will examine how we decide if economic sanctions work or not.

PROLOGUE TO ANALYSIS

To do a through analysis we will examine the effect of sanctions on two countries - Cuba and Iran - using the four criteria that we have discussed thus far. Remember, the four criteria are: what is the policy objective, are sanctions imposed unilaterally or multilaterally, did economic sanctions change the desired behavior of the targeted country, and did it cost anything in terms of dollars and jobs lost. We will apply these criteria against Cuba and Iran to determine if sanctions achieved their desired results. The reason for selecting Cuba and Iran for this analysis is because considerable research exists to date, concerning the effects of economic sanctions, involves these two countries. Cuba is also a good example to use because sanctions have been in place there for over 36 years, Iran is used because it is a more recent example of how a larger country reacts to sanctions.

The first criterion to evaluate if sanctions were successful is to determine what our policy objective was towards Cuba and Iran. Was the objective for national security purposes, other foreign policy objectives or was it to resolve an international trade and investment dispute? The second criterion is to determine if the economic sanctions were imposed unilaterally or multilaterally. The third criterion is to decide if the economic sanctions changed the desired behavior of Cuba and Iran. And the fourth and final criterion is to decide if it costs us anything in terms of dollars and jobs lost.

TWO HISTORICAL COUNTRY CASES

Cuba.

Fidel Castro (see figure 3) came to power in the late 1950s. In early 1960, he and his government took control over property that belonged to citizens of the United States. "Angered by the

Figure 3

expropriations and also threatened with the rise of Communism in Cuba, the U.S. government initiated economic sanctions on Cuba."[23]

The U.S. economic embargo against Cuba has been in place for over 36 years. During those 36 years, the U.S. government has changed its position on the purposes of why economic sanctions are in place. However, two things remained perfectly clear: the overthrow of the Castro regime and or getting him to change his behavior have been the primary goals of the United States government. Again, noted economist, Mr. Richard Haass, describes the principal purposes for sanctions against Castro were to modify his behavior or eliminate his regime.[24]

The types of economic sanctions imposed on the Cuban government were and still are mostly unilateral in nature. The original embargo targeted only Cuba and did not prevent other governments from trading with Cuba. The Soviet Union, during the Cold War, bought Cuba's sugar and in return, Cuba bought or was supplied with much needed oil and military equipment.

However, in January 1962, the Organization of American States (OAS), comprised of mostly Latin American governments, imposed limited sanctions on Cuba. The U.S. unilateral sanctions had now become multilateral. Thirteen years later, in 1975, the OAS voted to lift its sanctions on Cuba. Mr. Richard Haass states:

"The other important factor was the U.S. defeat in Vietnam, which made the Unites States look less powerful to Latin American governments and encouraged them to chart a more independent course. In 1975, for example, the Organization of American States voted to lift its embargo of Cuba and instead to allow each member country to decide what kind to trade relations it wished to have with the island."[25]

The costs of the embargo and sanctions for the United States are somewhat hard to quantify. Certainly, those companies that were in Cuba and the vast investments made by U.S. citizens prior to the Castro revolution were enormous. Colonel Paul S. Izzo, in his 1996 strategy research project on economic sanctions, states the following:

"Trade for 50 years prior to the embargo had been concentrated with one neighbor, the United States. The U.S. took more than 60 per cent of Cuba's exports and supplied over 70 per cent of her imports. Sugar, accounted for approximately 80 per cent of her export earnings. Cuba's entire economic structure had been dependent upon American equipment."[26]

Costs, associated with the embargo and sanctions, are not limited to U.S. commercial businesses and American Citizens personal investments in Cuba. We had to pay for the counterinsurgency program to the tune of almost $20 billion.[27] Additionally, countries such as Switzerland, Argentina, France, Canada, and Great Britain were and still are doing business with Cuba.

Cuba Analysis.

As previously identified, there are four criteria for determining if economic sanctions achieved their desired results. They are; did the intended policy objective work, were the economic sanctions applied unilaterally or multilaterally, what was the cost, and did the economic sanctions change the target government's behavior?

In Cuba's case, the first criterion, did the intended policy objective work? The answer is no. The U.S. policy objective was to either overthrow the Castro regime or modify his objectionable behavior. Fidel Castro is still in power and his behavior has not really changed that much. He is somewhat quiet now, but his ideology remains in tact.

The second criterion, were the sanctions imposed unilaterally or multilaterally? The answer is they were imposed unilaterally throughout most of the 36 years. Remember that the effect desired by multilateral sanctions is more achievable than those that are unilaterally applied are. As previously mentioned, the OAS voted to approve sanctions in 1962, but lifted the embargo in 1975.

The third criterion, what was the cost in terms of dollars and jobs lost? The answer is the costs were enormous. Not only were the costs to those companies that were in Cuba and the vast investments made by U.S. citizens large, but the U.S. spent approximately $20 billion to support the counterinsurgency program. Additionally, although the U.S. does not do business with the Castro regime, other countries do.

The fourth criterion, did the economic sanctions change the behavior of the targeted government? The answer again is no. Fidel Castro is still in power. Sanctions do not seem to have changed his behavior. The U.S. has not toppled his regime and he still invokes communistic traits and characteristics.

Iran.

Ayatollah Ruhollah Khomeini (see figure 4) came to power in Iran in early 1979. His predecessor, the late Shah of Iran, Reza Shah, left Iran in February 1979. Noted author, Malcomb B. Russell, in his book <u>The Middle East and South Asia 1997</u> states:

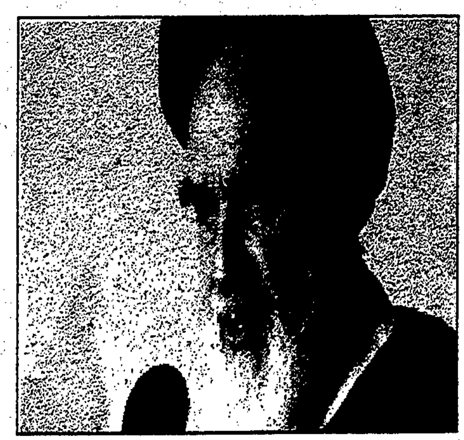

Figure 4

> "After months of confusion and strikes, with oil production and exports halted and the economy in chaos, the Shah finally left the country in early 1979, ostensibly for a vacation. As a concession, he placed the Iranian government under Shahpur Bakhtiar, a long-time critic. However, the concessions came too late. Khomeini returned to a triumphant welcome within two weeks, and the national army surrendered its struggle against the Islamic revolutionaries."[28]

The U.S. had placed economic sanctions against Iran since 1979, the year of the Islamic Revolution. Sanctions were imposed on Iran on 4 November 1979 in reaction to the November 1979 seizure of the U.S. embassy in Tehran. Once again, noted economist Richard Haass describes the sanctions against Iran:

> "President Jimmy Carter made it illegal for Americans to purchase goods directly from Iran and froze $12 billion in Iranian assets in the United States. In orders issued on April 7 and 17, 1980, he extended sanctions to include a ban on all commerce and travel between Iran and the United States, except for food, medicines, and newspeople."[29]

The U.S. economic embargo against Iran has now been in place for over 19 years. During those years, the U.S. government has again, like in the Cuban embargo, changed its position on the purposes of why economic sanctions are in place. However, under the Clinton administration it is quite clear that sanctions are in place because of national security purposes. Specifically, they are in place because of Iran's weapons of mass destruction program, its terrorism sponsorship, and its sponsorship of those individuals and organizations bent on disrupting the Middle East peace process.

The types of economic sanctions imposed on the Iranian government were and still are mostly unilateral in nature. Mr. Haass states, "Nearly all sanctions have been unilateral U.S. actions without multilateral support."[30] The failure to secure multilateral support for its sanctions is interpreted by the

Clinton administration as the widespread intention of European nations to continue trading with Iran. Specifically the governments of Russia, France and Malaysia trade openly with Iran.

The costs of the embargo and sanctions are again, like the Cuban case study, somewhat hard to quantify. Certainly, those companies (oil related) that were investing in the Iranian petroleum industry were hurt the most. On 5 August 1996, President Clinton signed in to law the Iran and Libya Sanctions Act of 1996 (ILSA). ILSA targets only investment in Iran. More precisely, it limits oil and gas development to only $20 million. Mr. Haass describes the economic impact as:

> "The direct costs to the U.S. economy of the sanctions on Iran were a loss of profits on trade and investment. The largest direct loss was on about $3 billion in oil trade involving Iranian crude destined for third-country markets and the proposed Conoco development of the offshore Sirri oil field."[31]

Iran Analysis.

As previously identified, and utilized for the Cuban analysis, there are four criteria for determining if economic sanctions achieved their desired results. They are, one, did the intended policy objective work? Two, were the economic sanctions applied unilaterally or multilaterally? Three, what was the cost in terms of dollars and jobs lost? And, fourth, did the economic sanctions change the behavior of the targeted government?

In Iran's case, the first criterion, did the intended policy objective work? The answer is no. The U.S. policy objective was to secure its national security. Specifically, the sanctions are in place to rid Iran of its weapons of mass destruction program, its terrorism sponsorship, and its sponsorship of those individuals and organizations bent on disrupting the Middle East peace process. The Iranian regime is still in power and their behavior has not really changed that much. Although Iran seems to be less threatening, its ideology remains in tact.

The second criterion, were the sanctions imposed unilaterally or multilaterally? The answer is they were imposed unilaterally throughout most of the 19 years. Remember that multilateral sanctions are more achievable and desirable than are unilateral sanctions. Nearly, all sanctions have been unilateral U.S. actions without multilateral support.

The third criterion, what was the cost in terms of dollars and jobs lost? The answer is that the costs were enormous. Companies, mostly oil-related industries, that were investing in the Iranian petroleum industry were hurt the most. The largest direct loss was on about $3 billion in oil trade involving Iranian crude destined for third-country markets. Additionally, although the U.S. does not do much business with the Iranian regime, other countries do.

The fourth criterion, did the economic sanctions change the behavior of the targeted government? The answer again is no. The Iranian government is still in power. Sanctions do not seem to have changed Iran's behavior or its Islamic traits and characteristics.

RECOMMENDATIONS

The United States government must reform its economic sanctions policy now so that the future economic and overall security posture of the United States remains strong. The United States government should consider implementing the following two recommendations:

First, stop imposing unilateral economic sanctions. As noted author Robert P. O'Quinn states, "even though the ability of unilateral U.S. economic sanctions to engender desired policy changes in target countries is doubtful at best, their high and mounting cost to the U.S. economy is not."[32] Unilateral sanctions imposed by the United States may be counterproductive for three reasons.

First, unilateral sanctions are unlikely to change the target country's objectionable behavior because the financial impact is not large enough. The U.S. does not enjoy a global market advantage on any of its industries, except perhaps on some high technology industries. Even then, the target country may not be interested in those high technology items.

The second reason that unilateral sanctions may be counterproductive is that the economic sanctions imposed tend to hurt the people of the target country rather than the intended recipient; that of its leader.

The third and final reason that unilateral sanctions may be counterproductive is that some proponents of unilateral sanctions tend to believe that other friendly foreign governments will follow the lead of the U.S. in imposing economic sanctions. If this were true, the unilateral sanctions would then become multilateral sanctions once those other friendly foreign governments joined in the enforcement of the sanctions.

The second recommendation that the U.S. government should implement is, only impose economic sanctions when the policy objective is achievable and when the effects of the sanctions will change the target government's undesirable behavior. If these two criterions cannot be achieved, then economic sanctions are useless at best. The two country cases analyzed in this paper clearly show that unless the policy objective is achievable and the target government's behavior is changed, economic sanctions do not work. The policy objective must be straightforward, simple, and achievable in a timely manner.

Likewise, the target government's behavior must be altered to match the U.S. government's desired behavior. If the desired behavior is not changed, then sanctions have failed.

SUMMARY

Economic sanctions are but one of the many tools of diplomacy utilized as part of the overall U.S. policy response to objectionable actions of foreign governments. This research paper explored and assessed the effectiveness and appropriateness of economic sanctions as an instrument of national power with specific emphasis on the imposition of economic sanctions on Cuba and Iran.

This paper examined four main aspects of economic sanctions. The first was to define and identify what economic sanctions are. The second was to examine the relevancy of economic sanctions. The third was to determine if economic sanctions are viable instruments of national power. And the fourth aspect was to determine if economic sanctions are useful in achieving our national security objectives.

Utilizing our current policy on economic sanctions and examining its relevancy, this paper recommended two policy changes needed to reform the current U.S. government's sanctions policy. These changes were: stop imposing unilateral economic sanctions and only impose economic sanctions when the policy objective is achievable and when the effects of the sanctions will change the targeted government's undesirable behavior.

WORD COUNT = 5,716

ENDNOTES

[1] Saul K. Padover, Wilson's Ideals (Washington: American Council on Public Affairs, 1942), 108.

[2] Robert P. O'Quinn, "A User's Guide To Economic Sanctions," The Backgrounder (June 25, 1997): 2.

[3] Stuart Eizenstat, "Eizenstat before the House Subcommittee on Trade," 23 October 1997; available from http://www.state.gov/www/policy remarks/971023 eizen house.html; Internet; accessed 6 February 1999.

[4] David Leyton-Brown, ed., The Utility of International Economic Sanctions (New York: St. Martin's Press, 1987), 23.

[5] Under Secretary of State Stuart Eizenstat, "U.S. Foreign Policy - Related Trade Sanctions," interview by Bruce Odessey, Economic Perspectives, September 1997, 1.

[6] Ibid.

[7] Will Durant, The Life of Greece (New York: Simon and Schuster, 1939), 441.

[8] Eizenstat, Economic Perspectives, 2.

[9] O'Quinn, 6.

[10] Ibid.

[11] Stuart E. Eizenstat, "Under Secretary for Economic, Agricultural, and Business Affairs Remarks before the North American Committee of the National Policy Association," 7 January 1998; available from http://www.state.gov/www/policy remarks/980107 eizen policyassoc .html; Internet; accessed 7 February 1999.

[12] Eizenstat, "Eizenstat before the House Subcommittee on Trade," 2.

[13] O'Quinn, 5.

[14] Jeffrey J. Schott, "The Iran and Libya Sanctions Act of 1996: Results To Date," 23 July 1997; available from http://www.iie.com/iicom.html; Internet. Accessed 3 December 1998.

[15] O'Quinn, 19.

[16] Eizenstat, Economic Perspectives, 4.

[17] O'Quinn, 6.

[18] Gary Clyde Hufbauer, "The Snake Oil of Diplomacy: When Tensions Rise, the U.S. Peddles Sanctions," Washington Post, 12 July 1998, p. C01.

[19] Stuart Eizenstat, "Under Secretary for Economic, Business and Agricultural Affairs Remarks before the U.S. House of Representatives Ways and Means Trade Subcommittee," 23 October 1997; available from http://www.state.gov/www/policy remarks/97123 eizen house.html; Internet; accessed 6 December 1998.

[20] O'Quinn, 10.

[21] Richard N. Haass, Economic Sanctions and American Diplomacy (New York: Council on Foreign Relations, 1998), 202.

[22] O'Quinn, 12

[23] Paul S. Izzo, "Economic Sanctions: Are They A Viable Instrument Of Power?," Strategy Research Project, 15 April 1996, 7.

[24] Haass, 35.

[25] Haass, 41.

[26] Izzo, 8.

[27] Ibid.

[28] Malcolm B. Russell, The Middle East and South Asia 1997 (Harpers Ferry: Stryker-Post Publications, 1997), 95.

[29] Haass, 85.

[30] Haass, 100.

[31] Haass, 92.

[32] O'Quinn, 12.

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