Economic sanctions are the deliberate, government-driven withdrawal, or threat of withdrawal, of customary trade and financial relations with a target country in an effort to change some policies. Economic sanctions have long been an instrument of inter-government relations. In ancient Greece, the Megarian decree (432 B.C.) banned Megarians from harbors and marketplaces throughout the Athenian Empire. The ban has affected the relations between Athens and Sparta, triggering the Peloponnesian war.

Sanctions can be comprehensive or selective. The United States has imposed comprehensive sanctions against Cuba. U.S. business may not trade with the Communist government of this country. Imports into America from Iran were banned in the 1980s, yet American oil firms, through their foreign affiliates, remained the largest buyers of Iranian oil. There are primary and secondary sanctions. Another facet of U.S. sanction legislation that received considerable attention in the 1980s and 1990s are secondary sanctions threatened or invoked against third parties, such as Canada or France, that deal with target countries, such as Cuba, Iran, or Libya. In 1996, Congress passed the Iran and Libya Sanctions Act (ILSA), allowing secondary sanctions on foreign companies that invested heavily in Iranian and Libyan energy sectors. For example, executives from companies investing in Cuban businesses (expropriated by the communist government from U.S. citizens) may not travel to the United States. Finally, there are sanctions related to international security. The stalling of World Bank or International Monetary Fund loans to India and Pakistan by the United States was done in the 1980s in an effort to stem nuclear tests conducted by these countries.

Advocates regard sanctions as a middle-of-the-road policy, something between diplomatic protest and the use of military force. Opponents argue that economic sanctions are generally ineffective in achieving major policy changes abroad; the costs of sanctions are too high.

How to determine success or failure of sanctions? It all depends on the goal the sanctions are designed to achieve.

Direct practical value. Effective sanctions should achieve a specific foreign policy goal. For example, U.S. administrations have always maintained that economic sanctions against Iran would be lifted as soon as Iran: (1) stops production or purchase of weapons of mass destruction; (2) stops sponsorship of international terrorism; and (3) discontinues its adverse influence on the Palestinian-Israeli situation.

Symbolic goal. Scholars emphasize the signaling purposes of sanctions, such as deterring future wrongdoing, demonstrating resolve both to allies and domestic constituencies, and the preservation of international norms. Measured against these symbolic goals, economic sanctions that fail to change a specific target country’s policy may succeed in deterring similar behavior by other countries.

Contributing value. Sanctions may not have a direct impact, yet they contribute to the overall change desired by the country applying sanctions. In 1951, the Iranian parliament, led by Prime Minister Mohammed Mossadegh, voted unanimously to nationalize the oil industry targeting primarily the Anglo-Iranian Oil Company (AIOC). In response to nationalization, Britain placed a massive embargo on Iranian oil exports, which has worsened the already fragile Iranian economy. The sanctions have contributed to economic difficulties and political instability. Sponsored by U.K. and U.S. intelligence, the coup in Tehran ousted Mossadegh from the post of Prime Minister in 1953.

What kind of lessons could be drawn from a history of sanctions?

Lesson 1. Sanctions ought to have a broad international support. Sanctions commonly find growing international support if they are based on a solid moral argument. The imposition of sanctions against South Africa represents one of the few success stories about effective international actions. After a very long period, (1962-1994) economic sanctions contributed to the decision of Pretoria’s government to abandon the apartheid system in South Africa. International sanctions against the government of Yugoslavia in the 1990s, despite initial setbacks,
Lesson 2. Sanctions may hurt the local population. Sanctions may produce an undesirable side effect. If they are to be effective, they should focus on the leaders and political elites. Civilians should not suffer. Nevertheless, international sanctions often hit the weakest members of society: children, the poor, and the elderly (Hufbauer and Oegg, 2003). In countries under sanctions, factories and businesses shut down pushing people out of work. Inflation constantly reduces people’s incomes and product deficits cause corruption. An analysis of NGO health surveys conducted by Richard Garfield, a public-health expert at Columbia University, found that at least 100,000 (and probably as many as 227,000) children had died between 1991 and 1998 in Iraq as a result of the Gulf War and the subsequent economic sanctions.

Lesson 3. Sanctions may enhance the power of authoritarian leaders. An authoritarian regime, already isolated from the world community, may be able to use the sanctions to strengthen its power. Authoritarian leaders can effectively rally popular opinion against the external enemy. The Cuban embargo did not prevent Fidel Castro to outlast nine American presidents since Eisenhower. Robert Mugabe, dictator of Zimbabwe, despite economic and political sanctions against his régime, was able to secure substantial domestic support using nationalistic rhetoric. The 1980 boycott of the Moscow Olympic Games by Western countries did not achieve any substantial effects. The Soviet government did not withdraw its troops from Afghanistan. Although the Communist government did not receive a profit of tens of millions of dollars because of the lack of foreign tourists and Western advertisers, most people in the Soviet Union felt that the sanctions were unfair and blamed the West.

Lesson 4. Sanctions may hurt their country’s own partners. Economic sanctions against one state could affect economic partners and allies. In 1982, the Reagan administration imposed sanctions against the construction of an energy pipeline between the Soviet Union and Western Europe. European allies of the United States were not willing to impose the same sanctions. If they were, it would have delayed or even canceled the project to bring Siberian natural gas, a very important source of energy, to Western Europe. The administration extended U.S. technology sanctions to Western European firms. European governments criticized the United States for violating their sovereignty and breaking international law, and they banned their companies from complying with U.S. sanctions. Ultimately, the United States had to back down, and the pipeline was built with a delay. In a more recent example, in 2006-2008, the Russian oil-gas giant company, Gazprom, an arm of the Russian government, attempted to force the Ukrainian government to agree to the higher prices of oil and gas. Faced with the reluctance of the Ukrainians, Gazprom officials several times reduced the supply of oil and gas. However, the pipelines from Russia to Ukraine continued further to Western Europe. As a result, the West European customers (France, Italy, etc.) were “punished” by the Russian action and Gazprom and the Russian government damaged their reputation as reliable partners. Western countries later began to search for other suppliers of oil and gas, in order to increase their energy security.

Lesson 5. Sanctions may be useless. “Dumb” sanctions eventually hurt the countries that impose them or by bringing the result that totally is opposite to the one that was likely at first. When the United Nations imposed sanctions against Iraq, neighboring Turkey, Syria and Jordan each were getting around 150,000 barrels a day in the early 2000’s of smuggled oil sold by Iraq at bargain prices: Iraqi government wanted to get cash outside the U.N. supervision. Another example: In 1995, Conoco, an American firm concluded a huge deal to develop Iran’s offshore oil. President Bill Clinton, referring to anti-U.S. policies of Iran, banned American companies from making any investments in Iran. Conoco had to pull out. The irony is that, a consortium led by Total, a French company, almost immediately replaced the American firm. The sanctions, in fact, have hurt the U.S. firm. Iran, on the other hand, has received a profitable deal. Another case: Under the Iran-Libya Sanctions Act (ILSA), the president of the United States could choose, among other penalties, to bar...
any foreign company that invests more than $20 million in the Iranian or Libyan oil industry from selling goods in America or receiving big loans from American banks. Engage, a non-profit group, suggests that America loses as much as $19 billion a year in exports, thanks to these sanctions.

**Lesson 6. Sanctions should be specific and manageable.** Ensuring multilateral support for sanctions initiatives usually requires time, which may slow their effectiveness. Without transparency and accountability, sanctions may not work. Take sanctions against arms trade, for example: The effectiveness of arms embargoes in ending international conflicts remains elusive. Weak enforcement, poor monitoring, and corruption commonly undermines the effectiveness of arms embargoes. Despite the U.N. arms embargo during the Bosnia Civil War in the 1990s, weapons were smuggled in their daily non-government groups from many countries (including Russia, Turkey, Greece, and Iran) supporting different factions in the conflict. The U.N. system has no standing military force to enforce the embargoes, and U.N. resolutions are often vague, leaving more room for diverging interpretation by member states.

Historically, **financial sanctions** have been more successful in achieving their foreign policy goals than trade sanctions alone. An interesting case study of smart sanctions that actually contributed to a successful policy outcome was the European Union “blacklist” of Serbian President Milosevic’s supporters. The 600 individuals on the blacklist were prohibited from traveling in Europe and their assets in European banks were frozen. While Milosevic and his supporters benefited from the Serbian trade embargo by controlling the underground economy, they felt the consequences of international isolation. Cut off from their companies and bank accounts abroad, they found that conducting business became more difficult. These targeted sanctions have eventually contributed to the ultimate fall of President Milosevic.

The findings of the Institute for International Economics (IIE) based on a survey of 185 sanctions suggests that the effectiveness of economic sanctions in achieving their initial foreign policy objectives has declined from the 1940s to the early 2000s (Hufbauer and Oegg, 2003). A frequent explanation for the drop in the effectiveness of sanctions is an impact of globalization. Today, countries under sanctions find it much easier to avoid sanctions or ease their impact than thirty to fifty years ago. There are alternative sources of products and money and people today are more mobile than in previous decades.