Meeting on the Viability of International Economic Sanctions

The Carter Center

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MEETING REPORT

The Carter Center convened a small, informal meeting to examine the question of whether there might be developed "more effective" international economic sanctions -- those which better achieve desired political goals without causing great suffering to innocent people. President Carter and others have expressed frustration that recent sanctioning efforts have fallen short of their objectives, yet sanctions appear to be one of the only tools available to the international community short of a resort to force. This meeting, chaired by Harry Barnes, Director of the Conflict Resolution and Human Rights programs at The Carter Center, set out to identify 1) what factors might be involved in designing more effective sanctions; 2) what obstacles must be overcome; 3) what steps governments and international bodies such as the United Nations might take to improve sanctions; and 4) what steps might be taken by non-governmental organizations (NGOs). The following is a summary of the discussion and possible follow-up actions, paying particular attention on potential roles for NGOs.

General Findings

To summarize earlier findings on international sanctions and help focus the present discussion, Kim Elliott of the Institute for International Economics drafted a framework paper which was distributed to all participants prior to the meeting (see Appendix 2). This paper and opening comments by the participants raised important issues to consider when discussing international economic sanctions, including the following:

- Sanctioning is a complex process which covers a broad field that includes such issues as security, foreign policy, human rights, democratization, labor and trade, and the environment.
- Sanctions are just one "tool in the toolbox" and must be seen in the context of larger foreign policy options, including the use of force. Sanctions should be used and their "success" gauged together with other tools.
- Sanctions are a serious tool that *do* work when properly applied, yet this seldom happens.
- There is always a price to pay with sanctions, both to target countries and to senders, but the theory is that in most cases this price is less than one pays in open conflict.
- The United Nations is a political body and the enforcement of sanctions depends ultimately on individual states.
- Financial sanctions may have a considerable potential, but they are not a panacea.

More Effective Sanctions

While sanctions apply to a wide scope of issues, the participants decided to focus the agenda in an effort to maximize the practical aspects of the meeting. Elliott lists in her paper conditions that help determine when to impose sanctions (see Elliott, Page 2 and Figures 1 and 2).

B. To change government policies or a ruling government when human rights or democracy standards have been violated, such as apartheid in South Africa.

of targets - will violate UN resolutions for their own economic gain. While sanctions prove more effective when enforced comprehensively, regional bodies rarely can agree on enforcement procedures. Finally, since conditions are always changing - for example, the situation in Serbia was different in 1989 than in 1992 or 1994 - sanctions should be tailored not only to specific targets but also to changing circumstances within a target. Ideally, sanctions should be designed to be flexible, however the more multilateral the sanctions the less flexible they are likely to be.

Case Study: Nigeria

The CIA, in its annual report entitled "Complex Humanitarian Emergencies," placed Nigeria on top of its list of potential emergency locations for 1996. In March, the U.S. government circulated a proposal for economic sanctions against Nigeria which received only a "cool reception" from European countries (see *New York Times* article, Appendix 3). A discussion by the participants of whether sanctions should be applied to Nigeria highlighted several of the obstacles noted above and examined the importance of a state crossing the "threshold" prior to becoming a target for international economic sanctions.
John Stremlau, Advisor to the Carnegie Commission on Preventing Deadly Conflict, provided a brief summary of the situation in Nigeria, noting that the West African nation is vulnerable to sanctions, being oil rich, dollar dependent, and reliant on the outside world for most of its economy. McHenry stressed that while he did not foresee progress in Nigeria as likely in the near future, the international community should consider applying sanctions only *after* political consensus to do so was reached. He doubted this would happen any time soon since Nigeria does not pose a sufficient threat to international peace and security. Nigeria's actions have not reached Chapter VII status and getting support, even from regional countries, will be extremely difficult. McHenry warned that talking about sanctions when they are not likely to be applied was counterproductive. Other participants, however, said it might be a useful exercise

admittedly flawed, is an important mechanism that nations generally respect and

Carnegie Commission on Preventing Deadly Conflict. Preliminary findings from this project, which examines the role of financial and diplomatic inducements in international conflict prevention, have shown that 1) the use of "carrots and sticks" should be mixed to develop cooperative rather than adversarial relations between senders and targets; and 2) senders should carefully consider how closely related "carrots" are to "sticks" in an effort at seeking win-win situations for senders and targets. Incentives, it was noted, risk the "moral hazard" of giving the appearance of rewarding wrongdoing. To be effective, they should be designed to appeal to specific constituents within a target country.

Some participants stated that incentives and rewards work when norms of democracy and human rights are violated, but not with threats to international peace and security. The latter category, it was argued, requires diplomatic and military backing. For instance, incentives had little impact when applied by the European Union against Serbia in 1991. It was agreed, however, that in post-conflict situations, such as after a peace accord has been signed, economic instruments like rewards and incentives might prove useful, particularly in supporting humanitarian initiatives. It was suggested that when countries under sanctions are unable to earn income from exports, a sanctions exemption fund might be developed to carry out humanitarian aid. Seized assets might be used supporti6 0 Td1ct owever, that in does not exist the expertise in the government to make secondary sanctions work, especially in the communications and transportation arenas.

While one participant suggested that the economic side of the State Department might be the best, if not the only, place where contingency operations should be located, it was noted that no one presently there is qualified to determine what gaps are needed in the standardization process. Additionally, territorial disagreements between the State, Treasury, and other departments present difficulties in coordination, as do differences in opinion on the role of the congressional and executive branches when it comes to sanctions. Furthermore, while a major overhaul of U.S. government entities that deal with sanctions is needed to make the United States significantly more effective in this area, such change is not likely to happen any time soon.

Consider applying financial sanctions: Newcomb suggested that in some cases it might be worth considering unilateral rather than multilateral sanctions, since the U.S. Treasury Department has the ability to shut down

how senders get out of sanctions once it is determined they no longer work or their objectives have been accomplished (see Elliott, Pages 9-10).

2. Creating a model for questions that governments and IGOs might ask in an effort to realistically build a new international sanctioning mechanism. This should include addressing the post-sanctioning phase, for presently no political strategies exist for guiding regimes after economic coercion ends.
3. Designing an effective sanctions-implementing infrastructure. On the national level, this might involve addressing the

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APPENDIX 2

TOWARDS A FRAMEWORK FOR MULTILATERAL SANCTIONS

Kimberly Ann Elliott

The focus here is the use of multilateral sanctions to prevent, mitigate, or end violent conflict. It presumes a collective response under the aegis of the United

Nations or a regional organization. Thus it assumes a significant *nominal* level of international cooperation and a relatively ambitious objective. An analytical framework for the effective use of unilateral sanctions in situations encompassing

to give sanctions time to work may be lacking. In the Iraq case, a relatively quick move to military force was made for a number of reasons:

- humanitarian concerns about the treatment of foreign hostages and citizens of is politically feasible and strategically desirable. If the answer is none, other means of bolstering the credibility of the international coalition in the eyes of the target may be necessary.

The timing of the response and the choice of instruments

The offering of economic or diplomatic carrots may be useful in early efforts to prevent a conflict developing but may be inappropriate and ineffective when violent conflict is at its peak. Carrots may again become effective, however, when a confict is winding down and one or both sides are looking for a way out. Here, the ending of sanctions may be a useful carrot, as in the case of the former Yugoslavia. Carrots in the form of economic, technical, and institutional assistance are particularly important in the post-conflict, rebuilding phase.

by sanctions in order to change it. In Hufbauer, Schott, and Elliott, for example, the average cost imposed on the target in successful cases involving modest goals was 1.2 percent of GNP. That compares to 4.5 percent of GNP in successful cases involving "major" policy goals, such as ending apartheid in South Africa or forcing Iraq to withdraw from Kuwait.

Depending on the situation, the target of sanctions can be a governing elite, an opposition party or faction, or the entire population of a country. Different types of sanctions will have different effects on various groups within a target country. Humanitarian concerns about the impact of sanctions on "innocent civilians" in Iraq and Haiti have led to increased interest in the possibility of "targeting" sanctions against the bad guys, usually members of a ruling military regime and the economic elite supporting them. The weapon of choice in these discussions is usually financial sanctions, particularly freezing bank accounts and other assets held abroad by targeted individuals.

The preference for financial weapons in targeting sanctions can be illustrated by the Iraq case. It would have been possible to target just Iraq's oil exports, and not impose any sanctions on Iraq's imports. But because of Iraq's extreme dependence on that one commodity, a boycott of Iraqi oil exports alone would inevitably have exerted a severe impact throughout the economy, which would have been denied the foreign exchange to purchase vital imports. Similarly, given the dependence of today's modern industrial economy on petroleum and its products, sanctions affecting oil imports might also be expected to provide effective leverage. But, whatever their effectiveness in foreign policy terms, oil embargoes are likely to affect the broad populace, as was seen in Haiti. Selective trade sanctions are also often harder to enforce than sanctions covering all trade. Goods get mislabeled; close substitutes are found for items on the embargo list; and dual-use items, such as heavy trucks, find their way into military hands as troop carriers. In the case of dual-use items, it is often difficult to get agreement on where to draw the line between technologies representing significant potential threats that should be controlled, and those that should not. Certain financial sanctions, on the other hand, may be fashioned to hit the pet projects or personal pockets of government officials and economic elites who could influence policy. When financial sanctions are put in place, alternative financing may be hard to find and is likely to carry a much higher price (i.e., sharply higher interest rates) and require far greater credit security because of the political and economic uncertainty. Thus, financial sanctions, which increase the risks of lending to or investing in

Economic sanctions should not be used to conduct foreign policy on the cheap. Passing a Security Council resolution and issuing a presidential directive is only the beginning. Effective monitoring and enforcement require resources, sometimes substantial. Among the issues that must be addressed [5]:

1. Is geography your friend or your enemy?
2. Who is to be charged with monitoring and enforcement? Individual countries or the sponsoring multilateral or regional institution?
3. How are the burdens of enforcement to be shared? What incentives, both positive and negative, are available to ensure vigorous enforcement cooperation from coalition partners?
4. How should humanitarian exceptions be handled?

In Iraq, the geography was relatively friendly to sanctions' enforcers. Iraq has very limited access to international waters and previously exported most of its oil through a very small number of pipelines through Turkey and Saudi Arabia, which both have strong incentives to cooperate with the international coalition. The former Yugoslavia, on the other hand, posed significantly more difficult challenges for sanctioners. Serbia sits astride the Danube River, which serves as a major transportation highway for central and southern Europe. The importance of the Danube River to European transportation networks precluded shutting it down entirely in southern Europe. This vastly increased the opportunities for smuggling and evasion of the sanctions and correspondingly increased the costs of monitoring and enforcement. Moreover, the former Yugoslavia is surrounded by countries--Hungary, Romania, Bulgaria, Macedonia, and Albania--that are trying to making the difficult transition from centrally-planned economies to market economies.

Typically, the enforcement of sanctions is the responsibility of member states, though in some cases--such as Iraq, the former Yugoslavia, and at the end in Haiti--one or more member states will be authorized to use naval interdiction to enforce sanctions. In the Yugoslav case, a useful innovation was the creation of "Sanctions Assistance Missions" to provide technical assistance to customs officials in front-line states. Financial assistance for front-line states and other countries injured as a result of lost trade or financial relations with target countries has been scarce, however. Jordan, Turkey, and Egypt received substantial, if not fully offsetting, assistance to ensure their support for UN policies with regard to Iraq, but other countries received little or nothing in the way of compensation for their losses (get Doxey cite). Nor have Romania, (perhaps South African support for Rhodesia in the 1960s and 1970s is an example) should be an option whenever such sanctions are imposed.

Finally, there is the question of humanitarian exceptions. Food and medical supplies are typically exempted from otherwise comprehensive sanctions programs. The reasons are both moral and practical. Revulsion at reports of innocent women and children dying of malnutrition and easily treatable diseases undermines political support for sanctions and increases the difficulty of sustaining them for as long as may be necessary. It is clear from the Iraq and Haiti cases that simply exempting certain goods from the sanctions is not sufficient to avoid severe humanitarian effects when foreign exchange is scarce as a result of trade and financial sanctions and the target government is concerned primarily with keeping itself and its allies in power and comfortable. Nongovernmental organizations and specialized UN agencies, such as the World Health Organization (WHO) have picked up some of the slack in providing needed supplies but they have run into a number of problems. As currently handled in the UN, the sanctions committee set up for a particular case must review all requests for humanitarian exceptions. In some cases, these committees have been overwhelmed by hundreds or even thousands of requests, leading to long delays in approvals. These groups have also had problems in getting approval for dual-use goods, such as trucks or fork-lifts needed to deliver supplies. One suggestion made by a humanitarian group involved in Haiti, is to exempt entire organizations, such as WHO (or its regional offices), rather than specific goods. [6] This would both facilitate provision of humanitarian assistance while also freeing the sanctions committees to focus on monitoring and enforcing the sanctions. Such an approach might also reduce the opportunities for abuse of the exceptions system by private actors interested in increasing their own wealth rather than alleviating the suffering of others (see Conlan, op cit.)..

A cynical government can foil even the best-laid plans, however. As Saddam Hussein has shown in Iraq, target governments may well find it in their interest to cite national sovereignty as a reason not to allow NGOs or UN agencies to control distribution. This poses the dilemma for the international community of how to ensure that humanitarian supplies are not diverted to the military, police, or other groups for whom they are not intended. Air drops may work in some cases but are likely to be an unsatisfactory solution in many.

IV. Ending sanctions

Unwinding sanctions has frequently proved difficult. Kim Richard Nossal has termed this the "termination trap." [7] In his words, "A successful sanctionist, like the successful gambler, has to know when to hold--and when to fold" (p. 220). Goals change over time, as in Iraq, or are never clearly defined to begin with. In other cases, unachievable goals may be clearly and publicly pronounced, making it difficult to "fold" one's hand and walk away (Nossal, chapter 10). Also, multilateral sanctions requiring agreement among coalition partners may be harder to end than unilateral ones, particularly when partners have different objectives or priorities. All too often, the conditions that will lead to the lifting of sanctions are not specified at all, perhaps giving coalition partners or narrow domestic constituencies undue influence over the decision when and whether to lift.

Another neglected area, both in the literature and in practice, is the post-sanctions environment. Long-term, comprehensive sanctions can devastate a target economy, indeed, are usually intended to do so. Where rehabilitation and not destruction of the target country is the ultimate objective, however, serious attention should be given to reconstruction after the sanctions are lifted. As with adequate humanitarian assistance during the sanctions, post-crisis rebuilding assistance may be justified on both moral and practical grounds. Depending on the degree to which punishment was an explicit or implicit objective of sanctions, the international community may not feel a moral obligation to help a target country rebuild. But even in cases of egregious international misbehavior, practicality may argue for post-sanctions financial and technical assistance to prevent recurrence of a similar crisis in the future.

Figure 1. Potential Collective Responses

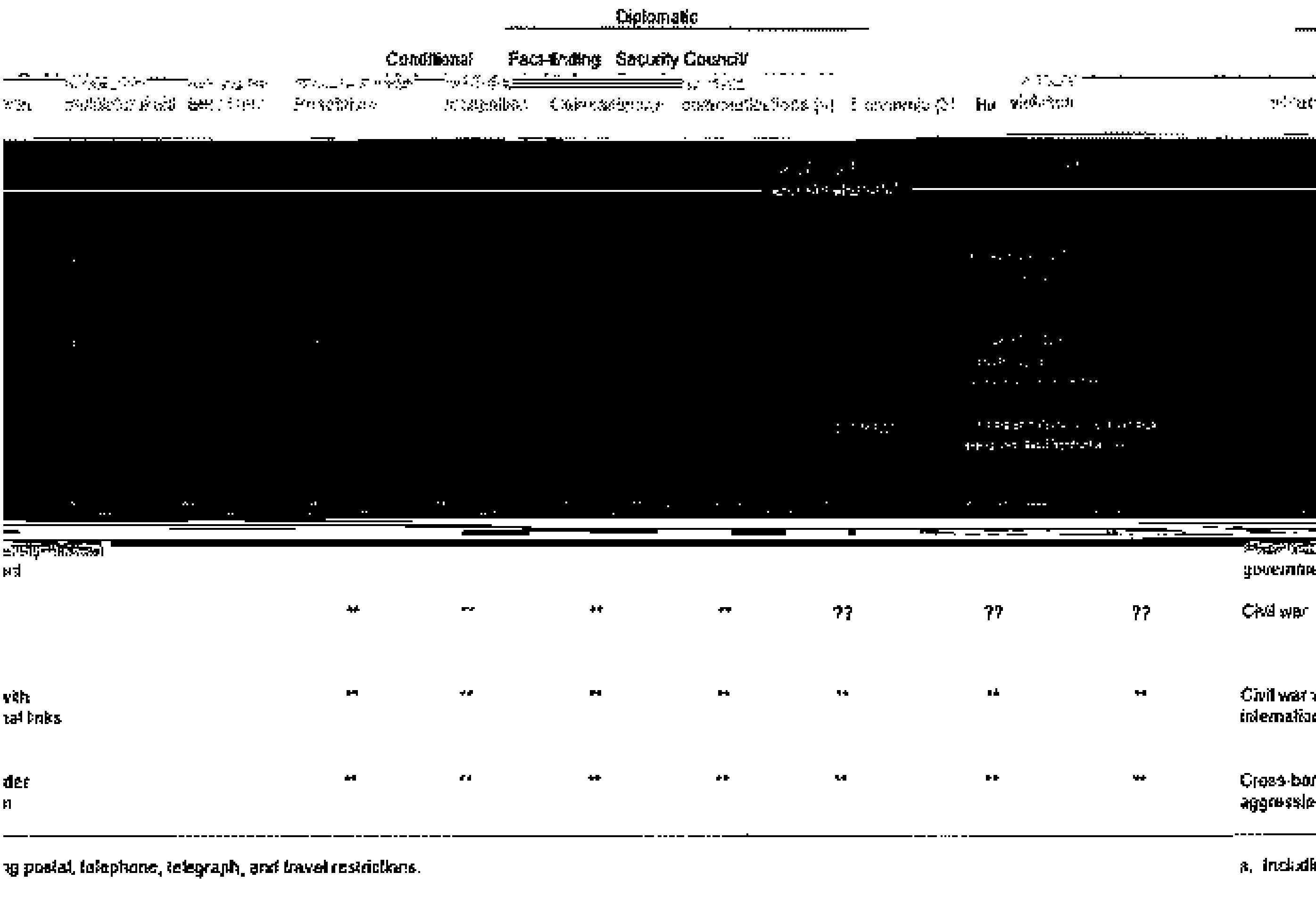

Figure 2. Implementing a sanctions decision

				Restrictions on access to capital		Trade sanctions	
					Restrictions		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Social injustice, economic inequality	Conditionally increase aid or technical assistance; direct aid to grassroots groups or to particular regions or projects	Reduce, suspend or terminate if reforms not forthcoming				
Boycott environ-mentally-sensitive products	Environmental degradation	Similar	Similar	Refuse to finance environmentally-unfriendly projects	Refuse to provide government guarantees or insurance	Restrict or ban waste trade	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPENDIX 3

The New York Times

March 12, 1996, Tuesday, Late Edition - Final

SECTION: Section A; Page 1; Column 1; Foreign Desk

HEADLINE: U.S. Seeking Tougher Sanctions To Press Nigeria for Democracy

BYLINE: By PAUL LEWIS

The Clinton Administration has circulated a proposal for strong new economic sanctions intended to force the Nigerian military Government to move toward democracy. But the proposal has received a cool reception from several

European countries, according to diplomats, officials and American business representatives watching the negotiations.

The United States has asked industrial countries to join it in banning all new foreign investment in Nigeria and in freezing financial assets that the country's leaders may have in their banks. It also wants them to halt joint sporting events once this summer's Olympic Games are over and to ban. Government-sponsored cultural contacts.

The Administration has ruled out for the time being any embargo against Nigeria's oil exports, currently running at about 1.8 million barrels a day, which provide the Government with 90 percent of its foreign exchange earnings. About 40 percent of Nigeria's prized low-sulphur crude is bought by American companies. Just yesterday, Royal Dutch/Shell confirmed it had made a potentially significant oil discovery off the Nigerian coast.

The proposals have not been announced by the Administration, as it gauges the willingness of its allies to cooperate. It is not clear whether the United States will carry out some of the penalties on its own if that support does not appear.
"We believe in multilateral action, but we haven't ruled anything out," one Administration official said today when asked about the possibility that the United States would proceed alone.

Administration officials say the proposed new sanctions are intended to show Nigeria's rulers that the West is serious about pressing for a rapid return to democracy. They would follow a number

"The package is supposed to establish our seriousness prior to re-engaging the military regime in order to secure a speedy passage to democracy," an Administration official said. Gen. Sani Abacha, the military leader, has promised to hand over power to civilians in 1998. But the military annulled Nigeria's last elections in 1993.

Last week the State Department listed Nigeria as a major human rights abuser in its annual human rights report.

Imposing new sanctions against Nigeria would win President Clinton praise from human rights groups and liberal black organizations that have been critical of the Nigerian Government. But it would be fiercely opposed by big business, and many companies that operate in Africa have already spoken out against the idea. European governments, which were presented with the plan about 10 days ago, are not expected to deliver their formal replies for a week or so. But diplomats say several of them -- including Britain, France and the Netherlands, all which have substantial business interests in Nigeria -- are not enthusiastic.
These countries contend that blocking new foreign investment, which totaled $1.95 billion in 1994, according to the World Bank, would merely deliver another blow to the crumbling economy of a deeply impoverished country where the annual average income is a mere $280.

It would not, they say, affect its notoriously corrupt military rulers, who would still have more than $10 billion a year in oil revenues.

While it is unclear how new investment would be defined under the American plan, several foreign oil and gas companies are currently engaged in major new Nigerian projects, which they declined to cancel or postpone after Mr. Saro-Wiwa's execution.

A consortium of British, Dutch, French and Italian oil companies led by the Royal Dutch/Shell Group has just signed a contract to build a $3.8 billion natural gas liquefication plant at Bonny, in eastern Nigeria. The Mobil Corporation is also engaged in a new $800 million offshore natural gas project due to start

With China unlikely to allow the United Nations Security Council to impose an immediate asset freeze, blocking Nigerian funds in British banks would require a special act of Parliament. While Parliament prepared and voted on such a new law, Nigeria's leaders would have ample time to move their funds to safer havens European diplomats contend that the American move also risks splitting the unified stand that the United States and the 15 European Union members have taken toward Nigeria recently. After Mr. Saro-Wiwa's execution, the European Union Joined the United States in denying visas to prominent Nigerians, banning sales of arms and withdrawing their ambassadors from Nigeria, though these have now returned.

At the same time the Commonwealth suspended Nigeria's membership for two years and asked a multiracial group of foreign ministers to seek a firm commitment to democracy from its leaders and report back this spring.
So far, however, Nigeria's leaders have refused to receive the Commonwealth team. "If we fire all our ammunition now we won't have anything left when the Commonwealth mission reports," one diplomat said.

Note 1: Article 39 in Chapter VII of the Charter of the United Nations states: "The contractual obligation to deliver the oil. Haitian leader Gen. Raoul Cedras used this episode to demonstrate that the United States was not serious about stopping oil shipments. Back.

Note 3: Participants noted that while South Africa provides an example of how economic pressure from outside a country helped change unacceptable behavior within, there existed several specific conditions that might not apply to most other sanctioning regimes. These included: 1) other than the arms embargo, there was no mandated UN sanctions against South Africa; 2) an internal movement which supported sanctions existed in the country; 3) much of the change was due to the sensitivity of American companies, which acted long before legally bound to do so; 4) foreign banks reacted to risks they saw in continuing to finance an ungovernable country; 5) the notion of a "worldwide moral abhorrence" prompted young whites in South Africa to became sensitive to their "pariah" status; and 6) it took a long time before the combination of sanctions, the Anti-Apartheid Act passed in the United States and other countries, the pull-out of major international banks, and internal turmoil led to meaningful change in South Africa. Back.

Note 4: It was only last year that Swiss banks began complying with international sanctioning efforts, and Austria still provides a safe haven for those wishing to hide their deposits. When financial sanctions were applied against Saddam Hussein following Iraq's 1990 invasion of Kuwait, the U.S. Treasury was only able to freeze about $1 billion worth of Iraqi assets. Back.

Note 1: See Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered,* 2 vols. rvd. (Washington: Institute for International Economics, 1990). Back.

Note 2: Obviously sanctions are used for goals other than coercion, including punishment of the target and deterrence of third parties observing the situation. They are also used as signals to reassure allies and as symbols of concern to placate domestic audiences. See David Baldwin, *Economic Statecraft,* Princeton University Press, 1985. Back.

Note 3: A phased implementation of sanctions, with specific dates and actions pre-approved by a vote of the Security Council, was proposed by the United States during the North Korean nuclear crisis in 1994. The draft resolution was never voted on, however, and it is quite likely that China would have vetoed it. My thanks to Ray Greene for reminding me of this incident. Back.

Note 4: *Washington Post*, February 14, 1994, A15. Back.

Note 5: On institutional issues relating to UN monitoring and enforcement of economic sanctions regimes, see Paul Conlon, "Sanctions Infrastructure and Activities of the United Nations: A Critical Assessment," paper prepared for the Carnegie Commission on Preventing Deadly Conflict, Task Force on Economic Sanctions, September 20, 1995. Back.

Note 6: Pan American Health Organization, "PAHO's Programme of Humanitarian Assistance to Haiti, 1991-94: A Strategic Evaluation Report," PAHO/PED/95-35, March 1995. Back.

Note 7: Kim Richard Nossal, *Rain Dancing: Sanctions in Canadian & Australian Foreign Policy* (Toronto: University of Toronto Press, 1994). Back.