The Purpose of Sanctions

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INTRODUCTION

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by Donald E. deKieffer*

The most irrelevant question one can ask about nonaggressive sanctions is, "Do they work?" To ask such a question is to fundamentally misunderstand the purpose of economic sanctions and boycotts. In the history of modern statecraft, economic and other sanctions have been employed countless times, almost always "unsuccessfully" if success is measured in terms of the economic impact such actions have had against their intended target.

The British "continental system" employed during the Napoleonic Wars did little to disrupt the economies of French-dominated Europe, but did spawn a flourishing black market and made millionaires out of blockade runners. It also had the effect of raising prices in Great Britain and was a windfall for protected U.K. industries. As a major trading nation, Britain also suffered substantial losses in its export sector and economic dislocation in its traditionally most profitable industries.

In the twentieth century, most nations have enacted "trading with the enemy" statutes which forbid commerce with belligerents. While it obviously makes little sense to give aid and comfort to one's adversary in wartime, the cessation of commercial intercourse has rarely been a decisive, or even important, factor in bringing hostilities to a successful conclusion. Even when a country is vulnerable to the cut-off of strategic materials during wartime, a unilateral—or even multilateral—economic boycott is not a particularly effective tool absent strict and even armed

enforcement. During World War II, for example, Germany was virtually cut off from supplies of vital war-making materials not only by economic sanctions but by hundreds of warships and airplanes sent to enforce the embargo. Nevertheless, by the end of the war, Germany was producing fighter planes, tanks and submarines at a record pace. It did so both by smuggling some critical materials (such as chromium, and industrial diamonds), substituting home-grown products for those previously imported (for example, liquified and gasified coal took the place of scarce petroleum), and importing some materials from some countries not observing the embargo (such as machine tools and ball bearings from Switzerland and Sweden).

In the post-War years, economic boycotts have had an explosive growth. The United States has elaborate restrictions on trade with the Eastern Bloc, Vietnam, North Korea and South Africa. The Arab states have a boycott system in place designed to "strangle" Israel. The Afro-Asian nations (and many Western countries) have imposed a boycott of South African products and even contacts with South Africans. On the other side of the coin, most Western democracies have sophisticated "trade preferences" for developing countries. Those not "preferred" are, by definition, discriminated against.

Given the elaborate and far-reaching nature of these boycotts, very little has been accomplished in an economic sense. The Soviet Union continues to receive sophisticated American technology. Through fair means or foul, the Russians appear to have access to the most advanced machinery and equipment the West is capable of producing. Despite two decades of near-total blockade from American markets, Cuba today is economically stronger than it was when Castro took power. While denial of the American market to producers of Havana cigars and píña coladas no doubt caused some inconvenience to the Cuban regime, it also gave a focus to their revolution and acted as a catalyst for massive aid from abroad. The arms embargo on South Africa has had at least one dramatic effect. Twenty years ago, South Africa was almost totally dependent upon the United Kingdom and the United States for weaponry. Today, it is one of the seven largest arms manufacturers in the world. For most weapons, South Africa is not only self-sufficient but is an active exporter to literally dozens of countries (ironically taking sales away from those countries which placed the embargo on it in the first place).

The economic sanctions against Rhodesia are even more telling. Contrary to the mythology propounded in some circles, the economic boycott against Rhodesia had little to do with the ultimate fall of the Ian Smith regime. The Rhodesian economy was sapped not by the cut-off of goods from abroad but by the severe drain upon its resources of fighting a protracted guerilla war. The insurgents used force against economic targets (for example, blowing up oil dumps, mining roads, highways and rail-
roads, and attacking farms) and accomplished at the point of a gun what virtually universal economic sanctions failed to do. In fact, the Rhodesian boycott, like most examples of economic sanctions, probably hurt the countries imposing them more than they did the intended target. By denying itself access to Rhodesian chromium, U.S. steel producers were forced to seek alternative (and higher priced) raw materials from the Soviet Union. Further, the repeal of the Byrd Amendment, which temporarily relaxed sanctions against Rhodesia, forced the expenditure of millions of dollars by the industry to enable them to manufacture their product with lower-grade material from South Africa and elsewhere.

U.S. economic sanctions against Guatemala and Brazil for human rights reasons during the Carter Administration might have been subtitled, "The European Arms Merchants Relief Act." They rushed in to sell their products once the Americans were driven from the field by U.S. laws.

Given the almost universal failure of nonaggressive sanctions to accomplish their touted economic results and the virtual certainty that such sanctions will backfire, why would any rational country or group of countries employ them? The answer is simple, if frequently misunderstood: Nonaggressive sanctions are not employed for economic reasons but for political ones.

Just as countries (rightly) feel it is inappropriate to trade with an enemy during wartime, nations in the latter half of the twentieth century have increasingly used economic sanctions to indicate displeasure or disagreement with other countries. This is a step which is part of the diplomatic bag of tricks—lying somewhere between recalling one's ambassador and overt armed hostility. Its usefulness as a political (as opposed to economic) tool is heightened rather than diminished by the fact that economic sanctions generally hurt the country imposing them more than they do the country against which they are directed. It implicitly says that even though we know this may injure us, we are still willing to pay that price to demonstrate our displeasure with your actions.

Thus, even though the South African economy is flourishing, Castro is firmly ensconced in Havana, and the Russians blithely build their pipelines, the United States has made eloquent political statements about what it thinks of all three countries by its willingness to literally put its money where its mouth is. One might even argue that, unless there were a cost imposed upon those invoking sanctions, the action would be a hollow gesture. Those who condemn sanctions by pointing out they "don't work" miss the point. Of course they don't work in an economic context. They most certainly do work for the purpose for which they were intended, viz, to categorically stake out the political position of one country vis-à-vis its trading partners and political adversaries.

Given the fact that economic sanctions can be politically successful
even if they are economically dysfunctional, the question remains (at least for Western free-market countries), who should pay? This issue was perhaps most forcefully posed by American farmers when President Carter imposed a grain embargo against the Soviet Union in response to the latter’s invasion of its neighbors. At least some of the farmers grudgingly acknowledged that an embargo might be an appropriate response to Soviet actions but suggested they were unfairly singled out to pick up the tab. The analogy suggested by one representative of the farm groups was pointed: “It’s as if Uncle Sam invited us to a restaurant, ordered a sumptuous meal, and then left us to pay the check.”

In recent months, there has been increasing discussion of the responsibility for paying the admittedly high price of imposing economic sanctions. One idea which deserves thoughtful consideration and debate is the creation of a sort of domestic OPIC, a government agency which would compensate companies or industrial sectors for losses they sustain due to trade sanctions imposed by Washington. One nuance of this concept would have the government pay for goods which had already been ordered by a foreign country and which are now undeliverable due to the sanction program. Some industrial groups argue that such a “compensation” program could itself be dysfunctional because it might encourage the President to take actions more often if it were relatively painless—all he would have to do is write a check compensating the domestic industry. Others argue equally forcefully that in times of budgetary constraint government payouts to private industry compensating them for trade losses might be a deterrent to hasty imposition of government sanctions. The latter argue that the government currently has no financial obligation when it imposes economic sanctions and merely transfers the cost of a foreign policy decision to an individual industrial sector. The latter advocates insist that since foreign policy decisions are at least arguably for the good of the entire country, the cost of paying for them should be borne by the country itself and not by any particular group.

Whatever the merits of the positions in this debate, it is clear that the cost of imposing sanctions has become increasingly recognized by both industry and government. It is fervently to be hoped that politicians advocating or opposing certain sanctions, however, will lower their oratorical volume when extolling or condemning sanctions or boycotts. These are not to be defended or opposed on grounds that they will not accomplish their economic objectives but rather that they will make the political statement which best serves our foreign policy interests.