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To fight and conquer in all your battles is not supreme excellence. Supreme excellence consists in breaking the enemies resistance without fighting.

Sun-Tzu

A nation that is boycotted is a nation that is in sight of surrender. Apply this economic, peaceful, silent, deadly remedy. 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.

Woodrow Wilson

**Economic Sanctions: The Empirical Economic and Political Results**

The use of economic sanctions as a means to achieve foreign policy goals is a relatively new phenomenon. Until the late 1940s, sanctions would often be used only in conjunction with military force. But as the Cold War grew in intensity, political leaders in the East and West sought to find less confrontational means to influence international events. As the quotations above note, sanctions can potential be an extremely powerful instrument for nation can use against another in the international political arena without loss of life.\(^1\) Since World War Two, there have

\(^1\) Some scholars claim that sanctions may lead to a life of its own which results in warfare. James Baldwin writes that Robin Renwick notes that "one of the lessons learned from the League of Nations experience with economic sanctions was that it is impossible to make sanctions effective without running the risk of war." Bienen and Gilpin observe that "economic sanctions carry with them the possibility of war if they are to be effective." And Muriel J. Grieve points out that economic sanctions could, "if
been over 60 major episodes of economic sanctions. Such a large number of empirical cases offers students of sanctions an ideal opportunity to carefully compare and contrast different incidents of sanctions and draw general conclusions about their value.

This author hopes to make a positive contribution to this complex debate by examining the effectiveness of ten previous and recent attempts of economic coercion. The paper is broken into six broad sections. The first discusses the methodology used in the study. The second analyzes how sanctions work on an economic and political level. Then ten case studies are incorporated so that the reader gains some understanding about how this author assessed the relevant cases. Fourth, the economic and political empirical results are outlined. Fifth, conclusions are reached summarizing what was found. Finally, an appendix gives valuable information on the findings of this study in the form of tables. Because of time constraints, this author wrote only eight studies.  

effectively applied, challenge a ... (target) state in as direct and positive a manner as a threat of war." It will be shown later that sanctions may enhance the prospects of a civil war breaking out. Also note that people in the target country may die if the economy collapses because of sanctions.

2Five detailed ones are China, Iran, Panama, Rhodesia, and South Africa. Summarized are Cuba, Haiti, and Serbia. Case studies for Nicaragua and Vietnam were not written, but proper documentation can be provided upon request.
METHODOLOGY

To limit the scope of inquiry, the paper focuses on ten different case studies and uses often cited episodes such as League of Nation sanctions on Italy (1935) and the American grain embargo of the Soviet Union (1980) where appropriate. A list of the ten cases is provided below.

Table 1: Ten Sanction Episodes Examined

<table>
<thead>
<tr>
<th>Year</th>
<th>Sender vs Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) 1960</td>
<td>United States vs Cuba</td>
</tr>
<tr>
<td>2) 1965 -- 1979</td>
<td>United Kingdom, United Nations vs Rhodesia</td>
</tr>
<tr>
<td>3) 1975</td>
<td>United States vs Vietnam (fall of Saigon)</td>
</tr>
<tr>
<td>4) 1979 -- 1981</td>
<td>United States vs Iran</td>
</tr>
<tr>
<td>5) 1985 -- 1990</td>
<td>United States vs Nicaragua</td>
</tr>
<tr>
<td>6) 1985 -- 1991</td>
<td>United States vs South Africa</td>
</tr>
<tr>
<td>7) 1987 -- 1989</td>
<td>United States vs Panama</td>
</tr>
<tr>
<td>8) 1989</td>
<td>United States vs China</td>
</tr>
<tr>
<td>9) 1991</td>
<td>United States vs Haiti</td>
</tr>
<tr>
<td>10) 1992</td>
<td>United States, United Nations vs Serbia</td>
</tr>
</tbody>
</table>

These particular cases were chosen because they meet the fairly narrow definition of "economic sanctions" and enough evidence exists to make each study credible. Realize that the terms "economic sanctions" and "effectiveness" are defined here to meet the needs of this study and not the needs of a fully comprehensive analysis of economic forms of coercion. This in mind, economic sanctions are defined as the suspension of normal economic activities between and among nation-states, whereby the sender government imposes significant restrictions on commercial and/or financial
transactions between its nationals, businesses, and government agencies and those of the target's nationals, businesses, and government agencies with publicly stated intent of influencing the political behavior of the target state, though other objectives may be sought (see below). A **successful sanction** is defined as one which applied sufficient economic or political pressure to either 1) change the behavior of the target, 2) cause such adverse economic and political repercussions that sanctions can not be blamed for the failure to achieve ones objectives or 3) sanctions made an important contribution in realizing the goals of the sender when factors other than sanctions -- for example a civil war -- can be cited as the primary reason a target changed behavior. This definition applies only when evaluating foreign policy goals and not symbolism or domestic politics.

A significant problem facing students of sanctions is properly defining the objectives. Different researches find different foreign policy goals. For example, in the case of League of Nations vs Italy, Hufbauer and Schott found the primary political objective to be Italy's withdrawal from occupied Abyssinia. Stefanie Lenway argues that the major objective was to not alienating Italy at all costs, but to

---

'Hufbauer and Schott 1990: 16.'
treasure interests groups in England and France that
"something is being done." Finally, James Baldwin makes the
argument that

the primary target was not Italy at all; it was Hitler. "The main
argument for League action in 1935," George Baer points out, "was to
test the association's capacity to stand against Hitler's
revisionism."4

Thus, one can see how important it is to decide what the
primary and secondary objectives are. Chart VII in the
appendix outlines what this author found to be the primary
and secondary foreign policy goals.

Unfortunately, most research testing the effectiveness
of sanctions rests on the fallacy that the principle policy
objective of the sender is to significantly change the
target's behavior. Only passing mention is ever made of
secondary political objectives, symbolic effects, and
domestic politics. By not examining these other variables,
researchers can not gain a full understanding for why
sanctions are imposed and what their effects may be.
Therefore, this author developed scores in these four areas
hoping that it may initiate further research. Use of
sanctions as punishment or deterrence is not examined because
they always punish and never deter other states.5

4Baldwin 157.

5See Nossal, Kim. "International Sanctions as International
a through discussion on how sanctions serve a useful purpose as a
form of punishment. Unfortunately, because sanctions always
An appendix is attached which summarizes this study's findings in the form of tables and charts. A progressive rating system from 1 to 10 is used to numerically indicate the success of sanctions in a particular episode. The number 1 suggests sanctions were of no significant success while a 10 indicates high success. A score of 5 implies that sanctions were of significant success, but just barely. Negative numbers indicate that sanctions were found to be counterproductive. The higher the score, the more successful -- or less unsuccessful -- the episode. Hufbauer and Schott also use a scoring system in their analysis. These authors rate both the political outcome and sanctions contribution to the political outcome on a scale from 1 (highly unsuccessful) to 4 (highly successful). They then multiply the two together. If the result is greater than 9, then sanctions are found to be successful. Any number lower than 9 is considered an unsuccessful application. While this writer's scoring system may seem more capricious, it does allow for more flexibility. It also relies more upon the contribution of sanctions rather than the political outcome.

punish the wrong target group, justifying sanctions on the grounds they punish is highly questionable.
Chapter I:

How Sanctions Work
HOW SANCTIONS WORK IN THEORY: ECONOMIC CONSEQUENCES

The argument that sanctions harm an economy stands on very sound theoretical grounds. All else equal, financial or trade embargoes will reduce standards of living. There are two relatively independent processes by which sanctions can disrupt an economy. Financial restrictions, such as blocking bi-lateral or multi-lateral foreign aid, have an adverse impact on foreign exchange reserves and many precipitate a balance of payment crisis. Such a crisis can reduce the terms of trade, imports, exports, and government revenue, which in turn generates unemployment. If the multiplier effect is strong, this will induce a severe recession. Additionally, when governments have their assets frozen -- as what happened in the case of Cuba, Haiti, Iran, Nicaragua, Panama, Rhodesia, Serbia, and Vietnam -- businesses and governments find it very difficult to conduct foreign trade and pay-off onerous foreign debt.

Financial sanctions also may tilt the political balance more sharply in the sender country’s favor. The pain from trade sanctions, especially export controls, usually is diffused through the target country’s population. Financial sanctions, on the other hand, are more likely to hit pet projects or personal pockets of government officials who are in a position to influence policy. On the sender’s side of the equation, an interruption of official aid or credit is unlikely to create the same political backlash from business firms and allies abroad as an interruption of private trade.

Government regulations on foreign investments also has serious consequences on the economic health of the country.

*Hufbauer and Schott 1990: 70.*
This is particularly true in incidents where a target must rebuild an entire economy following warfare, such as the case of Vietnam or United Nations vs Iraq (1990).

A second way sanctions reduce economic output can be understood using simple concepts about the gains from trade. The gains from trade has already been well documented and it is assumed the reader understands the economic inefficiencies of autarky. There are, however, two things which make sanctions worse than autarky. People in the target state may believe that international sanctions will lead to chronic shortages and thus tend to value each unit of production more highly. This could induce higher inflation rates than expected under autarky. In addition, the inability to import intermediary goods and raw materials prevents any "import substitution" plan from being implemented, as is often the objective of any country seeking to reduce its dependence on international trade.

The extent of economic damage done is a function of numerous variables, all of which may be mutually exclusive. Suppose the trade linkage between the sender and target is minuscule relative to total trade. In this case, the target can easily absorb the cost of sanctions or alternative producers can mitigate their effect. On the other hand, in cases where the trade linkage is small but important trade commodities are exchanged, such as oil and intermediary
parts, industries can undergo severe economic problems. For example, United States firms -- which did not have a significant level of trade with Iran in dollar terms -- found the economic effects of the 1979 oil embargo much higher than one would expect relative to its proportion of trade.

The composition of a nation’s imports and exports is an important indicator in predicting if sanctions will succeed. If sanctions can effectively block imports of capital equipment, intermediary parts, agricultural goods, and/or oil, the chances that sanctions will damage the economy increase many-fold irrespective of the economic strength of the target. But if trade continues unabated or non-essential goods are sanctioned, the economic implications are likely to be extremely low. A target can survive without imports of basketball shoes, but not oil.

Professor Holzman’s formulations confirm (these) research findings: sanctions have the greatest potential for damage in the areas of raw material imports and intermediate goods. Their ultimate impact essentially depends upon three major variables: 1) the proportion of total national output produced by industries depending either directly or indirectly upon intermediate product imports no longer available; 2) the technological significance of imports and the ratio of the value of such goods to the value of final output in the utilizing industries; and 3) the ability to muster import substitutes. The latter factor, mitigating a boycott’s impact, is a function of available domestic resources, their technological adaptability, and any previous accumulations of essential imports or import substitutes.7

Unfortunately for practitioners of sanctions, there has yet to be a case where all sources of energy were cut-off because

7Losman 17.
of sanctions. But if senders can halt a significant amount of intake of capital equipment, intermediary goods, or energy resources, large sectors of the economy will cease to function. This was best represented in the case of Cuba where after U.S. sanctions in the 1960s the entire bus system stopped running because Cuba could not import American spare parts. In cases where the economy dropped by a substantial amount, it was because the lack of such capital and energy inputs rendered much of the industrial machinery unproductive or unoperational. Used effectively, this so-called "import bottleneck" effect is the most effective means to ruin a nation's economic infrastructure.

The use of food as a weapon has been hotly discussed among scholars ever since the failed U.S. grain embargo of the Soviet Union in 1980. Needless to say that whenever food has been sanctioned, targets always find alternative sources. Because of domestic political considerations, the moral misgivings of starving innocent civilians, and the counterproductive nature of food embargoes, the United States no longer bans exports of agricultural products. But if sanctions sufficiently harms an economy which relies upon food imports, then unintended food shortages may occur.
Conventional wisdom has always held that sanctions are not a valuable policy instrument. "The opinion of the academic community in the late 1960s and early 1970s was that economic sanctions are largely ineffective." Such an outlook did not change much in the late 1970s and early 1980s. Harry Strack uses the case of Rhodesia to support the claim of other authors who write that sanctions are largely ineffective, if not counterproductive. Robin Renwick states in 1981 that "it is still widely believed that sanctions have no impact." The idea that sanctions can be effective first gain prominence in the mid-1980s as a result of studies done by Gary Hufbauer and James Baldwin in books entitled "Economic Sanctions Reconsidered" and "Economic Statecraft" respectively. But by the late 1980s and early 1990s, conventional wisdom returned to the idea that sanctions are rarely effective -- despite the fact that the collapse of the Soviet Union will make it more difficult for targets to find alternative economic and political support structures. In the 1990 edition of their book, Hufbauer and Schott found only one case since 1985 where sanctions were effective.

'Tsebelis 5.

'Renwick 2.
successful.\textsuperscript{10}

Another consensus among those who study sanctions is that sanctions rarely induce destabilization or other major foreign policy goals without other variables present. Hufbauer notes that "it must be emphasized that economic sanctions unassisted by companion measures seldom achieve destabilization. Covert actions and quasi-military operations regularly play a role in destabilization cases."\textsuperscript{11} Doxey states that "the record of international sanctions of a non-military kind...suggest that on their own they will not succeed in drastically altering the foreign or domestic policy of the target."\textsuperscript{12} Such an argument makes sense. By themselves, sanctions can not achieve major foreign policy objectives. The theory behind sanctions is that if they impose sufficient economic and political punishment on the target, the costs of maintaining the "deviant" behavior will outweigh the benefits derived from sustaining such behavior. But can the sender's sanction impose a high enough cost -- whether it be economic,

\textsuperscript{10}U.S. sanctions placed on El Salvador induced the government not to extend amnesty to convicted murders of 6 Americans. See the South Africa case study on the possibility that Hufbauer and Schott might find South Africa to be a success given recent developments.

\textsuperscript{11}Hufbauer and Schott 51.

\textsuperscript{12}Doxey 1987: 92.
political, or social -- to dramatically alter the internal situation of the target? Rarely. In situations where destabilization is the ultimate goal, the benefits of misbehavior usually include a means for the ruling party to maintain power. For example, whites in South Africa preserve power through apartheid. Leaders of coups or revolutions overthrew the previous government so that they may be the ones in power. Thus, if no variables other than sanctions are considered, then sanctions would have to impose a cost on the leadership so great that the government would voluntarily resign. Taking a page out of George Orwell, "the aim of the High is to remain where they are" irrespective of human or economic cost. It takes more than just sanctions.

The probability that sanctions prove successful is a function of a plethora of variables. For even when sanctions exert maximum political and economic effects, it is still the indigent population who are ultimately responsible for the end political result. Sanctions do not destabilize governments -- civil wars, public protests, internal dissent within the ruling party, coups, and/or external force do. Through economic and political means, however, sanctions may play an important role in creating the conditions necessary for such events to take place. For example, sanctions impact on economic performance may prompt public protests or internal dissent in the ruling party. When a target is
being militarily challenged by a rebel insurgency, sanctions can prevent target governments from financing their army -- giving further incentives for the opposition to engage in violence. Sanctions may even encourage opposition groups to use military force or launch coup d'états if they feel that the international community would support such action.

Note that certain conditions present in the target are more likely to make sanctions successful. Governments, like people, calculate benefits and costs relative to its environment. A rebellious 16 year old who plans on running away from home and dropping out of school will not find parental restraint on driving a car to school a high cost penalty for misbehavior. On the other hand, an honors student who enjoys school and family life might change his behavior if his parents were to impose such a punishment. When confronted with sanctions, target governments and societies operate much the same way. Section four uses the 10 cases to make generalizations about under what conditions sanctions are more likely to succeed.

Foreign policy objectives are not the only reason sanctions may be levied. Sender government’s often invoke sanctions for its symbolic use. Without causing any economic pain, sanctions may create political incentives for a target to alter behavior. Neither target governments nor target populations are immune to the psychological burden of
knowing that the world community disapproves of its practices.

Embargoes may trigger a sense of shame, impose a sense of isolation from the world community, entail a willingness to use more radical measures, or simply provoke re-examination of policy stances in the target country. Ignoring this fact severely limits one's ability to evaluate the costs and effectiveness of economic sanctions as instruments of foreign policy.5

But even with this in mind, symbolic effects are extremely difficult to produce and are rarely enough to outweigh the benefits the target derives from "misbehaving."

Furthermore, symbolism comes into play only years following the imposition of sanctions. If nothing but to "save face" or encourage the population to "rally-around-the-flag" against the "imperialist" sender, target governments always react negatively when first confronted with sanctions, thus defeating the initial intent of symbolism. Even when there is no "rally" effect, symbolism is still not a powerful enough tool. It is only when sanctions are no longer seen as an attack on sovereignty that the government and population sense isolation.

The extent to which a target feels ostracized is a function of the number of senders and the magnitude of sanction busting. Extensive sanction busting or trade diversion will be perceived in the target as evidence that they are not isolated. In cases where only one government
acts as the sender, such as United States sanctions against Cuba (1975--), Nicaragua, Panama, and Vietnam (late 1980s), symbolism can become counter productive. Instead of feeling alone, international condemnation against the United States gives these countries moral support which could encourage them to resist sanctions. Targets may also sense moral victory when the sender's allies do not impose sanctions. Hesitancy on the part of Western European and Japanese governments to sanction Iran was perceived by the Iranian government as a way to embarrass the United States.

Another definition of symbolism takes into account how the international community responds to the sender's use of sanctions. Thus, instead of trying to influence the target's internal affairs, sanctions may signal to other parties that the sender is "committed to human rights" or "the fight against Communism." Such a signal can have extremely important political value. The United States often used sanction against Communist Third World countries, such as Cuba in 1960 or North Vietnam in 1964, to reassure America's allies who felt threatened by the Soviet Union. Critics of American sanction policy against Cuba must acknowledge that had the United States not sanctioned Cuba during the height of the Cold War -- and instead applied only diplomatic pressures -- NATO allies would hold serious reservations about America's commitment to contain Communism in Europe.
This kind of symbolic effect can be extremely important in the sender's decision making process.14

A fourth possible objective is to use sanctions for domestic purposes. Perceived challenges to U.S. interests because of international happenings such as those found in the case of China, Haiti, Iran, and Serbia, usually result in public demands that "something be done" -- and done immediately! Politicians often find sanctions as a relatively quick and painless way to show the American people that they are responding to a crisis.

At times it appears that economic sanctions are being looked upon as an instrument of first resort -- an easy way out for governments anxious to act, and to be seen to act, whether or not the economic sanctions can and do achieve the objectives claimed for them.15

Sanctions are therefore of great domestic value, yet do not entail the dangers of the immediate use of force -- an important consideration given the inherent military tensions present during the Cold War and public reluctance on military adventures. Sanctions also have more "teeth" than mere diplomatic pressure. But once sanctions are put into place, there are political disincentives to lift them unless the primary political objectives are achieved. For an American President or Congress to concede defeat against a small Third World country and lift sanctions is too

14See Baldwin's chapter on Cuba for a more thorough analysis on this point.

15Brown 1.
politically embarrassing. On the other hand, pressure groups may convince a President's not to impose particular sanctions or even lift them altogether.16

There are rare occasions where imposing sanctions can be counterproductive. If the costs of sanctions on export industries or consumers of imported products are high, public pressure may compel the government to lift sanctions.

Sanctions may generate a political backlash against the initiator's leadership when the fail to modify the target's behavior. This happened in both cases of U.S. sanctions against the Soviet Union. The American Farm Bureau withdrew its support for the grain embargo in April 1980, citing the failure to protect farmers from the embargo's adverse effects...Similarly, the pipeline sanctions irritated the American business community which faced a $2.2 billion loss in trade with the Soviet Union. As a result, Republicans in Congress pressured the Reagan administration to lift the sanctions.17

It must be remembered, however, that public demands that "something be done" were so high following the Soviet invasion of Afghanistan that the costs of not imposing sanctions would have been greater than the costs of losing the farm vote.

16As discussed in the Rhodesia and South Africa case study, the composition of sanctions was strongly influenced by domestic interest groups. When sanctions were imposed on Panama, U.S. industries situated there could still legally export and import goods -- something not found in the other case studies where applicable. Pressures from the business community is ostensibly the reason why President Bush lifted the ban on foreign investments in Vietnam in late 1992. Finally, there are many instances when countries with vile human rights records escape sanctions because the American public does not demand that "something be done."

17Lindsay 171.
Chapter II:

The Case Studies
America has enforced U.S. sanctions against Cuba for the past 33 years without any apparent success. Helped by the Soviet Union and internal economic and political changes, the Cuban economy was able to weather the storm of U.S. sanctions. But now that the Soviet Union has collapsed, Cuba is again challenged with overcoming the powerful effects of U.S. sanctions.

BACKGROUND AND OBJECTIVES

President Fidel Castro's overtures to the Soviet Union between 1959-1961 were seen by Americans as evidence that Communism was gaining a foothold in Latin America. This was perceived as a danger to America's national security. To counteract this "threat," the United States implemented a number of policies designed to destabilize the Castro regime. For the next 30 years, every American President would cite Castro's alleged human rights violations and alleged involvement in spreading Communism to justify the continuation of sanctions. Although the ultimate objective has always been to topple Fidel Castro -- as the Bay of Pigs invasion unquestionably demonstrates -- as time passed, politicians pronounced other limited goals.

The official aims of United States policy towards Cuba were set out by the then Under Secretary of State, George Ball, on April 23, 1964... Mr. Ball indicated that the purpose of the program was not to
bring down the Castro regime... but to accomplish four more limited objectives:
1) to reduce the will and ability of the present Cuban regime to export subversion and violence to the other American states;
2) to make plain to the people of Cuba and to elements of the power structure of the regime that the present regime cannot serve their interests;
3) to demonstrate to the people of the American Republics that communism has no future in the Western Hemisphere;
4) to increase the cost for the Soviet Union of maintaining a Communist outpost.

Domestic politics was also extremely important. As will be shown below, elections may be won or lose depending on one's position on Cuban sanctions. Sanctions also initially had important symbolic benefits, though thirty years later the United Nations has strongly condemned the U.S. embargo. The final objective was compensation for $1 billion worth of American property expropriated in 1960.

SANCTIONS APPLIED

The United Nations unilaterally imposed a partial export embargo August 1960. By October, all U.S. exports with the exception of medicine and food were banned. U.S. foreign subsidiaries were legally bound to follow these regulations. On the import side, Cuba's sugar quota was reduced to zero in October 1960. All imports were embargoed within the first six months of 1962 -- over one year after diplomatic relations were severed. Finally, in July 1962, the U.S. government froze $33 million in assets.  

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1Doxey 1980:37.
The composition of sanctions has changed little the past 30 years. European and Latin American pressure on the United States to lift the ban on foreign subsidiaries proved successful in July 1975. But in late 1992, President Bush signed the Cuban Democracy Act (CDA) which again prohibits foreign subsidiaries from trading with Cuba.

International support was minuscule. The Organization of American States imposed a rarely enforced comprehensive embargo between the years 1964 and 1975. Note that this was two years after the Cuban Missile Crisis. Eastern Europe, the Soviet Union, Canada, Mexico, and NATO countries expanded trade following U.S. sanctions. Since 1975, many Latin American countries have increased trade contacts with Cuba.

**ECONOMIC CONSEQUENCES**

It is generally acknowledged that sanctions caused significant economic pain the first few years. But trying to determine the economic performance of Cuba over the long-run is extremely difficult because of unreliable data. America accounted for 60% of Cuba's exports during the 1950s and 69% of its imports in 1958-1959. Trade value with the United States dropped in 1961 when Cuban exports to the U.S.

\[3\text{Many European governments passed legislation protecting U.S. firms who traded with Cuba. See Carter for a discussion on the legal aspects of extraterritoriality.}\]
were only 5% of total exports and imports of U.S. goods were less than 4% of total imports. Such decreases generated deep austerity. A lack of U.S. spare parts, investment, intermediary goods, and raw materials rendered much of the capital equipment unproductive. The loss of the U.S. market for sugar was also painful.

Unemployment soared in the atmosphere of general economic disarray. To mitigate the economic effects, the Cuban government quickly embarked on a program to 1) expand trade with the Soviet Union, 2) import necessary U.S. goods through European and Canadian companies and 3) diversify the economy. These three actions sustained the Cuban economy until the Soviet collapsed.

Various authors evaluate long-run growth patterns in Cuba differently. "World Bank estimates of average annual rates of growth in Cuban per capita GNP from 1960 to 1970—at -0.6 percent." Margaret Doxey concludes that "the overall growth of the Cuban economy during the first ten years of

"Losman 21.


Baldwin 181.
revolution was almost nil, although redistribution of wealth brought greater social equality. Cuban officials claim that the U.S. sanctions have cost the economy $20-30 billion over the last three decades. But other authors credit substantial Soviet assistance as outweighing the effects of sanctions. Annual Soviet subsidies of $2-4 billion from the 1970s to late 1980s accounted for up to one-quarter of Cuban GNP. Assuming that Cuba could not have received such high levels of aid if not for its confrontation with the United States, Hufbauer and Schott note that "the current level of (Soviet aid) far exceeds costs of sanctions" between the period 1960-1990." Using Mesa-Lago's estimate, "the total cumulative Soviet economic aid given to Cuba in 1960-1979 amounted to $16.7 billion, a net benefit of 7.6 billion" relative to U.S. sanction damage. Restructuring the economy to trade with the Soviets also overcame import bottleneck problems. By 1988, "socialist countries took 86% of Cuba's exports and provided 87% of its imports, the Soviet

Doxey 1987: 64.


"Hufbauer and Schott 201.

10Roca. The Utility of Economic Sanctions. 97.
proportions being 67% and 71% respectively. The trade linkage was about the same in the late 1960s.

In sum, Boyer's study and conclusions indicate that Cuban losses of export income and markets on account of U.S. economic sanctions were insignificant. Regarding the three other components of the emerging Cuban cost: traditional export transport costs and indirect effects, virtually all previous export analysts noted that such costs were relatively small and immaterial.

The collapse of the Soviet Union in conjunction with U.S. sanctions has devastated the Cuban economy. From 1989-1991, trade with the Soviet Union fell 68%. Czechoslovakia, Poland, the former East Germany, and Yugoslavia -- which had together imported 892,804 tons of Cuban sugar in 1989 -- terminated trade with Cuba in 1991. Trade with the Soviet Union was over 75% less in real terms in 1992 than 1988. No longer with any international support or trade partners, Cuban GNP has decline at least 50% since 1990. The Cuban American National Foundation released a report in March 1993 suggesting that “Cuba’s gross national product had withered to only 37% of 1986-1989 levels.”

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2Roca 94.
population is hard pressed for basic consumer goods such as food. A lack of foreign exchange because of U.S. sanctions and lost trade with the Soviets has also resulted such a severe energy crisis that electricity and gasoline are rarely available.

POLITICAL CONSEQUENCES

Most scholars found sanctions to be either of no value or counterproductive. Hufbauer and Schott give this episode a rating of 1 -- the lowest possible. Losman, Purcell, and Roca also found sanctions to be ineffective. It has been persuasively argued that sanctions might have even been counterproductive. A number of scholars claim that United States sanctions forced Fidel Castro to espouse Communism in order to receive desperately needed economic aid from the Soviet Union. This brief summary will look at sanctions impact in four areas: primary goals, secondary goals, symbolism, and domestic politics.

This author is of the opinion that sanctions failed to achieve the primary goal. Instead of undermining Castro's power base "sanctions stirred anti-American sentiment that Castro used to consolidate his hold on power." Sanctions
also gave Cuba incentives to become fanatic socialists. Even with the collapse of the Soviet Union, sanctions have yet to make progress in destabilizing Castro. The only noticeable change the past three years is that sanctions and the accompanying economic turmoil might be related to the recent Constitutional reforms allowing for the direct election of delegates to the National Assembly and freedom of religion. All politicians, however, are still Communists. Once Fidel Castro dies or leaves office, some reforms might take place. But to speculate on sanctions contribution to this prediction would be imprudent. Castro may retire because of old age and not because of public pressure.

Sanctions were of significant value in achieving secondary goals -- no more so than in increasing Soviet cost of maintaining a Communist outpost in the Western hemisphere.

A report prepared for Congress estimated (Soviet) economic support for Cuba at 0.4% of Soviet GDP in 1979. Dismissing this as a relatively insignificant burden on the Soviet economy, the report went on to emphasize what it viewed as a more significant burden, the hard currency cost of supplying oil to Cuba.

Sanctions, however, did not stop Cuba from intervening in the internal affairs of countries such as Nicaragua and Angola.

Now a liability, sanctions were at first a successful symbolic tool in reassuring America's allies that it would challenge Communism anywhere around the globe. Had the United States not imposed sanctions against a Communist
country 90 miles from its border during the height of the Cold War, U.S. allies in Europe, Asia, and the Middle East would seriously question American resolve and willingness to act as their military shield. The United States would have also lost much "goodwill and respect" among non-aligned Latin American and African nations if not for sanctions. But as the Cold War waned and the OAS lifted sanctions in 1975, America's allies advocated the removal of U.S. sanctions. World condemnation against U.S. sanctions was sharp following the signing of the Cuban Democracy Act. Calling for an end to U.S. sanctions, the United Nations General Assembly voted 59 to 3 with 79 abstentions to denounce U.S. sanction policy against Cuba.20 Only between 1964-1975 was the United States not the only country to sanction Cuba.

The area where sanctions has been of most benefit to U.S. politicians is in domestic politics. Concerns of Communism in the Western Hemisphere played an important role in the 1960 Presidential election. Presidential candidate John F. Kennedy would attack Vice-President Nixon for his lack of "doing something" about Castro. To counteract Kennedy's criticism "the Eisenhower administration embargoed

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20 Israel, Romania, and the United States voted against the resolution. American allies voting for the resolution included Canada, France, Mexico, Spain, Brazil, Venezuela, New Zealand, and
Cuba two weeks before the presidential election, partly to improve Nixon's electoral chances. One factor contributing to Kennedy's victory may have been that the American people saw him as "tougher" on Cuba than Nixon. Every President since Kennedy has supported sanctions as a way to both show that one is "tough" against Communism and yield to the demands of a powerful Cuban-American voting bloc in Florida. As late as the 1992 Presidential election, it was still important for Presidential candidates to support harsh sanctions against Cuba. There are at least 675,000 Cuban-Americans and Cuban emigres in Florida -- many of whom are single issue voters who support sanctions. The Cuban American National Foundation is also a powerful special interest group which has donated more than $1 million to Presidential, Senatorial, and House candidates over the years. In close Presidential elections, the Cuban-American voting bloc can swing the state of Florida either way. It is for this reason that Presidential candidate Bill Clinton was at the forefront of supporting the Cuban

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21 Lindsay 156.


CONCLUSIONS

Cuba has managed to survive 33 years of U.S. economic coercion with the aid of the Soviet Union. But now that its main source of support has collapsed, people are beginning to question how much longer Castro will last. Initially used to placate American demands that "something be done" and reassure allies of American resolve, sanctions are now seen as morally represensible by the international community.
Measures taken by this government will restore legality in Rhodesia "within a matter of weeks rather than months."

Prime Minister Harold Wilson on Rhodesia, January 1966

UK and UN VS RHODESIA, 1965-1979

Prime Minister Ian Smith's long hold on power and his ability to lead the economy to impressive growth rates offers students of sanctions an interesting paradox whereby sanctions may have in fact benefitted, instead of punished, the target state. Much research in the late 1970's and early 1980's showed that sanctions floundered. By the mid-1980's, a new line of thought developed which suggests that sanctions were successful, but were not the primary factor in the downfall of white rule in Rhodesia. It was only when exogenous variables such as economic pressures stemming from the oil crisis of 1973-4, diplomatic coercion from South Africa, and a bloody civil war erupted that the illegitimate government fell. Sanctions, however, did contribute to a number of significant internal problems.

BACKGROUND AND UK, UN OBJECTIVES

Although officially considered part of the British empire, Rhodesia had been a self-governing state since 1923. Following the break-up of the short-lived Federation of Rhodesia and Nyasaland (1953-1963), pressures mounted for England to grant full political rights to black Africans.
living under the white minority government. Negotiations with Prime Minister Ian Smith that would eventually lead to majority rule proved fruitless. Smith balked at England's stance. In 1964, Prime Minister Wilson threatened sanctions against Rhodesia unless the government was willing to make significant progress toward political suffrage for all Rhodesians. In response to demands that would effectively end white rule, Prime Minister Smith declared a Unilateral Declaration of Independence (UDI) from England on November 11, 1965.

Prior to UDI, Prime Minister Wilson repeatedly claimed that legal jurisdiction over Rhodesia resided in the British Parliament and that England alone would determine when Rhodesian independence should be granted. Central to British demands, both before and after UDI, were the following:

1) guarantees of unimpeached progress toward majority rule, as already contained in the 1961 constitution (whites were 4% the population);
2) guarantees against retroactive amendment of the constitution;
3) immediate improvement of the political status of the African;
4) progress toward the cessation of racial discrimination;
5) acceptance of the proposed basis for independence by the people of Rhodesia as a whole;
6) no oppression of the majority by the minority or vice versa.

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Prime Minister Wilson also faced significant domestic pressures from voters "to do something" about the "Rhodesian problem." Perhaps it were these domestic demands which prompted Wilson to make the exaggerated claim cited at the beginning of this study.

The United Nations became involved in 1966 after it became clear that a more multi-national approach would prove more effective. African countries outraged over Rhodesia's apartheid system also placed the UN under enormous pressure to impose sanctions. The Security Council responded by invoking sanctions, even though little or no domestic concern over Rhodesia existed in the United States, France, or the Soviet Union. The overall goal of sanctions, therefore, was to lead to majority rule. Secondary factors included both domestic political considerations in England and a number of African countries and a symbolic display against state-imposed racism.

\footnote{Losman, 92-93.}

\footnote{Winter and Schmidt argue that majority rule was not the objective of sanctions, but instead it was the UK's need to "save face" after Rhodesia brutally defied England. Other methods could have been implemented, however, which would have "saved face" and not have been so costly to the British economy.}
SANCTIONS APPLIED

It was not long after UDI that the United Kingdom followed through on its threats of sanctions. As an immediate response to UDI, Rhodesia was excluded from the sterling area; capital transfers were prohibited; exports of arms were stopped and British aid ceased. Later that fall, the Southern Rhodesia Act of 1965 was passed by the British Parliament authorizing the government to ban imports of Rhodesian sugar, tobacco, and other foodstuffs. Sugar and tobacco represented 71% of Rhodesian export value to England. The first action taken by the United Nations occurred on November 20 when the Security Council passed a resolution asking member states not extend recognition to the Smith government. Also in November, the Security Council requested that member states break economic relations with Rhodesia. Neither action, however, was mandatory.

England continued to impose additional measures as Rhodesia appeared to be holding steadfast against international pressure and the prospect that Rhodesia would fall "in a matter of weeks" was preposterous. By February 1966, the United Kingdom "imposed almost a total ban on exports, embargoed all but 5% of imports, and British navy
vessels blockaded the port of Beira. The UN Security Council put some meat on its earlier hollow resolutions in December 1966 by mandating selective sanctions. Prior to confronting comprehensive sanctions as required by Security Council resolution 253 in May 1968, Rhodesia suffered few legal restrictions to its trade situation. One scholar estimates that anywhere of up to 40% of Rhodesian exports and 85% of Rhodesian imports were still permitted under the 1966-7 sanctions.

Although the 1968 sanctions were legally binding under the UN Charter, a number of countries blatantly violated resolution 253. South Africa and Portugal -- with the latter until 1974 -- openly defied the sanctions. The Byrd amendment in the United States allowed U.S. firms to import "strategic minerals" from the pariah state from 1972 until its repeal in early 1977. Only Zambia and Mozambique were given legal refuge to certain sanctions because of their

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7 Resolution 232 banned exports of petroleum, military goods, vehicles, and aircraft. It also outlawed member states from imports of tobacco, sugar, meat, asbestos, copper, chrome ore, and iron ore.

'Losman 95

significant economic dependence on the Rhodesian economy. Sanctions were lifted in December 1979 following the election of a majority led government.

**ECONOMIC CONSEQUENCE**

In spite of some short-term disturbances, Rhodesia was not only able to absorb added costs derived from sanctions, the economy actually used it to its advantage to establish a relatively successful import substitution program. Economic indicators for the first decade under sanctions show a growing economy. By the mid to late 1970’s, however, it became apparent that sanctions were beginning to squeeze the country.

The Rhodesian economy had certain built-in strengths and weaknesses which proved important in fighting sanctions. The strengths included self-sufficiency in food, significant raw material deposits, and a relatively well developed industrial sector. Rhodesia’s weaknesses included a reliance on foreign trade at over 70% GDP in 1965 and being bereft of oil and energy inputs except from imports. At first, Rhodesia overcame its weakness and focused on its strengths. But as time passed, Rhodesia’s inability to tap into international capital markets and expand industrial production through exports became costly.

Rhodesia took full advantage of the two and one-half
year time lag between UDI and comprehensive mandatory UN sanctions to restructure its economy. Exporters and importers carried out trade with foreign parties in excess of normal yearly requisitions expecting that sanctions would prevent future transactions. By 1966, however, sanctions did hurt trade. Exports declined 34.8% and imports by 25.4% as a direct result of sanctions. By 1968, exports were only one-half 1965 figures.\(^{15}\) Trade would not see 1965 levels until 1971. This decline in trade, however, did not reverberate throughout the economy. "The overall...fall in national income in 1966 was estimated at the time to be about 5% -- though later estimates suggest that the actual fall may have been less."\(^{11}\) Given the dependence on trade, and the seemingly global nature of the sanctions, it was remarkable that Rhodesia made it through the first years unscratched.

After stagnating the first couple of years, the Rhodesian economy blossomed into one of the world's most rapid growing economies. Between 1967 and 1974, real GDP increased at over 8% per year.\(^{16}\) In current terms, GNP rose at an annual rate of 11% between 1969 and 1979. Even trade, which was theoretically outlawed, grew at a brisk

\(^{15}\)Losman 100, Minter 221.

\(^{11}\)Renwick 33

\(^{16}\)Minter 223
Exports increased at an annual rate of 11.6% between 1966 and 1975 while imports expanded 4.4% from 1966 to 1974. Annual increases in the value of exports and imports were 17.1% and 12.9% respectively from 1969 to 1979. The country saw a positive balance of merchandise trade from every year between 1969 to 1980. Rhodesia temporarily resolved a potential liquidity crisis by imposing severe controls on capital flight and defaulting on all debt payments on 100 million pounds (14% 1965 GDP). Exchange rate controls and excess credit liquidity within Rhodesia helped the government keep annual inflation rates below 3% until 1974.

Two factors explain how Rhodesia was able to grow while under sanctions. Rhodesia's decision to establish an import substitution plan -- more out of necessity than preference -- helped the country diversify the economy, reduce unemployment, and expand production. By 1967, protection from foreign competitors prompted over 250 new factories to produce goods and services normally reserved for imports. A number of industries whose firms had competed against foreigners were also able to expand production. Rhodesia was able to increase the volume of manufacturing production.

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14Losman 118, Renwick 37.
by 88%, and the number of products manufactured rose from 802 in 1965 to 3837 in 1975.\footnote{Strack 2.} A second explanation was Rhodesia's ability to circumvent sanctions. Sanction busting was pervasive for the first decade. South Africa, Portugal, and Mozambique openly continued to trade with Rhodesia -- though none extended official recognition. A report written by the UN Secretariat concluded that Rhodesia "was able to send its exports indirectly to world markets" in spite of sanctions.\footnote{Doxey 1987, 42.} The Byrd Amendment, passed by the United States Congress and in effect from 1972 to early 1977, was a legal invitation for Rhodesia to evade sanctions. Non-fuel exports -- such as minerals legally exportable to the United States -- represented 76.6% of export value between 1969 and 1979. Of the $247 million increase in non-fuel exports from 1972 to 1977, $212 million, or 85.5% was directly derived from exports of "strategic minerals" permitted under the Byrd amendment.\footnote{Strack 148, World Bank 1990.} Rhodesia also easily avoided import restrictions.

The vital (import) commodity was probably petroleum, and here the UN oil embargo was circumvented from the outset...supplies were made available...and (nothing) succeeded in depriving the Rhodesian economy of adequate supplies of refined petroleum...The Bingham Report noted that at UDI, "total consumption of all petroleum products...was running at an annual rate of about 410,000 tons. The total fell after UDI but was restored to the old level by about 1969 and thereafter increased until (1978) where it stands at about..."
Even the United Kingdom -- the country supposedly the strongest supporter of sanctions -- exported oil to Rhodesia. It would therefore appear that Britain's blockade of the port of Beira was a 100 million pound farce on the English taxpayer designed to placate demands that "something be done" and not meant to fully stop imports into Rhodesia. Only the tobacco industry, Rhodesia's largest exporter, suffered under sanctions.

From 1975 to 1980, Rhodesia began to experience significant economic problems. GNP declined in 1977 for the first time in a decade and GNP per capita went from $570 in 1975 to $530 in 1978.\(^1\) In the three years between 1975 and 1978, GDP in real terms declined by over 12%.\(^2\) Part of this economic decline can be explained by latent effects from sanctions. Fears that sender government's would take reprisals against industries illegally trading with Rhodesia caused a significant decline in the terms of trade as Rhodesian firms had to offer sales discounts for exports and pay a risk premium on imported goods. Data from the World Bank suggests that there was a decline in the terms of trade

\(^1\)Doxey 1980, 76.


\(^2\)Renwick 49.
of 33.5% between 1969 and 1979. The drop since 1965 has been estimated at 40%. Hufbauer and Schott calculate the annual costs associated with this decrease at $93 million.\(^2\)

The sanctions also inhibited Rhodesia's ability to take advantage of scales of economy and expand production for exports. Long-term capital inflows, a necessity for long-term economic prosperity, plummeted as more money left the country than entered. Capital flight totaled $410 million between 1970 and 1977. Rhodesia saw a positive balance of $2.7 million following an interim agreement reached in 1978.\(^2\)

Rhodesia's economic problems stemmed more from exogenous variable than sanctions. Hufbauer and Schott calculated that annual costs of sanctions totaled $130 million, or 13% GNP.\(^4\) This figure seems awfully high given ten years of impressive growth rates. More important factors adversely impacting Rhodesia's economy were the worldwide recession and oil price increase in 1973-4, South Africa's decision to impose sever sanctions in the fall of 1976, and a bloody civil war which destroyed infrastructure and industry.


\(^4\)Hufbauer and Schott 1990, 289.

\(^3\)World Bank 1990.

\(^4\)Hufbauer and Schott 1990, 290.
Sanctions, however, did exacerbate the problem.

**POLITICAL CONSEQUENCE**

There is wide disagreement on whether sanctions were successful in forcing Smith to abdicate power. Hufbauer and Schott gave this episode a success rating of 12. Other scholars, such as James Baldwin and William Minter also found sanctions to be productive. Harry Strack, Donald Losman, and James Lindsay argue sanctions contributed little to Smith's fall from power. Finally, both Robin Renwick and Margaret Doxey found that sanctions did play a role, but that it was the world recession, South African pressure, and the civil war which were key. Sanctions were secondary. In deciding if sanctions succeeded in destabilizing white rule, three questions must be answered. First, did sanctions harm the economy? Second, did sanctions -- through economic or political means -- cause Prime Minister Smith to negotiate a settlement in good faith? Finally, was it sanctions, or other factors which resulted in the political outcome? The answer to all three is ambiguous. Sanctions failed for the first decade as a result of factors which the sender --

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26 Strack contends that sanctions were "ineffective and may (have) been counterproductive." Lindsay 160. Losman 80.

27 Doxey 1987, 46. Renwick 54.
primarily the United Kingdom -- had little or no control over. By 1975, however, sanctions did contribute in pressuring Smith to negotiate a transfer of power to the black majority.

As has been argued above, sanctions did not significantly impact the economy until 1974-5. This time period saw the ramifications of the oil shocks which resulted a three-fold increase in the price of imported Rhodesian oil. The world recession also harmed Rhodesian exports. The decision by South Africa to impose sever sanctions against Rhodesia in an attempt to push the Smith regime to reach a settlement in 1976 was instrumental in creating significant economic and political problems. The most important factor, however, may have been the civil war which started in 1972 and reached a climax in 1978-9.

By 1979, 20,000 would have died. The war's cost on the economy was tremendous. For example, during the fall of 1979, the government was spending 1 million Rhodesian dollars a day on defense costs. At a grossly overvalued official exchange rate of 1.48 USD per 1 Rhodesian dollar, that
amounted to $1.48 million or .04% 1979 GNP per day."

There was also the opportunity cost of diverting resources from the industrial sector to defense and drafting workers to serve in the military instead of producing goods and services for the economy. Destruction from the war also imposed significant additional costs. In spite of these variables, sanctions must be given some credit to the economic problems the country faced. Sanctions reduced foreign business confidence in the country and adversely impacted terms of trade. Had UN mandates been followed from the outset, then South Africa never would have obtained as much leverage over the Rhodesian as it did. Trade problems it faced from 1976 onward might have occurred in 1966 if South Africa committed itself to change.

It is difficult to determine the role of sanctions in forcing Smith to the negotiating table. Sanctions never drove whites to withdraw support of the Smith regime -- at least not until South Africa and the war forced them. In fact, sanctions may have rallied the electorate around the government. But the psychological attack on sovereignty was not the moving force in closing ranks behind Smith. Instead, it was "the prospect of rapid enfranchisement, under

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the sway of ruthless demagogues (which) evoked visions of the blood bath in the Congo."  The government also redistributed income in such a manner that black African borne the brunt of sanctions. By 1972, the wage gap between blacks and whites was 40% greater than 1965 levels.¹

What eventually drove Smith to negotiate in good-faith was South African pressure and the war. The question now becomes one of what contribution sanctions made toward these ends. Even though South Africa never legally obliged to sanctions Rhodesia, sanctions can be credited with enhancing South African leverage over Rhodesia. Trade diversion toward South Africa and South African ports resulted in South Africa holding much influence over Rhodesian domestic politics. Sanctions also contribute to the successful use of force. Economic punishment from the outside world was not only strongly supported by the black majority, but such pressures and economic hardships may have convinced a number of black Africans to support the use of military force to topple the white regime. International financial capital needed to sustain a viable defense against the Patriotic Front was denied as a result of sanctions. Without capital and facing international isolation and a credible military

¹⁰Losman 93.

¹¹Losman 116.
threat, the government had no choice but to negotiate.

With regards to other objectives, such as domestic demands and using sanctions as a symbol of moral outrage, sanctions could be defined as successful. No politician may have won office on a platform of sanctions against Rhodesia, but one may hypothesis that without sanctions it is conceivable that opposition forces in democratically elected government, especially England, could have used Rhodesia against the current political party in power. Also note that not a single country, including South Africa and Portugal, ever extended diplomatic recognition. The effects of international isolation, though it can not be quantified, may have had an impact on the white electorate after 14 years.

CONCLUSION

Sanctions alone did not succeed. But sanctions in the context of an overall policy incorporating both diplomatic and military coercion was an important instrument. Although one may suspect that the West did not anticipate waiting 14 years and witnessing a civil war before lifting sanctions and achieving their foreign policy objectives, this does not discredit the fact that sanctions had some inherent value. Relative to other case studies, sanctions against Rhodesia may not appear to have been successful. But they did
modestly contribute to the political and economic chaos which ended white rule in Rhodesia -- even if it took ten years before the conditions were right.
In the end, the lingering hostage affair did much to ensure (President) Carter's election defeat in November.

Time Magazine January 26, 1981

UNITED STATES VS IRAN, 1979-1981

The case of Iran offers a good example where the interrelationships between international relations, domestic politics, and economics must be taken into account prior to evaluating the effectiveness of sanctions. If not for the Iraqi invasion of Iran on September 22, 1980, the financial asset freeze and trade embargo would not have been enough to free the hostages. But once Iran's national security was threatened by Iraq, U.S. sanctions became an important negotiating leverage in obtaining the release of the hostages. Sanctions were also critical in reassuring Americans that President Carter was "doing something" about the crisis.

BACKGROUND AND U.S. OBJECTIVES

The abdication from power of Shah Reza Mohammad Pahlavi on January 16, 1979 started a chain of events that would soon be felt throughout the world. What had begun as a popular uprising united behind a common hatred against the cruel and ruthless tactics of the Shah and his secret police developed in a turbulent internal struggle once a political vacuum unfolded with the Shah's departure. A relatively liberal-minded group won the first round and established a government
January 16. The United States, hoping that it could salvage its positive relationship with Iran under the Shah, advised U.S. industries to continue economic relations with the country. But because of the United States' strong support of the Shah for over 20 years, many Iranians indicted the U.S. as an enemy of the State which needed to be exorcised from the new spirit and economic system the fervent revolution espoused. Despite such sentiment, economic transactions between the two countries continued, though at a much reduced rate. The events of November 4, however, threw away all American hopes of overcoming anti-American sentiments within the Iranian government.

The attack on the American embassy in Tehran on November 4 shocked and offended much of the world. Taking 100 people hostage, 60 of them Americans, the hostage-takers demanded the return of the Shah to Iran. Influential pockets within the government decided to use the hostage crisis to

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1For example, according to Assistant Secretary of State Harold Saunders, "(the U.S.) wanted to see a resumption in the flow of spare parts and components for Iran's industrial establishment as a means of helping the Iranian labor force return to work...From March to November 1979, Iran's oil sales to the U.S. were maintained at about pre-revolutionary levels." Committee on Banking, Finance and Urban Affairs of the House of Representatives. "Iran: the Financial Aspects of the Hostage Settlement Agreement." July 1981.

2The Shah entered the United States for medical treatment just prior to the November 4 actions. Over time, a number of hostages either were released or escaped. Fifty-two Americans were the last to leave.
advance their political fortunes. Iranian government leaders who sought to meet their country's legal obligations under international treaties by obtaining the hostages release were attacked as puppets of the United States. The action taken by the marauders were not only condoned by these leaders, but were used to rally the population around a common enemy -- the United States. From the perspective of Iran's religious clerics, the hostage crisis offered an ideal opportunity to vault themselves to political power.

The benefits of the occupation of the embassy were considerable: (Prime Minister Mehdi Bazargan and his cabinet were swept away apparently implicated in a pro-USA movement; the nation had to an extent become united in facing the US disorder in the provinces had been forgotten; student activities had become concentrated on behalf of rather than against the regime; and (Ayatollah Ruhollah) Khomeini had made himself an anti-imperialist hero.)

The resignation of the Bazargan government -- primarily as a result of the hostage situation -- solidified Khomeini's hold on power. This fact is important. Political disincentives, include those cited above, would make it very politically difficult to return the hostages before a more stable situation existed in the country. Release of the hostages would occur only when the costs of holding on to them exceeded the benefits. Given that the benefits included a means to maintain power by uniting the populous against the United States, one could not expect freedom for the hostages in the near future. Once the hostage situation

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1Economic Intelligence Unit. Fourth Quarter 1979: 9.
interfered with American-Iranian relations, the United States also declared another objective of sanctions to be the compensation for Iranian nationalization of U.S. property.

SANCTIONS APPLIED

Financial and military sanctions invoked within the first two weeks proved later to be much more effective than trade sanctions implemented in April. As a first response to Iran's recalcitrant position, on November 8 the United States announced that it would withhold delivery on $300-400 million in military spare parts. This was soon followed by an oil embargo on November 12. American consumers and the American economy paid a steep price in invoking this latter sanctions. Oil prices rose -- helping fuel inflation in the United States. Iran, on the other hand, quickly sold oil destined to the United States to other clients, often at a higher price than it otherwise would have received. The goal of the oil sanction was not so much to pressure for the release of the hostage as it was a preemptive action designed to eliminate the possibility that Iran could embargo oil

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'Perhaps up to two-thirds of the oil originally to be delivered to the United States was purchased by Japan on the spot market. Iranian oil at the time accounted for about 5% of U.S. consumption.
exports to the United States. Had such an event took place, Khomeini would gain propaganda points in his confrontation with the United States.

The second round of sanctions was also a preemptive action which later became a key variable in forcing Iran to release the hostages. Amid rumors that Iran intended to withdraw its assets from U.S. financial institutions, on November 14 President Carter invoked the International Emergency Economic Powers Act to freeze all Iranian assets held in American firms or its subsidiaries overseas. Twelve billion dollars (15.4% 1980 GNP) were frozen by the United States -- $6.8 billion of which was in Iranian deposits. This sanction was supposedly executed to protect America's financial stability. There is some question, however, as to whether the withdrawal of $12 billion and repudiation of $2.2 billion in debts could have seriously damaged the U.S. economy. Irrespective of these concerns, what is clear is that by freezing such a large amount of assets, the United States stole another propaganda

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*In a futile attempt to counteract America's propaganda victory on this point, Iran immediately announced a ban on oil exports to the United States.

7Finance Minister Bani-Sadr had publicly announced that the government may withdraw all Iranian assets from under U.S. jurisdiction.

7See Committee on Banking, 15-17 for exact breakdown of $12 billion. GNP calculation derived from World Bank 1991.
victory out from the Iranians. The U.S. also gained a very powerful negotiation leverage (see below).

President Carter attempted to work through the United Nations Security Council a resolution mandating worldwide sanctions against Iran. None of collective actions were enacted January 17, 1980 when the Soviet Union vetoed such a resolution. Even among its own allies the United States found it difficult to impose collective sanctions. It was not until May 1980 that Western governments reluctantly agreed to impose some trade sanctions against Iran. Lacking international support, the United States took a unilateral approach. On April 9, 1980, "the President issued Executive order No. 12,205 which expanded the economic sanctions...from a limited blocking of assets to a more or less full trade embargo." These measures terminated all trade and financial transactions between U.S. and Iranian entities with the exception of exports of food, medicine, and charitable goods. Imports of all Iranian products were barred on April 17. U.S. diplomatic relations were broken on April 7.

ECONOMIC CONSEQUENCES

Economic problems Iran experienced throughout the late 1970's and early 1980's were more the function of political

\textsuperscript{2}Malloy 209.
and economic instability than sanctions. What had once been a rapidly growing economy fell victim to new government policies emphasizing self-sufficiency and adherence to religious doctrine. Sanctions however, did cause slight economic difficulties.

Growth rates in Iran were some of the highest worldwide prior to the revolution. Between 1972 and 1977, Iran experienced economic growth averaging 16% per year and a 232% increase in GNP per capita from 1974 to 1977. The country also generated significant foreign exchange through its merchandise trade policy. From 1974-1977, Iran had export values in the $20-25 billion range offset by import values of only $6-14 billion. International reserves excluding gold went from $8.2 billion in 1974 to $12 billion in 1977. The abundance of oil reserves also positioned the country to potentially rapid growth.

Iran’s economic success story ended with the coming of the revolution. Economic policies established by the

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"Iran has 51 billion barrels of oil in reserve. This ranks the country fourth in the world. Approximately 8.0% of all oil reserves is under the jurisdiction of Iran.

"It should be noted that many Iranians feel that Western concepts of economic growth are incompatible with advancing the interests of human beings -- namely establishing a closer
revolutionary government, the war with Iraq, internal political and social unrest, capital flight, flight of highly educated workers, and sanctions all combined to reduce economic output. In tandem with poor economic performances in 1978-1980, the previously strong U.S.-Iranian economic relationship waned considerably even before sanctions were invoked. Between 1972 and 1978, approximately 90% of U.S. imports from Iran was oil. This represented 15.9% of Iran’s oil exports. In 1978, the United States imported $225 million in oil from Iran and only $15 million in other goods such as fruits, hides, wool, textiles, and carpets. U.S. exports of $313 million from January to August 1978 primarily consisted of $69 million in machinery and non-electrical equipment and $34 million in agricultural products. The total volume of trade between the two countries was over $6.5 billion in 1978, a 19% increase over 1977 figures and 9% of Iran’s 1978 GNP.

It is generally believed that the climax of American economic involvement in Iran came in 1978 when American investments exceeded $68.7 million. Over 50,000 Americans worked in Iran.

relationship with GOD. One scholar went so far as to suggest that Khomeini may have looked forward to Western powers bombing his country back to the Stone Age.

14Valibeigi 211, 219.

15Economic Intelligence Unit. Quarterly Reports from Fourth Quarter 1979 to Fourth Quarter 1980.

16Valibeigi 216. GNP calculated from World Bank 1991.
Given such a strong economic relationship with the United States -- although one considerably less than other case studies examined -- one is surprised to find that there had already been a dramatic reduction in U.S.-Iranian economic ties prior to the hostage crisis. It was because of the lack of American involvement in the Iranian economy and the dearth of measures by other governments which caused American trade sanctions to have little impact. The asset freeze, however, later proved very important.

In the nine months leading up to sanctions, U.S. exports to Iran declined over 65% over the same period in 1978 -- from $313 million to $102 million.1 This all the while the Carter administration was publicly encouraging companies to trade with Iran. During 1979, including the period of mild sanctions and the hostage crisis, U.S. export value dropped 72%. Although there was a reduction by 75% of exports of capital equipment, American industry only cut exports of food by 12%, thus enabling Iran to avert additional shortages of foodstuffs which the country was experiencing as a result of internal problems. The dramatic

17Fatemi 303.

reductions in U.S. exports were not concurrently matched by declines in imports. U.S. imports of Iranian goods fell only 3% in all of 1979. Trade between the two countries continued to crumble in 1980. Total U.S. export value was only $23 million and import value was a mere $338 million. Any bottlenecks or trade diversions the April trade embargo may have imposed in Iranian capital or consumer markets were inconsequential since most trade had already stopped prior to these sanctions. Other economic levers the United States had, such as foreign investments and skilled labor, either were nationalized or fled the country. Iran easily circumvented sanctions and continued to find markets for its goods, especially oil. Because of their dependence on oil, Japan and Western Europe were more than willing to purchase what the United States would not. Trade sanctions Europe and Japan did impose in May 1980 were too little, too late, and too rarely enforced. It should be noted that Iran repudiated $2.2 billion in debts to the U.S. following the asset freeze.

Unable to produce enough food domestically, Iran's food imports represented the "Achilles heel" of the economy. The United States, however, even as the single largest supplier of agricultural products, at no time officially banned the
export of food. In fact, in the Executive Orders signed by
the President, food, medicine, and donated materials were
specifically exempt. But as part of its goal to increase
self-sufficiency, diversify the economy, and promote economic
independence from the United States, Iran took dramatic steps
to find other sources for food. Iran looked toward
Australia, Turkey, Argentina, and New Zealand as new trading
partners. U.S. exports of farm products went from $27
million the first 8 months of 1979 to only $1 million in the
same time period in 1980.

The macro economic data would therefore suggest that
trade sanctions had little impact on the economy in the
short-term. U.S. economic sanctions, however, did mildly
contribute to economic problems. The freeze on assets
inhibited Iran's ability to finance international trade,
though this did not really come into play until late
September 1980 when Iran required massive imports of goods to
fight Iraq. Trade sanctions also added to the atmosphere of
political and economic instability which was already at a

\[20\] A number of dock workers, however, refused to load boats
carrying food to Iran. This was not officially encouraged by
the Administration, but it was also never officially condemned.

\[21\] See EIU Third Quarter 1980: 14. Expected food imports
for 1980 were $2.5 billion, much of which came from these
countries.

\[22\] EIU Quarterly Reports from Fourth Quarter 1979 to Fourth
Quarter 1980.
record level. Foreign Minister Abol Hassan Bani Sadr is reportedly to have said that sanctions caused a worsening of the terms of trade and increased the price of imports by 20-25\%.

While it is impossible to substantiate this claim, it should be noted that other factors, such as political instability, fear of alienating the United States, the Russian invasion of Afghanistan, and economic uncertainties are other reasons why risk premiums were added to Iran's imports. Sanctions did not do it on its own. Although they may not have had a significant impact on the economy initially, as soon as Iraq invaded Iran, the asset freeze and arms embargo got a new lease on life. Under these conditions, sanctions proved very effective.

Determining the exact cost on the Iranian economy is extremely difficult. Hufbauer and Schoot estimate that sanctions cost $3.35 billion annually (3.8% GNP). This author would content that the figure must be significantly lower and that sanctions only had an impact on the economy following Iraq's invasion. Even before sanctions were imposed, Gross National Income already declined 17.9% in 1978 and another 5.6% in 1979. GNI went down another 20% in 1980 mostly as a result of the war, poor economic policies,

\[23\] Hufbauer and Schoot 1990 157.

and foregone trade before the sanctions. As a counterfactual point, it should also be pointed out that even if mandatory U.S. sanctions were not implemented, a number of Americans and American firms would still refuse to trade with Iran given their treatment of American hostages. At the time of the hostage crisis, about a fifth of the labour force was already believed to be without a job; (and) the number was bound to grow as project after project was abandoned for lack of either technical skills or foreign exchange, or because it did not fit in with the clerical scheme of things. Oil production was down to less than two-thirds of its pre-revolutionary level.

Other economic problems, such as capital flight, civil strife, "brain drain," and nationalization of large industries and financial institutions had serious effects on the economy. But because there is a time-lag between when these events occurred and when its impact is seen in macroeconomic data, it is difficult to discern between what role sanctions had relative to other events. Overall, this author would contend that economic output was reduced because of sanctions, but not by a substantial amount. Other variables were primarily responsible for Iran's economic woes. Once the United States lifted all sanctions in 1981, Iran again experienced its brisk growth rates of the past -- even while engaged in a bloody struggle with Iraq.

26 Lindsey 159, Renwick 61.
POLITICAL CONSEQUENCES

Sanctions may not have had seriously impaired the economy, but there is little disagreement on whether they were politically successful. Hufbauer and Schoot gave this episode a success rating of 12. Other scholars such as Doxey, Carter, Valibeigi, and Malloy also found that sanctions achieved their political objective. Not only were the hostages released, but a procedure was established to settle a number of expropriation claims. It was primarily the political effects of sanctions, especially the arms embargo, which facilitated the release of the hostages. Because these were not the only objectives of sanctions, this author will examine if sanctions were successful in three areas. First, did sanctions have any symbolic effect? Second, did sanctions help President Carter domestically? Third, what role did sanctions have in releasing the hostages?

One of the often cited objectives of sanctions is its power to have a "symbolic" effect. In this case, sanctions were to be used to demonstrate American disgust over Iran's blatant violation of international law. But because the Europeans and Japanese were so hesitant in imposing sanctions, one can question whether this objective was

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2 Carter 1, Doxey (1987) 74, Malloy 646, Valibeigi 213.
achieved. The hijacking of an embassy and state-sponsored hostage-taking of another country’s diplomats is a crime which should be quickly condemned by all governments who rely upon diplomatic means to solve international problems. The fact that America’s most staunch allies -- not to mention other Third World governments and the Eastern Block -- refused to apply genuine economic pressure would suggest that "symbolism" worked to the benefit of Iran, who present themselves as a victim of years of imperialist rule. Symbolism only came into play following Iraq’s invasion. Iran’s self-imposed isolation and U.S. sanctions made it politically difficult for any government to aid Iran prior to the release of the hostages. The only reason any “symbolic” benefit was derived from this case was because of the Iraqi invasion.

Besides having a symbolic effect overseas, there was some symbolic benefits domestically. Given the four possible means to conduct foreign policy -- do nothing, diplomatic, economic, and military -- only economic sanctions could be used to placate demands that "something be done" without directly leading to a disastrous war which would likely kill the hostages. One could not possibly phantom not invoking sanctions after one’s nationals are kidnapped for ransom. But sanctions were not enough. As indicated at the top of this paper, one of the reasons President Carter
lost the 1980 Presidential election was because of his "poor handling" of the hostages crisis. Carter’s popularity exploded in the Fall of 1979 as Americans rallied around the President. This popularity fell as Americans became disenchanted with the apparent lack of progress. By the time the elections came around, 39% of Americans thought Ronald Reagan would be better than Carter in solving the crisis while only 30% thought Carter was better than Reagan. President Carter’s lack of firm action after the financial freeze was received by the American public as a signal that its leader was too timid to apply additional pressures. In fact, one of the most important outcomes of the April trade sanctions was that they may have helped the President in his primary fight with Senator Edward Kennedy by counteracting charges that his foreign policy made the United States "the laughing stock of nations throughout the world." Carter’s use of sanctions aided Carter in the primaries, but they were of no use in the general election. If the hostages were released prior to the election, it is very likely that Carter would remain in power another four years.

The hostages were released as Ronald Reagan took the oath of office. What role, if any, did sanctions have in this event? As indicated above, the full-scale Iraqi

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invasion on September 22, 1980 had much to do with Iran's decision to release the hostages. Iraq's devastating attacks led to economic collapse. Major industries were blown-up from air raids. Trade stood at a standstill as ships found it difficult to enter ports.

The heart of the Iranian economy -- oil -- stopped pumping revenue into the country as bombing runs destroyed production facilities. Oil income which had amounted to $90 million a day in December 1979 plummeted as production dropped. Total crude exports went from 3,455,000 barrels/day in 1978/79 to 2,632,000 in 1979/1980 and an infinitesimal 770,000 barrels/day in 1980/81, and Iran found itself short of enough foreign exchange to finance the war. Iran also found itself short of enough arms to fight the war.

The arms embargo and Iran's cancellation of military purchases totalling at least $12.48 billion by June 1979 weakened an already disorganized and demoralized army. "Baghdad's hopes of a decisive victory hinged on the collapse of the Iraqi air force," says a recent report. But the economic and military picture was not promising. The Arab oil states had stopped financing the war. Sanctions and a worldwide oil glut had cut Iranian oil revenue by two thirds. Middle East Oil Exporters, a leading report, said its "peace dividend" had disappeared.

"Valibeigi 218.


"Data found in Valiebeigi who in turn cites his source as Vahe Petrossian, "Iran: Special Report," Middle East Economic Digest. November 8, 1984."
of Iran due to lack of military spare parts and other supplies. Without arms, it was doubtful if Iran could have put up a strong defense very long. It is in this context where sanctions became very effective. Iran desperately needed access to its frozen reserves and the $420 million in military equipment the United States offered in return for the hostages. Western governments, Japan, and the Soviet Union, while more than willing to conduct economic trade with Iran, did follow the U.S. lead in not exporting military equipment until the hostages were released. Iran's unfortunate position resulted in sanctions having significant leverage power over the internal affairs of Iran. Without such aid, Iraq could easily conquer valuable land and oil reserves. The United States and Iran found a common enemy in Iraq and quickly reached agreement on a proposal to release the hostages in return for the lifting of financial and military sanctions. The United States no more wanted Iraq to win than Iran.

An interesting question arises when one examines if a relationship exists between the war and sanctions. While this author found no documentary evidence to support -- or


33 See Joint Hearings or "Hostage Breakthrough" for a more in-depth analysis of the settlement.
disprove -- such a linkage, it is brought to the reader's attention to demonstrate that sanctions could possibly have facilitated the release of the hostages in an indirect manner. Iran's pariah status was tied to its actions on November 4 and the accompanying sanctions. Iraq may have felt that because of Iran's international isolation, it could attack the country without fear of retribution from the United States, Soviet Union, or Western European nations. This is exactly what happened. No one would listen to Iran's pleas for international assistance because for a country to do so would create serious political frictions with the United States. Iran's lack of arms and a declining economy, also partially the result of sanctions, also figured in Iraq's equations. Had Iran received U.S. military spare parts and trade benefits, the costs to Iraq to invade may have exceeded the perceived benefits. If there is any validity in such a story, then one could argue that sanctions contributed to Iraq's decision to attack Iran, which in turn brought about the necessary conditions to reach a settlement involving the lifting of sanctions. But because this author has yet to see such evidence, this is only brought up as a hypothesis ready to be strongly challenged by others.
American sanctions against Iran proved successful once the necessary conditions existed. Given the political benefits Khomeini derived from the hostage affair, it is highly doubtful if sanctions, by themselves, could have lead to the release of the hostages and Iran's willingness to compromise on the issue of compensation for expropriation. Sanctions only really had an impact because of the war with Iraq. As in a number of other cases, sanctions importance must be put in context of other political and economic events taking place. While the war can be cited as the overriding reason Iran released the hostages, without sanctions, the United States would not have had a negotiation leverage over Iran.
"Sanctions aren't a quick fix for apartheid. There is a long, protracted struggle in process, and (sanctions) are part of a pattern of developments that will shorten this time frame and accelerate the onset of negotiations."

Representative Howard Wolpe, September 21, 1987

UNITED STATES VS SOUTH AFRICA, 1985-1991

The political and economic effects of sanctions added an important ingredient to the brewing cauldron of problems the South African government confronted because of its policy of apartheid. While the pot was already simmering from internal unrest and international isolation, 1985-1986 international sanctions caused it to boil over. Apartheid's fall was inevitable. Sanctions, however, were effective in accelerating the process.

BACKGROUND AND US OBJECTIVES

South African behavior in three areas has enraged world audiences. First and foremost is its policy of apartheid -- the systematic, government supported exclusion of the majority by the minority in normal political, economic, and social life. Blacks, who comprise 70% of the population, do not have the right to vote, live where they want, receive a good education, be free to demonstrate, and a myriad of other rights normally taken for granted in developed and underdeveloped countries. A second reason was South
Africa's 30 year illegal occupation of Namibia until its independence in 1990. Granted trusteeship by the League of Nations, South Africa flaunted United Nation resolution ordering Namibian independence. Finally, South Africa's blatant violation of UN mandated sanctions against Rhodesia caused many countries to support sanctioning South Africa.

One is amazed that South Africa avoided harsh sanctions until the mid-1980s given such morally repulsive policies. Events in the 1980s, however, including a 1985 declaration of a State of Emergency, brought South Africa's atrocious to the forefront of the world's conscious. Pressures mounted in the international community -- especially in Western democracies -- to punish the South African government for its behavior; and to continue to inflict economic and political pain until apartheid was dismantled. Efforts by Third World countries through the United Nations proved futile. In 1985 and 1986, America and the United Kingdom vetoed comprehensive UN mandatory sanctions. Instead of acting in unison, each Western government developed its own approach in their confrontation with the South African government.

As will discussed below, the United States first invoked sanctions through an executive order in 1985. A more sweeping package of sanctions was passed by the Congress in 1986. Congress hoped to achieve three objectives through the sanctions. The primary goal of sanctions was to pressure
the white government to make serious steps at ending apartheid -- though not necessarily require its dissolve for sanctions to be lifted. As outlined in the Comprehensive Anti-Apartheid Act of 1986, sanctions would be terminated when the South African government

something be done" to end the atrocities taking place inside South Africa. Domestic politics played an important role in determining which sanctions would be imposed. It is interesting to note that while South African rule over Namibia was a reason cited for sanctioning, lifting of sanctions was not legally contingent on relinquishing control. In fact, because Namibia was also sanctioned under U.S. legislation, guessing why such a condition was not established may advance our understanding of when governments are, and are not, willing to impose sanctions. One explanation may lie in Western fears of Soviet and Cuban influence in Southern Africa. Angola was fighting a civil war against an opposition group strongly supported by 50,000 Cuban troops. South Africa financed the Angolan government in power. Without a simultaneous Cuban withdrawal, Western government's may have feared that a unilateral departure of South African military and economic assistance in Angola could create a political vacuum allowing Communist sponsored organizations to gain power. Prospects of Cuban influence in Angola may have caused Western governments to tolerate

Footnotes:

Lenway 425. Hufbauer and Schott 40, 113. Kaempfer 790. American industries such as textile, steel, iron, agriculture, and apparel -- all of whom suffer under international competition -- supported sanctions. Industries dependent on imports of South African natural resources persuaded Congress to exclude "strategically vital" minerals from the sanctions. It should be remembered that most Americans favored sanctions for moral and not economic reasons.
South African intervention in Namibia until an agreement was reached in Angola.¹

SANCTIONS APPLIED

The first worldwide sanctions against South Africa had been in place as early as 1977 when the United Nations imposed a mandatory arms embargo. OPEC, Eastern Europe, and the Soviet Union established comprehensive sanctions as early as 1973. These sanctions had some real economic effects.² Overall, however, South Africa's economy functioned smoothly in spite of these sanctions because most of its trade and financial transactions took place with both Western democracies and African countries highly dependent on the South African economy. Beginning in 1985, Western complacency over South Africa's behavior subsided and public demands grew for reform. President Ronald Reagan and British Prime Minister Margaret Thatcher strongly opposed sanctions and continued to do so at the United Nations. But

³Cuba, South Africa, and Angola reached such a comprehensive agreement in the late 1980s. Following Cuban and South African disengagement, Namibia was declared independent March 21, 1990. Although sanctions were not designed to lead to Namibian independence, Rev. Boesak credits sanctions with facilitating negotiations both in Angola and Namibia. See Hufbauer and Schott (230) who cite Washington Post January 12, 1989.

⁴One scholar claims that pre-1985 sanctions cost the South African economy more than "$270 million per year, or about 2.8% of its gross national product." (Carter 23)
demands within the American Congress and the escalating internal turmoil inside South Africa drove President Reagan to invoke sanctions.

In early September 1985, President Reagan signed executive orders No. 12532 and No. 12535 which imposed the first serious U.S. sanctions on South Africa. These orders prohibited U.S. nationals from exporting the following products: nuclear goods or dual-purpose nuclear materials, computer technology to parastatal organizations, and financial credit. Imports of krugerrands -- South African gold coins -- were banned effective October 11. Many Congressional leaders have cited the executive orders more as an attempt to preempt harsher, Congressionally sponsored sanctions than as a genuine effort by the Administration to pressure the South African government. Congress and public concerns were not satisfied by these sanctions. One year after the executive orders were signed, Congress overrode President Reagan's veto of the Comprehensive Anti-Apartheid Act of 1986 (CAAA) which expanded upon earlier measures. Under this legislation, the executive orders were codified in law until such time as American objectives were realized.

Addition measure were also imposed. New financial sanctions forbid investments and acceptance of bank deposits by American firms. The legislation also prohibited imports of coal, textiles, uranium, iron, steel, all agricultural products fit for human consumption, and goods manufactured by parastatals.

Unlike all other case studies, public pressure to sanction South Africa was so strong that a number of state and municipalities imposed sanctions of their own. The most famous of these was California's decision to divest $11 billion in South African investments. By 1991, "27 states, 88 cities, 24 counties and many private institutions restricted their dealings with companies that did business with South Africa." These actions had important ramifications on the South African economy and capital flows into the country. Although this author can not quantify the extend of economic damage done from local sanctions, it certainly was a significant amount and must be considered when evaluating the effect of sanctions. Europe and Japan also imposed sanctions very similar to the United States. These sanctions compounded South Africa's problems in finding new capital and trade markets once they were shut out of the

U.S. market. American sanctions were lifted in July 1991 when President Bush declared South Africa in compliance with Section 311 of CAAA.

One non-state "sanction" must be recognized to qualify claims that government sanctions were responsible for South Africa's economic problems throughout the mid to late 1980s. A decision in 1985 by private financial institutions not to extend short-term credit lead to a serious financial crisis. Bank confidence in the South African economy dropped because of growing violence inside the country. Without short-term loans, the government was unable to carry out many normal economic activities, primarily paying-off short-term debt. American legislation and sanctions required banks to continue its financial sanction on South Africa.

**ECONOMIC CONSEQUENCES**

The macro economic data leads one to ambiguous conclusions. Economic indicators, such as Gross Domestic Product, merchandise trade surplus, and international reserves excluding gold, actually increased and would suggest that sanctions did not damage the economy. Other

*Many local organization, however, continued to apply economic pressure. Sanctions not removed by President Bush's actions include both the Gramm amendment which mandate the U.S. to vote against IMF loans and the UN arms embargo. Europe and Japan lifted sanctions earlier in the year.*
statistics, especially capital inflows and outflows, show that the economy was tittering on financial ruin.

South Africa and China were the only two countries to see its economy actually grow during the first years sanctions were in place. Real Gross Domestic Product (GDP) grew at an annual rate of 1.22% between 1985 and 1991. Although this was a 55% drop from a growth rate of 2.21% between 1979 and 1984, such a rate was consistent with the historical decline in growth rates since 1960. Real GDP growth went from positive levels to negative 0.52% per annual in period 1989-1991. This pattern of macroeconomic performance does not deviate from normal business cycles and certainly does not suggest that sanctions had a profound impact in short-term economic activity.

Another economic indicator which suggests sanctions may have been counter-productive was the current account figures. Instead of halting exports or creating import bottlenecks, data from the International Monetary Fund shows merchandise exports and imports having an upward trend. Merchandise exports were $16.2 billion at the start of sanctions in 1985 and increased to $23.7 billion by 1991 -- a 46.30% jump over 6 years. Imports went from $10.4 billion to $17.4 billion

*IMF 1992.*
over the same period. If world trade embargoes are to considered a success, the first thing which must happen is that trade declines. Paradoxically, what sanctions may have been responsible for was a dramatic turnaround in the current account balance. Without access to international liquidity, South Africa was forced to maintain a positive trade balance so it could pay-off its international debt and interest payments. From 1981 to 1984, only a measly $10 million current account surplus in 1983 broke a string of successive current account deficits. The period as a whole averaged an annual $2.3 billion deficit. Once financial sanctions were in place, South Africa restructured its economy to promote higher exports and lessen the rate of imports. Since 1984, the country had posted a positive current account balance every year, average an annual positive balance of $2.3 billion from 1985 to 1991. One way this balance was maintained was by slowing GDP growth so than imports would not expand.

Other international trade figures also show that the export and import sector suffered little from sanctions. Terms of trade, an indicator almost always found to decline when significant sanctions are put in place, reversed an

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10IBID.
11IBID.
historical trend downwards to slightly rise to about 1 in
1987 and 1988. The price of exported and imported goods,
however, both rose significantly after a general decline
since 1975. " Trade as a percentage of GDP dropped
slightly, but not by such a significant amount as to suggest
that trade sanctions had yet made any real dent in the
economy. Trade remained between 45-50% of GDP. With the
help of a current account surplus, South Africa was also able
to post impressive growth rates in its reserves of
international holdings excluding gold. From 1984 to 1989,
there was an annual 25.0% increase in international reserve
holdings -- from $242 million in 1984 to $960 million in
1989. It should be noted that South Africa was probably
building up reserves to protect itself from shortages of
international capital because of the financial sanctions.
Overall, it would seem that sanctions did not have much of an
economic impact in the first five years.

South Africa's economic structure was an important
reasons why sanctions could not bring the economy to its
knees. The country is self-sufficient in most important
goods and services. With the exception of 1982 to 1984 and
1990, agricultural production was always higher than domestic

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13 IBID.
demand and farmers were able to export surplus goods. Energy requirements were also served primarily from domestic usage of coal. Of the 94.2 million tons oil equivalent of primary energy consumption in 1990, only 18.0 million oil tons equivalent, or 19%, came from oil imports. Coal production supplied the rest of the energy needs. Coal also provided much need foreign exchange as 30 million tons oil equivalent are exported out of the country. But even with a fairly self-sufficient energy situation, the government took extra precautions by storing 17-18 million tons of oil. Had there been a world oil shortage instead of oil glut in the mid to late 1980s, then the oil sanctions may have had a tremendous impact on the economy once reserves were depleted. But because of the oil glut, South Africa never found any difficulties in obtaining oil.

South Africa's plentiful resource base was another factor which insulated it from the most potentially damaging export sanctions. Gold exports, which account for 40% of export earnings, never fell much even though it was theoretically embargoed by the Eastern and Western blocks. The country extensively mined and exported other minerals such as iron ore, copper, manganese, limestone, asbestos, and chrome -- all of which were not sanctioned because of

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¹⁴EIU: South Africa 34.
concerns that to do such would damage the U.S. economy more than the South African.

Another reason why South Africa continued to function relatively well while under sanctions was because of its political and economic dominance in Southern Africa. Neighboring African countries could not afford to sanction without harming themselves more so than South Africa. This allowed South African businesses to export products to other African countries and then ship the goods through their ports. And like the case of Rhodesia, blacks suffered the most from sanctions.

Where sanctions pinched the South African economy was in its long-term economic outlook and lost gains. Political and economic uncertainty stemming from the State of Emergency, civil unrest, refusal of international lending institutions to extend short-term loans, threats of product boycotts by American consumers, and sanctions led to withdrawals of international long-term investment and lost opportunities for new investments. Of the 350-400 U.S. firms operating in South Africa in 1984, only 136 remained by

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15 EIU: South Africa. 30-31.
mid-1988. Net foreign borrowing, money usually reserved to build stocks of capital and invest in long-term projects, went from a positive balance of 916 million rand between 1981 and 1984 to negative 406 million rand from 1985 to 1990. The situation in South Africa's short-term foreign borrowing highlights the problems the country faced. From 1981 to 1985, South Africa was always able to acquire short-term loans. On average, they borrowed a little over $1 billion annually. But in 1986 and 1987, years where banking organizations and international financial institutions were not extending credit, $1.3 billion and $509 million in short-term loans left the country respectively. Overall, more than $5 billion flowed out of the country.

Some authors argue that while South Africa may have lost investment opportunities because it could not obtain such loans, the country is better off not having debt. Government foreign debt stood at 4.9 billion rand in 1985. But by 1991, it was only 2.1 billion rand in current prices.

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18Arnold 143.
and 940 million at 1985 prices. Total international debt by all sectors of the economy was around $24 billion in mid-1985 and stood at $21.2 billion at the end of 1988. These scholars reason that with lower debt levels, South Africa is poised to tap into international markets at fairly low interest rates once political reforms take place, and thus achieve rapidly high rates of growth. This author believes that because foreign debt was a tiny fraction of GDP, not much could be gained from reducing a debt level which is already relatively small compared to other lesser developed countries. It was also political instability which led to the halt of bank loans to South Africa, not bankers fears that South Africa had too much debt. If anything, given the size of the economy, South Africa had too little international debt. Loss investments because of inaccessibility to funds had opportunity costs which would have more than compensated for the extra borrowing.

Sanctions had significant opportunity costs and made the future economic outlook appear bleak. According to a study by the Trust Bank, a South African commercial bank, South Africa’s annual GDP could have doubled from 2% to 4% in the period 1985-1989 had it not been for sanctions. The same

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group estimates that in spite of improvements in foreign exchange holdings, South Africa had foregone 40 billion rand in foreign exchange because of lower trade and investment than what South Africa would have otherwise experienced if not for sanctions. Hufbauer and Schott estimate that sanctions imposed an annual cost of $550 million, primarily in the form of lost gains. In conclusion, while the economy functioned smoothly during the first years of sanctions, there is strong evidence to suggest that if the sanctions were allowed to continue, the economy would have suffered serious ramifications.

Determining the economic role of sanctions relative to other variables, such as political unrest, the inherent economic inefficient nature of apartheid, financial "sanctions" imposed on banks, among others, is extremely difficult. Finance Minister Barend du Plessis and Central Bank Governor De Kock warned in the early 1990s that unless South Africa advanced political reforms the country may be "unable to save itself from sliding into (economic) chaos." But to give so much weight to the role of sanctions slight the importance of other factors. Sanctions did present a potential long-term financial crisis.

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but its contribution to this crisis was relatively small compared to the bank "sanction" in 1985 and internal political unrest which claimed the lives of 10,000 blacks between 1989 and 1992. Concerns over consumer boycotts in more lucrative Western markets would have prompted many firms to leave South Africa even if not for sanctions.

POLITICAL CONSEQUENCES

When sanctions were lifted in July 1991, there were questions if South Africa had met the necessary conditions as defined in CAAA and specifically if the F. W. de Klerk government was prepared to seriously engage in good faith negotiations. Many Congressional leaders also cited Nicaragua and Rhodesia as recent examples where the United States continued to apply economic leverage throughout the transition phases and suggested that the same be done in this case. To simplify matters and avoid a contentious discussion on when sanctions should have been lifted, it will be assumed that South African reforms were sufficient enough to meet the requirements spelled out in CAAA and that legally, South Africa was eligible for normal trading relationships with the United States and Europe.

The general consensus among scholars is that sanctions made a significant contribution towards the government's willingness to enter into negotiations. Hufbauer and Schott
gave this case a success score of 6 — 2 for the policy result and 3 for sanctions contribution. Because their study was written a year before sanctions were lifted, one may guess that they would have given it a score of 9 or 12 as of the time of this writing. Other scholars and practitioners who found sanctions to be highly successful include Millard Arnold, Representative Kweisi Mfume, and Representative Ronald Dellums. These individuals claim that the "devastating" impact sanctions had on the economy was what prompted the government to change its behavior. This author concurs that sanctions did make an important contribution, but would suggest that its importance lied in accelerating the downfall of apartheid through political and, to a lesser extent, economic means. It was internal events which was the primary motivating factor. Blacks in South Africa should be given principal credit for the undoing of apartheid, not Western imposed sanctions. And though his fall was inevitable, President Botha's abdication from power because of a stroke and the rise of a more moderate leader in the likes of President de Klerk was a fortuitous event which marked the beginning of a new era in South Africa.

Symbolism played an important role in achieving American and Western objectives. Notwithstanding the lack of a comprehensive, global sanctions strategy, the world was united in its efforts to end the blatantly racist system of
apartheid. The Eastern block and OPEC countries had been sanctioning South Africa for decades. African countries did as much as they could to sever ties with South Africa. Once Western governments invoked sanctions, it became clear to whites living in South Africa that they were internationally isolated. The desire to become integrated once again, and participate in international institutions, international travel, international trade, international sports, and feel welcomed in the international community had a profound impact on the willingness of whites to enter negotiations. High government officials must also have taken note of the precarious political and economic situation the country would be in should they remained isolated. Only in the case of South Africa and possible Haiti was the symbolic effect of sanctions found to be of significant value.

As a tool to satisfy public demands that "something be done," sanctions were highly effective. Businesses flocked the country in large numbers so as not to alienate consumers and local officials threatening boycotts. State governments implemented sanctions because the demand for them were so high. And finally, Congress' override of President Reagan's veto of the CAAA clearly demonstrated that the American public wanted sanctions. Whether sanctions made an impact on national elections is dubious. With Reagan and Bush winning in 1984 and 1988, it is clear that South Africa was
not a priority in the minds of American voters. As a counterfactual point, this author would contend that without the executive orders, Democratic Presidential candidates would have aggressively attacked President Reagan as a supporter of minority rule in South Africa much harsher than Walter Mondale did. This might have shifted some votes, but it is impossible to guess what impact it would have had on the election. The lifting of sanctions produced a mixed public response. A Gallup poll taken in June 27-30, 1991 showed that 57% of Americans supported continuing sanctions even with all the reforms that had taken place. Another Gallup poll taken July 11, after President Bush removed sanctions, found only 30% of the American public disapproving of President Bush’s decision. Those supporting the repeal of sanctions went from 23% in June to 45% in July.31

CONCLUSION

Sanctions made an important contribution in accelerating the timetable of when the first steps would be taken to dismantle apartheid. Apartheid’s demise was inevitable because of the growing internal violence, urbanization, economic costs of maintaining political separation, and moral misgivings by many whites of continuing to oppress blacks.
South Africa also lost much of its strategic importance to Western governments with the thawing of the Cold War -- thus making it politically easier to impose sanctions. It was these factors which should be given primarily credit for the significant reforms now taking place. Sanctions levied additional international and economic pressures, but Western policy makers and scholars should not read too much into this episode. Sanctions contribution can be found in accelerating the demise of a horrendous political system designed to oppress someone because of their race.
"Time and again, history has proven that economic sanctions do not work."

Representative Philip Crane, discussing sanctions on Panama

UNITED STATES VS PANAMA, 1987-1989

Sanctions do work. As is too often the case, scholars and practitioners of sanctions tend to expect more from economic tools of coercion than is possible. Recognition of normal limitations associated with America's ability to dictate the domestic politics of another country seem to evaporate whenever individuals discuss the effectiveness of a particular sanction. This in mind, Philip Crane is wrong. More so than any other case study examined, United States sanctions against Panama were perhaps the most successful case of economic leverage applied in recent history.

BACKGROUND AND U.S. OBJECTIVES

General Manuel Antonio Noriega's story of intractable hold on power from 1983 until December 20, 1989 when U.S. military forces in "Operation Just Cause" forcibly removed him represents an academy award winning drama which would make hard-core soap opera watchers wonder just how different television fiction is from the real world. Prior to mid-1987, General Noriega was considered a vital ally in the fight against communism in Latin America. The United States used Noriega to help train Contra guerrillas involved in
Nicaragua. Noriega also became an important source of information with regards to activities in Cuba. Ever since he began work for the Central Intelligence Agency in 1966, Noriega had been perceived as an important national security asset. The U.S. government’s affinity for Noriega started to wane in mid-1987 following public accusations by the former Chief of Staff of the Panamanian Defense Force (PDF) indicting Noriega of drug smuggling. These allegations led to three days of mass protests by Panamanians demanding the removal of Noriega. Noriega’s undemocratic and brutal rise to power was also cited by opposition forces for why Noriega must leave office.

Following two federal indictments of drug smuggling, racketeering, and money laundering in U.S. Federal courts on February 5, 1988, demands grew in the United States that something be done to exacerbate Noriega’s downfall. A Presidential election season was brewing and charges against the Reagan-Bush administration of coddling to drug-smuggling dictators became a campaign issue. The domestic implications of Noriega’s ties to international drug running became more acute as the public obtained a better grasp of previous U.S. support for Noriega. As a result of

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¹Calderon 340, Robinson 190.

²By September 1989, the Bush administration revealed that Noriega personally profited up to $300 million selling drugs.
domestic political concerns and foreign policy goals of promoting democracy and stability in the Western hemisphere, the U.S. sought the removal of Noriega.1

SANCTIONS APPLIED

Economic sanctions were first invoked in July 1987 after Noriega paid supports to protest in front of the American Embassy in Panama City. These sanctions were relatively narrow in scope -- only halting economic and military aid. In December of 1987, President Reagan more formally codified these measures by signing a bill "prohibiting all economic, military aid to Panama until...a democratically elected government" is installed.4 These sanctions remained until early March when they were expanded to include suspension of preferential tariff treatment of Panamanian imports. On March 2, 1988, the United States -- at request of recently deposed President of Panama Eric Devalle -- froze up to $50 million of Panamanian assets in U.S. banks and set up escrow accounts designed to hold all fees and payments due to Panama

1Frank Conahan, assistant comptroller general, is cited as saying before the Subcommittees on Western Hemisphere Affairs and International Economic Policy and Trade of the House of Representatives (page 92) that "by February 1988, the indictment of General Noriega on drug trafficking and racketeering charges led U.S. objectives to become specifically identified with removing General Noriega from power."

4Hufbauer and Schott 1990, 250.
by the United States. Businesses which owed the Government of Panama money were also required to place debts into these accounts starting March 11. On that same day, Reagan suspended Panama's special access to U.S. markets under both the Generalized System of Preferences and Caribbean Basin Initiative.\(^5\) It was not until April when additional measures were imposed. On April 9, President Reagan utilized the International Emergency Economic Powers Act to "block the assets of the Government of Panama in the United States and prohibit any payments to Panama" by United States nationals.\(^6\) Although slight changes in the composition of U.S. sanctions took place over the next 20 months, in terms of economic and political effects, the March and April sanctions were the cornerstone to U.S. sanctions policy.

There are a number of interesting aspects to these sanctions which are worthy to note. First is that exports from the United States to Panama were not included in the sanctions. Given that Congressional legislation disdains import controls and is designed to make it more feasible for a President to propose export restrictions relative to import regulations, it is important to ask why only financial and

\(^5\)Hufbauer and Schott, 1990, 251.

import sanctions were imposed. One reason may be that, as argued below, the financial sanctions proved of sufficient harm to make the Administration hesitant about additional punishment. Another plausible explanation is that because most U.S. industries were exempt from import controls, the Administration did not want to cause "bottlenecks" from interfering with U.S. owned operations. Most of the cases in this study include countries where few U.S. industries existed in the target prior to the imposition of sanctions. The fact that a number of U.S. firms were in Panama made the U.S. Government hesitant about applying a full sanctions package. A number of scholars cite the refusal of the United States to impose a full trade embargo for the obstinate success of Noriega staying in power."

**ECONOMIC CONSEQUENCE**

The question in the case of Panama is not whether sanctions were successful in causing a decline of economic performance -- everyone who has studied the issue agrees that they did -- the question is to what extend were sanctions responsible for that decline and what where the political results. The Panamanian economy took a nose-dive as

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7Carter 1988.

"Representative Gejdenson, U.S. Congressional Hearings, 63. Malloy 396."
sanctions worked in conjunction with public protests and political and economy uncertainty. Gross National Product plummeted 16.3% in 1988 and another 1.0% in 1989.3

According to the New York Times, from March to June 1988 economic activity declined at about 5% normal, worse than the low point of the depression in the United States: unemployment doubled to at least 20%; construction was off 90%; retail sales off 70%; sales of durable goods off 90%; industrial production off 60%; and agricultural output off 50%.

Export and import values declined by 20% and 27% respectively in 1988, and although merchandise exports and imports rose 6% and 28.5% in 1989, the figures were still not at the 1987 level.11 Panama was fortunate that the "Achilles Heel" of the economy, oil imports, came from suppliers other than the United States. Imports of oil represented 85.6% of all of Panama's energy needs. Investment as a percentage of GDP went from 17.5% in 1987 to 6.9% in 1988 and a meager 2.6% in 1989 -- a remarkable fact given the precipitous drop in GNP and the that Panama was in arrears of $162 million on foreign debt.12 These economic indicators all suggest that Panama was experience serious short-term and long-term economic problems throughout 1988 and 1989.

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3World Bank, 1990


11World Bank, Economic Intelligence Unit: Country Profile, Panama.

12World Bank 1990
Financial sanctions and the impoundment of assets within the U.S. banking system were the primary culprits of Panama’s economic woes. From March 1988 to May 1989, the U.S. Government was responsible for denying Panama access to close to $350 million, or 58.3% of government expenditure in 1988. Much of this came in the form of frozen financial assets. A large portion, however, directly resulted in United States regulations which required that all U.S. nationals and government agencies deposit payments due to Panama in escrow accounts. The lack of access to assets had important implications on financial institutions. In the days immediately following the March 2 freezing of $50 million, the Panamanian banking system experienced a serious liquidity crisis which caused most, and occasionally all, banks to close until May 9 when limited withdrawals were legally permitted. Because the Panamanian economy uses the United States dollars as its currency, General Noriega could not order the Treasury to perform any money supply “tricks” which could have possibly circumvented the liquidity crisis.

Actions taken by the United States were not the only disaster which struck financial institutions. The political and economic instability -- magnified in part by sanctions -- deterred investors from maintaining Panamanian bank accounts.

\[13\] Bernard Aronson, Assistant Secretary of State of Inter-American Affairs. Congressional Hearings on Panama, 226.
Luis Morreno, a former general manager of the Chase Manhattan Bank in Panama, estimated that by June 1988, up to $7 billion was taken out of Panamanian banks and placed into other non-U.S. financial institutions. The American Chamber of Commerce and Industry of Panama also cites data which suggest that bank deposits declined 73.2% from $41 billion in June 1987 to $11 billion December 1988. Direct foreign investment fell from a positive balance of $50 million in 1987 to negative $35.6 million in 1988. Liquidity problems posed by such withdraws and lack of foreign investment accelerated Panama’s economic decline.

As true in all other cases in this study, it is difficult to assess the role sanctions played in bringing about such economic problems relative to the role of other exogenous variables. Hufbauer and Schott calculate that sanctions cost the Panama economy $319 million annually. Conahan testified that the figure is slightly less.

Although it is impossible to determine the precise impact attributable to the sanctions, (the Bush administration) estimate that about 26 percent, or $126.4 million of the $480 million (decline in Panamanian general revenues) was directly due to sanctions. The indirect effects of U.S. sanctions are difficult to determine, but economists in Panama working with State Department economists estimate that up to 40% of the economy’s decline is due.

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15Congressional Hearings, Panama, 203
16Hufbauer, Schott 1990: 265.
Other variables such as political instability and economic uncertainty contributed to Panama's economic decline. For example, in early March 1988, "most public employees went on strike and the opposition organized a general strike, which successfully shut down Panama for about 10 days."

General strikes beginning in July 1987 and periodically resurrecting in March 1988 and May 1989 also ceased economic activity for numerous days. One wonders, however, if there exists a relationship between sanctions and public protests. Could sanctions have given opposition leaders an incentive to launch strikes? If sanctions did not exist and the United States continued to support Noriega, would strikes still take place or would the fear of a bloody crackdown act as a deterrent? These are questions which can never adequately be answered. What is certain, however, is that sanctions contributed in building an atmosphere of political instability and economic uncertainty.

**POLITICAL CONSEQUENCE**

The consensus among scholars and practitioners of sanctions is that sanctions against Panama failed. Hufbauer

17 Congressional Hearings, 107.

18 Schott, Congressional Hearings, 183.
and Schott gave this episode a success rating of 4. Other authors who found that sanctions failed include Linda Robinson, Michael Malloy, and William Gianelli. But perhaps Francis McNeil, former U.S. Ambassador to Costa Rica, best summarized conventional thought on this subject July 26, 1989:

"Economic sanctions are another matter. P.T. Barnum would be delighted with America's fascination with them. They hardly ever work, as the Reagan administration proved in Panama. But because feel good politics often takes precedence over America's interests and the well being of foreigners, we too often resort to them."

It is the contention of this author that sanctions were highly effective in achieving objectives as defined above. The domestic political advantages will first be tackled. This is followed by an argument that nothing more could have been asked of sanctions with regards to destabilizing Noriega.

As indicated by McNeil, U.S. sanctions did placate American demands that "something be done" about Noriega's illegal activities. Of the possible options available -- diplomatic, economic, and military -- sanctions were less costly in terms of human life and economic welfare than war, yet were seen as having more "teeth" than diplomacy. As like a number of other cases, such as Cuba, it was important

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20Congressional Hearings. 6.
during the election season that Reagan-Bush appear to be doing something to counter-act allegations that their Administration profited Noriega both politically and monetarily. This author would content that had Reagan not invoked sanctions, Congress would have mandated them, and thus made the issue politically embarrassing. Therefore, sanctions, while not necessarily increasing political support of Bush, may have prevented a negative public reaction.

In deciding if sanctions succeeded in destabilizing Noriega, three questions must be answered. First, did sanctions harm the economy? Second, did sanctions -- through economic or political means -- cause either the resignation or a serious attempt to topple Noriega? Finally, if sanctions did prompt an effort to remove Noriega, was it successful? The answer to the first two questions is yes. The answer to the third is no. It is this author's contention that sanctions contribution in substantive attempts to overthrow Noriega should be evaluated instead of whether or nor Noriega actually did fall. But, before continuing, it is important to justify the above standard given that most students of sanctions would not consider the second question a "fair" one to base the effectiveness of sanctions.

To believe that Noriega must fall in order for sanctions to have an effect rests on the premise that there
exists a direct relationship between sanctions and political instability. If such a direct relation is not apparent, then the standard by which scholars measure the success of sanctions must be redefined. Sanctions can never directly lead to destabilizing a government. As argued in the introduction, all sanctions can do is impose economic, political, and/or psychological pressures which in turn may force the target of sanctions to reconsider the benefits versus the costs of the behavior the sender wants changed. These pressures can may derive from either internal pressure within the ruling party, peaceful protests, or violence. In the case of Panama, sanctions did harm the economy, they did contribute to an atmosphere of political unrest and political protests, and they did prompt at least one military officer to stage a coup.

Contrary to other case studies, sanctions did not lead to an anti-American reaction among Panamanians -- though Noriega did attempt such.21 Sanctions did, however, most adversely affect the middle-class and business entrepreneurs. But instead of leading to a "rally-around-the-flag" effect, as what often happens, declines in economic performance encouraged the business sector to actively protest the government. The banking industry -- the section of the

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21 Robinson 195
The new generation of leaders of private enterprise organizations has been in the forefront of the demonstrations and the strikes. The ranking non-profit business leaders, the heads of several demonstrations and the militant opposition, with the heavily educated banking employees and executives from the central bank, played an important role.

Thus it could be argued that the economic effects of sanctions gave strength to opposition forces seeking Noriega's removal.

Panamanians also had the opportunity to more peacefully push Noriega from power through the ballot box. In May 1989, Presidential elections were held. Even with extensive vote fraud, Noriega's candidate for President lost in a landslide. Noriega nullified election results the next day. Although final tallies were never released, "a public opinion survey showed that 75 percent of Panamanians wanted Noriega to relinquish power." Had Noriega capitulated under massive protests or abided by the May election results, this author would contend that most scholars would find sanctions to be effective rather than "not successful." But because the opposition was too timid -- and justifiably so -- to challenge the PDF through violence, Noriega had no reason

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22 Calderon 338
23 Robinson 191
to fear losing control. 

What more could have been asked of sanctions? If sanctions contributed to massive protests, political and economic instability, a loss at the ballot box, and pressures on Noriega to leave office, should that not be considered a successful sanction episode? Had the protests not been so widespread and of such long duration, then it would be questionable as to whether sanctions succeeded.

It was not just the general public which felt the effects of sanctions. The backbone of Noriega's support -- the armed forces -- were also severely effected. The government was so financially strapped that it was unable to pay its armed forces in April 1988. Thus the probability of unrest simmering within the ruling party, primarily through a coup d'état, were heightened. This in fact proved true. On March 15, just shortly after the first U.S. sanctions were imposed, the head of the national police

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24Loser '53) "The level of discontent, I think, was expressed very evidently at the ballot box. They want him out. They want the change. The question is how far the Panamanian people themselves are willing to take it. And the fact is that they are really not willing to take it that far. The minute there is confrontation involving arms (the opposition) is neither willing to employ violence nor stay out on the streets.

Lagomarsino (53) "Many of the opposition people we talked to stressed that they were not willing to go down there and face the troops."

failed in his attempt to overthrow Noriega. A second coup lead by Major Moises Girolá, chief of security at PDF headquarters -- and in part supported by the United States -- took place on March 3, 1989. These two coups were in part a response to the sanctions.

Thus sanction's contribution to economic collapse and political unrest did in part prompt at least two coups. Had one of these succeeded, it is doubtful that scholars and practitioners of sanctions would interpret Panama sanctions as a failure. It was not the fault of sanctions that the coups failed or the protests were not aggressive enough. That is the responsibility of those who led the coup and protests. It should be noted, however, that an argument can be made suggesting that if sanctions were truly successful, Noriega would not have been able to support those elements in the military which he used to crush dissentors. Once it became clear that Noriega would not peacefully leave power or be forcibly removed, sanctions would not be given much more time. The U.S. would invade before years end.27

26Hufbauer, Schott, 1990: 257.

27As Robinson notes (202) "The failure of the October coup, the latest setback in the two-year campaign against Noriega, was the last straw to many in the United States. Frustration was vented
CONCLUSION

To suggest that "the sanctions seemed...narrow: to oust Noriega from power" oversimplifies a complex problem. Destabilizing a government is perhaps the most difficult foreign-policy objective to achieve. Unlike other objectives, such as inhibiting military capabilities, stopping nuclear proliferation, and improving human rights, destabilizing a government requires that those in power willfully resign. Sanctions can only increase the costs of maintaining power, they can not directly force someone out of office. No other case study examined had such a remarkable combination of significant declines in economic performance, public protests, and military coups. To suggest that sanctions do more than this sets too high a standard. We become blinded when we define "success" and "not success" based on finding the light at the end of a tunnel. For without sanctions, no light would have ever broken through the solid wall separating Noriega from the disgruntled people of Panama.

that U.S. policy seemed to be banking on a very unlikely contingency -- a successful, autonomous coup with little or no U.S. backing." The "failed" sanctions episode, thus, may have made the violent invasion more politically palatable in the United States. It would have be unthinkable in March 1988 to carry-out an invasion.

2Schott, Congressional Hearings, 180
"The President made it clear that he did not want to take actions that would unnecessarily harm the Chinese people -- actions that would only victimize the victims once again."

Lawrence Eagleburger,
Deputy Secretary of State

UNITED STATES VS CHINA, 1989-

What makes China different? In all the case studies examined, it was innocent civilians or the population segment the U.S. wanted to support which suffered most from sanctions. Did years of scholarly research and thoughtful analysis cause the Bush Administration to reason that sanctions would harm the wrong target group and not advance ideals of democracy and "Western" concepts of human rights? Probably not. China's economic and political prominence in the world insulated the country from harsh sanctions which other governments with far better a human rights record encounter.

BACKGROUND AND U.S. OBJECTIVES

No one outside the Chinese government knows whatever happened to the brave student who confronted the column of tanks captured on film which struck the hearts of millions of television viewers worldwide. Neither does anyone know how many people died in the brutal suppression of one million Chinese in Tiananmen Square protesting gross human rights
violations and their desire for more democracy. China's crackdown after eight weeks of peaceful demonstrations shocked the world and exposed the government to worldwide condemnation. But China's violations far extend Tiananmen. Unfortunately, it took a massacre the scale normally reserved for countries under civil war for political leaders and civilians to understand the atrocities committed by the last major Communist regime daily.

Since Tiananmen, human rights conditions in China have significantly deteriorated. A number of Chinese active in the protests have been persecuted, tortured, and executed under the guise of an unjust and highly secretive judicial system. Tibet, subjugated to Chinese rule since the 1950's, has been cited as "the number one worst area in the world in regards to political freedoms." Other violations include

1Estimates range from a couple hundred to perhaps thousands. Conservative estimates are around 700. If one were to include those killed following the crackdown, the number rises considerably.

"The Soviet Union at the time prevented the United Nations from censoring China's behavior for fear that someday the Soviets would need to use force to quell unrest. This author is also unaware of any third-world countries who applied sanctions in protest to China's behavior.

forcibly "re-educating" and ruthlessly tormenting 16 to 20 million people in slave labor camps, selling unconventional weapon technology to countries in politically unstable regions of the world, proposing legislation to sterilize 250,000 peasant "wanting in intelligence", and governing the country in an authoritarian style. By 1990, Congressional opponents to Most Favored Nation (MFN) status cited China's significant trade surplus and unfair trade practices as another reason for sanctions.

Yet in spite of these tremendous violations in human rights and international law, the Western powers did not invoke sanctions until the June 1989 uprising. The half-hearted sanctions implemented were not even designed to improve conditions in that country. Instead, the Bush Administration and other Western governments sought to placate public outrage, send a signal of moral revulsion, but still maintain contacts with the Communist regime. This

'China has sold a nuclear power plant to both Iran and Algeria, IRBM's to Saudi Arabia, lithium hydride (used to construct nerve gas and nuclear weapons) and other nuclear materials to Libya and Iraq. Pakistan purchased numerous high-technology military items, such as a nuclear powered submarine, from China. China is also the third largest arms exporter in the world. Finally, it has been alleged that China sold arms to Iraq while under a world-wide embargo for its invasion of Kuwait.

'At a June 6 news conference, President Bush is reported to have said that "I don't want to see a total break in this relationship, and I will not encourage a total break in this relationship. When you see these kids struggling for democracy and freedom, this would be a bad time for the United States to
study will focus on why such a timid approach was taken with respect to China and suggest that given China's importance in geo-politics and economic conditions in this country, sever sanctions or the discontinuation of MFN would only fail. Note that the style and structure of this case study will deviate from others. This is justified on the grounds that this episode was chosen to examine under what conditions the United States is hesitant to impose sanctions and not because sanctions can be argued as a success.

SANCTIONS APPLIED

Within 24 hours of the June 4 crackdown, the United States triggered sanctions which were soon to be followed by similar Japanese and European actions. President Bush immediately suspended both exports of military goods and official visits by military personnel. By the end of the month, the United States would also halt contacts between high-level government officials plus join Western governments in opposing loans from international financial institutions such as the World Bank.* Finally, negotiations for China's admittance into the General Agreement on Tariffs and Trade withdraw and pull back and leave them to the devides of a leadership that might decide to crack down further.* (Bau 420).

"China was declared ineligible for a $780 million World Bank loan. Denial of this loan is viewed as the single most damaging sanction applied."
(GATT) and calls to relax export restrictions under COCOM guidelines were put on the backburner. Many of these sanctions, however, did not last very long. U.S. National Security Advisor Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger visited China in early July 1989 — not even 60 days after the sanctions were imposed — ostensibly to express American outrage and disgust over Chinese behavior while reassuring the Chinese leadership that the United States still sought a positive working relationship. Three airplanes from Boeing containing advanced navigation systems were made exempt from sanctions and exported in early July. "Honeywell (was also) allowed to repair defective systems on similar planes already bought by China," again indicting that the United States was quickly moving away from its commitments against military exports.7 The United States Export-Import Bank continued to extend companies export credit, though at a much reduced rate than before and only after a number of European governments removed this sanctions. Finally, the "Peace Pearl", a $500 million U.S.-Sino military project to boost China's air capability continued unabated.

The United States was not the only country to renege on sanctions. In August 1989, Japan announced that it would

7Hufbauer and Schott 1990, 270-271.
"resume, on a selective basis, existing economic aid projects frozen" since the Tiananmen Square incident." The British and French governments approved sales that enhanced China’s military aircraft and upgraded Chinese destroyers respectively. A number of other countries, especially those in East Asia, rapidly expanded their economic and political contacts with China throughout 1989 and 1990. Serious discussions about China’s entrance into GATT were taking place the summer of 1992. By the fall of 1992, the United States was the only country with relatively any significant sanctions on China -- most of which being military in nature.

A number of sanctions invoked against other countries are notably lacking in this case. Exports and imports of goods and services were not directly impacted by sanctions. Financial measures other than voting against IFI loans were not implemented. The sanctions imposed focused on military sales and diplomatic contacts -- not what one considers sanctions designed to prompt China to improve its human rights record. One hypothesis why countries abstained from damaging sanctions was that they thought China’s political and economic muscle would deflect any of sanctions punches. The fear of a counter-punch must also have been in the back of Western government’s mind.

*Hufbauer and Schott, 1990, 271.*
The Chinese economy suffered little, if any, from sanctions. Declines in business confidence stemming from political instability in addition to economic bottlenecks caused by one million Chinese demonstrating can be cited as primary factors for losses in unrealized gains in the Chinese economy. One suspects that a number of industries cutback output because either workers were unavailable or purchasers were uncertain about future political and economic conditions which may adversely impact consumer demand. Reductions in unrealized gains, however, can hardly be considered an effective means to induce a target to change its behavior. Governments, businesses, and the populous respond to realized and not unrealized economic gains and losses. China is perhaps one of only two cases in this study which saw its economy initially grow, and not decline, during such turbulent times.1

Hufbauer and Schott calculate Chinese welfare loss at $322 million, or 0.1% GNP, per year.10 This figure, however, reflects the loss of potential additional output and

1South Africa is the other.

10One must be cautious when discussing Chinese GNP. The government releases data on Net Material Product (NMP) and not GNP. NMP tends to exclude a number of goods and services which would be included in GNP. This author cites GNP data from sources under the assumption that methodological differences between NMP and GNP were taken into account.
not necessarily declines of existing production. The economic indicator one would most likely suspect to worsen as a result of the events of June 1989 is foreign direct investment (FDI). But data indicates that FDI in fact increased from $3,739 million in 1988 to $3,773 million in 1989 -- a one percent increase in nominal rates, but a three percent decline in real terms. FDI dropped to $3,755 million in 1990, but quickly regained its previous brisk pace prior to June 1989 and reached $4,370 million in 1991. Total foreign investment during the first five months of 1992 was $10.45 billion after leveling off during 1989-1990. Given the trivial sanctions imposed, one is hardly surprised to find China's economic performance in 1989 and 1990 healthy. But it should be noted that the slow down in direct foreign investment data -- more the result of political events and not sanctions -- did pose a significant opportunity cost to the Chinese economy. A more detailed discussion of China's economic performance is reviewed below.

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11 Figures for FDI derived from Kueh 444. Because numbers are in USD, this author used data from the IMF to show the U.S. GDP deflator increased from 109.4 to 113.8, or 4%. This is how the three percent reduction in real FDI was determined.

Sanctions and world condemnation did not induce the Communist government in China to change its behavior. As indicated earlier, there is even some evidence to suggest that repression has increased since the crackdown. A "carrot-and-stick" approach encompassing threats of further sanctions, including Congressional withdrawal of MFN, and the Bush Administration's policy of "constructive engagement" may have produced some results. China signed the Non-Proliferation Treaty (NPT) and Missile Technology Control Regime (MTCR), though some signs point towards China not following through on its legal obligations. China also has reached agreements with the United States prohibiting the export of prison made labor. Finally, martial law was lifted in early January 1990. Determining the role of international pressure is difficult. One suspects that China may have been under the same pressure to sign such important international arms control treaties and trade agreements irrespective of Tiananmen. Otherwise, sanctions did not coerce China to improve its human rights record.

Sanctions against China have always been found to fail.

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1 Final agreement reached July 30, 1992 and expected to be signed early August (NYT July 31, 1992). American personnel would also be allowed to inspect Chinese prisons under terms of the agreement (Daily Illini--don't laugh--June 18, 1992). Some questions exist over China's ability to implement the proposal successfully.
in achieving sought objectives." Hufbauer and Schott gave this episode a success rating of 1 -- the lowest possible."

One scholar has gone so far as to claim that "America has periodically sought to produce a China more to its liking (and such) efforts have always ended in massive failure." (italicize author)" The only tangible effect sanctions had in the political arena was erecting an obstacle to China's long-desired goal to narrow the technological gap between its military equipment and hardware used by the Western powers. With regards to the other two objectives, one would likely find that sanctions failed. Lack of both condemnation from non-Western nations and Western consistency in those sanctions enacted mitigated any psychological benefit one would hope to derive from using sanctions as an instrument to "send a signal" of disapproval. Third world countries, including Hong Kong and other Asian nations, did not invoke economic punishment. The dearth of tough measures, however, may have harmed President Bush in his re-election campaign.

After the primaries were over, Democratic candidate Bill

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1Not only are the 1989 sanctions found to be ineffective, but sanctions imposed prior to normalization of relations in 1980 were also shown ineffective. A Congressional Joint Economic Committee in 1967 reported that the U.S. embargo of non-strategic goods neither had a negative effect on growth nor advanced U.S. interests.

2Hufbauer and Schott, 1990. 281.

3Oksenberg 14.
Clinton repeatedly cited Bush's coddling of dictators "from Baghdad to Beijing" as proof of Bush's poor and shoddy handling of foreign affairs. Whether or not this had an effect on the electorate is virtually impossible to determine, much less how this played relative to other factors such as the economic plans forwarded by each candidate. One should qualify this "success" by two persuasive counter arguments. First, many people may have found Clinton's position of tying conditions to the renewal of MFN as politically foolhardy and economically disastrous for this country, thus supporting Bush and not Clinton on this issue. Second, once Clinton was elected, he softened his position, indicating that he did not feel that the issue was so important that he could not switch his stance so soon after the election. Therefore, it would appear that sanctions failed in achieving any of the objectives, though they did have some impact on China's military and possibly the U.S. election.

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17 When questioned about China two weeks after the election, Clinton is reported to have said "I know we create a lot of jobs with trade with China, but they've got a $15 billion surplus. They have a big stake in that. We have a big stake in not isolating China, in seeing that China continues to develop a market economy. But we must also insist, I believe, on progress in human rights and human decency. And I think there are indications in the last few months that a firm hand by our government can help achieve that." (NYT Nov. 20, 1992) President Reagan, after criticizing Carter's China policy during the 1980 campaign, also took a very conciliatory approach after assuming office.
The next few sections will explore possible reasons why sanctions not only "massively failed," but also what unique features of China prompted Western government to look the other way. Insights in this issue may advance one's understanding of what conditions are necessary for sanctions to be effective.

**CHINA'S ECONOMIC STRENGTHS**

The Chinese economy is basically an autarky system which has only recently opened-up to international trade and financial transactions. Beginning in 1978, the Chinese leadership set upon a course of economic liberalization both domestically and with respect to international trade. Privatization of industries and agricultural production released entrepreneurial energies unnaturally incarcerated from years of socialist economic policies. By the summer of 1991 over one-half of economic output was produced without input from central planners in Beijing. Only 40% of China's economy "originated in the state sector...a level approaching that of both Italy and France where state-owned firms produce a third of national output." Government's contribution to the economy is expected to decline to 25% GNP

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11"Oksenberg 5

12"Lardy, Joint Hearings, 37.
toward the turn of the century. Note that while political reforms were reversed because of Tiananmen, economic reforms were accelerated. At the 14th Party Congress, held in the fall of 1992, Deng Xiaoping replaced economic hardliners and introduced a number of reforms solidifying China's path towards economic reform for at least a decade.

Economic performance under these reforms are remarkable. Gross National Product climbed an impressive 9.5% annually in real terms between 1980 and 1989 -- from 433.6 billion Rmb in 1980 to 1,578.9 billion Rmb in 1989 (current prices).\(^1\) 1990 GNP continued its brisk rate of growth in spite of what happened at Tiananmen. The International Monetary Fund reports Chinese GNP in 1990 at 1,740 billion Rmb, a 9.4% increase over 1989 levels in nominal rates, and a 5.3% rise given a GNP deflator of 4.1% in 1990.\(^2\) The Central

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\(^{2}\)Economic Intelligence Unit. Country Profile: China. 15, 21. Yeh (502) calculates GNP annual growth at 8.9% from 1980 to 1990.

\(^{3}\)IMF, International Financial Statistics 1991. GNP deflator from Yeh 533. Note that the percent growth rate was determined using IFS GNP figures for 1989 and 1990 as opposed to 1989 GNP rates listed in EIU Reports. The IFS quotes 1989 China GNP at 1,590.7 billion Rmb, 11.8 billion Rmb higher than EIU. EIU data is cited given its consistency on inflation rates and GNP. GNP deflator is not available from 1989 to 1990 in IFS and this author is hesitant to use GNP deflators cited by Yeh against IFS GNP extensively. Data from the World Bank shows Chinese GNP increased
Intelligence Agency calculates a 7% increase in Chinese GNP for 1991, which likely does not include a negative GNP deflator of 1.5%. Growth in 1992 -- 36 months after Tiananmen -- stood at 12%. Such growth rates were instrumental in pushing Chinese GNP to more than double in real terms from 1980 to 1990. Chinese GNP stood somewhere around $398 billion in 1989. Therefore, with regards to economic repercussions stemming from sanctions and political unrest, the aggregate data would suggest no such factors had an effect.

China's geographical size and residency to a quarter of the world's population, in conjunction with such rapid growth rates, is an inviting target for international investors and trading concerns. This pristine economy is sure to

3% per annual from 1980 to 1989, significantly below what numerous other sources claim to be China's growth rate.


26 World Bank 1990. At an official exchange rate close to 5Rmb per 1USD in 1990, IFS data suggests that GNP was only 348 billion. It is important to note the substantial difference between data from IFS, World Bank, and other sources. The higher figure from the World Bank is used on the grounds that NMP is generally undervalued and deficiencies in data collection tend to underestimate rather than overestimate GNP.

25 China is geographically as large as the United States. Its population, according to the World Bank, stood at 1.11 billion in 1989.
continue to grow. Chinese government officials estimate that GNP will increase 6% annually, on average, between 1990 and 2000. Such a low estimate given historical patterns is the result of Chinese concerns that 1) higher growth patterns will spark inflation and 2) lack the energy resources will stymie production (see below). China currently stands as one of the most powerful economies in the world. China has surpassed Japan and is likely to overtake the U.S. economy in volume by the year 2010 according to Lawrence Summers, the chief economist of the World Bank.27

Trade and financial transactions have also grown remarkably. In 1980, export value plus import value was only 13% GNP. By 1988, this figure rose to 28.5%, dropping slightly in 1989 to 26%.28 Overall, Chinese trade increased at an average annual growth rate of 12.3% from 1980 to 1991, going from $38.1 billion in 1980 to $135.7 billion in 1991.29 China now ranks 15th in world trade. The United States is an important trading partner, accounting for 25% of Chinese exports. Total trade between the United States and China were $25 billion in 1992. China enjoyed a

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29Lardy 694.
trade surplus of $15 billion. As indicated above, investments in China took an upswing after levelling off from the events surrounding Tiananmen. Total U.S. investments in China during 1991 was $548.1 million, a significant jump from earlier years figures. This put the United States in second place in overall investment, behind Hong Kong which usually entails 50-60% of all foreign investment in China.

Because no trade or financial sanctions were imposed, one is not surprised to see growth in trade. The only noticeable difference in trade patterns is that from 1984 to 1990, China had a balance of trade deficit in every year. From 1990 onwards, China saw its balance of payments swing to the positive side. Deficits of $7.7 and $6.6 billion in 1988 and 1989 respectively became positive balances of $8.7 billion in 1990 and $8.1 billion in 1991. While this shift is has been explained by China's need to pay foreign debt service -- $9 billion annually -- one may hypothesis that world condemnation and sanctions isolated China, prompting the government to alter its trade policy and be less dependent on internal sources of revenue from which to

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12 Lardy 716.
pay external debt.

Practitioner of sanctions seek to damage the "achilles heel" of an economy. Unfortunately, China economic structure lacks one. Self-sufficiency in a number of resources has prevented the Western powers from making any significant impact on the Chinese economy through sanctions. The two most important commodities in sanctions are food and energy resources. China produces enough food for current demand, though increases in population growth may surpass growth in agricultural production. Energy requirements through 1995 and 2000 will also be met by domestic supply. China has an official policy of self-sufficiency in energy. Although limiting energy usage to domestic production has slowed overall output, it has insulated China from volatile international conditions, such as those sanctions could potentially administer. China's extensive resource base is also important for Western economies. All but 10 of the world's 140 mineral can be found in China. "China probably leads the world in reserves of about 17 minerals, including phosphate, tungsten, molybdenum and titanium." A number of other metal are extensively mined in China relative to

33Kambara 630. Energy needs during 1989 were fully supplied by internal sources. Even if China does need to import some energy in the future, it will be a small amount compared to total consumption.

34EIU, Country Report: China. 32.
world share. These include antimony (47.0%), bismuth (9.5%), lead (10.2%), manganese (11.4%), mercury (18.7%), and zinc (8.7%). With such an reserve of minerals, one is not surprised that countries would like to court China.

The evidence above suggests that China's economy is impervious to economic turbulence from the outside. U.S. economic influence is relatively small given the overall economic picture. If the United States unilaterally imposed sanctions, a free rider problem would be said to exist. Unless other countries are willing to also implement sanctions -- which is highly unlikely, especially in the case of Hong Kong -- then the U.S. could not expect to have any economic leverage over China. Instead, the United States would lose out economically. From the perspective of the American consumer, trade distortions would increase the prices of domestic goods previously imported from China. Instead of hurting those at the top in China, sanctions pinch would be felt in places like Seattle. Significant sanctions, such as those applied against Rhodesia, Cuba, or Panama, would cost American businesses plenty in lost opportunities.

"IBID."
POLITICAL STRENGTHS

Besides being an influential economic power, China is also a notable political player. Already a nuclear power, China has a 3 million plus army and has increased defense expenditures 50% from 1989 to early 1992." China's permanent seat in the Security Council gives the country significant diplomatic leverage against governments wishing to implement programs through the United Nations. Witness UN mandates against Iraq. Political stability in Cambodia, Vietnam, Hong Kong, Taiwan, and much of the rest of Asia is directly tied to events inside China. Arms exports to the Middle East has also increased China's importance in this part of the world. If the United States and other countries wish to get a handle on problems such as nuclear proliferation, environmental degradation, population control, energy depletion, and economic growth, Western governments must work with China. China is slowing positioning itself to become a true Superpower -- equal to that of the United States. For the United States to continue to have international influence, especially in the United Nations, it is important not to alienate China by use of tough sanctions.

CONCLUSIONS

China's sheer economic and political strength has insulated the country from sanctions. Sanctions which were imposed not only dismally failed to improve human rights, but served little political benefit at home or abroad. Continuation of sanctions may have upheld American moral principles, but they would have come at a tremendous economic cost. One too steep for America to assume.
"President Bush met with Rev. Jean-Bertrand Aristide and announced that the coup would not stand. We thought -- and I think we were all naive -- that restoration of democracy would be a matter of weeks, if not days."

Michael Kinner
Advisor to Father Aristide

UNITED STATES VS HAITI, 1991--

Haiti is the poorest country in the Western Hemisphere. But even this nation -- where abject poverty is the norm and not the exception -- government officials have withstood the effects of sanctions for over 18 months. Does this mean sanctions proved unsuccessful? Absolutely not. Recent negotiations on the timetable for President Aristide's return strongly suggest that sanctions were highly effective. As noted in the introduction, sanctions rarely work quickly, much less in "a matter of weeks, if not days."

BACKGROUND AND OBJECTIVES

Father Jean-Bertrand Aristide was the first popularly and freely elected President in Haitian history. Running on a platform of income distribution, Aristide won 67% of the votes in December 1990. Haiti's first experiment with democracy, however, did not last very long. Fears on the part of the military and business community that Aristide would "promote violence by the poor against the rich" convinced General Raoul Cedras to launch a coup d'état
September 30, 1991. A new government was established with Marc Bazin -- a former high level World Bank official -- installed as Prime Minister on June 20, 1992. General Codras remains the defacto Head of State.

Systematic persecution of supporters of Aristide has become commonplace since the coup. The military suppresses freedom of speech, press, peaceful demonstration, or anything advancing the cause of Aristide's return. Between September 1991 and November 1992, perhaps up to one thousand Haitians have lost their lives at the hands of the military government.

*Recent reports by the Lawyers Committee for Human Rights, Amnesty International and others argue that there is no black picture of Haiti. They say that the new administration of violence recalls the worst days of the Tonton Macoute, the death squad of the Balaskes family.*

It was such human rights abuses which led 40,000 so-called Haitian "boat people" to seek asylum status in the United States. In part not to alienate voters in Florida, on May 24, 1992 President Bush signed an executive order mandating the return of all Haitian boat people. Presidential candidate Bill Clinton cited this policy as "cruel and inhumane" throughout the 1992 Presidential election. But

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once assuming office, Clinton not only continued U.S. policy, but he also ordered a blockade around Haiti to prevent boat people from entering international waters. Over 30,000 Haitians have been returned to Haiti.

SANCTIONS IMPOSED

Haiti has experienced U.S. economic coercion for much of the 1980s. U.S. sanctions were successfully used in 1986 to push Jean-Claude Duvalier ("Baby Doc") from power. Between 1987 and 1990, the United States suspended economic and budgetary aid in response to the November 1987 election massacre and a June 1988 coup. Most financial sanctions were lifted in December 1990 with the election of Aristide.

Following the September 1991 coup, the United States again imposed a comprehensive export and import embargo. The Organization of American States (OAS) back-up their call for the return of democracy by calling for all member states to ban imports and exports from Haiti. The United States also froze Haitian assets in the United States. Sanctions not implemented -- but advocated by supporters of President Aristide -- include freezing assets of individual supporters of the coup and establishing a naval blockade. Note that

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"The U.S. Courts have upheld the legality of refoulement.

"Exports of food and medicine were except."
American businesses situated in Haiti were made except from sanctions.

**ECONOMIC CONSEQUENCES**

Haitian’s elite has coped well under sanctions. The same can not be said for the poor. An impoverished economy before sanctions, the embargo has driven the already woeful economy deeper into the ground. Export value plus import value was between 30-33% Haitian GNP between 1986-1988. The government also receives substantial foreign aid from the United States. American bilateral aid accounts for over 33% of $178 million pledged from the United States, France, Germany, OPEC, IADB, and the World Bank in 1991. In 1989, the United States constituted 79.9% of Haitian exports and 55.1% of Haitian imports. Sanctions have had a profound effect on the economy. International assistance needed to lessen Haiti’s already bloated deficit stopped forthcoming once the coup took place. Exports to the United States in the first four months of 1992 earned only $17.4 million, compared with $94.3 million in the same period in

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1991 -- a 81.5% drop. Imports from the United States fell 65%, from $146.4 million to $51.4 million. Shipping costs have tripled, resulting in a lower terms of trade. Finally, although no macroeconomic data has been released on GNP or unemployment, it is estimated that at least 150,000 jobs in the export sector have been lost due to sanctions -- 8% of 1988 total employment. The economy is in such bad condition that goods such as electricity, cooking oil, and medical supplies are hard to find. Many poor, small-scale agricultural exporters and business owners can no longer function because no one will buy their products. As one Congressman puts it:

"Even for an economy where per capita GNP is a mere $360, such horrible economic conditions is making life extremely difficult for those who already find it tough to survive even in the best of times. Internal unrest has certainly added to the economic problems of sanctions."

The upper-echelons of society have circumvented most of the economic effects of sanctions. A thriving underground

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economy run by the military and wealthy provides significant income. The privileged class has also been able to purchase international goods and services through the Dominican Republic, which shares the island of Hispaniola with Haiti. This trade is limited, though, by poor transportation and communication links. Sanction busting by a number of countries has provided important goods to Haiti. For example, without the shipment of oil tankers in June and July 1992, the entire Haitian economy would have crashed.\textsuperscript{11} In addition, "at least a dozen countries in Europe, South Africa, and Africa have routinely ignored the trade embargo."\textsuperscript{12} But sanction busting is not extensive enough to compensate for Haiti's lost trade with the United States. Observers are only now beginning to see the economy harming the wealthy.

Historically imports run twice as high as exports. This is because Haiti lacks any notable natural resources and does not have a large manufacturing base. Without the ability to export or obtain international capital infusions, Haiti must rely on drug smuggling and sanction busting to generate much needed foreign exchange. One expects that if


sanctions are allowed to continue at its present destructive pace, inflation will soar so high that the real wealth of those who support the coup erodes.

POLITICAL CONSEQUENCES

Sanctions are proving very effective in achieving American primary and secondary objectives. Isolated by the international community and reeling from sanctions, the Bazin government has undergone extensive negotiations with the United States on 1) the eventual return of Father Aristide and 2) improving the human rights situation. United Nations human rights observers from the International Civilian Mission began entered Haiti in March 1993. Negotiations on establishing a transitional governments for 6 months before Aristide is allowed to return as President are near completion as of April 1, 1993. Such negotiations, however, may breakdown because of concerns by the Haitian coup leaders that Aristide will not extend amnesty to them. These kind of reforms never could have happened if not for sanctions. Politically, Haiti is isolated and is unable to turn to anyone else for compensatory assistance. And despite sanction busting, only the Vatican has officially


recognized the new government. Finally, economic conditions are becoming so severe in Haiti that the government has no choice but to compromise. Sanctions did achieve American objective. An most important thing to note about this case is that despite the fact that 1) a highly unpopular military overthrew a highly popular Prime Minister. 2) Haiti has no natural resources, 3) Haiti is the poorest nation in the Western Hemisphere. 4) Haiti was internationally isolated, and 5) the economy was seriously damaged by sanctions, the leadership still managed to avoid capitulating for at least 19 months. This only confirms the findings in the introduction that sanctions must remain in place for a good amount of time before they can be expected to be effective. If Haiti can hold out, anyone can.
Serbia would appear to be the ideal target for sanctions. Universal opposition to Serbian aggression in Bosnia-Herzegovina resulted in mandatory, comprehensive United Nation sanctions within the first few months after fighting broke out. The country is heavily dependent on external trade. Natural resources are sorely lacking. The former Yugoslavian republic has a long tradition of actively participating in European and international politics. Finally, Slobodan Milosevic -- the President of Serbia and alleged instigator of the war -- was popularly elected long before the Balkan crisis erupted. Yet despite all of this, sanctions have yet to make a noticeable political impact. The economy, however, has collapsed.

BACKGROUND AND OBJECTIVES

The collapse of Yugoslavia has brought havoc to this historically troubled region of the world. Tensions grew in the summer of 1991 when Slovenia and Croatia declared independence from Yugoslavia. Serbia -- the most politically and economically powerful republic -- refused to extend recognition to Croatia until it received assurances that Serbians living in Croatia would be protected. When it became apparent that Croatia was not prepared to give
Croatian Serbs waged a belligerent campaign against Croatia.

From Croatia's declaration of independence in June 1991 to the signing of the cease-fire agreement in January 1992, Croatian Serbs -- with significant economic and military support from Serbia -- were able to capture 33% of Croatian land. The peace agreement signed between the two factions allowed for Croatian Serbs to live in special "pink zones," separated from Croatia by 14,000 United Nation peacekeepers. It is estimated that 30,000 people died in the seven month confrontation. No fighting took place in Slovenia because few Serbs live in that republic.

Despite the horrors that were taking place in Croatia, it would be the conflict in Bosnia-Herzegovina that would prompt an international economic boycott. No longer wishing to be subjugated by Serbia, Bosnia declared independence on April 6, 1992. Sporadic fighting which had been taking place between Bosnian Serbs and Bosnian Muslims since February exploded into a full-scale war once the declaration was announced. Bosnian Serbs saw the creation of an independent Bosnian state as a direct threat to their personal safety. To "protect" themselves, Serbia and

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Bosnian Serbs engaged in a cruel and destructive military campaign in an effort to establish an "ethnically pure" Serb state within Bosnia. Fighting has continued unstopped since April. Croatia, wanting more territory for itself, also attacked Bosnia. Bosnian Serbs now control 70% of Bosnian land. Croatia possesses 30%. Only the Bosnian capital, Sarajevo, is firmly in control of the Bosnian government.

Western governments and public opinion have been shocked by the extent to which human suffering is taking place. Figures vary on how many people have died, but they all indicate great human suffering. Human rights organizations estimate that 50,000 people were killed within the first three months of the conflict. By fall 1992, such figures would increase substantially.

The Bosnian Foreign Minister said one Bosnian city lost 75,000 people, most of them Muslims, had been killed in Serbian attacks in his country since spring.

While such figures are impossible to substantiate, they are in line with Central Intelligence Agency projections. Observers also estimate that there have been 50,000 rapes and

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"Bosnian Minister Reports 100,000 have been Killed by the Serbs." New York Times. November 14, 1992.

"Winter may kill 100,000 in Bosnia, the CIA Warns." New York Times. September 30, 1992.
2 to 2.5 million refugees because of the war."

In addition to the killings, the methods employed by Bosnian Serbs were found by Western governments to be morally reprehensible and reminiscent of Adolf Hitler's war crimes. A policy of "ethnic cleansing" has been persuaded extensively by Serbia -- though Bosnian and Croatian forces have also practiced this inhumane act to a lesser extent. "Ethnic cleansing" is the systematic killing and expulsion of civilians of one ethnicity by another in order to create regions populated by only those of the latter ethnicity. For example, Bosnian Serbs have forced millions of Muslims to leave particular regions of Bosnia so that those areas would be ethnically populated only by Serbs. Such a policy has also led to massive extermination campaigns. A U.S. Senate Foreign Relations report released on August 19, 1992 indicates that "20,000 people had been killed or died in the process of ethnic cleansing and that there had been large numbers of executions for no crime other than being Muslim or Croat" in the first four months of the war." Serbs also run 135 concentration camps where 70,000 - 100,000 Muslims, Croats, and "disloyal" Serbs languish under horrible living

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'Economic Intelligence Unit. Country Report: Yugoslavia. Third Quarter, 1992.'
conditions. While in these camps, prisoners suffer from starvation, beatings, and exposure to cold winter winds.\textsuperscript{7} Many of the 100,000 people who have died in this conflict are victims of "ethnic cleansing" campaigns.

International response to the crisis has been swift. The United Nations and its members have imposed significant sanctions in an effort to stop the war. War crime tribunals have been established to deter the kinds of hideous "ethnic cleansing" campaigns still taking place. Public outrage over the atrocities also became a campaign issue in the 1992 Presidential election. The most important objective of senders was to stop the war in Bosnia.

SANCTIONS APPLIED

Of the ten case studies, sanctions against Serbia were found to be the most comprehensive. Note that Serbia and Montenegro have recently formed a new country called Yugoslav. What follows is a chronological listing of some of the more prominent sanctions applied.

May 30, 1992: United Nations Security Council imposes mandatory trade sanctions on Serbia. "The sanctions require all countries to cease trading with Serbia-Montenegro in any commodity, including oil, to freeze all foreign assets of the

Serb-Montenegrin federation, to refuse to repair, service, insure or provide spare parts for aircraft registered in Serbia or Montenegro and to suspend all air traffic with those countries. "Mandates that Serbian and Montenegro athletes be banned from the Olympics were later revoked."

June 23, 1992: "(Secretary of State) James Baker declares that the United States would no longer accept the Belgrade Government's Ambassador in Washington, that Washington would close the only remaining Yugoslav consulate in the United States."

July 1, 1992: The United States freezes Serbian and Montenegro assets. Assets thought to total $550 million were frozen in British accounts on June 1, 1992.10

July 8, 1992: "The Conference on Security and Cooperation in Europe suspend Yugoslavia for three months, blaming the truncated nation for aggression against its neighbors."

July 15, 1992: Following votes by the Western European Union and NATO, a naval patrol is established off the Adriatic Sea to monitor vessels entering and exiting Yugoslav ports. In November 1992, the United Nations authorizes NATO warships to halt and search boats it suspects of violating UN sanctions.11

September 25, 1992: Yugoslavia is expelled from the United Nations.

"Ramet 90. Note that when the Yugoslavia federation broke-up, Montenegro was the only republic to remain affiliated with Serbia. Serbia and Montenegro are recognized as Yugoslav in international organizations.


October 6, 1992: For the first time since World War Two, an international war-crimes commission is created to "collect evidence of possible atrocities throughout the former Yugoslav federation and decide who should be prosecuted." International tribunals would be established in the following months.

October 8, 1992: The United Nations Security Council votes to ban all military flights over Bosnia. The resolution, however did not have any enforcement mechanism.

The only other notable sanction worth mentioning is an arms embargo which applies to all sides. Sanctions adopted in 1993 usually entail "tightening" current United Nation resolutions. For example, sanctions adopted in April 1993 which banned all transportation to and from Serbia were meant to "tighten" the May 1992 sanctions.

ECONOMIC CONSEQUENCES

The Serbian economy has collapsed under the weight of United Nation sanctions. All available economic indicators suggest that the country is suffering from high inflation, unemployment, and loss of trade. A country dearth of natural resources, Serbia has always relied upon trade to promote economic growth. Without question, the ending of international transactions with both the world community and other former Yugoslavian republics has caused tremendous economic suffering.

Serbian GNP per capita was about $3000 in 1989, making

it one of the wealthiest targets examined. The country has a highly productive agricultural and manufacturing sector, but only produces 25% of its domestic energy requirements. Before June 1991, Serbia's energy demands were supplied primarily from oil fields in Croatia. Intra-Yugoslavian trade was also extremely important for a number of Serb industries which need large markets in order to manufacture competitively. Approximately one-third of all Serbian economic activity took place with other Yugoslavian republics. International trade was equivalent to 40-50% of Yugoslavian gross social product. Given such dependence on other economies and intermediary goods, one is not surprised to find this relatively wealthy nation reeling from sanctions.

The most prosperous Yugoslavian republic since 1948, Serbia has since crumbled. Tens of thousands of businesses have shut-down due to a shortage of vital raw materials and intermediary goods. By September 1992, Serbian imports had

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14But because the population is small, Serbia is still classified as "Middle."


declined 80% over previous years level. Widespread scarcity of basic consumer goods such as gasoline, toys, medicine, and paper is also fueling inflation to levels not seen in Europe since the end of World War One.

High budget deficits to finance the war and keep the economy afloat has resulted in hyperinflation and currency instability. For example, on January 4, 1993 a U.S. dollar fetched about 2,600 dinars. In the second week of March 1993, one dollar was worth 29,000 dinars -- a 1000% devaluation within three months. This rapid declining value of the dinar is another obstacle Serbia has had to overcome in finding reliable trading partners. Those on fixed incomes have suffered the most under sanctions. Food and military equipment are the only two products which are not in short supply -- though increases in food prices now make it unaffordable for many.

The Serbian government has attempted to take a number of steps to mitigate sanctions economic impact. These policies

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have failed. Trade diversion is not feasible because potential new trading partners, such as Russia, do not find it in their political interests to defy United Nation mandates. Serbia also does not have enough hard currency reserves to pay for imports. Sanction busting has happened to a limited extent, but not enough to compensate for the 80% reduction in imports. The only notable product where Serbia has expended tremendous amounts of effort and money to obtain is oil. Through sanction busting, Serbia has been able to import about half of its energy needs. Greece, Romania, and Russia are the three largest violators of sanctions. But even these countries have limited their trade relations with Serbia so as not to alienate Western governments. A precipitous drop in the terms of trade has also limited the extent to which Serbs find sanction busting profitable. Government printing of money has helped alleviate short-term economic pain, but it is now causing so much inflation that the economy may soon crash.

Sanction's contribution to the economic turmoil is difficult to quantify. Some observers have estimated that sanctions are responsible for one-half of Serbia's economic problems. Additional factors such as the war and lost trade with other former-Yugoslavian republics are also responsible.

POLITICAL CONSEQUENCES

The consensus among observers is that sanctions either failed or were counterproductive. Both the Central Intelligence Agency and Pentagon released reports in the summer of 1992 indicating that sanctions were doomed to fail.21 American reporters and policy makers often proclaim that sanctions are failing to force the Serbs to withdraw from Bosnia or improve human rights conditions. Television footage of concentration camp prisoners provide strong evidence for millions of Americans and Europeans that sanctions are not working. Is the general consensus right? Absolutely -- with some qualifications. This author found that sanctions did in fact fail, but that not to have imposed sanctions may have been worse.

There is a very persuasive argument that sanctions not only failed, but may have been counterproductive. Many writers and scholars note that Milosevic was in political trouble following the declaration of independence by Slovenia, Croatia, and Bosnia. By going to war against these republics to "protect ethnic Serbs," Milosevic painted himself to be a Nationalist bent on securing a Greater Serbia instead of the Communist dictator he was during the Cold War.

Tapping into Serbs nationalist sentiments, Milosevic became a folk hero for many Serbs. Under these circumstances, sanctions caused Serbs to "rally-around" Milosevic and resist Western powers who are perceived as wanting to see the destruction of a Greater Serbian state.

It is thus likely that sanctions may have given Serbs political and psychological incentives to resist international economic coercion. The benefits of the behavior, then, exceeded the costs of sanctions. But does this suggest that had there been no sanctions the situation would be different? It is quite possible that had there not been sanctions, Serbia would have had the economic resources to militarily defeated Bosnia much quicker and with much more brutality. Serbia will achieve its military objective -- the creation of "ethnically pure" regions in Bosnia -- but sanctions did make it more difficult.

Sanctions not only failed to stop Serbian aggression and human rights violations, they have also been of little

benefit in inducing Bosnian Serbs to negotiate. Over one dozen cease-fire agreements have been broken by Bosnian Serbs seeking more territory. Efforts to get Bosnian Serbs to sign onto the so-called "Vance-Owen plan" — which would divide Bosnia into 10 relatively autonomous and "ethnically pure" districts -- have so far failed. If Bosnian Serbs ever do sign onto this treaty it will not be because of sanctions, but instead because Serbia has achieved its military objectives and Milosevic will no longer feel the need to engage in war to maintain power. The only sanction which might have been of some benefit was the arms embargo. Although many Bosnian Muslims claim that the embargo deprives them of means of self-defense, allowing extensive military imports would have escalated the conflict.

It has been briefly shown that sanctions failed to achieve the primary and secondary goals of the senders. For purposes of argument, this author would like to consider what might have happened had sanctions not been imposed. No longer constrained economically, Serbia may have usurped all power in Bosnia within a matter of six months. Had this happened, war fervor in Serbia may have been so high that Milosevic would feel confident that he could win a war against Kosovo or Macedonia. An attack on either of these two might then spark military retaliation by other states, such as Albania in the case of Kosovo. What would happen
next no one could know but this writer can not picture it being pleasant. If such a scenario is plausible than sanctions were very effective in limiting Serbs ability to use military force.

Given Western aversion to using military force to stop the fighting in Bosnia, sanctions were highly effective in meeting Western public demands that "something be done" about the crisis in Yugoslavia. This was especially true after television camera crews captured the nature of the war on film. Public revulsion at the killings shown on television and a sense of impotence in the supposed new world order put pressures on politicians in Washington, London, Paris and Bonn to "do something." The public was also absolutely horrified at the prospects that concentration camps were being used. Not wishing to sacrifice American troops nor alienate Russian leaders suspicious of Western intentions, political leaders found sanctions to be easy way for them to reassure the public that they were being "tough" on Serbia -- even though it is highly doubtful that sanctions could achieve primary and secondary foreign policy goals.

CONCLUSION

Sanctions were extremely effective in damaging the

Serbian economy. But as many of the case studies prove, it does not follow that economic declines lead to political reforms. Perhaps if given more time sanctions would have made a significant contribution in pressuring the Serbian government to halt the military activities of Bosnian Serbs. But the probability that sanctions will still be in place a year from now is extremely low. Once Bosnian Serbs achieve their military objectives, they are likely to sign onto the Vance-Owen plan. Short of Western military intervention, only then will the horrors in Bosnia stop.
Chapter III:

How Sanctions Work In Practice
HOW SANCTIONS WORK IN PRACTICE: ECONOMIC CONSEQUENCE

The results of this study support the argument that economic sanctions can be used to harm a target’s economy. In 8 out of 10 cases, the target saw either negative GNP growth or negative GNP per capita growth. GNP declined by 30-50% in at least three -- Cuba (1989-), Panama, and Serbia. Haitian GNP may also have declined 30-50% since September 1991, but no credible data is available to substantiate this claim. China and South Africa were the only two cases where positive growth was found. But even in these two cases, there was a significant drop from historical growth patterns.

South African annual GNP went from 2.21% from 1979-1984 to 1.22% between 1985-1991. China GNP growth fell to single digits after posting double digits rates for a number of years. It would thus appear that sanctions can contribute to a weakening economy. Chart I in the Appendix summarizes the economic findings for each of the ten cases.

The empirical results show that sanctions, under the proper circumstances, can have very damaging effects. Of the eleven case studies (Cuba is listed twice), six were found to have been significantly impacted by sanctions. Four were damaged so badly by sanctions that they warranted a score of 9 or higher. The other five incidents also saw economic problems arise because of sanctions, but such
punishment was not considered significant either because sanctions did not stymie growth or sanctions contributed little to a worsening economic situation relative to other factors. China was the only country not hurt much by sanctions. The other 9 were damaged to varying extent.

One must be cautious in assessing what contribution sanctions made in fomenting the data presented in Chart I. Economic and political conditions besides sanctions can have a greater impact on an economy than economic coercion. Chart II gives a brief summary of factors other than sanctions for why economic performance declined. Note that in all cases, business confidence declines and international companies may halt trade and investments irrespective of sanctions. Another common trait was the presence of military conflicts. The existence of civil or international wars accompanied sanctions in the cases of Iran, Nicaragua, Rhodesia, and Serbia. Extensive internal violence was also present in Haiti and South Africa. Finally, Vietnam’s economic base had been ravaged by three decades of war prior to sanctions in 1975. Government mismanagement was a reason why Cuba, Iran, and Vietnam would have suffered economically irrespective of sanctions. There are also a plethora of other determinants not cited which may explain a country’s economic performance. For example, the historical growth patterns of the target and the economic health of the
international community can strongly influence the economic performance of a Lesser Developed Country. All of these variables make determining the exact economic nature of sanctions through empirical analysis extremely difficult. But even though it cannot be quantified, the evidence still strongly suggests that sanctions will adversely effect an economy so long as they are comprehensive and enforced.

Given particular economic and political conditions, one may estimate how much of an economic effect sanctions will have even before they are invoked. The extent to which sanctions will damage an economy is a function of the target's 1) economic strength, 2) natural resource base, 3) dependence on imported raw materials -- particularly petroleum 4) composition of goods traded with the sender, and 5) ability to find alternative suppliers either through new trade partners or new domestic production. While many scholars suggest that targets with a high percentage of trade relative to GNP are more vulnerable to sanctions than those with a small percentage, this author found that unless rigorously enforced sanctions are applied on at least a regional basis, such a statistic is not correlated to economic damage. To maximize its economic impact, it is important for the sender to take into account each of the above five components. As demonstrated in the case of China, Iran, Rhodesia, and South Africa, failure to tailor
sanctions to the target's economic condition may prompt targets to restructure their economics or trade into a more favorable position.

This study found a strong inverse relationship between the economic success score and the economic strength of the target. This is partially explained because of the hesitancy of the sender to apply full economic coercion on larger countries. Sanctions placed on the five poorest states were much more comprehensive in nature than those of the wealthier five. But even taking this into account, larger economies are better able to absorb the cost of sanctions because they can either develop successful import substitution plans, find it easy to divert trade, or because the economy is large enough that the reduction in trade is inconsequential.

Nations with low GNP are less likely to counteract sanctions. The exception is when targets can take advantage of its pariah status and receive aid from alternative sources. This happened quite a bit during the Cold War. For example, isolated by the United States, Cuba turned to the Soviet Union for assistance. But even if other markets are found, increases in transportation costs can have serious implications on the terms of trade -- as the case of Cuba, Nicaragua, Panama, and Haiti clearly demonstrate. The only non-poor country to see an economic success score of 10 was Serbia.
The quantity and quality of natural resources mined and exported from the target had a tremendous impact on the success rating for each case. Iran, South Africa, and China -- all of whom had an unsuccessful economic impact scores -- are well endowed with natural resources. Vietnam and Rhodesia, both of which have some natural resources, fared better than most counterparts. Sender governments were also found to be reluctant in imposing sanctions against a target's natural resources. Perhaps the best example of this was the Byrd Amendment which permitted imports of Rhodesian chrome despite mandatory United Nations sanctions. The only country to see all of its mineral base sanctioned by the United States was Vietnam. No country sanctioned any Chinese mineral exports. Iran easily found alternative markets for its oil. And the only mineral South Africa could not legally export was gold coins -- though much evidence suggests that they exported it in spite of sanctions. Such policies reduce any meaningful economic effect sanctions may have. But because sender nations need raw materials for their own economy to function, they will continue to exempt important "strategic minerals." In the five cases where the country has little or no natural resources, the average success score was almost three times higher than in case where at least some natural resources
As discussed in section two, "import bottlenecks" or declines in energy imports (oil) can have profound effects on the target economy. The empirical results confirm this suspicion. Targets who import machinery and spare parts from the sender all experienced serious short-term economic pain. Economic turmoil would continue until the capital equipment was replaced from other trade partners. Sanction-busting rarely was able to solve the "import bottleneck" problem. Although sanctions never proved capable of stopping all oil or intermediary good imports, they did significantly increase the price of such commodities. Sanctions also were shown to decrease the ability of targets to import oil or intermediary goods for lack of hard currency. Finally, in situations where there was a global shortage of oil, such as the 1973-1974 oil crisis, internationally sanctioned countries found it very difficult to obtain oil. Thus experience shows that targets who import intermediary capital goods and large quantities of oil are the most vulnerable to sanctions.

In cases where economic sanctions failed to make a dent in the economy, it was always the result of the target

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1 Average score between Cuba (B), Haiti, Panama, Nicaragua, and Yugoslavia was 9.2. Average score between China, Iran, Rhodesia, South Africa, and Vietnam was 3.2.
finding alternative trading partners. Trade diversion was relatively easy during the Cold War years because a target could play one Superpower off another. Cuba -- and Nicaragua to a lesser extent -- survived American sanctions because of Soviet assistance. When Yugoslavia was hit with Soviet sanctions in 1948, President Tito received substantial aid from the West. Rhodesia flourished so long as South Africa was willing to act as an intermediary between it and the outside world. Even when sanctions levied a heavy economic toll, target governments were still able to find valuable support in the international community. For example, Nicaragua received over $2 billion in aid from the Soviet Union and Western Europe between 1981-1983. Panama secured $50 million in financial aid from Libya. Since the collapse of the Soviet Union, small target states who were receiving significant financial support from the Soviets have seen their economy plummet, suggesting that U.S. sanctions may have been extremely effective if not for trade diversion.

Sanction busting -- the illegal exportation and importation of goods and services -- occurred to varying degrees in each case. Even when trade diversion is not economically or politically feasible, all targets will engage

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Hufbauer and Schott 1990: 176. The U.S. government estimates that $440 million came from the Soviet Union and $1.6 billion from "misguided" European governments.
in sanction busting no matter how well enforced and universal the sanction. Illegal trade does supply the target with limited quantities of very important raw materials and intermediary goods, but is never enough to significantly mitigate the effects of sanctions. Also, worsening terms of trade will usually make sanction busting so expensive that the target will only have enough resources to import a few key commodities. Haiti and Serbia, for example, have spent tremendous amounts of money on importing oil at the expense of importing other goods. Sender governments must be willing to accept that neighboring countries and businesses will find it in their short-term economic and long-term political interest to conduct international transactions with the target. Strong enforcement and diplomatic pressures may reduce sanction busting, but it cannot solve the problem.

Efforts by the target government to mitigate the economic effects of sanctions through restructuring the economy were rarely effective without external assistance. A common government strategy in cases where GNP was severely damaged included implementing an industrial policy which encouraged domestic production -- a so-called "import substitution" plan. So long as raw materials and intermediary parts are made available, such a policy can be highly successful. Sanctions, however, often prevented
import substitution plans from working since they make imports of foreign capital equipment and foreign investment difficult. Rhodesia was the only country to successfully use an extensive import substitution plan. But even in this case, import substitution only worked so long as South Africa was willing to engage in trade. South Africa also developed a highly productive arms industry following UN sanctions against military exports. Another defense mechanism is for target governments to redistributed income, thus increasing social welfare and rendering GNP data inconsequential. This happened in the case of Cuba and to a lesser extent in Nicaragua and Vietnam. While government intervention probably does help the economy in cases where sanctions had a very large economic impact, such intervention can not significantly reduce the effects of sanctions nor save the country from economic disaster. Trade diversion is the most important defense mechanism for the target.

It is interesting to note five economic phenomenon which transcend all ten cases. First, and of striking importance, is that sanctions greatest impact tends to be within the first one to two years -- the time least likely to see any political change (see below). After severe short-term economic declines, industries and governments adapt to the new economic environment and function accordingly. Businesses may arrange new trading agreements with third
parties, domestic production fills the void left by international competitors, and new capital equipment from alternative suppliers is used to mitigate "import bottlenecks." A second common trend is that sanctions lead to stringent exchange rate controls to prevent a massive flight of capital. Such a policy tends to increase the price of imports. Third, long-term investments always decline in real terms. This last fact has important ramifications on the long-term economic health of a country. As discussed in the South Africa case study, one of the motivating factors in President de Klerk's decision to open negotiations with the African National Congress was to reverse the decline in capital inflows. Fourth, in cases where sanctions caused severe economic damage, the target government defaulted on international debts. Finally the group the United States or United Nations most wanted to support -- whether it be the blacks in Rhodesia and South Africa or capitalists in Cuba and Nicaragua -- suffered the most from sanctions.

The evidence does suggest that sanctions do harm an economy. This is consistent with theoretical arguments that less trade decrease a nation's aggregate wealth. But it does not follow that economic turmoil can lead to political change?
HOW SANCTIONS WORK IN PRACTICE: POLITICAL CONSEQUENCE

The empirical results suggest that sanctions will achieve at least one of four possible objectives, but rarely all four. The following paragraphs summarize the findings of the political consequences of sanctions. Four objectives will be examined in order: primary foreign policy goals, secondary goals, symbolism, and domestic politics.

Sanctions were fairly effective in achieving the primarily foreign policy objective of the sender. Chart V gives the numerical success score for each case. Hufbauer and Schott found sanctions to be successful in only 2 of the 8 relevant cases -- Iran and Rhodesia. This writer believes that they were of significant success in 6 out of 8. Sanctions made a meaningful contribution in destabilizing the governments of Haiti, Nicaragua, and Rhodesia (1974-). Panama suffered from such severe political and economic turmoil as a result of sanctions that one can not fault them for not overthrowing Noriega. South Africa entered serious negotiations on power-sharing with blacks in part because of world economic pressures. American sanctions against China were not so harsh as to create considerable tensions between the United States and PRC. Finally, sanctions were an important negotiating leverage against Iran following the Iraqi invasion in September 1980.

Even in the four cases where sanctions did not achieve
their primary political objectives there still was some benefit. Fidel Castro may not fall under the weight of sanctions, but the economy has been so devastated by both U.S. sanctions and the collapse of the Soviet Union that there is a strong possibility that whomever follows Castro will implement a number of "Western" reforms to accommodate the U.S. If not for the Iraqi invasion which threatened the survival of the Iranian Revolution, sanctions would have failed. Rhodesia succumbed to sanctions after 10 years and South African pressure. Finally, sanctions may not have stopped Serbian aggression in Bosnia-Herzegovina, but they did make it more difficult for Serbia to follow a jingoistic policy against other regions, such as Macedonia or Kosovo.

Sanction's record on secondary foreign policy objectives is poor. In only two cases -- Cuba and South Africa -- did this author find that sanctions were of significant benefit. The Soviet Union spent $2-4 billion a year supporting Communism in Cuba -- over 0.4% 1979 Soviet GNP. South Africa implemented a number of human rights reforms to accommodate the West. On the other hand, sanctions did not improve human rights conditions in China, Haiti, or Serbia. Vietnam's decision to withdrawal from Cambodia had little to do with U.S. economic coercion. Panama remains a key player on the international drug market. Finally, sanctions did not help U.S. businesses in their expropriation claims.
Surprisingly, this study did not show a strong correlation between the economic success and primarily foreign policy success. For example, economic collapse occurred in Cuba (1989) and Serbia on a scale of a 10, yet both had a primarily foreign policy score of 1. Sanctions against South Africa contributed to reforms, but did little damage to the economy. On the other hand, there was a correlation between the economic and political success scores in the cases of Cuba (1960-1989), Haiti, Nicaragua, and Panama. In the case of Rhodesia and Iran, mixed results were found. Once Rhodesia suffered economic pain beginning around 1974, political pressures mounted for the Smith regime to abdicate power. Iran's decision to release the hostages was a response to military needs and not economics.

Why is it that certain countries respond to sanctions differently even though they are shown to harm a target's economy? A comparison of the ten cases leads one to conclude that sanctions are more effective under certain conditions than others. The probability sanctions achieve primary foreign policy objectives will be strongly influenced by 1) the type of government in place, 2) the relationship between the sender and target at the time of sanctions and 3) if military force was present at the time of sanctions.

The probability of success will strongly be determined
by which one of five types of governments were sanctioned: Apartheid, Communist, Military, Religious, and Socialist. Of these five, Communist and Religious governments were most likely to weather sanctions. This fact is not surprising since anti-American sentiments are highest in these societies. "Rally-around-the-flag" effects are much more likely under this type of government than any other. These target governments are also less likely to want to depend on the United States for political, economic, and moral support.

None of the three Communist countries studied -- China, Cuba, or Vietnam -- significantly altered their behavior because of sanctions. Iran, the only Religious government examined, changed their behavior because of the Iraqi invasion and not because of U.S. economic coercion.

Apartheid governments were the most likely type of government to change behavior. This may be because blacks supported sanctions and would not "rally-around" the government. Sanctions also gave moral support to these groups, thus encouraging them to further pressure their government through military means. Military governments had a mixed record. Sanctions worked against Haiti and Panama, but dismally failed in the case of Serbia. Finally, Nicaragua -- the only Socialist government studied -- did succumb to sanctions, but other factors were primarily responsible.

A very strong correlation exists between the probability
of success and the relationship between the sender and target at the time of sanctions. This is true irrespective of political objectives sought. Every target with either a "cordial" or "cool" relationship with the sender saw a significant success score. Those with an antagonistic relationship with the sender were much less likely to change behavior. All four cases which failed held an antagonistic relationship with the sender at the time of sanctions. One may hypothesize that countries interested in interacting with the world community or maintaining relationships with the sender state are more likely to change behavior because the political and economic costs of not doing such are relatively high. On the other hand, those with an antagonistic relationship do not value the economic and political losses from sanctions as highly. Thus the analogy of the 16 year-old high school student used in section two may be valid. Different governments calculate the costs of economic punishment differently.

There was also a strong correlation between the presence of military force and the success of sanctions. Sanctions were found effective in 4 of 5 cases where there was either a civil war, international confrontation, or significant internal unrest. Warfare tends to increase the

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Note that this assumes that America's primary political objective with respect to China was achieved.
costs of misbehavior and thus compound the costs of sanctions. For example, sanctions were successful in the case of Rhodesia and Iran only after a civil and international war broke out respectively. The Contras in Nicaragua caused more economic and political damage than did U.S. sanctions. Serbia was the one case where sanctions did not contribute to achieving primary political objectives when military pressures were being applied. Also note that this case is the only target which is likely to achieve their territorial and political objectives through the use of force. When no military force was used, the success rating was 2 out of 3.

It is interesting to note that there may be a relationship between the presence of military force and sanctions. It is conceivable, as discussed in the Iran and Rhodesia case studies, that sanctions may give incentives for government opponents to engage in warfare. There are three reasons for this possibility. First, sanctions weaken the ability of target governments to finance war. Second, the economic effects may generate poverty, thus encouraging those suffering the most from sanctions to seek the use of force. Finally, military leaders may be more likely to stage coup d'état if they feel that the international community would not condemn the action. This last scenario only happened in Panama.
Even though sanctions were deemed effective, a willingness on the part of target governments to resist sanctions for at least 1 to 2 years transcended each of the cases. Such a finding is not surprising given that target governments always react negatively to sanctions. But it is important to realize that no target government will immediately change behavior because an outside source is exercising economic leverage. As noted earlier, often targets engage in "misbehavior" as a means to maintain power -- and no government wants to abdicate power because of foreign pressure. This explains why targets always resist significant change for at least 1 to 2 years. The average length of sanction period of the ten cases is 8.6 years. Sanctions are still in place in 5 cases (though one may argue that for all practical purposes they have been lifted against China). No target capitulated within 1.5 years. Thus when policy makers impose sanctions, they must be prepared to keep them in place for at least 1 to 2 years. The larger the country, the longer sanctions are needed to remain in place until the objective is achieved.

But sanctions are not always primarily imposed to alter the behavior of the target. They can also be used for symbolic purpose. The record on sanctions ability to achieve symbolic objectives is mixed. Sanctions often failed in creating a sense of isolation or marshalling
international cooperation. But they were found somewhat useful in sending signals to third parties that the sender was "fighting Communism" or "against apartheid." The empirical results show that senders cannot rely upon symbolism as a means to alter the behavior of the target. Sanctions can, however, impose additional costs on targets who highly value interaction with the international community. But even in these cases, South Africa was the only case where symbolism resulted in a willingness of the target to change policy. Political circumstances at the time sanctions are imposed have a significant effect on determining if the population will sense isolation. For example, a wealthier nation ruled by the same government two years before sanctions is more likely to feel the symbolic effects of sanctions than small nations with revolutionary governments and strong anti-American sentiments. In over one-half of the cases, "rally-around-the-flag" effects -- such as those found in Cuba, Iran, Nicaragua, Rhodesia, Serbia, and Vietnam -- provide target governments with more support than symbolism takes away.

Sanctions, however, do prove useful in sending politically important messages to third parties. Of the 12 periods examined, sanctions sent an important message to third parties 8 times. Political tensions between the American and African countries were strained until the United
States imposed sanctions on both Rhodesia and South Africa. Sanctions against Cuba (1960-1975) and Vietnam (1964) helped reassure allies that America was committed to fight communism -- even though no European government sanctioned Cuba. U.S. allies would seriously question America's willingness to confront antagonist states had no sanctions been applied against Iran. Finally, sanctions against Serbia and Haiti sent messages to European and Latin American allies respectively that America was committed to promote human rights in the "new world order." Chart VIII in the appendix summarizes the symbolic success scores. The need to send these kinds of messages should not be undervalued.

Political events in one part of the world can have a significant bearing on another. The decision by the United Nations not to impose additional sanctions on Serbia until April 25 to help President Boris Yeltsin in the April referendums is a perfect example of this phenomenon.

So far sanctions ability to achieve three objectives -- primary foreign policy, secondary foreign policy, and symbolism -- have been tackled. The remainder of this section argues that domestic politics is the single most important reason sanctions are imposed. A close examination of who is sanctioned, what sanctions are imposed, and the timing of sanctions supports the argument that sanctions are often used to reassure domestic constituencies that the
government is concerned about what voters think. For example, deciding what and what not to sanction against South Africa was determined by domestic political considerations and not what would most damage the South African economy. Sanctions against China were invoked following the Tiananmen Square massacre which was seen on television by millions of people -- not when highly scholarly reports detailed the killings taking place in Tibet. Finally, it was only after it became public knowledge that Manuel Noriega exported drugs to the United States that pressures mounted for sanctions, even though the CIA knew all along that he was a drug dealer.

Of the ten relevant cases, sanctions advanced domestic political objectives in nine. Sanctions were of extreme political importance in the cases of Cuba, Iran, South Africa, and Vietnam. Presidential candidates continue to support sanctions against Cuba and Vietnam as a means to attract powerful constituencies. The decision to apply sanctions against China, Haiti, Panama, and Serbia was driven in part by a desire not to give then Presidential candidate Bill Clinton ammunition from which they could raise questions in the minds of the American public about President Bush's handling of foreign policy. Note that in the case of Vietnam, the domestic political benefits of sanctions has significantly waned. Initially used to "save face" after losing its first war in history, most Americans and business
leaders now believe it is time to lift sanctions. However, because many single issue voters will only select Congressional candidates who support sanctions, it is still politically advantageous for politicians to advocate continuation of current U.S. policy. This author is of the opinion that it will not be long before the American government finds it beneficial to revoke sanctions.

Sanctions were counterproductive just once. In the case of Nicaragua, the American public saw sanctions as part of an overall policy which they did not feel supported American or Nicaraguan interests. Disapproval over anything pertaining to U.S. policy in Nicaragua became much more acute once the Iran-Contra scandal was brought to the publics attention. It may be argued that sanctions without U.S. support for the Contra or the Iran-Contra affair could have avoided negative scores. But even then sanctions utility would be probably be a 3 at best. Rhodesia was the only case where the American public was ambivalent."
Chapter IV:

Conclusion
CONCLUSION

Political leaders do not run a business but an on-going concern. When a foreign government "misbehaves," other governments cannot close shop until the political environment turns more in their favor. They must do something. That something can be one of four things: do nothing, apply diplomatic pressure, apply economic pressure, or apply military pressure. Many times sanctions are invoked not because policymakers think they will work, but because are the best of the four options available. Doing nothing or applying diplomatic pressure rarely work for goals such as destabilization or stopping international aggression. Military intervention may be too costly or politically untenable. Sanctions can provide a good compromise between these two extremes.

Thus analyzing sanctions should be counterfactual in nature. What would happen if no sanctions were applied? What would happen if alternatives such as diplomacy or military force were used? Then comparing the benefits and costs of sanctions relative to alternatives, one could decide what course of action is best to follow. Obviously such a comparison is empirically impossible. Therefore, this study examined the empirical economic and political effects of sanctions -- rarely comparing it to other policy options. Such a study should be helpful in estimating expected
outcomes when sanctions are applied.

Are sanctions effective? Do they have an important role to play in the international political arena? It must be strongly emphasized that economic sanctions always change the political and economic environment of a target and thus have some net benefit. They do have an impact! Sometimes this impact may stopping a country from obtaining military equipment, such as what happened in the case of China and United Nation sanctions against Iraq (1990). Other times there can be severe economic costs. The question is whether or not the degree of impact is sufficient to induce the target to alter its behavior. Evidence presented in this study seems to indicate that economic sanctions can achieve foreign policy objectives when used in the proper circumstances. But even if primary objectives can not be achieved, secondary objectives, symbolic effects, or domestic political goals are realized. Sanctions also always punish a country -- though it is the group the sender wishes to support which almost always bear the brunt of the punishment.

Whether they work or not, the use of economic sanctions is likely to rise. With the end of the Cold War and growing economic and political interdependence among the nations of the world, target countries will find it more difficult to fight sanctions. There will also be a growing use of sanctions by the United Nations Security Council as the world
powers work together to promote common political interests. Countries which may have been able to avoid sanctions in the past because a Superpower was willing to shield them from UN sanctions -- such as what happened when the Soviet Union vetoed UN sanctions against Iran -- are now going to find it much more difficult to avoid international sanctions.

For Western powers to make sanctions an effective policy instrument over the long-run, a number of difficult obstacles must be tackled. The most important of which is the role of multinational corporations (MNC) and extraterritorial legislation. Globalization of industry and the rapid spread of financial and capital investments to other parts of the world will make it difficult to enforce sanctions unless the world community supports such action. The United States may now be the only nation which has enough economic clout to unilaterally impose effective sanctions. But such unilateral sanctions will only work against small Latin American nations dependent on U.S. trade. Perhaps as early as the turn of the century, the United States will find it difficult to impose sanctions even against these countries without help from the European Community, Pacific Belt, Russia, United Nations, etc... The relative decline in American economic and political influence compared to that of Europe, Asia, and a number of LDC's makes it easier for targets to resist sanctions invoked by only one sender.
Sanctions against Iraq and Serbia clearly demonstrate the necessity of global sanctions to prevent trade diversion. Cases like Vietnam and Cuba, where only one country acts as the sender, will become extremely rare.

A second problem which needs to be addressed is the issue of extraterritoriality. Firms in the sanctioning state who are legally bound to comply with domestic law often use their foreign subsidiaries to act as a transit point for trade. For example, American subsidiaries in Europe conducted over $700 million in trade with Cuba in 1990 in spite of U.S. sanctions. One way around this problem is to pass legislation which is also legally binding for foreign subsidiaries. But such efforts always create tensions with allies and often result in counter-legislation by the home country demanding that the subsidiary not abide by the sanctions. Examples of this include European legislation mandating that American firms not follow U.S. sanction legislation against the Soviet Union (oil pipeline sanction, 1981). Difficult legal problems arise when competing laws are expected to be followed. Until such issues are settled, sanctions may generate deep divisions among allies and mitigate the expected effect of sanctions.

Perhaps the most difficult obstacle future senders will

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confront is establishing the proper institution and legal mechanisms to make sanctions a truly global event. The recent experience of UN sanctions against Iraq and Serbia indicate that the United Nations will play the leading role in future sanction episodes. Given the diversity of political interests present in the 5 permanent members of the Security Council, legal and political frameworks are needed to mitigate differences which may arise. Nations wishing to impose sanctions will need to compromise with other major economic and political powers if sanctions are to have a significant effect. Current U.S. legal mechanisms are extremely complex and can restrict a President’s negotiation flexibility with other nations. Another important obstacle will be how enforcement is maintained. Will UN troops become custom officials? Will sanctions be placed on nations whose businesses engage in sanction busting? These are all important questions which should be further researched.

This study examined the political and economic ramifications of past sanction episodes. The results indicate that sanctions can be a very useful tool to significantly alter the behavior of the target if and only if senders are willing to strictly enforce comprehensive sanctions for at least 1-2 years in the case of small countries, and many years in the case of large countries.
Sanctions are also extremely valuable as a way to send important messages to domestic or foreign audiences. Continued future success will rest upon the extent of international cooperation. It is hoped that this study provides the reader with a better understanding of when sanctions can be a useful foreign policy instrument. It is also hoped that the study shows what sanctions can not be expected to accomplish.
Chapter V:

Appendix
The following chart gives a brief summary of the economic findings of this study. Recall that a rating system of 1 (no success) to 10 (high success) is used to numerically indicate the extent to which this writer found sanctions useful. A 5 is the lowest possible score for a sanction to still be considered a significant success. Note that in every case sanctions did adversely impact the economy; it was a question of how extensive the damage was. Data presented is found either in the relevant case study or upon request.

Chart I: Economic Consequences

<table>
<thead>
<tr>
<th>Country</th>
<th>Macroeconomic Impact During Sanction Period</th>
<th>Trade Impact During Sanction Period</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>GNP Increase</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>-- 9.4% 1990</td>
<td>Exports and imports increase.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-- 7.0% 1991</td>
<td>Generate trade surplus reversing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-- 12.0% 1992</td>
<td>historical trade deficit.</td>
<td></td>
</tr>
<tr>
<td>Cuba (1960-1989)</td>
<td>GNP Increase $7.6 billion</td>
<td>America accounted for 60% of</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>(1960-1979) relative to no sanctions because of</td>
<td>exports and 69% of imports.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Soviet Aid. Severe impact in early 1960s.</td>
<td>Trade value with the U.S. in 1961</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Economy stagnant in 1980s.</td>
<td>was only 5% of total exports and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4% total imports.</td>
<td></td>
</tr>
<tr>
<td>Cuba (1989 --)</td>
<td>Since 1989, GNP may have declined 56%</td>
<td>1990: Trade below 70% mid-1980s</td>
<td>10</td>
</tr>
<tr>
<td>Haiti</td>
<td>150,000 unemployed because of sanctions.</td>
<td>Decrease 1992</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Severe shortage of consumer, capital goods.</td>
<td>-- exports 81.55%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-- imports 65%</td>
<td></td>
</tr>
<tr>
<td>Iran</td>
<td>GNP Decrease</td>
<td>Most trade with U.S. stop before</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>--19.7% 1978</td>
<td>American sanctions.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>--5.6% 1979</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>--20.0% 1980</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Nicaragua
- **GNP Decrease**
  - 17.0% 1981-1990
- **Export Value Decr.**
  - 43.0% 1980-1988
  - 39.0% 1984-1988
- **Import Value Incr.**
  - 1.0% 1980-1988
  - 5.0% 1984-1988
  - dec 7.5% 1985-88

### Panama
- **GNP Decrease**
  - 16.3% 1988
  - 1.0% 1989
  - 55% in first 3 month of sanctions.
- **Export Value**
  - dec 20.0% 1988
  - inc 6.0% 1989
- **Import Value**
  - dec 27% 1988
  - inc 28% 1989

### Rhodesia
- **GNP**
  - dec 5% 1966
  - inc 8% real terms 1967-1974
  - dec 12% between 1975-1978
- **Exports**
  - 50% less in 1968 than 1965
  - value inc 14.1% annually b/t 1969-1979
- **Imports**
  - dec 25.4% 1966
  - inc 12.9% annually b/t 1969-1979

### Serbia
- **GNP down 30-50%**
- **Decrease in imports of 80%**

### South Africa
- **GNP inc 1.2% annually in real terms 1985-1991**
  - GNP dec 0.52% annually 1989-1991.
- **Exports inc**
  - 46.30% 1985-1991
- **Imports inc 7% 1985-1991**
Vietnam
(note that data is for all of Vietnam unless otherwise indicated)

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>National income inc</td>
</tr>
<tr>
<td></td>
<td>--0.4% 1976-1980</td>
</tr>
<tr>
<td></td>
<td>--6.4% 1981-1986</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Vietnam</th>
<th>Total trade</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>--70.15% dec</td>
</tr>
<tr>
<td></td>
<td>1975-1976 (South)</td>
</tr>
<tr>
<td></td>
<td>--32.81% inc</td>
</tr>
<tr>
<td></td>
<td>1975-1976 (North)</td>
</tr>
<tr>
<td>Export</td>
<td>--17.32 inc</td>
</tr>
<tr>
<td></td>
<td>1977-1979</td>
</tr>
<tr>
<td></td>
<td>--7.0% annual inc</td>
</tr>
<tr>
<td></td>
<td>inc 1979-1985</td>
</tr>
<tr>
<td>Imports</td>
<td>--3.0% annual inc</td>
</tr>
<tr>
<td></td>
<td>inc 1979-1985</td>
</tr>
<tr>
<td></td>
<td>--3.97% dec</td>
</tr>
<tr>
<td></td>
<td>1981-1986</td>
</tr>
</tbody>
</table>

"National income and trade figures cited are somewhat useless. Reliable data is not released by the government. In addition, most Vietnamese trade takes place with the Soviet Union on semi-barter arrangements where product values are not important. Data used here is taken from Economic Intelligence Unit Profiles and Beresford, both of whom warn that their data is not good."
The following chart cites alternative explanations for the economic and political outcome in each case. It is important to remember that sanctions do not operate in a vacuum and that by themselves they cannot be expected to achieve major foreign policy goals. The reader should review this chart carefully so as to better understand the environment surrounding each episode.

Chart II: Other Explanations for Economic Performance

<table>
<thead>
<tr>
<th>Country</th>
<th>Other Variables Besides Sanctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Political instability scare investors.</td>
</tr>
<tr>
<td>Iran</td>
<td>Civil War. Iraqi War. Government mismanagement. Policy of less dependence on U.S.</td>
</tr>
<tr>
<td>Haiti</td>
<td>Political instability.</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Civil War.</td>
</tr>
<tr>
<td>Panama</td>
<td>Political instability cause capital flight.</td>
</tr>
<tr>
<td>Rhodesia</td>
<td>Civil War cost .04% GNP per day. World recession. South African sanctions.</td>
</tr>
<tr>
<td>South Africa</td>
<td>Private banks not extend short-term credit. Firms leave to not alienate Western consumers.</td>
</tr>
<tr>
<td>Serbia</td>
<td>War with neighboring countries. Lost trade between former-Yugoslavian republics.</td>
</tr>
</tbody>
</table>
The following chart summarizes the economic condition of each target prior to sanctions. GNP strength is rated from high to low depending on the country's overall GNP. In the case of Serbia, because GNP per capita was over $3000, it was given a middle rating. Trade as a percentage of GNP was determined by adding export value plus import value and dividing by GNP using figures from the World Bank. The figure cited was often determined by looking at levels in the five years prior to sanctions. In the case of Cuba and Vietnam other sources were consulted. Extreme caution should be used when looking at the trade linkage figures.

CHART III: General Economic Characteristics

<table>
<thead>
<tr>
<th>Country:</th>
<th>GNP Strength:</th>
<th>Resource Base:</th>
<th>High Energy Imports (oil):</th>
<th>Trade % GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>High</td>
<td>Yes</td>
<td>No</td>
<td>20-30%</td>
</tr>
<tr>
<td>Cuba</td>
<td>Low</td>
<td>No</td>
<td>Yes</td>
<td>60-70%</td>
</tr>
<tr>
<td>Haiti</td>
<td>Low</td>
<td>No</td>
<td>Yes</td>
<td>30-35%</td>
</tr>
<tr>
<td>Iran</td>
<td>Middle</td>
<td>Yes</td>
<td>No</td>
<td>30-40%</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Low</td>
<td>No</td>
<td>Yes</td>
<td>65-75%</td>
</tr>
<tr>
<td>Panama</td>
<td>Low</td>
<td>No</td>
<td>Yes</td>
<td>25-35%</td>
</tr>
<tr>
<td>Rhodesia</td>
<td>Middle-Low</td>
<td>Some</td>
<td>Yes</td>
<td>40-50%</td>
</tr>
<tr>
<td>Serbia</td>
<td>Middle</td>
<td>No</td>
<td>Yes</td>
<td>40-50%</td>
</tr>
<tr>
<td>South Africa</td>
<td>Middle</td>
<td>Yes</td>
<td>No</td>
<td>40-75%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Low</td>
<td>Some</td>
<td>No</td>
<td>30-40%</td>
</tr>
</tbody>
</table>

Trade as a percentage of GNP naturally changes over time. Also, rapid jumps in yearly tabulations may misrepresent the target's true dependence. Finally, while trade linkage may be high, it certain cases the sender comprised only a small percentage of the trade, thus rendering trade linkage figures obsolete. The methodology used is very unsound and extreme caution must be used. In the case of Cuba, the 60-70% represents trade dependence between the years 1958-1959 and 1974-1978, both of which saw this level.
Chart IV indicates what this writer found to the primary and secondary foreign policy objectives in each case.

<table>
<thead>
<tr>
<th>Country</th>
<th>Primary Foreign Policy Objectives</th>
<th>Secondary Foreign Policy Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cuba</td>
<td>Destabilize Castro.</td>
<td>Deter intervention in Latin America.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase costs on Soviet Union.</td>
</tr>
<tr>
<td>Iran</td>
<td>Release of hostages.</td>
<td>Expropriation claims.</td>
</tr>
<tr>
<td>Panama</td>
<td>Destabilize General Manuel Noreiga.</td>
<td>Halt flow of drugs coming out of Panama.</td>
</tr>
<tr>
<td>Rhodesia</td>
<td>End White Rule.</td>
<td>None available</td>
</tr>
<tr>
<td>Serbia</td>
<td>End invasion of Bosnia-Herzegovina.</td>
<td>Human rights, war crimes, intern camps.</td>
</tr>
<tr>
<td>South Africa</td>
<td>Force government to negotiate with blacks.</td>
<td>Human rights, Destabilize white rule.</td>
</tr>
</tbody>
</table>

*No major foreign policy objective could be found. The primary reason sanctions were extended in 1975 was to "save face" after losing the Vietnam War. There is a line of thought which suggests that sanctions were used to try to destabilize Vietnam. This author would note that if 500,000 American troops could not do it, it would be irrational to expect that sanctions would. Policy makers must have other primary objectives.*
Chart V outlines this author's foreign policy score in each case. Hufbauer and Schott's score is also given. Many times this author's primary and/or secondary goal was different from that of Hufbauer and Schott. For example, while this author found "maintain strong U.S.-Sino relations" as the primary objective of U.S. policy via China, Hufbauer and Schott thought it to be human rights. Another example is South Africa. Hufbauer and Schott saw the primary objective to be the dismantling of apartheid while this writer found faithful negotiations and progress on majority rule as the primary objective.

Recall that a rating system of 1 (no success) to 10 (high success) is used to numerically indicate the extent to which this writer found sanctions effective. A 5 is the lowest possible score for a sanction to still be considered a significant success. Note that just because a country has a score lower than 5 does not mean that sanctions had no political usefulness. It is just that they did not make a significant contribution toward the political objectives of the sender. Hufbauer and Schott consider a case to be successful if it receives a score of 9 or higher.

CHART V: Foreign Policy Success Scores

<table>
<thead>
<tr>
<th>Country</th>
<th>Primary Score</th>
<th>Secondary Score</th>
<th>Hufbauer and Schott Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>N.A.</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Cuba</td>
<td>1</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Haiti</td>
<td>8</td>
<td>3</td>
<td>N.A.</td>
</tr>
<tr>
<td>Iran</td>
<td>pre-war 1</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>post-war 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nicaragua</td>
<td>5</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Panama</td>
<td>9</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Rhodesia</td>
<td>pre-1974 2</td>
<td>N.A.</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>post-1974 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Serbia</td>
<td>1</td>
<td>1</td>
<td>N.A.</td>
</tr>
<tr>
<td>South Africa</td>
<td>8</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Vietnam</td>
<td>N.A.</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>
Chart VI and VII summarizes political conditions in the target at the time of sanctions. In the column of "relationship with sender at time of sanctions," a 1 indicates an antagonistic relationship while a 3 signifies a cordial relationship. A 2 suggests that relations were cool, but neither antagonistic nor friendly. Notice that in all episodes, sanctions were in place for at least one year.

CHART VI: Characteristics of Target Government

<table>
<thead>
<tr>
<th>Country</th>
<th>Type of Government at sanction</th>
<th>New or Revolutionary government?</th>
<th>Rltshp with sender at time of sanctions</th>
<th>Years of sanctions (+ means still in place)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Communist</td>
<td>No</td>
<td>3</td>
<td>4+</td>
</tr>
<tr>
<td>Cuba</td>
<td>Communist</td>
<td>Yes</td>
<td>1</td>
<td>33+</td>
</tr>
<tr>
<td>Haiti</td>
<td>Military</td>
<td>Yes</td>
<td>2</td>
<td>1.5+</td>
</tr>
<tr>
<td>Iran</td>
<td>Religious</td>
<td>Yes</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Socialist</td>
<td>Yes</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Panama</td>
<td>Military</td>
<td>No</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Rhodesia</td>
<td>Apartheid</td>
<td>No</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Serbia</td>
<td>Military</td>
<td>No*</td>
<td>1</td>
<td>1+</td>
</tr>
<tr>
<td>South Africa</td>
<td>Apartheid</td>
<td>No</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Communist</td>
<td>No*</td>
<td>1</td>
<td>18+</td>
</tr>
</tbody>
</table>

*In the case of South Vietnam, the government before 1975 was not Communist. But because U.S. sanctions had been in place on North Vietnam since 1954, this author considers the sanctions against South Vietnam only as an extension of the one on North Vietnam. It might be argued that the government of Serbia has dramatically changed since the break-up of Yugoslavia. But this author based his decision of "No" on the fact that personal and social relations among the people are closer than significantly changed.
### CHAF: VII: Political Responses

<table>
<thead>
<tr>
<th>Country</th>
<th>Did target have immediate negative response?</th>
<th>Did target turn for aid from Soviet Union?</th>
<th>Was military force, such as civil unrest/war, present?</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Cuba</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Haiti</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Iran</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Panama</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Rhodesia</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Serbia</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>South Africa</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

*Panama, however, did try to obtain aid from the Soviet Union. Cuba sent Panama at least $50 million.*
Chart VIII scores sanctions' symbolism impact. These scores are on a scale from 1 to 3. A 1 indicates failure, 2 implies slightly success, and 3 indicates success. For the category "international cooperation," in cases where the international community has publicly condemned the sender for imposing sanctions, a negative score is given.

Chart VIII: Symbolic Effects

<table>
<thead>
<tr>
<th>Country</th>
<th>Effect on Target</th>
<th>International cooperation</th>
<th>Signal to Third Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Cuba (1960-1975)</td>
<td>1</td>
<td>2 (OAS)</td>
<td>3 (communism)</td>
</tr>
<tr>
<td>Cuba (1975-1993)</td>
<td>1</td>
<td>-2</td>
<td>1</td>
</tr>
<tr>
<td>Haiti</td>
<td>2</td>
<td>2 (OAS)</td>
<td>2 (human rights)</td>
</tr>
<tr>
<td>Iran</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>1</td>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td>Panama</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Rhodesia (1965-1975)</td>
<td>1</td>
<td>1 (S. Africa Portugal US, UK sanction busting)</td>
<td>3 (apartheid)</td>
</tr>
<tr>
<td>Rhodesia (1975-1980)</td>
<td>2</td>
<td>2 (sanction busting)</td>
<td>3 (apartheid)</td>
</tr>
<tr>
<td>Serbia</td>
<td>2</td>
<td>3 (UN)</td>
<td>3 (human rights)</td>
</tr>
<tr>
<td>South Africa</td>
<td>3</td>
<td>3 (C.I)</td>
<td>3 (apartheid)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1</td>
<td>-1</td>
<td>2 (communism)</td>
</tr>
</tbody>
</table>
Chart IX gives the score for each case on the success of using sanctions for domestic political purposes. A 10 indicates that a failure on the part of the President to impose and/or maintained existing sanctions could have such serious political ramifications that this one issue may cost a President or Presidential candidate an election. A score of 5 or 6 suggests that the imposition of sanctions was important to deflect criticism from the opposing political party, but not necessarily to attract voters. For example, while few people may have voted for President Bush because he enacted sanctions against China, Haiti, Panama, and Serbia, had he not enacted sanctions, then Presidential candidate Bill Clinton and the American public could question President Bush's ability to both effectively carry-out American foreign policy and follow the wishes of a large percentage of voters who felt that 'something be done' about these situations. What separates a 10 from a 5 is the level of political damage done if sanctions are not imposed. Single voter constituencies, such those who support sanctions against Vietnam and Cuba, are given more weight. This author developed these figures from evidence presented in the cases or through estimation.

Chart IX: Domestic Utility

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>6</td>
</tr>
<tr>
<td>Cuba</td>
<td>10</td>
</tr>
<tr>
<td>Haiti</td>
<td>5</td>
</tr>
<tr>
<td>Iran</td>
<td>10</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>-2</td>
</tr>
<tr>
<td>Panama</td>
<td>6</td>
</tr>
<tr>
<td>Rhodesia</td>
<td>N.A.</td>
</tr>
<tr>
<td>Serbia</td>
<td>6</td>
</tr>
<tr>
<td>South Africa</td>
<td>9</td>
</tr>
<tr>
<td>Vietnam (1975-1980s)</td>
<td>10</td>
</tr>
<tr>
<td>Vietnam (late 1980s-)</td>
<td>9</td>
</tr>
</tbody>
</table>
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